

CITY OF FARMINGTON, MISSOURI

FINANCIAL STATEMENTS

September 30, 2015

CITY OF FARMINGTON, MISSOURI

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Farmington, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City Farmington, Missouri as of and for the year ended September 30, 2015, 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 and the aggregate remaining fund information of the City of Farmington, Missouri as of September 30, 2015, 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.

New Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASBS No. 67, Financial Reporting for Pension Plans; GASBS No. 68, Accounting and Financial Reporting for Pensions; GASBS No. 69, Government Combinations and Disposals of Government Operations; GASBS No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees and GASBS No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, governmental fund budgetary comparison and required supplementary information – employees' retirement plan on pages 5–24 and 61-68 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of the City of Farmington, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



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Farmington, Missouri
March 4, 2016

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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, each major fund and the aggregate remaining fund information of the City of Farmington, Missouri as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Farmington, Missouri's basic financial statements and have issued our report thereon dated March 4, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Farmington, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Farmington, Missouri's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency, 2015-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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

City of Farmington, Missouri's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. 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, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Farmington (the "City"), 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, 2015. 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.

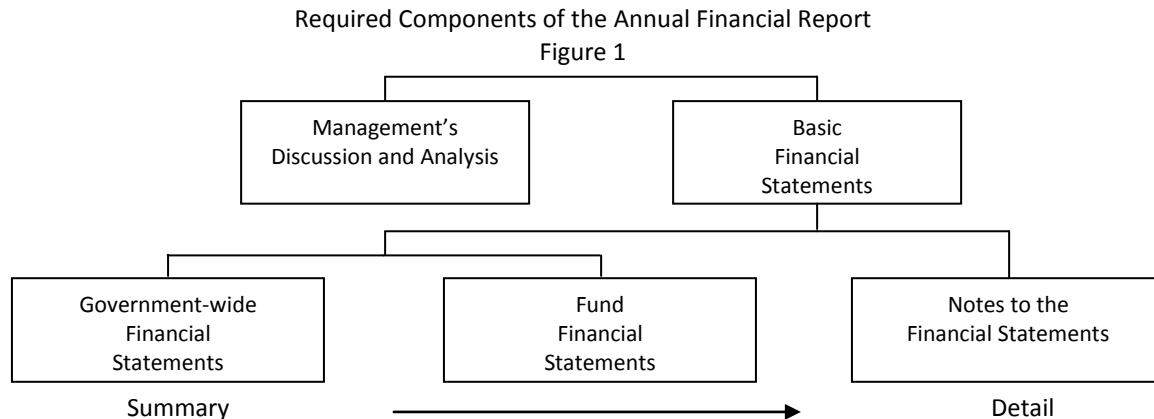
FINANCIAL HIGHLIGHTS

- Due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, the City restated the net position at September 30, 2014. With the restatement, the City's total net position increased \$3,618,412 or 4.4%. Governmental net position increased \$2,358,078 or 7.8% and business-type activities total net position increased \$1,260,334 or 2.5%. Governmental funds unrestricted net position increased \$117,482 or 4.7%.
- The City of Farmington had a positive net position at the close of the fiscal year in the amount of \$88,908,881 (*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 \$3,549,492. This increase is representative of a \$1,589,792 increase in governmental activities and a \$1,959,700 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 \$6,359,398, a net decrease from the prior year of \$6,924,086 in fund balance. Netting out lease proceeds which were received in the prior year and spent in the current year on capital projects accounts, in the amount of \$7,694,816, results in a net change in governmental fund balances of \$770,730, which is largely due to a \$405,342 increase in the Storm Water & Parks Tax Fund and a \$369,497 increase in the Transportation Tax Fund.
- Of the governmental fund balances, \$3,414,195 is available for spending at the government's discretion (*unassigned, assigned, and committed fund balances*). This is up from \$2,641,271 in the prior year. Of the \$3,414,195, only \$2,477,018 is considered unassigned. The remaining \$937,177 is committed or assigned by City Council and management.
- At the end of the fiscal year, the governmental funds full unreserved balance of \$2,477,018 was held in the General Fund. This amounts to approximately 30% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- The City of Farmington's total debt decreased by \$1,722,710 (9%) during the fiscal year. This decrease was the net effect of a reduction of \$2,049,921 in principal in current amounts due and one new borrowing completed during the year. The new borrowing was a capital lease in the amount of \$327,211 for the purchase of a Vactor Truck for the cleaning of wastewater lines.
- The payment in lieu of taxes from the electric, water, and sewer departments was set at 5% resulting in a total payment amount of \$1,375,600. 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 decrease over the prior fiscal year resulting in total grants and contributions of \$542,520 in comparison to \$2,043,235. This \$1,500,715 decrease consists of a \$1,481,174 decrease in capital grants and a \$19,541 decrease in operating grants and contributions. Of the capital grants decrease, \$1,174,481 is related to a decrease in transportation funds received for land acquisition and aviation easements at the airport; \$174,157 is related to a decrease in capital contribution from the Farmington R-7 School District for new tennis courts, and \$132,536 is a decrease in transportation funds for a

local sidewalk improvement project.

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 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 27 and 28.

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 29 to 34.

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 35 to 62 with the Required Supplemental Information on pages 63 to 69.

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.

Management Discussion and Analysis

City of Farmington

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

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 Discussion and Analysis

City of Farmington

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects a condensed comparative statement of net position for September 30, 2015 and 2014. As previously mentioned, the 2014 Statement of Net Position is shown restated due to the adoption of the Governmental Accounting Standards Board Statement Nos. 68 and 71 related to accounting for pensions.

City of Farmington's Statement of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014-Restated	2015	2014-Restated	2015	2014-Restated
Current Assets	\$ 5,185,787	\$ 4,528,717	\$ 11,296,806	\$ 10,375,075	\$ 16,482,593	\$ 14,903,792
Other Assets	3,120,528	9,316,451	2,954,642	581,778	6,075,170	9,898,229
Net Pension Asset	1,954,052	2,118,597	1,099,153	2,409,779	3,053,205	4,528,376
Capital assets (Net)	37,153,323	30,083,991	49,165,985	49,698,312	86,319,308	79,782,303
Total assets	47,413,690	46,047,756	64,516,586	63,064,944	111,930,276	109,112,700
Deferred Outflows	696,672	815,761	391,879	0	1,088,551	815,761
Current liabilities	3,195,114	2,591,041	3,060,307	3,773,055	6,255,421	6,364,096
Long-term liabilities	10,457,198	11,722,104	7,061,698	7,839,959	17,518,896	19,562,063
Total liabilities	13,652,312	14,313,145	10,122,005	11,613,014	23,774,317	25,926,159
Deferred Inflows	215,948	20,061	119,681	5,185	335,629	25,246
Net Position:						
Net investment in capital assets	25,431,218	25,305,484	43,100,039	43,143,312	68,531,257	68,448,796
Restricted	5,396,689	4,705,555	3,109,930	4,246,891	8,506,619	8,952,446
Unrestricted	3,414,195	2,641,271	8,456,810	5,316,876	11,871,005	7,958,147
Total net position	\$ 34,242,102	\$ 32,652,310	\$ 54,666,779	\$ 52,707,079	\$ 88,908,881	\$ 85,359,389

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, 2015, the assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$88,908,881. This equates to a 4%, or \$3,549,492, increase in net position as compared to September 30, 2014. This increase consisted of \$1,589,792 (45%) from governmental activities and \$1,959,700 (55%) from business-type activities.
- Comparatively, the City's net investment in capital assets is approximately 77% 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

Management Discussion and Analysis

City of Farmington

outstanding increased by \$82,461. The City's governmental activities accounted for an increase in net investment in capital assets of \$125,734. The proprietary funds realized a decrease of \$43,273, which consists of a decrease in the airport fund of \$1,126,810, a \$1,173,785 increase in the civic complex fund, an increase of \$23,716 in the utility fund, and a \$113,964 decrease in the sewer fund.

- An additional portion of the City's net position \$8,506,619, or 9.6%, represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of \$11,871,005 is unrestricted. The amount of unrestricted net position in relation to total net position is 13.4% compared to 9.3% in the prior year (restated). Of the unrestricted net position, approximately 29% is attributable to governmental type activities and 71% 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, 2015 and September 30, 2014.

City of Farmington's Statement of Activities
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for goods and services	\$ 569,446	\$ 640,982	\$ 0	\$ 0	\$ 569,446	\$ 640,982
Electric Charges	0	0	22,234,979	21,667,212	22,234,979	21,667,212
Water Charges	0	0	3,027,205	3,108,559	3,027,205	3,108,559
Sewer Charges	0	0	2,432,459	2,325,690	2,432,459	2,325,690
Airport Charges	0	0	327,649	406,996	327,649	406,996
Civic Complex	0	0	1,445,210	1,448,002	1,445,210	1,448,002
Operating grants and contributions	192,248	213,095	228,856	227,550	421,104	440,645
Capital grants and contributions	97,044	403,737	24,372	1,198,853	121,416	1,602,590
General revenues:						
Sales taxes	7,490,834	6,911,600	0	0	7,490,834	6,911,600
Property taxes	848,463	829,008	0	0	848,463	829,008
Motor Fuel & Vehicle Tax	649,764	609,567	0	0	649,764	609,567
Gross Receipts Tax	475,014	570,932	0	0	475,014	570,932
Transient Guest Tax	259,168	233,046	0	0	259,168	233,046
Other taxes	178,545	173,115	0	0	178,545	173,115
Tax Increment Finance Proceeds	503,276	544,003	0	0	503,276	544,003
Interest Income	79,253	75,154	156,268	129,518	235,521	204,672
Administrative Pilot Payment	1,375,600	1,342,382	0	0	1,375,600	1,342,382
Insurance Proceeds	271,830	58,453	201,001	13,097	472,831	71,550
Other Income	32,931	41,623	0	0	32,931	41,623
Gain/(Loss) on Disposal of Assets	(70,913)	7,000	(758,353)	0	(829,266)	7,000
Special or Extraordinary Items	0	304,000	0	0	0	304,000
Total revenues	12,952,503	12,957,697	29,319,646	30,525,477	42,272,149	43,483,174
Expenses:						
General government	1,822,186	1,849,714	0	0	1,822,186	1,849,714
Public safety	3,788,084	3,650,799	0	0	3,788,084	3,650,799
Streets and Public Works	2,601,140	2,536,760	0	0	2,601,140	2,536,760
Cultural and recreation	1,257,276	1,128,451	0	0	1,257,276	1,128,451
Electric	0	0	21,135,786	21,892,881	21,135,786	21,892,881
Water	0	0	2,594,737	3,414,936	2,594,737	3,414,936
Sewer	0	0	2,548,901	2,511,483	2,548,901	2,511,483
Airport	0	0	663,500	706,066	663,500	706,066
Civic Complex	0	0	2,311,047	2,361,334	2,311,047	2,361,334
Total expenses	9,468,686	9,165,724	29,253,971	30,886,700	38,722,657	40,052,424
Change in net position before transfers	3,483,817	3,791,973	65,675	(361,223)	3,549,492	3,430,750
Transfers	(1,894,025)	(830,257)	1,894,025	830,257	0	0
Change in net position	1,589,792	2,961,716	1,959,700	469,034	3,549,492	3,430,750
Net Position, September 30	32,652,310	27,332,516	52,707,079	50,977,711	85,359,389	78,310,227
Prior Period Adjustment	0	2,358,078	0	1,260,334	0	3,618,412
Net Position, September 30	\$ 34,242,102	\$ 32,652,310	\$ 54,666,779	\$ 52,707,079	\$ 88,908,881	\$ 85,359,389

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.

- While total revenues for the governmental funds remained substantially the same, government wide revenues decreased by approximately 3%, or \$1,211,025. This decrease is driven by a decrease in grants and contributions in the amount of \$1,500,715.
- Program revenues net of grants and contributions increased \$439,507 for 2015. This increase is driven by increases in the business-type activities, which offset a \$71,536 decrease in the governmental activities.
- For the second year in a row, the general revenues net of gain or loss on assets, insurance proceeds, and special items realized an overall increase of 5% (\$89,168 in 2015), which is due largely due to an increase in sales tax revenue.
- Overall expenses decreased a total of \$1,329,767 or 3.3%. Governmental activities accounted for a \$302,962 increase in expenses while business-type activities had a \$1,632,729 decrease. The business type activities decrease was primarily driven by a combination of reduced power costs and reduced system maintenance costs due to significant maintenance expenditures in 2014 on the Farmington Correctional Center water system for which the City has an intergovernmental operating agreement with State of Missouri.

Governmental Activities

Governmental activities increased the City's net position by \$3,483,817 before transfers. Key elements of this change are as follows:

Revenue

- Sales tax revenues increased by \$579,234. This represents an 8.4% increase over the prior year. Prior to Fiscal Year 2014, the City's general sales tax had remained substantially stable for many years. The Fiscal Year 2015 increase marks two consecutive years of increased sales tax for the City, 8.4% and 6.6%. Based on development in the area and economic growth, the City anticipates increases to continue as the economy grows, however a somewhat slower rate of increase is anticipated.
- Other tax revenue changes for the City included:
 - A 2.3% increase in property taxes, \$19,455
 - A 6.6% increase in motor fuel and vehicle taxes, \$40,197
 - A 16.8% decrease in gross receipts taxes, (\$95,918)
 - An 11.2% increase in transient guest tax receipts, \$26,122
 - A 3.1% increase in other taxes combined, \$5,430
- Administrative pilot payments increased by \$33,218, or 2.5%, 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 water 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 decreased by \$20,847, or -9.8%, from the prior year to a total of \$192,248. Operating grants were received in the public safety area in the amount of \$174,340. This consisted of \$114,362 for the Mineral Area Drug Task Force, \$3,160 for youth seatbelt and hazardous moving vehicle enforcement efforts, and \$56,818 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 \$17,908 for operation of the library and bike hostel from a combination of state aide and donations by individuals.

