



# **CITY OF FARMINGTON, MISSOURI**

## **FINANCIAL REPORT** (Audited)

Year Ended September 30, 2017

# CITY OF FARMINGTON, MISSOURI

## FINANCIAL REPORT

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## **INDEPENDENT AUDITOR'S REPORT**

March 22, 2018

Honorable Mayor and Members of the 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 OF FARMINGTON, MISSOURI** (the City), as of and for the year ended September 30, 2017, 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 of material misstatement.

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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 City'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 City'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 as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

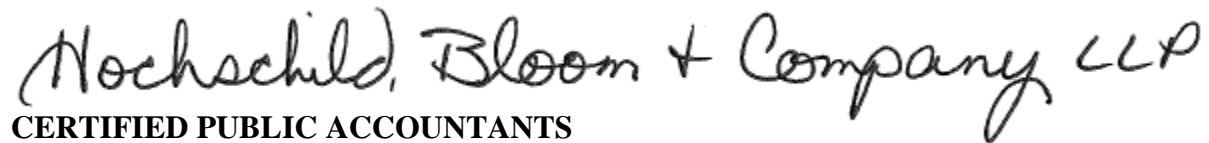
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United State of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018 on our consideration of the City'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's internal control over financial reporting and compliance.

  
**CERTIFIED PUBLIC ACCOUNTANTS**

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, 2017. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **FINANCIAL HIGHLIGHTS**

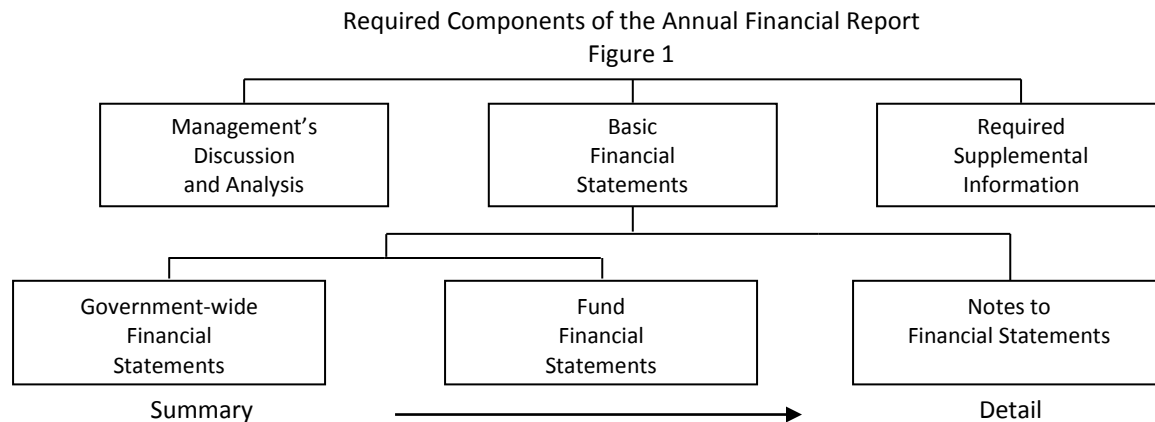
The City of Farmington continues to be a growing city. The City provides a full range of governmental and proprietary services that include four enterprise activities.

- The City of Farmington had a positive net position at the close of the fiscal year in the amount of \$96.3 million, a 3.7% increase over the prior year (*net position = assets + deferred outflows - liabilities - deferred inflows*).
- The government's total change in net position due to activities during the fiscal year was an increase of approximately \$3.5 million. This increase was representative of a \$1.3 million increase in governmental activities and a \$2.2 million increase in position in business-type activities.
- Of the governmental fund balances, approximately \$3.43 million was available for spending at the government's discretion (*unassigned, assigned, and committed fund balances*). This was a 1.8% increase from the prior year amount of \$3.37 million.
- At the end of the fiscal year, the governmental funds full unassigned balance of approximately \$2.5 million was held in the General Fund. This amounted to approximately 31% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- Governmental activities general revenues (special items not included) were \$13.06 million in comparison to \$12.89 million the prior year, a 1.3% increase. This increase was primarily due to an increase in tax revenues, which accounted for \$11.42 million, 87%, of the total general revenue.
- The General Fund receives a payment in lieu of taxes (PILOT) from the electric, water, and sewer departments. The PILOT was set at 5% resulting in a total payment amount of \$1.4 million in fiscal year 2017. 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.
- The City of Farmington's total debt increased by \$2.5 million (14%) during the fiscal year. This increase was the net effect of a reduction of \$3.5 million in principal and one new borrowing during the year of \$6.0 million for sewer system construction, replacement, and improvements.