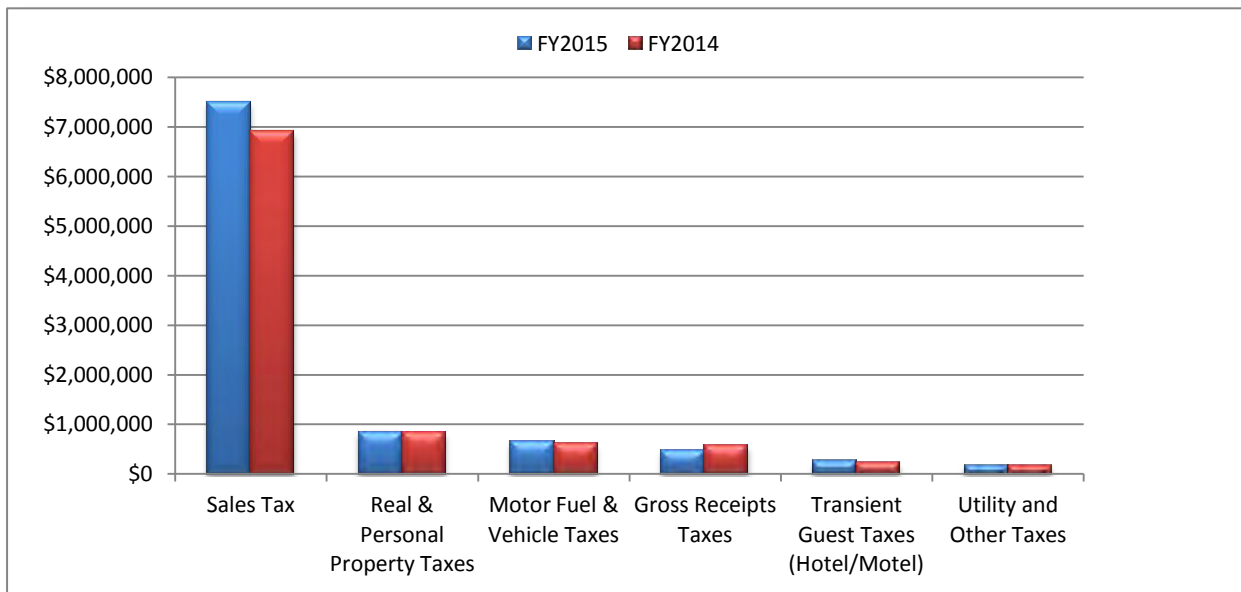
Management Discussion and Analysis

City of Farmington

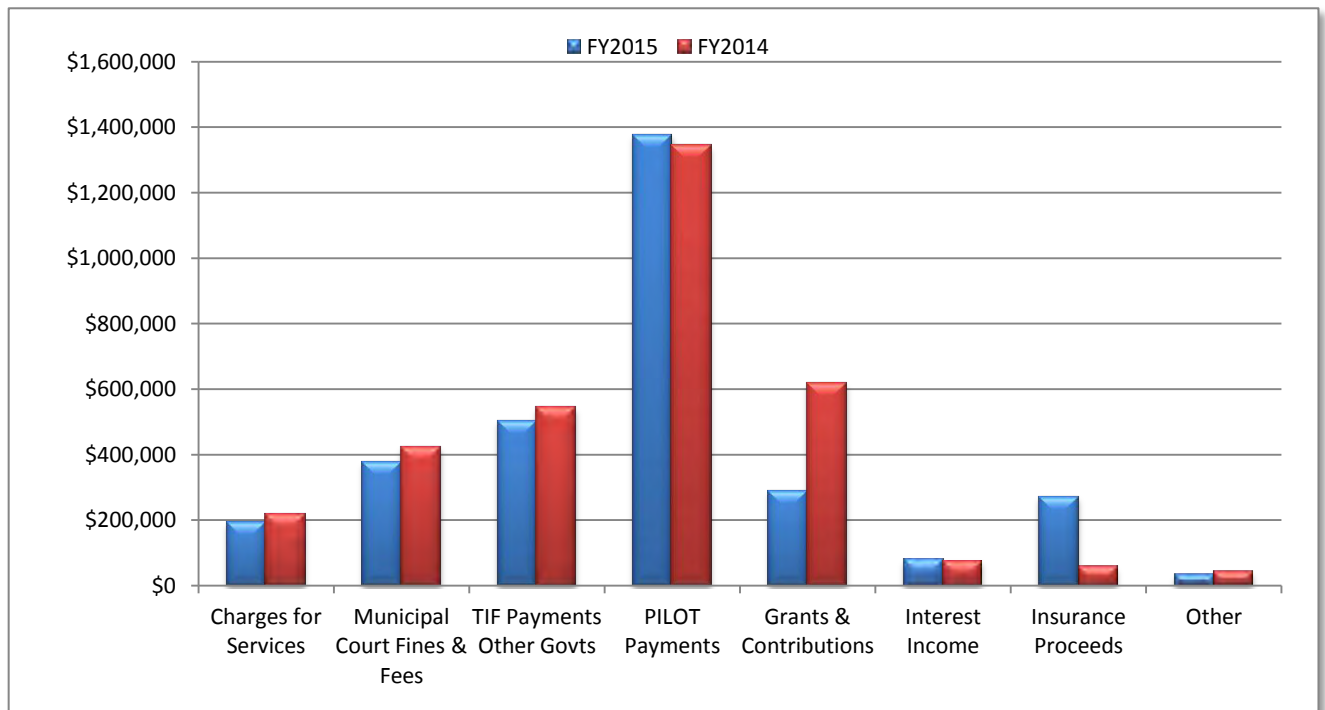
- The streets and public works received capital grants in the amount of \$53,706 from Missouri Department of Transportation to be used toward the completion of a sidewalk project.
- The culture and recreation program areas received a total of \$43,338 in capital grants and contributions. These included a \$12,813 capital cost-sharing contribution from the Farmington R-7 School District for the construction of new tennis courts located adjacent to Engler Park. A \$26,097 contribution from Pepsi toward the purchase of a scoreboard for the Sports Complex and donations and sponsorships in the amount of \$4,428 from various merchants, clubs, and individuals in support of the parks programming.

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

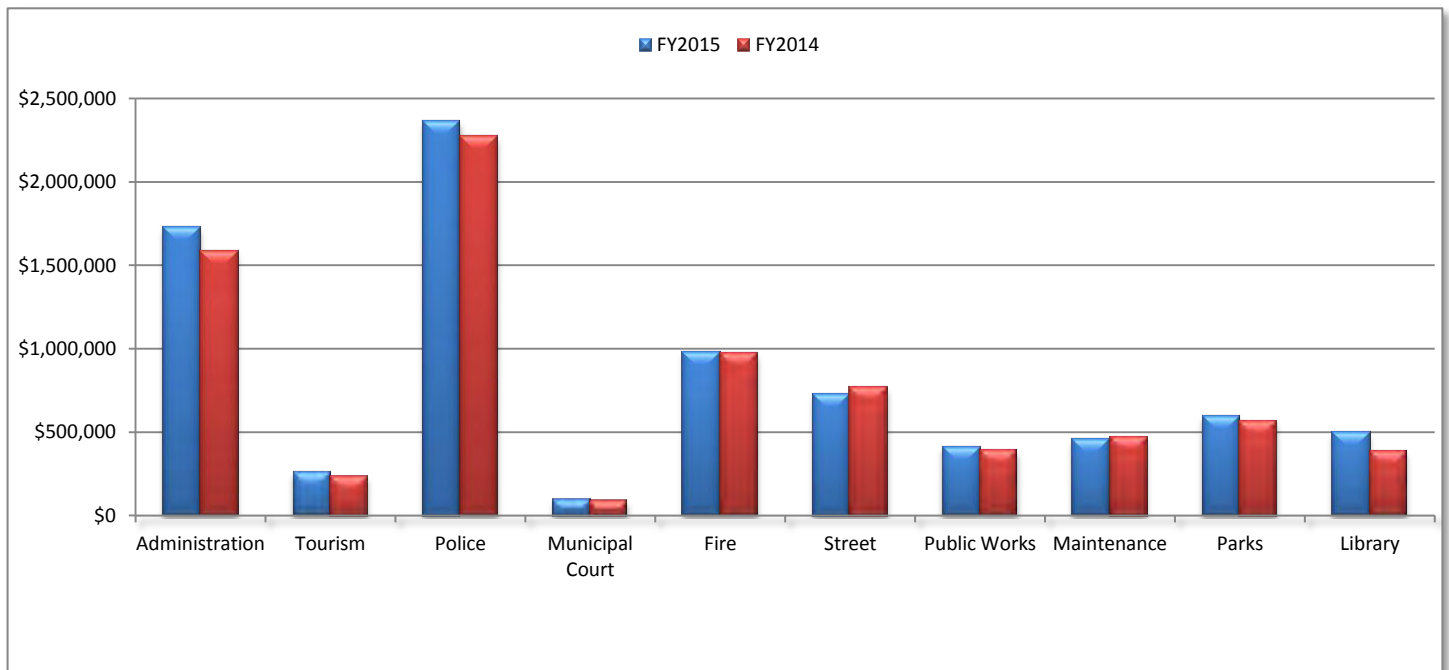


Expenses

- Overall, there was an increase of \$302,962 or 3.3% in governmental activities operating expenses (debt service principal and or capital outlay not included). Changes consisted of:
 - A 1.5%, or \$27,528, decrease in general government expenses,
 - A 3.8%, or \$137,285, increase in public safety expenses,
 - A 2.5%, or \$64,380, increase in streets and public works expenses, and
 - An 11.4%, or \$128,825, increase in culture and recreation expenses,all of which were primarily due to a generalized increase in personnel and operating costs.
- Personnel related expenses as a whole for the governmental activities had a 0.6% net increase, \$28,645. This was the result of an increase in salaries of \$56,772, or 1.7%, due to pay increases and a decrease in other related employee expenses such as benefits and contracted labor of \$28,127, or 1.9%.
- With the reduction in gas prices, the Governmental activities as a whole experienced a 21.6% or \$41,949 decrease in gas and oil expenses. The prior year, governmental activities had experienced a 7.5% decrease in costs in this area as a 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 third year in a row. (FY2015 \$10,372,428; 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 increased the City of Farmington's net position by \$65,679 before transfers. While as a whole this amount is not significant, some individual funds experienced significant changes in net position. Key elements of the changes are as follows:

- A net loss in the Civic Complex Fund of \$556,847. Net of depreciation, the fund experienced a loss before transfers of \$129,355. The loss is related to increased personnel costs and increased costs of maintenance to the facilities. The operations were subsidized by the General Fund.
- A net loss in the Airport Fund of \$1,180,828 before transfers. This loss is a combination of the demolition of six houses in the runway approach zone at the airport and depreciation. The houses were originally purchased with support from the Missouri Department of Transportation in the form of federal and state transportation grant funds for capital outlay related to land and aviation easement acquisitions.
- A net gain in the Utility Fund of \$1,799,286 before transfers, which is primarily related to the acquisition of capital assets and an increase in reserves for future projects based on reduced power costs during the year. Operating income, with depreciation added back in, was \$1,607,574 in the Electric Department and \$957,893 in the Water Department. (Operating income does not include non-operating revenues and expenses such as interest, debt related items and gain or loss on assets).
- A net gain in the Sewer Fund of \$4,064 before transfers.

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. The City has chosen to present the Special Allocation Fund and the District Municipal Fund combined under the Non-major Funds. Following is information for each of the Major Governmental Funds.

General Fund

The General Fund is the chief operating fund of the City. As of September 30, 2015, the General Fund had a balance of \$3,447,333, of which \$2,477,018 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 29% 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 FY2015 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, 2015 is \$31,438, of which the full balance is non-spendable or restricted. 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, 2015 is \$842,201. This balance is significantly decreased from the prior year because of the spending of previously received certificates of participation funds for the construction of a new municipal library, improvements to the police station, and

Management Discussion and Analysis

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expansion of and improvements to the water park, all of which were completed in FY2015. The fund balance is restricted for capital projects. 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, 2015, the balance of the Transient Guest Tax Fund is \$0. No minimum balance policy exists for this fund.

Storm Water and Parks Tax Fund

The Storm Water and Parks Tax Fund is used to account for resources designated to and expenses related to the capital storm water projects and operation and capital improvements to the parks. The balance of the Storm Water and Parks Tax Fund at September 30, 2015 is \$641,618. Upon receipt, 25% of the tax revenue is transferred to the General Fund for the parks operations. The remaining funds are held in the Storm Water and Parks Tax Fund and restricted for capital projects. No minimum balance policy exists for this fund.

Transportation Tax Fund

The Transportation Tax Fund is used to account for resources designated to and expenses related to the construction and operation of the transportation system (e.g., roads, sidewalks, airport). The balance of the Transportation Tax Fund at September 30, 2015 is \$530,632. The fund balance is restricted, and 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, 2015 is \$54,666,779. The unrestricted portion of the total net position equaled \$8,456,810, a 25% increase from September 30, 2014.

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, 2015 is \$6,930,076. The amount that is unrestricted is \$89,097. This equates to 26.8% of operating expenses (depreciation and capital outlay not included) compared to 29% at September 30, 2014.

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, 2015 is \$21,045,082. Of this amount, \$7,934,836 is unrestricted, a \$1,702,857 or 27% increase over the prior year. The unrestricted amount equals 35% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 26% at September 30, 2014.

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, 2015 is \$14,648,944. There is no unrestricted net position in the Sewer Fund. All revenues generated are restricted for sewer use. Of the total net position, \$1,633,972 is held in restricted net position and \$13,014,972 is net investment in capital assets in comparison to \$1,050,851 restricted and \$13,128,956 net investment in capital assets in 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 \$12,042,677 at September 30, 2015, of which \$432,877 is unrestricted. This equates to 23% of operating expenses (depreciation and capital expenditures not included) in comparison to 22.5% at September 30, 2014.

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:

- Addition of \$425,000 in insurance reimbursements, offset by corresponding costs due to damage caused by a major storm event in April 2015,
- An addition of \$400,000 in the General Fund public safety programs capital expenses and corresponding \$400,000 lease proceeds for the rebuild of a fire pumper truck,
- Increase in general sales tax of \$296,000 due to economic growth greater than anticipated,
- A reduction of \$120,000 in the General Fund public safety programs revenue to decrease court fines revenue based on actual revenues being received,
- An addition of \$72,000 in the governmental funds for increased costs related to contracted services (e.g. public safety software agreements, public works tree clearing, culture and recreation library service contracts, etc.),
- Addition of a \$59,000 transfer to the District Municipal Fund from the General Fund and \$28,000 from the Capital Projects Fund for tax sharing agreement requirements,
- A \$50,000 addition to the General Fund engineering for public works projects primarily related to review of storm water plans and design standards,
- A 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,
- A decrease in the streets and public works area of \$39,000 in revenue and corresponding expenses for the decision to forego implementation of a occupancy inspection program,
- A General Fund decrease in gas and oil expenses of \$37,000 to account for a reduction in gas prices,
- A decrease of part-time salaries in the General Fund of \$26,000 for combined savings in the fire department and library,
- A General Fund increase of \$30,000 for public works traffic control materials partially for the addition of battery back-ups and push-button activated crossings to stoplights.
- General Fund addition in the administration area of \$28,000 for the purchase and installation of a voice over internet protocol phone system,
- An increase of \$26,100 to the culture and recreation area contributions to account for a donation from Pepsi toward the purchase of a scoreboard.
- An increase of \$25,000 in storm water detention impact fee revenue based on increase in development permits,
- A decrease of \$25,000 in General Fund streets drainage projects for projects covered by the Storm Water Fund,
- An increase in capital expenses in the streets and public works area of \$21,500 for the rebuild of a dump truck.
- An increase of \$15,200 in uniform expenses in the public safety area for the replacement of firefighter turn-out gear,
- A decrease in public works revenue of \$15,000 based on revised revenue estimates during the year,

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- A Transient Tax Fund revenue and expense increase of \$35,000 to account for estimated increases during the fiscal year,
- The addition of \$87,000 for the District Municipal Fund development agreement expenses to account for payments to be made under tax sharing agreements,
- An increase in the Special Allocation Fund revenue of \$105,000 for the sale of a building at 1 North Jefferson Street,
- An increase in the Special Allocation Fund downtown land and building improvement expenses of \$80,000 for use toward purchasing a house at 207 N A Street,
- An increase of \$37,000 in the Special Allocation Fund administrative and legal expenses and corresponding reimbursement revenue to cover expenses incurred for new development projects that came in during the year,
- A decrease in the Highway 67 TIF Project district expenses in the Special Allocation Fund for the removal of potential district projects, all revenues have been committed through a development agreement,
- 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 to the Special Allocation Fund,
- Decrease in Storm Water and Parks capital expenses of \$200,000 for drainage improvements projects that will not be undertaken in fiscal year,
- Increase in Storm Water and Parks sales tax of \$76,000 due to economic growth greater than anticipated,
- Increase in Transportation Fund sales tax of \$76,000 due to economic growth greater than anticipated,
- A decrease of \$75,000 in transfers from the Transportation Fund to the Airport Fund for capital match that was not needed due to less capital expenditures related to the Airport expansion,
- Increase in Transportation Fund grant revenue of \$53,700 for grant eligible reimbursements from the State of Missouri for a sidewalk improvement project carry-over from Fiscal Year 2014,
- Increase in Transportation Fund capital expenses of \$51,400 to adjust project costs a sidewalk improvement project carry-over from Fiscal Year 2014,
- A decrease of \$23,000 in the Transportation Fund for capital expenses related to projects that will not be undertaken until future years,
- A reduction of \$190,000 in capital projects in the Capital Projects Fund for projects that will not be undertaken,
- An increase in capital sales tax revenue of \$146,900 in the Capital Projects Fund due to economic growth greater than anticipated,
- Addition of a \$115,000 transfer from Capital Projects Fund to Sewer Fund to help cover costs associated with the replacement of equipment at the East Treatment Plant,
- Addition of \$300,000 in Civic Complex Fund capital expenditures for the replacement of the indoor pool dehumidifier unit,
- Civic Complex Fund increase in building repair and maintenance costs of \$70,000 to cover additional costs due to water park pool sandblasting, slide repairs and painting,
- A decrease of \$25,000 in Civic Complex Fund Water Park daily fees and associated payroll expenses to adjust for inclement weather days and revised revenue estimates,
- A \$15,000 increase in Civic Complex Fund for equipment purchases,
- A \$25,000 increase in Civic Complex Fund Senior Center food costs based on revised cost estimates,

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- A decrease in the Airport Fund revenue (\$810,000) and capital expenses (\$890,000) related to the airport expansion project for acquisitions and construction postponed to future years,
- A decrease in the Airport Fund of \$70,000 in fuel sales revenue and fuel costs related to the decrease in the cost of fuel,
- A decrease in the Utility Fund purchase power costs of \$880,000 to account for a decrease in the purchase power costs in comparison to the anticipated all-in costs at the time of the initial budget,
- A decrease in the Utility Fund water revenues of \$120,000 to account for a reduction in summer usage,
- An increase of the capital costs in the Utility Fund in the amount of \$175,000 for electric capital expenses related to the purchase of land for a new substation on the north side of town,
- An increase in Utility Fund revenue for a total of \$57,000 due to the sale of a truck to the City of Fredericktown and the sale of some transformers
- A decrease in the Utility Fund payroll costs of \$47,000, due to retirements and personnel changes,
- An overall increase of \$40,000 in service supplies (includes transformers and meters) due to an increase in anticipated usage from construction and developments,
- An increase in the Utility Fund water system maintenance costs of \$40,000 for a leak detection survey and expenses related to system repairs,
- An increase in the Utility Fund water expenses of \$30,000 for increased radionuclide treatment costs,
- An increase in the Utility Fund intergovernmental revenue of \$30,000 to adjust for operating revenues based on actual usage,
- An increase in Utility Fund revenues of \$25,000 for late payment fees,
- An increase in Utility Fund expenses of \$22,500 for additional bad debt expenses,
- An increase in Utility Fund expenses of \$23,500 for water primacy fees paid to the State prior to the close of the fiscal year,
- An increase in Utility Fund revenue of \$18,000 for gains on investments related to the Series 2011 Certificates of Participation utilized for construction of the radionuclide treatment system,
- A decrease in Utility Fund gas and oil costs of \$15,000 related to decreased gas costs,
- An increase in the Sewer Fund capital expenses of \$715,000 for the purchase of a sewer vacuum truck (\$330,000) and improvements at the treatment plants (\$385,000),
- A Sewer Fund decrease in capital main extension and replacement costs of \$50,000 due to adjustments in the costs and projects planned,
- An increase in the Sewer Fund revenue of \$36,000 to adjust for revised revenue estimates,
- An increase in the Sewer Fund expenses related to the testing of sludge for metals of \$35,000,
- A decrease in the Sewer Fund expenses of \$30,000 for costs related to chemicals and lab supplies,
- A \$25,000 increase in the Sewer Fund expenses for additional costs related to system maintenance,

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

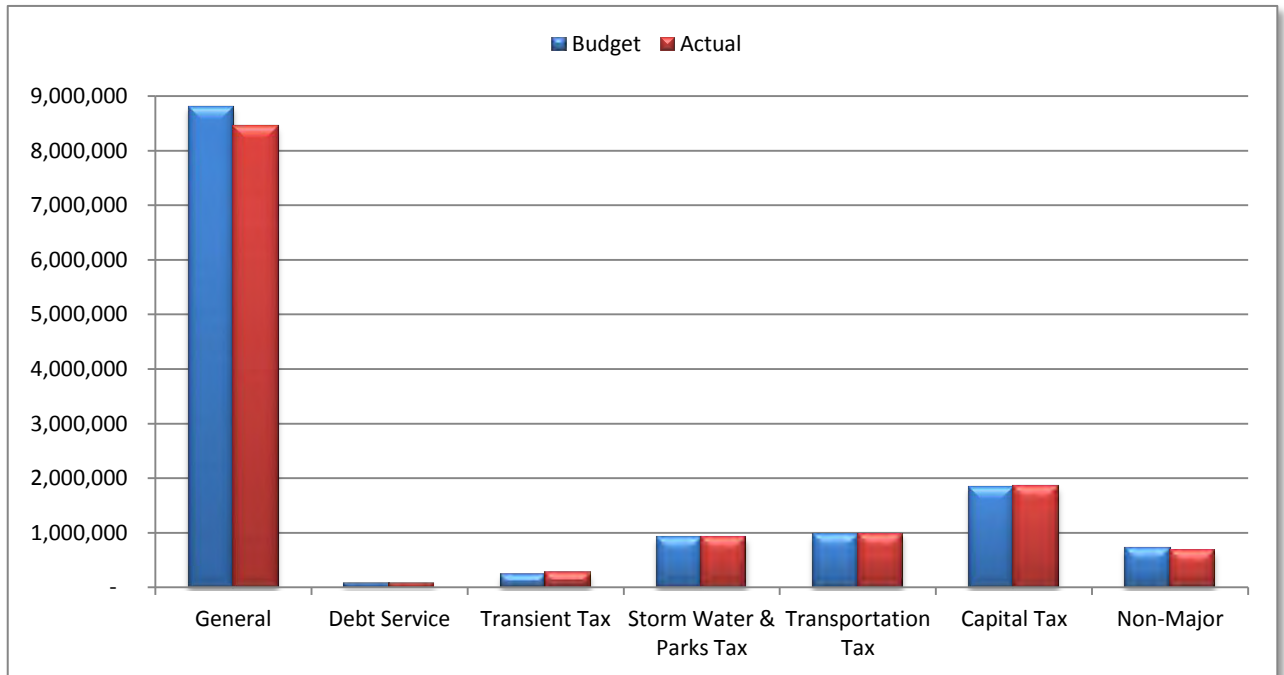
Actual revenues in the Governmental Funds as a whole were \$375,111 or approximately 3% below budget which was largely due to the General Fund. Major fund variations to budget which are greater than 1% are listed below.

Management Discussion and Analysis

City of Farmington

- The General Fund revenues were \$361,850 or 4% below budget. This is due to a delay in entering into a lease agreement for \$400,000 in funds to rebuild a fire pumper because the truck had not been sent for rebuild yet.
- The Transient Tax Fund revenue was \$24,162 or 10% above budget. This is due to increase in the transient tax receipts, which is driven by hotel room rentals.

Governmental Fund Revenues - Budget to Actual
Figure 7



Expenditures

Actual expenditures (transfers not included) in the major Governmental Funds as a whole were \$1,285,761 or approximately 6% below budget. Following is a description by fund of the variances.

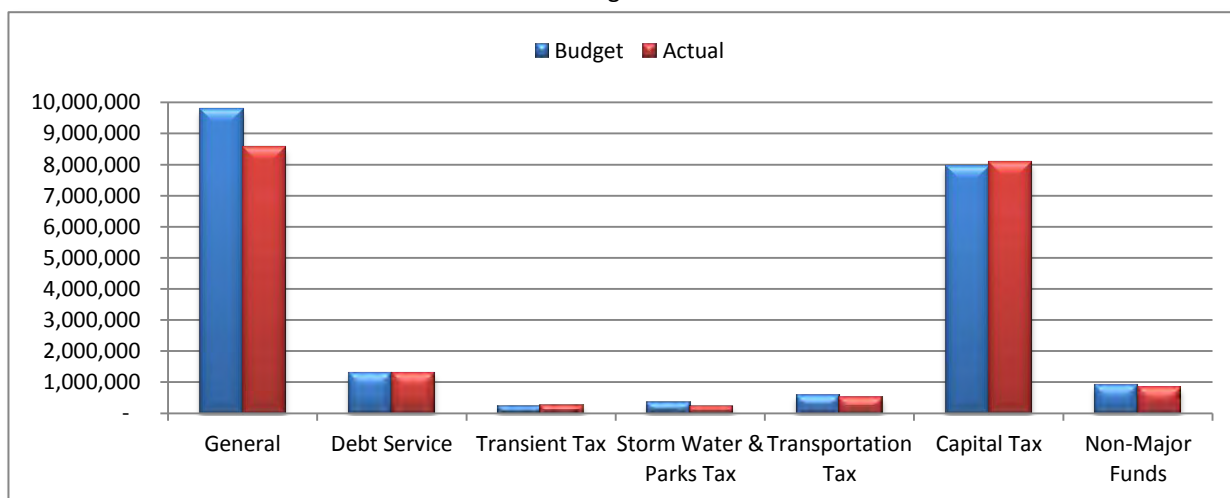
- The General Fund expenditures (capital not included) were \$798,261 or 9.8% below budget. Of this, \$400,000 was related to repairs to be made to City facilities and equipment for damage that was sustained during a major storm event in April 2015. Due to the extent of the damage within the City, there was a large demand for contractors and businesses to complete repairs. Due to the City damages not being such that it would affect services provided to citizens, repairs were not urgent and the City opted to wait until the demand was not as high so that the City could utilize local businesses after citizen's repairs were completed. 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 \$512,525 below budget, public safety \$110,040 below budget, streets and public works \$99,327 below budget, and culture and recreation \$76,369 below budget.
- General Fund capital expenditures were below budget by \$429,375 due to deferred capital outlay previously mentioned and cost savings realized on some purchases.
- The Transient Tax Fund revenue and expenses were \$24,162 or 10.3% 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 \$122,737 or 35.6% below the budgeted amount. This was due to capital projects still being in process at the end of the year.

Management Discussion and Analysis

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- The Transportation Tax Fund expenditures were \$55,233 or 9.7% below budget. This was due to capital projects still being in process at the end of the year.
- The Capital Projects Fund expenditures were \$95,577 or 0.2% above budget and transfers to other funds were \$48,534 below budget for a net variance of \$47,043 above budget.

Governmental Funds Expenses - Budget to Actual
Figure 8



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, totals \$68,531,257 (net of accumulated depreciation and related debt). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. This is an \$82,461 or 0.12% increase over the prior year. While this is not a significant change overall, individual funds experienced significant changes which will be discussed in further detail.

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	
	2015	2014	2015	2014	2015	2014
Land and Land Improvements	\$ 2,716,845	\$ 2,716,845	\$ 821,356	\$ 745,816	\$ 3,538,201	\$ 3,462,661
Buildings and system	15,203,855	7,720,016	20,050,985	18,460,458	35,254,840	26,180,474
Equipment, Furniture, and Vehicles	6,907,109	5,745,615	3,854,350	3,070,037	10,761,459	8,815,652
Infrastructure	29,229,749	27,455,203	55,047,296	55,001,581	84,277,045	82,456,784
Construction in progress	0	1,835,805	0	682,909	0	2,518,714
Total	54,057,558	45,473,484	79,773,987	77,960,801	133,831,545	123,434,285
Less Accumulated Depreciation	16,904,235	15,389,493	30,608,002	28,262,489	47,512,237	43,651,982
Total	\$ 37,153,323	\$ 30,083,991	\$ 49,165,985	\$ 49,698,312	\$ 86,319,308	\$ 79,782,303

Management Discussion and Analysis

City of Farmington

Major capital asset transactions during the year included the following:

Governmental Funds

In the governmental funds, a total of \$8,885,170 in new assets was added, \$1,756,302 of construction in progress was placed in service, \$1,590,527 in assets were transferred to business-type funds, \$240,414 of assets were removed, and \$23,766 were traded-in during the year ended September 30, 2015.