The City has continued to appropriate for and make all debt payments and pension contributions.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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) required supplemental information (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 24 and 25.

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 26 to 32.

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. The Notes can be found on pages 33 to 61.

#### Government-wide Financial Statements

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

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

Each of the government-wide statements is divided into two categories: Governmental Activities and Business-type Activities. The Governmental Activities include most of the City's basic services such as public safety, library, parks and recreation, and general administration. These activities are financed primarily through taxes and the general revenue of the City. The Business-type Activities are those activities that the City intends to recover all, or

a significant portion, of their costs through user fees and charges to customers. These include the airport, civic center, water park and senior center, water and electric services, and sewer services offered by the City of Farmington.

The government-wide financial statements are required to also include legally separate entities (if any) for which the City is financially accountable. The City does not have any such entity that is required to be included as a "component unit" in its financial statements.

#### 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 noncompliance) 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. The City presents the General, Debt Service, Capital Projects, Transient Tax, Storm Water and Parks Tax, and Transportation Tax as major governmental funds. The Special Allocation Fund and District Municipal Fund are presented as combined nonmajor funds in a single column.
- *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 enterprise funds which include 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 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.



**MANAGEMENT DISCUSSION AND ANALYSIS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

*Required Supplemental Information*

In addition to the basic financial statements and accompanying notes, this report includes certain required supplemental information which contains budget to actual comparison schedules for all of the City's governmental general and major special revenue funds along with certain pension information.

*Other Supplemental Information*

In addition to the basic financial statements, accompanying notes and required supplemental information, this report is followed by other information which contains a combining fund balance sheet, combining fund statement of revenues, expenditures, and changes in fund balances, and budget to actual comparison schedules for all of the City's governmental nonmajor funds and major capital projects and debt service funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table reflects a condensed comparative statement of net position for September 30, 2017, and September 30, 2016 (as restated).

City of Farmington's Statement of Net Position  
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016 - Restated	2017	2016 - Restated	2017	2016 - Restated
Current Assets	\$ 8,199,536	\$ 9,210,963	\$ 13,737,173	\$ 13,569,304	\$ 21,936,709	\$ 22,780,267
Other Assets	-	-	7,300,298	2,210,199	7,300,298	2,210,199
Net Pension Asset	1,643,451	739,118	590,613	80,162	2,234,064	819,280
Capital assets (Net)	39,196,930	38,109,481	50,959,002	49,749,547	90,155,932	87,859,028
Total Assets	49,039,917	48,059,562	72,587,086	65,609,212	121,627,003	113,668,774
Deferred Outflows	899,083	1,883,236	412,375	916,982	1,311,458	2,800,218
Current liabilities	1,494,287	1,586,703	3,211,206	3,221,217	4,705,493	4,807,920
Noncurrent liabilities	9,514,868	10,864,142	11,659,217	7,407,298	21,174,085	18,271,440
Total Liabilities	11,009,155	12,450,845	14,870,423	10,628,515	25,879,578	23,079,360
Deferred Inflows	473,671	352,965	278,485	194,797	752,156	547,762
Net Position:						
Net investment in capital assets	29,970,588	26,939,653	45,363,337	43,815,998	75,333,925	70,755,651
Restricted	3,150,724	4,052,497	1,372,899	1,515,859	4,523,623	5,568,356
Unrestricted	5,334,862	6,146,838	11,114,317	10,371,025	16,449,179	16,517,863
Total Net Position	\$ 38,456,174	\$ 37,138,988	\$ 57,850,553	\$ 55,702,882	\$ 96,306,727	\$ 92,841,870