These assets consist of:

- General government related asset addition of \$131,443 for a downtown building located at 1 North Jefferson Street, which was held for three months and then disposed of via sale for \$107,155,
- General government related asset addition of \$100,444 for a downtown building located at 3 North Jefferson Street,
- General government related asset addition of \$120,808 for a house located adjacent to the new library at 207 North A Street,
- General government related asset disposal of downtown buildings located at 19 and 23 East Columbia Street with an original purchase value of \$29,468 and sale proceeds of \$28,391,
- Public safety asset additions of \$1,280,389 for renovations made to the existing police station,
- Public safety asset additions of \$29,486 for a microwave radio link system for dispatching,
- Public safety asset additions of \$843,167 for a 2015 Pierce Pumper for the fire department,
- Public safety asset additions of \$115,659 for 3 new police patrol vehicles and a new police vehicle for animal control,
- Public safety assets of \$86,607 construction in progress for police facility renovations were placed in service,
- Street and public works asset addition for a net value of \$83,766 for a 2008 front-end loader (a backhoe was traded-in for \$27,000, net book value of \$23,766),
- Street and public works asset addition of \$50,931 for two trucks,
- Street and public works asset addition of \$738,430 for streets, sidewalks, curbs and guttering infrastructure projects,
- Cultural and recreation asset additions of \$5,213,820 for construction of the new library on the corner of North A and Liberty Streets,
- Cultural and recreation asset additions of \$14,400 for a batwing mower,
- Cultural and recreation asset additions of \$26,097 for a new scoreboard at the sports complex,
- Cultural and recreation asset additions of \$14,250 for a new voice over internet protocol phone system for the library,
- Cultural and recreation asset additions of \$30,566 for a fishing dock at Giessing Lake,
- Cultural and recreation asset additions of \$47,095 for tennis courts at Engler Park,
- Cultural and recreation asset additions of \$44,419 for a utility work truck,
- Cultural and recreation assets of \$1,669,695 construction in progress on the new library, tennis courts adjacent to Engler Park, grandstands and concessions at Ragsdale Field ballpark were all placed in service, and
- Cultural and recreation asset of \$79,503 previous construction in progress plus \$1,511,024 of new construction at the water park was transferred to the Civic Complex Fund.

Management Discussion and Analysis

City of Farmington

Proprietary Funds

A total of \$2,768,975 in assets was placed in service in the proprietary funds during the year ended September 30, 2015. \$682,909 of construction in progress was placed into service, and \$895,166 in assets was disposed.

These investments in capital consist of:

- Assets in the amount of \$1,590,527 were transferred from the governmental Capital Projects Fund to the Civic Complex Fund for work that was completed and placed in service for the completion of the Splash Pad at the Water Park,
- An addition to the Civic Complex Fund of \$10,750 for a voice over internet protocol phone system for the Civic Complex,
- Land acquisition and related engineering costs at the Airport in the amount of \$98,541 was added to the Airport Fund; this consisted of engineering, addition of land costs, and addition of an avigation easement,
- The disposal of \$895,166 in assets related to the demolition of houses at the airport due to their obstruction into the approach area,
- The placement into service of \$682,909 in previous construction in progress improvements in the Airport Fund,
- In the Utility Fund, the amount of \$182,313 for a bucket truck in the Electric Department,
- In the Utility Fund, the amount of \$18,298 for a cable fault locator in the Electric Department,
- In the Utility Fund, the amount of \$49,172 for an excavator with trailer in the Electric Department,
- In the Utility Fund, the amount of \$37,495 for a crew truck in the Electric Department,
- Water system improvements in the amount of \$136,280 were added to the Utility Fund.
- In the Utility Fund, the amount of \$47,108 for a bucket loader in the Water Department,
- In the Utility Fund, the amount of \$53,070 for two crew trucks in the Water Department,
- In the Utility Fund, the amount of \$33,735 for a water system valve actuator with trailer,
- A vactor truck with sewer line cleaning equipment with a cost of \$352,372 was added to the Sewer Fund,
- The addition of \$35,080 for Sewer Fund infrastructure improvements, and
- The addition of \$124,233 in improvements to the East Wastewater Treatment Plant.

Additional information on the City's capital assets can be found in Note 4 to the Basic Financial Statements.

LONG-TERM DEBT

The City of Farmington's total debt decreased by \$1,952,279 (9.2%) 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	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ 0	\$ 0	\$ 2,040,000	\$ 2,355,000	\$ 2,040,000	\$ 2,355,000
Due to State of Missouri	0	0	1,428,000	1,657,569	1,428,000	1,657,569
Certificates of Participation	7,865,000	8,650,000	3,725,000	4,200,000	11,590,000	12,850,000
Capital Leases	3,857,105	4,305,761	300,946	0	4,158,051	4,305,761
Total	\$ 11,722,105	\$ 12,955,761	\$ 7,493,946	\$ 8,212,569	\$ 19,216,051	\$ 21,168,330

Management Discussion and Analysis

City of Farmington

The debt currently held by the City includes:

- Revenue Bonds for sewer system construction in the amount of \$2,040,000 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 \$1,428,000.
- A balance of \$3,725,000 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 prevent ultraviolet degradation of treatment media. The final payment on the certificates of participation is to be made May 2021. Balances at September 30, 2015 include \$3,035,000 for the water system and \$690,000 for the sewer system.
- The City has a capital lease for the construction of the fire station with a balance at September 30, 2015 of \$3,310,000. Final payment is due August 2029.
- A 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, 2015 is \$547,105. 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.
- An issue of \$8,650,000 in Capital Improvement Certificates of Participation was completed March 25, 2014. Payments on these certificates are payable from capital 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, 2015, the balance is \$7,865,000.
- On April 1, 2015, the City entered into a lease-purchase agreement with US Bancorp Government Leasing and Financing Inc. in the amount of \$327,211 for the purchase of a Sewer Vactor Truck designed to clean sewer mains. This agreement is to be paid with available sewer fund revenue budgeted and appropriated during each fiscal year. The debt payment schedule anticipates final payment and retirement of the debt April 1, 2020. The balance at September 30, 2015 is \$300,946.

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 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-

Management Discussion and Analysis

City of Farmington

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 6, 7, and 8 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. Since Fiscal Year 2012, the City has realized a slight increase in sales tax receipts. The year ended September 30, 2015 showed an 8.4% increase in sales tax. The City is optimistic about the growth, but remains conservative in its budgeted growth and expenditures for the ensuing fiscal year.

Property Tax. Property tax assessment is slightly decreased for the upcoming fiscal year at \$0.4440 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, 2016. A ten year extension of the tax will be put to the vote of the citizens in April 2016.

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. This rate has been on a downward trend. As of October 2015, the Farmington Micropolitan Area is currently experiencing an unemployment rate at 5.2% according to the Missouri Economic Resource and Information Center, the research division for the Missouri Department of Economic Development.

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 2015, the City experienced a 5.2% decrease in wholesale power rates. The electric rate code includes 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 below 93% of the base power cost estimated. This adjustment helps protect against significant losses because of increased wholesale rates due to unplanned outages and other economic issues. 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.

Business Environment. During Fiscal Year 2015, the City continued to see new retail stores and restaurants locate in Farmington. In 2015, both Rural King Supply, a regional leader in its industry, and CVS Pharmacy, a national leader in its industry, opened new stores in Farmington. Menard's Inc., a regional leader in its industry, currently has a new store under construction as does Hobby Lobby. Farmington continues to see interest from regional and national leaders.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2016

Governmental Activities

Budgeted revenues in the governmental funds (net of transfers and lease proceeds) are expected to decrease by 1.7% to approximately \$12.6 million. This decrease is due to the removal of insurance reimbursements for the major storm

Management Discussion and Analysis

City of Farmington

damage and completed capital project related grant proceeds. A 5% percent payment in lieu of taxes from the Utility and Sewer Funds to the General Fund is budgeted.

Personnel expenses are budgeted to increase approximately 7% due to a combination of increases in employee pay and increased health insurance costs. General Fund operating and personnel expenditures combined (debt and capital not included) are expected to rise a total of 11.7%. Governmental funds capital investment is budgeted at approximately \$2.3 million compared to approximately \$8.9 million in the preceding fiscal year. The large decrease is due to the completion of the library construction project, Water Park expansion project, and Police Station renovation project. These projects combined represented approximately \$7.8 million of the planned \$8.9 million.

Business-Type Activities

Budgeted revenues (grants and contributions not included) in the proprietary funds are expected to increase to approximately \$30.4 million, a 1.7% increase over the prior year actual. The Civic Complex Fund is expected to remain consistent at \$1.67 million in revenue. The Airport Fund operating revenues are expected to remain consistent at \$0.3 million, however an additional \$0.4 million is anticipated in grant revenues for property and easement acquisitions to eliminate existing obstructions and make place for the future runway extension. The Utility Fund revenue is expected to increase to \$26.0 million, an increase of approximately 2.8%. This increase is largely driven by an increase in estimated electric usage by citizens based on community growth and an increase in water rates. The Sewer Fund is budgeted to have revenues of approximately \$2.6 million, a 0.5% increase due to the third of a three-phase rate increase.

Budgeted expenditures (debt and capital not included) in the Civic Complex Fund are expected to increase approximately 6.8% over prior year actual. This increase is the net result of a 7% increase in personnel costs and a 5% increase 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 increase in health care insurance premiums. Budgeted operating expenditures in the Airport Fund are expected to increase approximately 5%, primarily due to the increase being seen city-wide in personnel costs. Budgeted expenditures in the Utility Fund are expected to increase approximately 7% over the prior year actual. The increase is driven by a combination of a 6.4% increase in operating costs and a 7% increase in personnel costs. Purchased power costs are forecasted to increase approximately 6% over Fiscal Year 2015 actual. Sewer Fund expenditures (debt service not included) are budgeted to increase approximately 5% over the prior year actual. This increase is the result of a 7% increase in personnel costs as previously described and a 2.5% 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, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash & Cash Equivalents	\$ 3,204,233	\$ 6,557,632	\$ 9,761,865
Receivables (Net)	1,847,547	3,099,066	4,946,613
Prepaid Expenses	33,138	75,522	108,660
Prepaid Interest	30,823	0	30,823
Due From Other Funds	70,046	175,648	245,694
Inventory	0	1,388,938	1,388,938
Total	5,185,787	11,296,806	16,482,593
Noncurrent Assets			
Restricted Assets:			
Cash & Cash Equivalents	3,108,528	756,996	3,865,524
Investments	12,000	2,197,646	2,209,646
Capital Assets (Net)			
Non Depreciable	2,266,942	854,362	3,121,304
Depreciable	34,886,381	48,311,623	83,198,004
Net Pension Asset	1,954,052	1,099,153	3,053,205
Total	42,227,903	53,219,780	95,447,683
TOTAL ASSETS	47,413,690	64,516,586	111,930,276
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension Related	696,672	391,879	1,088,551
TOTAL DEFERRED OUTFLOWS OF RESOURCES	696,672	391,879	1,088,551
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	1,020,268	1,633,049	2,653,317
Accrued Salaries	283,450	162,751	446,201
Accrued Interest	92,157	53,170	145,327
Taxes Payable	13,031	75,019	88,050
Protested Taxes	87,207	0	87,207
Due to Other Funds	238,073	7,621	245,694
Builder's Deposits	0	29,688	29,688
Other Payable	196,021	229,095	425,116
Current Portion of Long-Term Debt	1,264,907	1,093,914	2,358,821
Total	3,195,114	3,284,307	6,479,421
Long-Term Liabilities			
Customer Deposits Payable	0	437,666	437,666
Due to State of Missouri - State Revolving Fund	0	1,428,000	1,428,000
Bonds Payable	0	2,040,000	2,040,000
Capital Leases Payable	11,722,105	4,025,946	15,748,051
Less Current Maturities	(1,264,907)	(1,093,914)	(2,358,821)
Total	10,457,198	6,837,698	17,294,896
TOTAL LIABILITIES	13,652,312	10,122,005	23,774,317
<u>DEFERRED INFLOW OF RESOURCES</u>			
Administrative Expense Deposits	16,710	0	16,710
Civic Center Facility Use Deposits	0	7,610	7,610
Pension Related	199,238	112,071	311,309
TOTAL DEFERRED INFLOW OF RESOURCES	215,948	119,681	335,629
<u>NET POSITION</u>			
Net Investment in Capital Assets	25,431,218	43,100,039	68,531,257
Restricted for:			
Debt Service	615	874,223	874,838
Capital Projects	2,014,451	0	2,014,451
Nonspendable	63,961	0	63,961
Pensions	2,451,486	1,378,961	3,830,447
Utilities	0	5,000	5,000
Sewer	0	851,746	851,746
Tax Increment Finance District Projects	866,176	0	866,176
Unrestricted	3,414,195	8,456,810	11,871,005
TOTAL NET POSITION	\$ 34,242,102	\$ 54,666,779	\$ 88,908,881

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Primary Government		
		Charges for Services	Capital Contributions and Grants	Operating Contributions and Grants	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
General Government	\$ 1,822,186	\$ 20,400	\$ 0	\$ 0	\$ (1,801,786)	\$ 0	\$ (1,801,786)
Public Safety	3,788,084	377,996	0	174,340	(3,235,748)	0	(3,235,748)
Streets and Public Works	2,601,140	107,765	53,706	0	(2,439,669)	0	(2,439,669)
Culture and Recreation	1,257,276	63,285	43,338	17,908	(1,132,745)	0	(1,132,745)
Total Governmental Activities	9,468,686	569,446	97,044	192,248	(8,609,948)	0	(8,609,948)
Business-Type Activities:							
Airport	663,500	327,649	24,372	0	0	(311,479)	(311,479)
Electric	21,135,786	22,234,979	0	0	0	1,099,193	1,099,193
Water	2,594,737	3,027,205	0	0	0	432,468	432,468
Sewer	2,548,901	2,432,459	0	0	0	(116,442)	(116,442)
Civic Complex	2,311,047	1,445,210	0	228,856	0	(636,981)	(636,981)
Total Business-Type Activities	29,253,971	29,467,502	24,372	228,856	0	466,759	466,759
Total City Functions/Programs	\$ 38,722,657	\$ 30,036,948	\$ 121,416	\$ 421,104	(8,609,948)	466,759	(8,143,189)
General Revenues:							
Taxes							
Sales Taxes					7,490,834	0	7,490,834
Real and Personal Property Taxes					848,463	0	848,463
Motor Fuel and Vehicle Taxes					649,764	0	649,764
Gross Receipts Taxes					475,014	0	475,014
Transient Guest Tax (Hotel/Motel)					259,168	0	259,168
Utility and Other Taxes					178,545	0	178,545
TIF Proceeds					503,276	0	503,276
Administrative Pilot Payment					1,375,600	0	1,375,600
Interest Income					79,253	156,268	235,521
Insurance Proceeds					271,830	201,001	472,831
Gain/Loss on Disposal of Asset					(70,913)	(758,353)	(829,266)
Other					32,931	0	32,931
Transfers					(1,894,025)	1,894,025	0
Total General Revenues, Special Items and Transfers					10,199,740	1,492,941	11,692,681
Change in Net Position for the Year					1,589,792	1,959,700	3,549,492
Net Position - October 1, 2014 as Restated (Note 1)					32,652,310	52,707,079	85,359,389
Net Position - September 30, 2015					\$ 34,242,102	\$ 54,666,779	\$ 88,908,881

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

CITY OF FARMINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

	Major Funds							Total
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Tax Fund	Storm Water & Parks Tax Fund	Transportation Tax Fund	Non-Major Funds	Governmental Funds
ASSETS								
Cash & Cash Equivalents	\$ 3,204,233	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,204,233
Investments	0	0	0	0	0	0	0	0
Accounts Receivable (net)	1,009,221	0	287,617	37,507	143,759	143,758	225,685	1,847,547
Prepaid Expenses	33,138	0	0	0	0	0	0	33,138
Prepaid Interest	0	30,823	0	0	0	0	0	30,823
Due From Other Funds	7,621	0	0	0	0	0	62,425	70,046
Restricted Assets:								
Cash & Investments	12,000	92,772	1,295,308	42,269	513,414	426,167	738,598	3,120,528
Total Assets	4,266,213	123,595	1,582,925	79,776	657,173	569,925	1,026,708	8,306,315
DEFERRED OUTFLOWS OF RESOURCES	0	0	0	0	0	0	0	0
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>\$ 4,266,213</u>	<u>\$ 123,595</u>	<u>\$ 1,582,925</u>	<u>\$ 79,776</u>	<u>\$ 657,173</u>	<u>\$ 569,925</u>	<u>\$ 1,026,708</u>	<u>\$ 8,306,315</u>
LIABILITIES								
Accounts Payable	\$ 84,428	\$ 0	\$ 723,824	\$ 79,776	\$ 9,693	\$ 33,431	\$ 89,116	\$ 1,020,268
Accrued Salaries	283,450	0	0	0	0	0	0	283,450
Accrued Interest Payable	0	92,157	0	0	0	0	0	92,157
Taxes Payable	13,031	0	0	0	0	0	0	13,031
Protested Taxes	87,207	0	0	0	0	0	0	87,207
Due to Other Funds	209,449	0	16,900	0	5,862	5,862	0	238,073
Other Liabilities	141,315	0	0	0	0	0	54,706	196,021
Total Liabilities	818,880	92,157	740,724	79,776	15,555	39,293	143,822	1,930,207
DEFERRED INFLOWS OF RESOURCES								
Administrative Expense Deposits	0	0	0	0	0	0	16,710	16,710
Total Deferred Inflows of Resources	0	0	0	0	0	0	16,710	16,710
FUND BALANCE								
Nonspendable								
Prepays	33,138	30,823	0	0	0	0	0	63,961
Restricted								
Debt Service	0	615	0	0	0	0	0	615
Capital Projects	0	0	842,201	0	641,618	530,632	0	2,014,451
Karsch-Downtown TIF District	0	0	0	0	0	0	714,780	714,780
Highway 67 TIF District	0	0	0	0	0	0	151,396	151,396
Committed								
Acquisition/Improvement of Public Spaces	53,022	0	0	0	0	0	0	53,022
Assigned								
Fiscal Year 2016 Budget	730,500	0	0	0	0	0	0	730,500
Other Purposes	33,715	0	0	0	0	0	0	33,715
Storm Water Improvements	70,873	0	0	0	0	0	0	70,873
Wilson Rozier Ballpark	49,067	0	0	0	0	0	0	49,067
Unassigned	2,477,018	0	0	0	0	0	0	2,477,018
Total Fund Balances	3,447,333	31,438	842,201	0	641,618	530,632	866,176	6,359,398
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 4,266,213</u>	<u>\$ 123,595</u>	<u>\$ 1,582,925</u>	<u>\$ 79,776</u>	<u>\$ 657,173</u>	<u>\$ 569,925</u>	<u>\$ 1,026,708</u>	<u>\$ 8,306,315</u>
Amounts reported for governmental activities in the statement of net position are different because:								
Total Fund Balance - Governmental Funds								\$ 6,359,398
Pensions - Net pension assets, pension related deferred outflows and pension related deferred inflows are not current financial resources and liabilities and therefore are not reported in the funds								
Net Pension Asset					1,954,052			
Deferred Outflows					696,672			
Deferred Inflows					(199,238)			
								2,451,486
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.								
Governmental capital assets					54,057,558			
Less accumulated depreciation					(16,904,235)			
								37,153,323
Long-term liabilities, including leases payable, and loans payable are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.								
Leases Payable					(11,722,105)			
								(11,722,105)
Net Position of Governmental Activities								<u>\$ 34,242,102</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
GOVERNMENTAL FUNDS
Year Ended September 30, 2015

	Major Funds							
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Tax Fund	Storm Water & Parks Tax Fund	Transportation Tax Fund	Non-Major Funds	Total Governmental Funds
REVENUES								
Sales Tax	\$ 3,803,398	\$ 0	\$ 1,845,977	\$ 0	\$ 920,729	\$ 920,730	\$ 0	\$ 7,490,834
Real and Personal Property Tax	848,463	0	0	0	0	0	0	848,463
Grants and Donations	235,586	0	0	0	0	53,706	0	289,292
Motor Fuel and Vehicle Tax	649,764	0	0	0	0	0	0	649,764
Utility, Gross Receipts & Other Taxes	653,559	0	0	0	0	0	0	653,559
Charges for Services	192,764	0	0	0	0	0	0	192,764
Municipal Court Fines & Fees	376,682	0	0	0	0	0	0	376,682
Transient Guest (Hotel/Motel) Tax	0	0	0	259,168	0	0	0	259,168
Interest Income	5,835	68,153	3,250	94	668	411	842	79,253
TIF Proceeds From Other Governments	0	0	0	0	0	0	503,276	503,276
Administrative Pilot Payment	1,375,600	0	0	0	0	0	0	1,375,600
Other	(359)	0	0	0	0	0	33,290	32,931
Total Operating Revenues	8,141,292	68,153	1,849,227	259,262	921,397	974,847	537,408	12,751,586
EXPENSES								
General Government								
Administration	1,245,075	0	0	0	0	0	482,439	1,727,514
Tourism	0	0	0	259,262	0	0	0	259,262
Public Safety								
Police	2,364,310	0	0	0	0	0	0	2,364,310
Municipal Court	97,822	0	0	0	0	0	0	97,822
Fire	850,072	130,641	0	0	0	0	0	980,713
Streets and Public Works								
Street	728,941	0	0	0	0	0	0	728,941
Public Works	411,650	0	0	0	0	0	0	411,650
Maintenance	457,482	0	0	0	0	0	0	457,482
Culture and Recreation								
Park	596,224	0	0	0	0	0	0	596,224
Library	307,007	192,465	0	0	0	0	0	499,472
Capital Outlay	1,214,725	0	8,066,577	0	222,263	516,167	352,696	10,372,428
Debt Service-Principal	268,656	965,000	0	0	0	0	0	1,233,656
Total Expenses	8,541,964	1,288,106	8,066,577	259,262	222,263	516,167	835,135	19,729,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(400,672)	(1,219,953)	(6,217,350)	0	699,134	458,680	(297,727)	(6,977,888)
OTHER FINANCING SOURCES (USES)								
Transfer In	508,137	1,218,891	0	0	0	0	444,312	2,171,340
Transfer Out	(452,174)	0	(1,477,448)	0	(293,792)	(89,183)	(241,726)	(2,554,323)
Gain/Loss on Asset	29,427	0	0	0	0	0	135,546	164,973
Insurance Proceeds	271,830	0	0	0	0	0	0	271,830
Total Other Financing Sources And Uses	357,220	1,218,891	(1,477,448)	0	(293,792)	(89,183)	338,132	53,820
NET CHANGE IN FUND BALANCES	(43,452)	(1,062)	(7,694,798)	0	405,342	369,497	40,405	(6,924,068)
FUND BALANCES - OCTOBER 1, 2014	3,490,785	32,500	8,537,017	0	236,276	161,135	825,771	13,283,484
FUND BALANCES - SEPTEMBER 30, 2015	\$ 3,447,333	\$ 31,438	\$ 842,219	\$ 0	\$ 641,618	\$ 530,632	\$ 866,176	\$ 6,359,416

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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (6,924,068)

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	8,885,170
Depreciation	(1,556,186)

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	(301,094)
Accumulated Depreciation	41,442

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Change in Net Pension Liability/Asset	210,890
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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.

1,233,656

Change in Net Position of Governmental Activities as Reported on the Statement of Activities	\$ 1,589,810
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CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2015

	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund	Totals
<u>ASSETS</u>					
Current Assets:					
Cash & Cash Equivalents	\$ 484,105	\$ 25,000	\$ 6,048,527	\$ 0	\$ 6,557,632
Accounts Receivable	34,772	75,906	2,703,505	284,883	3,099,066
Prepays	5,274	819	64,059	5,370	75,522
Due From Other Funds	0	0	175,648	0	175,648
Inventory	0	43,716	1,295,474	49,748	1,388,938
Total Current	524,151	145,441	10,287,213	340,001	11,296,806
NonCurrent Assets:					
Restricted Assets:					
Cash & Cash Equivalents	0	0	0	756,996	756,996
Investments	0	0	480,042	1,717,604	2,197,646
Capital Assets (Net of Accumulated Depreciation)	11,341,669	6,802,674	14,975,724	16,045,918	49,165,985
Net Pension Asset	213,725	30,532	549,576	305,320	1,099,153
Total NonCurrent	11,555,394	6,833,206	16,005,342	18,825,838	53,219,780
Total Assets	12,079,545	6,978,647	26,292,555	19,165,839	64,516,586
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Pension Related	76,198	10,886	195,940	108,855	391,879
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	12,155,743	6,989,533	26,488,495	19,274,694	64,908,465
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts Payable	30,570	45,061	1,547,644	9,774	1,633,049
Accrued Salaries	41,088	2,318	74,286	45,059	162,751
Accrued Interest	0	0	43,315	9,855	53,170
Taxes Payable	2,176	114	70,779	1,950	75,019
Due to Other Funds	0	7,621	0	0	7,621
Builder's Deposits	0	0	29,688	0	29,688
Other Liabilities	9,830	1,230	148,999	69,036	229,095
Current Portion of Long-Term Debt	0	0	395,000	698,914	1,093,914
Total	83,664	56,344	2,309,711	834,588	3,284,307
Long-Term Liabilities:					
Customer Deposits Payable	0	0	437,666	0	437,666
Due to State of Missouri - State Revolving Fund	0	0	0	1,428,000	1,428,000
Revenue Bonds Payable	0	0	0	2,040,000	2,040,000
Capital Leases Payable	0	0	3,035,000	990,946	4,025,946
Less Current Maturities	0	0	(395,000)	(698,914)	(1,093,914)
Total	0	0	3,077,666	3,760,032	6,837,698
Total Liabilities	83,664	56,344	5,387,377	4,594,620	10,122,005
<u>DEFERRED INFLOW OF RESOURCES</u>					
Civic Center Facility Use Deposits	7,610	0	0	0	7,610
Pension Related	21,792	3,113	56,036	31,130	112,071
Total Deferred Inflow of Resources	29,402	3,113	56,036	31,130	119,681
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	113,066	59,457	5,443,413	4,625,750	10,241,686
<u>NET POSITION</u>					
Net Investment in Capital Assets	11,341,669	6,802,674	11,940,724	13,014,972	43,100,039
Restricted	268,131	38,305	1,169,522	1,633,972	3,109,930
Unrestricted	432,877	89,097	7,934,836	0	8,456,810
TOTAL NET POSITION	\$ 12,042,677	\$ 6,930,076	\$ 21,045,082	\$ 14,648,944	\$ 54,666,779

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, 2015

	Enterprise Funds				
	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund	Totals
<u>OPERATING REVENUES</u>					
Charges for Services:					
Civic Complex Charges	\$ 1,445,210	\$ 0	\$ 0	\$ 0	\$ 1,445,210
Airport Charges	0	327,649	0	0	327,649
Electric Charges	0	0	22,234,979	0	22,234,979
Water Charges	0	0	3,027,205	0	3,027,205
Sewer Charges	0	0	0	2,432,459	2,432,459
Total Operating Revenues	1,445,210	327,649	25,262,184	2,432,459	29,467,502
<u>OPERATING EXPENSES</u>					
Civic Complex Expenses	1,883,555	0	0	0	1,883,555
Airport Expenses	0	333,314	0	0	333,314
Electric Expenses	0	0	20,627,405	0	20,627,405
Water Expenses	0	0	2,069,312	0	2,069,312
Sewer Expenses	0	0	0	1,656,974	1,656,974
Depreciation	427,492	330,186	923,755	724,703	2,406,136
Total Operating Expenses	2,311,047	663,500	23,620,472	2,381,677	28,976,696
OPERATING INCOME (LOSS)	(865,837)	(335,851)	1,641,712	50,782	490,806
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Grant Income	151,603	24,372	0	0	175,975
Contributions	77,253	0	0	0	77,253
Interest and Investment Income	631	464	34,667	120,506	156,268
Bond Fees	0	0	(408)	(12,461)	(12,869)
Interest Expense	0	0	(109,643)	(154,763)	(264,406)
Insurance Proceeds and Settlements	0	25,353	175,648	0	201,001
Gain or Loss on Disposal of Assets	79,503	(895,166)	57,310	0	(758,353)
Total Nonoperating Revenues (Expenses)	308,990	(844,977)	157,574	(46,718)	(425,131)
NET INCOME (LOSS) BEFORE TRANSFERS	(556,847)	(1,180,828)	1,799,286	4,064	65,675
<u>TRANSFERS</u>					
Transfers In	1,754,025	25,000	0	115,000	1,894,025
Transfers Out	0	0	0	0	0
Total Transfers	1,754,025	25,000	0	115,000	1,894,025
CHANGE IN NET POSITION	1,197,178	(1,155,828)	1,799,286	119,064	1,959,700
NET POSITION - OCTOBER 1, 2014 AS RESTATED (Note 1)	10,845,499	8,085,904	19,245,796	14,529,880	52,707,079
NET POSITION - SEPTEMBER 30, 2015	<u>\$ 12,042,677</u>	<u>\$ 6,930,076</u>	<u>\$ 21,045,082</u>	<u>\$ 14,648,944</u>	<u>\$ 54,666,779</u>