As noted earlier, net position 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, 2017, the combined assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$96,306,727. This equates to a 3.7%, or \$3,464,857, increase in combined net position as compared to September 30, 2016. This increase was split 38%, \$1,317,186, from governmental activities and 62%, \$2,147,671, from business-type activities.
- Comparatively, the City's net investment in capital assets was approximately 78.2% of the total net position, up from 76.2% in 2016. The City of Farmington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Farmington's investment in its capital assets is reported net of the outstanding related debt less project funds unspent as of September 30, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.
- Investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding increased by \$4,578,274, or 6%. The City's governmental activities accounted for \$3,030,935 of this increase. The remaining \$1,547,339 was comprised of the following business-type

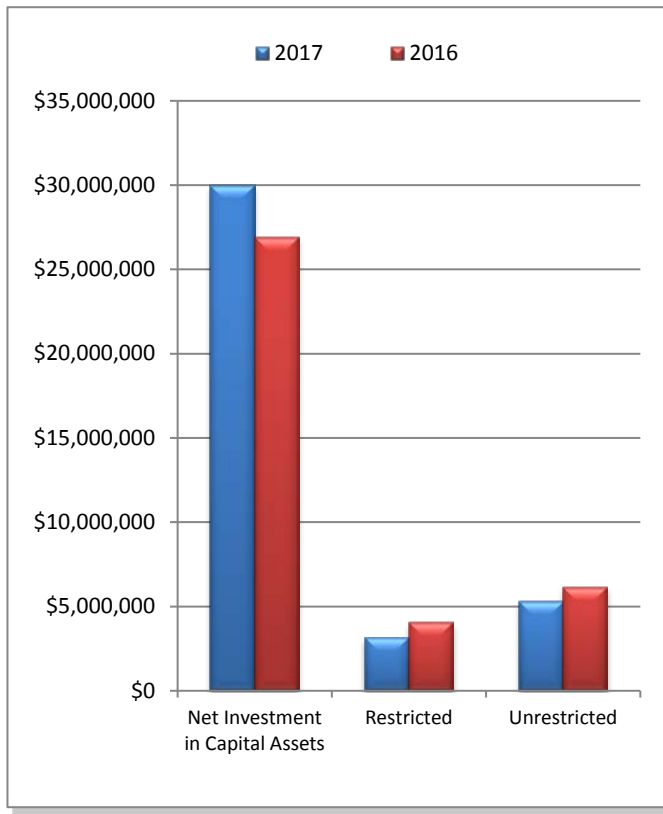
**MANAGEMENT DISCUSSION AND ANALYSIS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

activities changes: Civic Complex Fund decreased \$223,519, Airport Fund increased \$297,041, Utility Fund increased \$1,140,603, and Sewer Fund increased \$333,214.

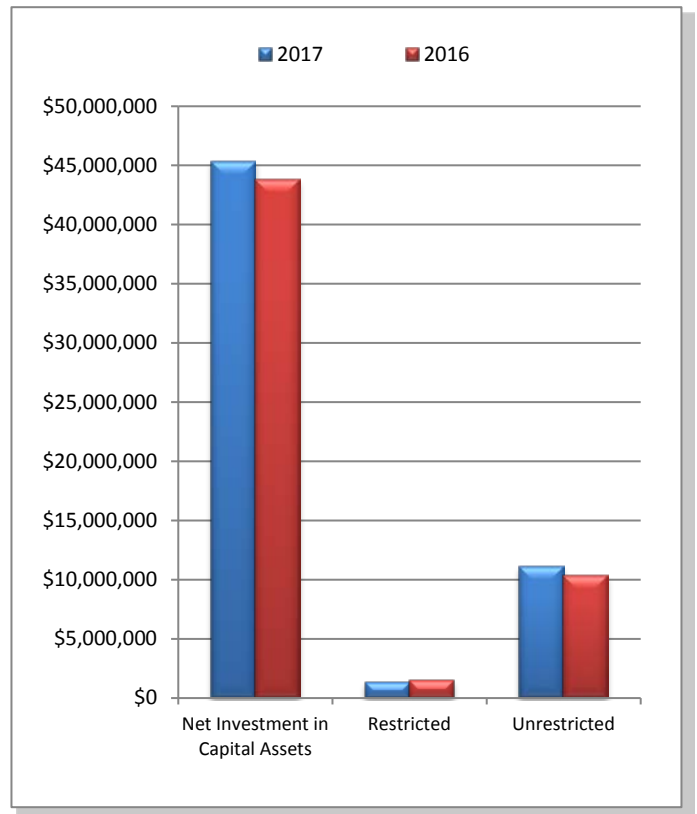
- An additional portion of the City's net position 4.7%, \$4,523,623, represented resources that were subject to external restrictions on how they may be used. This consisted of \$3,150,724 for governmental activities and \$1,372,899 for business activities. The restricted amounts were for debt service, capital projects, tax increment finance districts, and sewer.
- The remaining balance of 17.1%, \$16,449,179, of the City's net position was unrestricted. This compared to \$16,517,863, or 17.8%, in the prior year (restated). Of the unrestricted net position, approximately 32% was attributable to governmental type activities, and 68% was attributable to business-type activities.