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended September 30, 2015

	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 1,442,907	\$ 299,698	\$ 25,507,964	\$ 2,419,968	\$ 29,670,537
Payments to Suppliers	(977,044)	(271,201)	(21,292,793)	(966,081)	(23,507,119)
Payments to or on Behalf of Employees	(933,081)	(46,364)	(1,338,150)	(751,238)	(3,068,833)
Net Cash Provided (Used) By Operating Activities	(467,218)	(17,867)	2,877,021	702,649	3,094,585
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers In	1,754,025	25,000	0	115,000	1,894,025
Transfers Out	0	0	0	0	0
Contributions and Operating Grants	77,253	0	0	0	77,253
Insurance Proceeds, Settlements and Other	0	25,353	175,648	0	201,001
Pension Related Changes	13,344	1,906	34,312	19,062	68,624
Loans To/From Other Funds	0	(961,490)	(175,648)	0	(1,137,138)
Net Cash Provided (Used) For Noncapital Financing Activities	1,844,622	(909,231)	34,312	134,062	1,103,765
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Grant Receipts	151,603	1,025,090	0	0	1,176,693
Principal Payments on Long-Term Debt Net of Applied Reserves	0	0	(390,000)	(328,623)	(718,623)
Interest Paid	0	0	(109,643)	(154,763)	(264,406)
Bond Fees	0	0	(408)	(12,461)	(12,869)
Capital Assets - Acquisition, Sale & Disposal	(1,521,775)	(98,541)	(500,161)	(511,685)	(2,632,162)
Net Cash Provided (Used) For Capital & Related Financing Activities	(1,370,172)	926,549	(1,000,212)	(1,007,532)	(2,451,367)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Redemption of Investments	0	0	0	225,533	225,533
Investment Earnings/(Loss)	631	464	16,267	120,506	137,868
Net Cash Provided by Investing Activities	631	464	16,267	346,039	363,401
Net Change in Cash and Cash Equivalents	7,863	(85)	1,927,388	175,218	2,110,384
Cash and Cash Equivalent Balances at October 1, 2014	476,242	25,085	4,121,139	581,778	5,204,244
Cash and Cash Equivalent Balances at September 30, 2015	\$ 484,105	\$ 25,000	\$ 6,048,527	\$ 756,996	\$ 7,314,628
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ (865,837)	\$ (335,851)	\$ 1,641,712	\$ 50,782	\$ 490,806
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation Expense	427,492	330,186	923,755	724,703	\$ 2,406,136
Pension Expense	(36,410)	(5,202)	(93,625)	(52,014)	\$ (187,251)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows					
Accounts Receivable	(2,302)	(27,952)	218,022	(12,491)	\$ 175,277
Prepays	(129)	27	27	(213)	\$ (288)
Inventory	0	(20,779)	39,615	(459)	\$ 18,377
Accounts Payable & Other Payables	7,194	41,523	119,431	(4,419)	\$ 163,729
Customer and Builder Deposits Payable	0	0	27,758	0	\$ 27,758
Accrued Salaries and Compensated Absences	2,774	181	326	(3,240)	\$ 41
Net Cash Provided (Used) by Operating Activities	<u>\$ (467,218)</u>	<u>\$ (17,867)</u>	<u>\$ 2,877,021</u>	<u>\$ 702,649</u>	<u>\$ 3,094,585</u>

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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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. Following are the other legally separate organizations which have been examined to determine if their inclusion is necessary to fairly present the financial position and activities of the City.

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 statement 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, 2015

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, Transient Tax Fund, Storm Water and Parks Fund, and Transportation Fund in aggregate with the District Municipal Fund and Special Allocation Fund under non-major funds, City officials believe it is important that the financial information for these four funds be presented separately for accountability. 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.

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.

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.

The following funds are reported in aggregate under non-major governmental funds:

District Municipal Fund – The District Municipal Fund is used to account for the financial resources related to multiple tax sharing agreements.

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.

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.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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.

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

1. 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 and 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.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2015.

2. 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.

3. Property Tax Recognition

Property assessed values are determined by the St. Francois County Assessor. The City levied a property tax at the rate of \$0.4471 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.

4. 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.

5. 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 pensions 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.

6. 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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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

7. Deferred Outflows of Resources

The consumption of net position or fund balance in one period that is 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, 2015 representative of the difference between projected and actual earnings on pension plan investments and pension plan payments made subsequent to the pension plan measurement date of June 30, 2015.

8. 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.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. 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.

11. Long-Term Debt

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

12. Deferred Inflows of Resources

The acquisitions 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, prepayment of facility deposits at the Civic Center for future use, and the difference between expected and actual experience of the total pension liability.

13. 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,

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Municipal District 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.

The fund balance classifications for the governmental funds at September 30, 2015 are:

FUND BALANCES	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSIENT GUEST TAX FUND	STORMWATER & PARKS TAX FUND	TRANSPOR- TATION TAX FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Non-spendable								
Prepays	\$ 33,138	\$ 30,823	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,961
Restricted								
Debt Service	0	615	0	0	0	0	0	615
Capital Projects	0	0	842,201	0	641,618	530,632	0	2,014,451
Karsch-Downtown TIF District	0	0	0	0	0	0	714,780	714,780
Highway 67 TIF District	0	0	0	0	0	0	151,396	151,396
	0	615	842,201	0	641,618	530,632	866,176	2,881,242
Committed								
Improvement of Public Spaces	53,022	0	0	0	0	0	0	53,022
Assigned								
Fiscal Year 2016 Budget	730,500	0	0	0	0	0	0	730,500
Other Purposes	33,715	0	0	0	0	0	0	33,715
Stormwater Improvements	70,873	0	0	0	0	0	0	70,873
Wilson Rozier Ball park	49,067	0	0	0	0	0	0	49,067
	884,155	0	0	0	0	0	0	884,155
Unassigned	2,477,018	0	0	0	0	0	0	2,477,018
Total Fund Balances	<u>\$ 3,447,333</u>	<u>\$ 31,438</u>	<u>\$ 842,201</u>	<u>\$ 0</u>	<u>\$ 641,618</u>	<u>\$ 530,632</u>	<u>\$ 866,176</u>	<u>\$ 6,359,398</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

14. 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, 2015, the City had a total of \$68,891,164 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, 2015, the City's restricted net position of \$7,365,192 is comprised of debt service, capital projects, pensions, sewer and tax increment financing. Governmental activities restricted net position at September 30, 2015, is \$5,396,689. Restricted net position of the business-type activities totals \$3,109,930.
- ***Unrestricted net position*** is the residual and represents amounts available for future operations or distribution. Government wide unrestricted net position at September 30, 2015 is \$11,871,005.

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, 2015 was prepared and adopted using the modified accrual basis of accounting for governmental funds and accrual basis of accounting for proprietary funds.

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 \$24,162, or approximately 10.3% over budget. This excess expenditure is driven by an equivalent positive variance in revenue.
- Actual expenditures of the Capital Projects Fund exceeded budgeted expenditures by \$47,043, or 5%.

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, 2015 is 5%.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

H. Future Accounting Pronouncements

This report does not incorporate GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; GASB Statement No. 77, *Tax Abatement Disclosure*; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The City will adopt and implement these statements when required.

I. Adoption of New Accounting Pronouncements

Effective October 1, 2014, the City adopted 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*. These statements address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: a) contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable, b) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and c) pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations is also considered adopted, but had no impact on the City's financial statements. GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which establishes accounting and financial reporting requirements by state and local governments that extend and receive nonexchange financial guarantees is also considered adopted, but had no impact on the City's financial statements.

J. Prior Period Adjustments

Prior period adjustments were made in connection with the financial statements contained herein for the adoption of the aforementioned accounting pronouncements. Due to these adjustments, the net positions of the government wide governmental activities and all business-type activities were restated to reflect the changes in how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. The following is a summary of the adjustments and restated net position.

	Governmental Activities	Business-type Activities
Net Position at September 30, 2014	\$ 30,294,232	\$ 51,446,745
Removal of Net Pension Obligation - LAGERS	117,482	0
Beginning Net Pension Asset - LAGERS	2,118,597	1,191,710
Deferred Outflows of Resources Related to Pensions - LAGERS	121,999	68,624
Net Position at September 30, 2014 - Restated	<u>\$ 32,652,310</u>	<u>\$ 52,707,079</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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 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, 2015, 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, 2015, the bank balances in the City's checking accounts were \$12,192,823. Pledged securities held by the bank in the City's name had a market value of \$12,392,484.

Total cash and investments, as of September 30, 2015, consist of the following:

Type	Amount	Reconciliation to the Statement of Net Position	
Cash on Hand	\$ 1,184	Current Assets	
Deposits	11,098,561	Cash and Cash Equivalents	\$ 9,761,865
Money Market Accounts	2,527,644	Investments	0
Certificates of Deposit	17,000		9,761,865
Money Market Mutual Funds	100,644	Noncurrent Assets	
State & Local Government Bonds	395	Cash and Cash Equivalents - Restricted	3,865,524
Guaranteed Investment Contracts	1,557,928	Investments	2,209,646
United States Treasury Notes	533,679		6,075,170
Total Deposits and Investments	<u>\$ 15,837,035</u>		<u>\$ 15,837,035</u>

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, 2015 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
Money Market Mutual Funds	100,644	100,644	0	0	AAAm
State & Local Government Bonds *	395	0	395	0	AA+
Guaranteed Investment Contracts **	1,557,928	0	0	1,557,928	AA+
United States Treasury Notes ***	533,679	0	0	533,679	AA+

* 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, 2015

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, 2015, the balance of the restricted assets is \$6,075,170.

NOTE 3 – 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 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. 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, airport rentals/leases and Missouri Department of Transportation grant reimbursements.

The City considers these accounts receivable fully collectible, except for the municipal court and property tax receivables. Therefore, an allowance of \$426,450 is recorded for uncollectible balances (municipal court receivables uncollectible allowance of \$414,878; property tax receivables uncollectible allowance balance of \$11,572).

Accounts receivable balances at September 30, 2015 are as follows:

	<u>Accounts Receivable</u>	<u>Grants Receivable</u>	<u>Taxes Receivable</u>	<u>Total Receivable</u>	<u>Bad Debt Allowance</u>	<u>Net Receivable</u>
Governmental Activities:						
General	\$ 663,373	\$ 23,307	\$ 748,991	\$ 1,435,671	\$ 426,450	\$ 1,009,221
Capital Projects	0	0	287,617	287,617	0	287,617
TIF & Tax Sharing Agreements	225,685	0	0	225,685	0	225,685
Transient Tax	0	0	37,507	37,507	0	37,507
Stormwater and Parks Tax	0	0	143,759	143,759	0	143,759
Transportation Tax	0	0	143,758	143,758	0	143,758
Total Governmental Activities	<u>\$ 889,058</u>	<u>\$ 23,307</u>	<u>\$ 1,361,632</u>	<u>\$ 2,273,997</u>	<u>\$ 426,450</u>	<u>\$ 1,847,547</u>

	<u>Accounts Receivable</u>	<u>Grants Receivable</u>	<u>Taxes Receivable</u>	<u>Total Receivable</u>	<u>Bad Debt Allowance</u>	<u>Net Receivable</u>
Business-Type Activities:						
Civic Complex	\$ 34,772	\$ 0	\$ 0	\$ 34,772	\$ 0	\$ 34,772
Airport	57,652	18,254	0	75,906	0	75,906
Water and Electric Utility	2,703,505	0	0	2,703,505	0	2,703,505
Sewer Utility	<u>284,883</u>	<u>0</u>	<u>0</u>	<u>284,883</u>	<u>0</u>	<u>284,883</u>
Total Business-Type Activities	<u>\$ 3,080,812</u>	<u>\$ 18,254</u>	<u>\$ 0</u>	<u>\$ 3,099,066</u>	<u>\$ 0</u>	<u>\$ 3,099,066</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – ACCOUNTS RECEIVABLE AND PAYABLE - continued

Accounts Payable

Accounts payable balances consist of amounts due 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, 2015 have been accrued. Governmental activities reported accounts payable in the amount of \$1,020,268. Business-type activities reported accounts payable in the amount of \$1,633,049, of which \$1,326,819 was due to a single vendor for the electric utility's purchase of power for the month of September.

Payable balances at September 30, 2015 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	\$ 84,428	\$ 238,450	\$ 0	\$ 13,031	\$ 335,909
Debt Service	0	0	92,157	0	92,157
Capital Projects	723,824	0	0	0	723,824
TIF & Tax Sharing Agreements	89,116	0	0	0	89,116
Transient Tax	79,776	0	0	0	79,776
Stormwater & Parks Tax	9,693	0	0	0	9,693
Transportation Tax	33,431	0	0	0	33,431
Total Governmental Activities	<u>\$ 1,020,268</u>	<u>\$ 238,450</u>	<u>\$ 92,157</u>	<u>\$ 13,031</u>	<u>\$ 1,363,906</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	\$ 30,570	\$ 41,088	\$ 0	\$ 2,176	\$ 73,834
Airport	45,061	2,318	0	114	47,493
Water and Electric Utility	1,547,644	74,286	43,315	70,779	1,736,024
Sewer Utility	9,774	45,059	9,855	1,950	66,638
Total Business-Type Activities	<u>\$ 1,633,049</u>	<u>\$ 162,751</u>	<u>\$ 53,170</u>	<u>\$ 75,019</u>	<u>\$ 1,923,989</u>

NOTE 4 – 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 \$3,962,322. 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	\$ 46,301	\$ 0
Public Safety	345,239	0
Streets and Public Works	1,003,066	0
Culture and Recreation	161,580	0
Civic Complex	0	427,492
Airport	0	330,186
Electric	0	508,381
Water	0	415,374
Sewer	0	724,703
Total	<u>\$ 1,556,186</u>	<u>\$ 2,406,136</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – CAPITAL ASSETS - continued

Changes in fixed assets for the governmental activities are as follows for the year ended September 30, 2015:

	Balance, September 30, 2014	Additions	Deletions	Balance, September 30, 2015
<u>Governmental Activities:</u>				
Capital Assets, not depreciated				
Land	\$ 2,266,942	\$ 0	\$ 0	\$ 2,266,942
Construction in Progress	<u>1,835,805</u>	<u>0</u>	<u>1,835,805</u>	<u>0</u>
Total Capital Assets, not depreciated	4,102,747	0	1,835,805	2,266,942
Capital Assets, depreciated				
Buildings	7,720,015	7,724,254	240,414	15,203,855
Land Improvements	449,904	0		449,904
Infrastructure	27,455,204	1,774,545		29,229,749
Furniture, Machinery & Equip	1,855,256	1,011,167	60,680	2,805,743
Vehicles	<u>3,890,357</u>	<u>211,009</u>		<u>4,101,366</u>
	41,370,736	10,720,975	301,094	51,790,617
Less Accumulated Depreciation	<u>15,389,492</u>	<u>1,556,186</u>	<u>41,442</u>	<u>16,904,236</u>
Total Capital Assets, depreciated	<u>25,981,244</u>	<u>9,164,789</u>	<u>259,652</u>	<u>34,886,381</u>
Capital Assets, Net	<u>\$ 30,083,991</u>	<u>\$ 9,164,789</u>	<u>\$ 2,095,457</u>	<u>\$ 37,153,323</u>

Changes in fixed assets for the proprietary activities are as follows for the year ended September 30, 2015:

	Balance, September 30, 2014	Additions	Deletions	Balance, September 30, 2015
<u>Proprietary Activities:</u>				
Capital Assets, not depreciated				
Land	\$ 745,816	\$ 75,540	\$ 0	\$ 821,356
Construction in Progress	<u>682,909</u>	<u>0</u>	<u>682,909</u>	<u>0</u>
Total Capital Assets, not depreciated	1,428,725	75,540	682,909	821,356
Capital Assets, depreciated				
Buildings	18,460,458	1,590,528	0	20,050,986
Infrastructure	55,001,581	1,077,044	1,031,329	55,047,296
Furniture, Machinery & Equip	1,707,643	511,434	0	2,219,077
Vehicles	<u>1,362,394</u>	<u>272,878</u>	<u>0</u>	<u>1,635,272</u>
	76,532,076	3,451,884	1,031,329	78,952,631
Less Accumulated Depreciation	<u>28,262,489</u>	<u>2,406,136</u>	<u>60,623</u>	<u>30,608,002</u>
Total Capital Assets, depreciated	<u>48,269,587</u>	<u>1,045,748</u>	<u>970,706</u>	<u>48,344,629</u>
Capital Assets, Net	<u>\$ 49,698,312</u>	<u>\$ 1,121,288</u>	<u>\$ 1,653,615</u>	<u>\$ 49,165,985</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 – 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:

<u>Year Ended September 30</u>	<u>Total</u>
2016	\$ 1,200
2017	1,200
2018	1,200
2019	1,200
2020	1,200
2021-2025	6,000
2026-2029	<u>4,800</u>
Total Minimum Rental Payments	\$ 16,800

NOTE 6 – 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.

Certificates of Participation

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, 2015, there remains an unpaid balance of \$7,865,000.

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, 2015 is \$3,310,000.

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 anticipated an initial payment due February 24, 2015 with final payment and retirement of the debt February 24, 2017. At September 30, 2015, there is a principal balance of \$547,150.

Business-Type Activities:

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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 6 – CAPITAL LEASES - continued

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, 2015 is \$3,725,000, of which \$3,035,000 is allocated to the utility fund for the water system and \$690,000 is allocated to the sewer fund.

The City entered into a capital lease with US Bancorp on April 1, 2015 for the purchase of a Sewer Vactor Truck with sewer line cleaning equipment in the amount of \$327,211. Lease payments are due in monthly installments of \$5,792, which include interest at an interest rate of 1.69%. The debt payment schedule anticipated an initial payment due June 1, 2015, with final payment and retirement of the debt April 1, 2020. At September 30, 2015, there is a principal balance of \$300,946.

Future minimum lease obligations (including interest payments) and the net present value of these minimum lease payments as of September 30, 2015 are as follows:

Year Ended September 30	Governmental Activities	Business-Type Activities	Total
2016	\$ 1,580,186	\$ 1,116,744	\$ 2,696,930
2017	1,576,104	1,109,594	2,685,698
2018	1,300,367	1,096,279	2,396,646
2019	1,300,472	1,091,039	2,391,511
2020	1,299,990	1,049,399	2,349,389
2021-2025	5,508,075	1,558,650	7,066,725
2026-2029	1,221,781	0	1,221,781
Total Minimum Lease Payments	13,786,975	7,021,705	20,808,680
Less Amount Representing Interest & Fees	2,064,870	955,759	3,020,629
Present Value of Minimum Lease Payments	\$ 11,722,105	\$ 6,065,946	\$ 17,788,051

Assets under capital leases at September 30, 2015 include:

<u>Asset Type</u>	<u>Asset Cost</u>	Accumulated <u>Depreciation</u>	<u>Book Value</u>
Land and Buildings	\$ 13,432,284	\$ 474,617	\$ 12,957,667
Machinery and Equipment	6,685,094	943,416	5,741,678
Total Assets Under Capital Lease	<u>\$ 20,117,378</u>	<u>\$ 1,418,033</u>	<u>\$ 18,699,345</u>

NOTE 7 – 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, 2015 was \$2,040,000. 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.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – LONG-TERM DEBT - continued

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>
2016	\$ 320,000	\$ 114,638
2017	330,000	97,038
2018	335,000	78,722
2019	345,000	59,962
2020	350,000	40,470
2021	360,000	20,520
Total	<u>\$ 2,040,000</u>	<u>\$ 411,350</u>

Due to the State of Missouri

When the City used the 2000 revenue bonds for construction, the State of Missouri put 70% of each construction payment into a debt reserve account at United Missouri Bank to be used if the City could not make debt service payments on the bonds. Each year, as the City makes principal payments on the bonds, it pays back the State 70% of that year's principal payment. No interest is due on this debt. In fiscal year 2015, the City paid back \$229,569. As of September 30, 2015, the balance due to the State is \$1,428,000. 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>
2016	\$ 224,000
2017	231,000
2018	234,500
2019	241,500
2020	245,000
2021	252,000
Total	<u>\$ 1,428,000</u>

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Balance September 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>	<u>Current Portion</u>
<u>Governmental Activities:</u>					
Capital Leases					
Firestation Lease	\$ 3,490,000	\$ 0	\$ (180,000)	\$ 3,310,000	\$ 188,000
Fire Pumper Lease	815,761	0	(268,656)	547,105	271,907
Certificates of Participation					
Series 2014 - Library, Police Station					
& Water Park Improvements	8,650,000	0	(785,000)	7,865,000	805,000
Total Governmental Activities	<u>\$12,955,761</u>	<u>\$ 0</u>	<u>\$ (1,233,656)</u>	<u>\$11,722,105</u>	<u>\$1,264,907</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES - continued

	Balance September 30, 2014	Additions	Deductions	Balance September 30, 2015	Current Portion
<u>Business-Type Activities:</u>					
Capital Leases					
Sewer Vactor Truck	\$ -	\$ 327,211	\$ (26,265)	\$ 300,946	\$ 64,914
COP Sr2011-Radionuclide Project	3,425,000	0	(390,000)	3,035,000	395,000
COP Sr2011-Treatment Plant UV Project	775,000	0	(85,000)	690,000	90,000
Revenue Bonds					
Series 2000A - West Treatment Plant	2,355,000	0	(315,000)	2,040,000	320,000
Due to State of Missouri	1,657,569	0	(229,569)	1,428,000	224,000
Customer Deposits	417,390	20,276	0	437,666	0
Total Business-Type Activities	<u>\$ 8,629,959</u>	<u>\$ 347,487</u>	<u>\$ (1,045,834)</u>	<u>\$ 7,931,612</u>	<u>\$1,093,914</u>

The City's assessed value supports a general obligation bond limit of \$38,510,098. The City did not have any general obligation bonds outstanding as of September 30, 2015.

NOTE 9 – DEFERRED AMOUNTS RELATED TO NET POSITION

Governmental activities report deferred outflows of resources in the amount of \$696,672. This is a combination of pension plan payments made subsequent to the pension plan measurement date of June 30, 2015, in the amount of \$85,030 and the difference between projected and actual earnings on pension plan investments in the amount of \$611,642. Governmental activities report deferred inflows of resources in the amount of \$215,948. An additional amount of \$199,238 represents the difference between expected and actual experience of the total pension liability.

Business-type activities report deferred outflows of resources in the amount of \$391,879. This is a combination of pension plan payments made subsequent to the pension plan measurement date of June 30, 2015, in the amount of \$47,830 and the difference between projected and actual earnings on pension plan investments in the amount of \$344,049. Business-type activities report a deferred inflow of resources in the amount of \$119,681. An amount of \$7,610 represents 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. The balance of \$112,071 represents and the difference between expected and actual experience of the total pension liability.

NOTE 10 – INTEREST EXPENSE

During the year ended September 30, 2015, \$534,591 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	\$ 161,419
Public Safety	108,766
Water Utility	109,643
Sewer Utility	154,763
	<u>\$ 534,591</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 11 – 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, 2015.

- A transfer of \$175,648 is due to the Utility Fund from the General Fund for the portion of insurance claim proceeds representative of the Utility Fund facilities and equipment damaged during the storm of April 2015.
- A temporary loan in the amount of \$7,621 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 non-major funds (Special Allocation Fund and District Municipal Fund) are owed a total of \$62,425 for those monies required to be transferred as incremental economic activity taxes under the tax increment financing development plan and tax-sharing agreements. This balance includes amounts for taxes accrued as of September 30, 2015. The amounts owed from each major fund are: General Fund \$33,801, Storm Water & Parks Fund \$5,862, Transportation Fund \$5,862 and Capital Projects Fund \$16,900.

Inter-fund Transfers

During the year ended September 30, 2015, 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	\$ 278,527	TIF Funds used for payment of the Fire Pumper lease
General	Storm Water & Parks	229,610	Parks operating costs transfer
Debt Service	Special Allocation	241,726	Firestation Debt Payment
Debt Service	Capital Projects	977,165	Certificates of Participation payments
Special Allocation	General	126,795	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	General	24,355	Highway 67 TIF Incremental EATs tax
Special Allocation	Storm Water & Parks	58,094	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	Storm Water & Parks	6,089	Highway 67 TIF Incremental EATs tax
Special Allocation	Transportation	58,094	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	Transportation	6,089	Highway 67 TIF Incremental EATs tax
Special Allocation	Capital Projects	63,540	Karsch-Downtown TIF Incremental EATs tax
Special Allocation	Capital Projects	12,178	Highway 67 TIF Incremental EATs tax
District Municipal	General	58,023	Portion of Tax-Sharing Agreements
District Municipal	Capital Projects	31,056	Portion of Tax-Sharing Agreements
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	General	243,000	Operating subsidy and reserves replenishment
Airport	Transportation	25,000	Operations support and capital grant match
Sewer	Capital Projects	115,000	Capital improvements at treatment plant

NOTE 12 – CONCENTRATION OF REVENUE

Approximately 21% of the sales tax revenue of the City is generated by one customer.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 13 – MUNICIPAL COURT TRAFFIC VIOLATIONS FINES AND COSTS

Missouri Revised Statute 479.359.1 requires that municipalities annually calculate the percentage of annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations, including amended charges for any minor traffic violations. 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, must be sent to the director of the department of revenue for distribution to the schools within the county.

In section 479.350 of the Missouri Revised Statutes, the following definitions are given. "Annual general operating revenue" is defined as revenue that can be used to pay any bill or obligation of a county, city, town, or village, including general sales tax, general use tax, general property tax, fees from licenses and permits, unrestricted user fees, fines, court costs, bond forfeitures, and penalties. "Court costs" are defined as costs, fees, or surcharges which are retained by a county, city, town, or village upon a finding of guilty or plea of guilty, and shall exclude any costs, fees, or surcharges disbursed to the state or other entities by a county, city, town, or village. "Minor traffic violation" is defined as a violation of a municipal or county ordinance that is prosecuted and does not involve an accident or injury, that does not involve the operation of a commercial motor vehicle, and for which the department of revenue is authorized to assess no more than four points to a person's driving record upon conviction. Minor traffic violation shall exclude a violation for exceeding the speed limit by more than nineteen miles per hour or a violation occurring within a construction zone or school zone.

The City's general operating revenue, as calculated below, for the year ending September 30, 2015 is \$32,942,840, of which \$376,682, 1.1%, represents monies received from all Municipal Court Fines and Fees. Therefore, it is evident that the "minor traffic violation" amount is well below the 30% threshold.

<u>Revenue Source</u>	<u>Amount</u>
Charges for Services	
Governmental Activities	\$ 569,446
Business-Type Activities	27,035,043
Taxes	
General Sales Tax	3,803,398
Real & Personal Property Tax	848,463
Gross Receipts Taxes	475,014
Utility & Other Taxes	178,545
Other	32,931
	<u>\$ 32,942,840</u>

NOTE 14 – RISK MANAGEMENT

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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 15 – RETIREMENT PLAN

Plan Description

The City of Farmington defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Farmington participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2015 Valuation</u>
Benefit Multiplier:	1.5% for life, plus 0.5% to age 65
Final Average Salary:	3 Years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	47
Active employees	<u>121</u>
	<u>221</u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. City contribution rates are 10.4% (General), 9.5% (Police) and 12.7% (Fire) of annual covered payroll.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 15 – RETIREMENT PLAN - continued

Actuarial Assumptions

The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation, 3.0% price inflation
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 0 years for both males and females.

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	45.00%
Strategic Assets	6.50%	7.50%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 15 – RETIREMENT PLAN - continued

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances at 6/30/2014	\$ 19,560,213	\$ 22,870,520	\$ (3,310,307)
Changes for the year:			
Service Cost	500,396	0	500,396
Interest	1,411,366	0	1,411,366
Difference between expected and actual experience	(368,584)	0	(368,584)
Contributions - City	0	589,380	(589,380)
Contributions - Employees	0	0	0
Net investment income	0	468,062	(468,062)
Benefit payments, including refunds	(689,879)	(689,879)	0
Administrative expense	0	(18,828)	18,828
Other changes	0	247,462	(247,462)
Net changes	853,299	596,197	257,102
Balances at 6/30/2015	\$ 20,413,512	\$ 23,466,717	\$ (3,053,205)

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

Sensitivity of Net Pension Liability/(Asset) to the Single Discount Rate

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 23,494,723	\$ 20,413,512	\$ 17,870,629
Plan Fiduciary Net Position	23,466,717	23,466,717	23,466,717
Net Pension Liability/(Asset) (NPL)	\$ 28,006	\$ (3,053,205)	\$ (5,596,088)

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

For the year ended September 30, 2015, the City recognized pension expense of \$202,100. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 15 – RETIREMENT PLAN - continued

Deferred Outflows and Deferred Inflows of Resources by Source
To Be Recognized in Future Pension Expense

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ (311,309)
Net Difference between projected and actual earnings on pension plan investments	955,691	
Employer contributions subsequent to the measurement date	132,860	
Total	<u>\$ 1,088,551</u>	<u>\$ (311,309)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2016.

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

Year Ended	Net Deferred Outflows of Resources
2016	\$ 181,648
2017	181,648
2018	181,648
2019	181,647
2020	(56,053)
Thereafter	(26,156)
Total	<u>\$ 644,382</u>

Payable to the Pension Plan

At September 30, 2015, the City of Farmington reported a payable of \$64,229 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2015.

NOTE 16 – TAX INCREMENT FINANCING, COMMUNITY IMPROVEMENT DISTRICTS, & TAX SHARING AGREEMENTS

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.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 16 – TAX INCREMENT FINANCING, COMMUNITY IMPROVEMENT DISTRICTS, & TAX SHARING AGREEMENTS - cont.

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 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.

On March 23, 2015 the City Council adopted Ordinance 12-721 approving a real estate contract with Joe Goff for the building located at 1 North Jefferson Street. The real estate contract includes a provision for the City to grant tax increment funding from the Architectural Preservation Grant Program in an amount not to exceed \$50,000 for restoration work performed on the building. No qualifying work has been initiated to date.

On November 27, 2015, the City accepted redevelopment proposals for the building located at 3 North Jefferson Street. The proposals are currently under review and no redevelopment agreement has yet been approved.

As of September 30, 2015, 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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 16 – TAX INCREMENT FINANCING, COMMUNITY IMPROVEMENT DISTRICTS, & TAX SHARING AGREEMENTS - cont.

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, 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.

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 amendment was 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.

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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 16 – TAX INCREMENT FINANCING, COMMUNITY IMPROVEMENT DISTRICTS, & TAX SHARING AGREEMENTS - cont.

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 renovated for the opening of a Schnuck's Market in November 2014. Schnuck's Markets Inc. is a regional leader in the supermarket industry operating over 100 stores in 5 states.

At the May 18, 2015 council meeting, the City Council approved an assignment, assumption, and consent agreement between SM Properties Farmington LLC, DDC Farmington Property LLC, GPMVLC Community Improvement District, and the City of Farmington which assigned the rights to the above agreement to DDC Farmington Property LLC.

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.

On June 22, 2015, the City Council re-authorized the Community Improvement District first approved on December 11, 2014. The developer failed to convene the Community Improvement District Board of Directors to ratify the original redevelopment agreement within ninety (90) days as stipulated which triggered an automatic termination of the Community Improvement District. The redevelopment agreement itself remains valid and was not reauthorized.

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.

NOTE 17 – 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

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 17 – INDUSTRIAL REVENUE BONDS - continued

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, 2015 is \$1,515,000. 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 18 – 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.

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, 2015. 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.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 19 – 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 two avigation easement as of September 30, 2015. Current project plans include the acquisition of an additional thirteen avigation easements and one property. At the October 8 council meeting, the City Council approved the purchase of three of the avigation easements.

Sale of Real Estate

At the October 8, 2015 council meeting, the City Council approved the sale of real estate located at 108 West Harrison Street (former library) to First State Community Bank in the amount \$400,000.

Sewer Rate Change

At the January 14, 2016 council meeting, the City Council approved a sewer rate increase to go into effect October 2016. The additional revenues will be used for future sewer system improvements.

Electric Substation Equipment

At the November 23, 2015 council meeting, the City Council approved a purchase order for substation equipment of approximately \$540,000 with Fletcher-Reinhardt Company for a new substation on the north side of the city.

Capital Lease for Construction of a Substation

At the December 28, 2015 council meeting, the City Council approved a capital lease with First State Community Bank in the amount of \$950,000 for costs related to the construction of an electric substation on the north side of the city. The term of the lease is 60 months with an interest rate of 1.84%.

Vote to Extend Transient Guest Tax

At the January 14, 2016 council meeting, the City Council approved a ballot measure for the April 2016 election to extend the 5% tax on hotel and motel rooms in the City. The original tax is set to expire in August 2016.

NOTE 20 – 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, 2015, the City had deposits of \$12,192,823 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, 2015, \$150 was due on account for hangar space rental.

During the year ended September 30, 2015, the City leased rental property to multiple City employees. The properties were purchased for a future airport expansion and have been leased short term. The employees were paying \$450 and \$500 per month respectively based on market. The leases ceased during the year, and as of September 30, 2015, there were no City employees leasing from the City.

CITY OF FARMINGTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 21 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

The amount of net position restricted by enabling legislation at September 30, 2015 is as follows:

<u>Fund</u>	<u>Net Position at September 30, 2015</u>
Capital Projects	\$ 842,201
Special Allocation	866,176
Storm Water & Parks	641,618
Transportation	<u>530,632</u>
Total	<u>\$ 2,880,627</u>

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

Year Ended September 30, 2015

	<u>Appropriated Budget Amounts</u>			Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Sales Tax	\$ 3,372,000	\$ 3,668,000	\$ 3,803,398	\$ 135,398
Real and Personal Property Tax	836,500	836,500	848,463	11,963
Grants & Donations	221,500	220,400	235,586	15,186
Motor Fuel and Vehicle Tax	600,000	615,000	649,764	34,764
Utility, Gross Receipts, and Other Taxes	660,500	660,500	653,559	(6,941)
Municipal Court Fines and Fees	504,800	378,300	376,682	(1,618)
Charges for Services	214,300	171,300	192,764	21,464
Interest Income	1,000	1,000	5,835	4,835
Administrative Pilot Payment	1,377,700	1,377,100	1,375,600	(1,500)
Other	2,100	2,100	(359)	(2,459)
Total Revenue	7,790,400	7,930,200	8,141,292	211,092
<u>EXPENDITURES</u>				
General Government				
Administration	1,311,100	1,757,600	1,245,075	512,525
Public Safety				
Police	2,378,100	2,390,600	2,364,310	26,290
Municipal Court	92,900	99,400	97,822	1,578
Fire	900,400	921,900	850,072	71,828
Streets and Public Works				
Street	772,100	756,100	728,941	27,159
Public Works	422,300	444,600	411,650	32,950
Maintenance	483,500	496,700	457,482	39,218
Culture and Recreation				
Park	610,100	618,600	596,224	22,376
Library	348,000	361,000	307,007	53,993
Capital Outlay	1,209,000	1,644,100	1,214,725	429,375
Debt Service - Principal	279,000	279,000	268,656	10,344
Total Expenses	8,806,500	9,769,600	8,541,964	1,227,636
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,016,100)	(1,839,400)	(400,672)	1,438,728
<u>OTHER FINANCING SOURCES(USES)</u>				
Transfers In	489,000	500,900	508,137	7,237
Transfers Out	(547,500)	(509,000)	(452,174)	56,826
Gain/Loss on Asset	39,200	29,200	29,427	227
Insurance Proceeds	20,000	445,000	271,830	(173,170)
Lease Proceeds - Net of Issuance Costs		400,000	0	(400,000)
Total Other Financing Sources(Uses)	700	866,100	357,220	(508,880)
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	<u>\$ (1,015,400)</u>	<u>\$ (973,300)</u>	<u>\$ (43,452)</u>	<u>\$ 929,848</u>
FUND BALANCE, OCTOBER 1, 2014			<u>3,490,785</u>	
FUND BALANCE, SEPTEMBER 30, 2015			<u>\$ 3,447,333</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
DEBT SERVICE FUND

Year Ended September 30, 2015

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ 50,000	\$ 68,000	\$ 68,153	\$ 153
Total Revenue	50,000	68,000	68,153	153
<u>EXPENDITURES</u>				
Debt Service Interest and Fees	323,000	323,000	323,106	(106)
Debt Service Principal	965,000	965,000	965,000	0
Total Expenditures	1,288,000	1,288,000	1,288,106	(106)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,238,000)	(1,220,000)	(1,219,953)	47
OTHER FINANCING SOURCES(USES)				
Transfer In	1,238,000	1,220,000	1,218,891	(1,109)
Transfer Out	0	0	0	0
Total Other Financing Sources (Uses)	1,238,000	1,220,000	1,218,891	(1,109)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	(1,062)	<u>\$ (1,062)</u>
FUND BALANCE, OCTOBER 1, 2014			<u>32,500</u>	
FUND BALANCE, SEPTEMBER 30, 2015			<u>\$ 31,438</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, 2015

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
<u>REVENUES</u>				
Transient Tax Income	\$ 200,000	\$ 235,000	\$ 259,168	\$ 24,168
Interest Income	0	100	94	(6)
Total Revenue	200,000	235,100	259,262	24,162
<u>EXPENDITURES</u>				
General Government	200,000	235,100	259,262	(24,162)
Total Expenditures	200,000	235,100	259,262	(24,162)
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	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
FUND BALANCE, OCTOBER 1, 2014			0	
FUND BALANCE, SEPTEMBER 30, 2015			<u>\$ 0</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
STORM WATER AND PARKS TAX FUND**

Year Ended September 30, 2015

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
<u>REVENUES</u>				
Sales Tax	\$ 841,000	\$ 917,000	\$ 920,729	\$ 3,729
Interest Income	<u>0</u>	<u>400</u>	<u>668</u>	<u>268</u>
Total Revenue	841,000	917,400	921,397	3,997
<u>EXPENDITURES</u>				
Capital Expenditures	<u>545,000</u>	<u>345,000</u>	<u>222,263</u>	<u>122,737</u>
Total Expenditures	<u>545,000</u>	<u>345,000</u>	<u>222,263</u>	<u>122,737</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,386,000	1,262,400	699,134	126,734
OTHER FINANCING SOURCES(USES)				
Transfers In	0	0	0	0
Transfers Out	<u>(296,000)</u>	<u>(292,900)</u>	<u>(293,792)</u>	<u>(892)</u>
Total Other Financing Sources(Uses)	<u>(296,000)</u>	<u>(292,900)</u>	<u>(293,792)</u>	<u>(892)</u>
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	<u>\$ 1,090,000</u>	<u>\$ 969,500</u>	405,342	<u>\$ 125,842</u>
FUND BALANCE, OCTOBER 1, 2014			<u>236,276</u>	
FUND BALANCE, SEPTEMBER 30, 2015			<u>\$ 641,618</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, 2015

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
Sales Tax	\$ 841,000	\$ 917,000	\$ 920,730	\$ 3,730
Grants and Donations	0	53,700	53,706	6
Interest Income	0	0	411	411
Total Revenue	841,000	970,700	974,847	4,147
EXPENDITURES				
Capital Expenditures	543,000	571,400	516,167	55,233
Total Expenditures	543,000	571,400	516,167	55,233
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,384,000	1,542,100	458,680	59,380
OTHER FINANCING SOURCES(USES)				
Transfers In	0	0	0	0
Transfers Out	(186,000)	(96,000)	(89,183)	6,817
Total Other Financing Sources(Uses)	(186,000)	(96,000)	(89,183)	6,817
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ 1,198,000	\$ 1,446,100	369,497	\$ 66,197
FUND BALANCE, OCTOBER 1, 2014			161,135	
FUND BALANCE, SEPTEMBER 30, 2015			\$ 530,632	

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, 2015

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
Sales Tax	\$ 1,689,000	\$ 1,835,900	\$ 1,845,977	\$ 10,077
Grants and Donations	0	0	0	0
Interest Income	0	0	3,250	3,250
Total Revenue	1,689,000	1,835,900	1,849,227	13,327
EXPENDITURES				
Capital Expenditures	8,161,000	7,971,000	8,066,577	(95,577)
Total Expenditures	8,161,000	7,971,000	8,066,577	(95,577)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,472,000)	(6,135,100)	(6,217,350)	(82,250)
OTHER FINANCING SOURCES(USES)				
Transfers In	0	0	0	0
Transfers Out	(1,358,000)	(1,526,000)	(1,477,466)	48,534
Lease Proceeds - Net of Issuance Costs	0	0	0	0
Total Other Financing Sources(Uses)	(1,358,000)	(1,526,000)	(1,477,466)	48,534
EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES	\$ (7,830,000)	\$ (7,661,100)	(7,694,816)	\$ (33,716)
FUND BALANCE, OCTOBER 1, 2014			8,537,017	
FUND BALANCE, SEPTEMBER 30, 2015			\$ 842,201	

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

**CITY OF FARMINTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT PLAN
FISCAL YEAR 2015**

SCHEDULE OF CITY CONTRIBUTIONS

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2006	\$ 392,257	\$ 392,257	\$ 0	\$ 4,189,785	9.36%
2007	408,947	408,947	0	4,092,289	9.99%
2008	404,593	404,593	0	4,240,657	9.54%
2009	393,189	420,851	(27,662)	4,652,261	9.05%
2010	410,242	453,554	(43,312)	4,767,713	9.51%
2011	633,794	504,541	129,253	4,801,167	10.51%
2012	622,389	539,836	82,553	4,691,277	11.51%
2013	643,084	601,040	42,044	4,823,934	12.46%
2014	617,850	617,850	0	5,000,672	12.36%
2015	581,234	581,234	0	4,908,089	11.84%

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

	2015
Total Pension Liability	
Service Cost	\$ 500,396
Interest on Total Pension Liability	1,411,366
Changes of Benefit Terms	0
Difference Between Expected & Actual Experience	(368,584)
Changes of Assumptions	0
Benefit Payments, Including Refunds	689,879
Net Change in Total Pension Liability	853,299
Total Pension Liability - Beginning	19,560,213
Total Pension Liability - Ending (a)	<u>\$ 20,413,512</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 589,380
Contributions - Employee	0
Net Investment Income	468,062
Benefit Payments, Including Refunds	689,879
Pension Plan Administrative Expense	18,828
Other (Net Transfer)	247,462
Net Change in Plan Fiduciary Net Position	596,197
Plan Fiduciary Net Position - Beginning	22,870,520
Plan Fiduciary Net Position - Ending (b)	<u>\$ 23,466,717</u>
Net Pension Liability/(Asset) - Ending (a-b)	<u>(3,053,205)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	114.96%
Covered-employee Payroll	4,792,368
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	(63.71)%

SCHEDULE OF INVESTMENT RETURNS*

Annual Money-Weighted Rate of Return Net of Investment Expenses	2.07%
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SCHEDULE OF NET PENSION LIABILITY *

Fiscal Year Ending September 30	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015	\$ 20,413,512	\$ 23,466,717	\$ (3,053,205)	114.96%	\$ 4,792,368	(63.71)%

*Only fiscal year 2015 information was available. The City will continue to present information for years available until a full 10 year trend is compiled.

Notes to Schedule:

*Information for prior years is not available, amounts presented for the year end were determined as of June 30, the measurement date

CITY OF FARMINTON, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT PLAN
FISCAL YEAR 2015

Valuation Date: February 28, 2015

The roll-forward of total pension liability from February 28, 2015 to June 30, 2015 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	Multiple bases from 14 to 23 years
Asset Valuation Method:	5-Year smoothed market; 20% corridor
Inflation:	3.5% wage inflation; 3.0% price inflation
Salary Increases:	3.5% to 6.8% including wage inflation
Investment Rate of Return:	7.25%, net of investment and administrative expenses
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.
Mortality:	
Other Information:	None

CITY OF FARMINGTON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended September 30, 2015

CURRENT FINDINGS AND RESPONSES

FINDINGS - FINANCIAL STATEMENT AUDIT

2015-01 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 RESPONSES

For the Year Ended September 30, 2015

PRIOR YEAR FINDINGS AND RESPONSES

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.

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. The City has begun performing periodic spot checks, of the receipts and ticket balances, but the scope is limited. See current finding.