The following charts depict a fiscal year comparison of the City's net position by activity type and category between fiscal years ending September 30, 2017, and September 30, 2016 as restated. (Figures 3 and 4).

Net Position Category  
Governmental Activities  
Figure 3



Net Position Category  
Business-type Activities  
Figure 4



**MANAGEMENT DISCUSSION AND ANALYSIS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Figure 5 shown below reflects the changes to the net position as a result of the City's activities for the years ended September 30, 2017, and September 30, 2016.

City of Farmington's Statement of Activities  
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2017	2016 as restated	2017	2016 as restated	2017	2016 as restated
<b>Revenues:</b>						
Program revenues:						
Charges for goods and services	\$ 510,188	\$ 708,936	\$ -	\$ -	\$ 510,188	\$ 708,936
Electric Charges	-	-	21,337,921	21,844,322	21,337,921	21,844,322
Water Charges	-	-	3,457,955	3,421,603	3,457,955	3,421,603
Sewer Charges	-	-	3,542,292	2,606,084	3,542,292	2,606,084
Airport Charges	-	-	255,595	285,017	255,595	285,017
Civic Complex	-	-	1,575,290	1,517,134	1,575,290	1,517,134
Operating grants and contributions	1,155,358	888,944	296,888	263,421	1,452,246	1,152,365
Capital grants and contributions	260,000	-	720,790	206,846	980,790	206,846
General revenues:						
Sales Taxes	8,151,408	7,953,672	-	-	8,151,408	7,953,672
Property Taxes	909,161	864,371	-	-	909,161	864,371
Gross Receipts, Utility, and Other Taxes	641,572	674,147	-	-	641,572	674,147
Transient Guest Tax (Hotel/Motel)	265,430	277,175	-	-	265,430	277,175
TIF Proceeds	800,885	666,658	-	-	800,885	666,658
Interest Income	117,041	83,905	148,586	126,711	265,627	210,616
Administrative Pilot Payment	1,415,280	1,393,827	-	-	1,415,280	1,393,827
Insurance Proceeds	97,663	175,648	34,572	64,039	132,235	239,687
Other Income	8,083	10,627	-	-	8,083	10,627
Gain (Loss) on Disposal of Assets	-	186,155	-	-	-	186,155
<b>Total Revenues</b>	<b>14,332,069</b>	<b>13,884,065</b>	<b>31,369,889</b>	<b>30,335,177</b>	<b>45,701,958</b>	<b>44,219,242</b>
<b>Expenses:</b>						
General government	3,189,584	2,502,300	-	-	3,189,584	2,502,300
Public safety	4,226,580	3,924,306	-	-	4,226,580	3,924,306
Streets and Public Works	2,868,219	2,637,862	-	-	2,868,219	2,637,862
Cultural and recreation	1,402,649	1,256,200	-	-	1,402,649	1,256,200
Governmental Activities - Interest Expense	264,110	391,523	-	-	264,110	391,523
Electric	-	-	20,820,727	20,958,037	20,820,727	20,958,037
Water	-	-	2,851,436	3,060,963	2,851,436	3,060,963
Sewer	-	-	3,189,012	2,800,421	3,189,012	2,800,421
Airport	-	-	752,780	684,502	752,780	684,502
Civic Complex	-	-	2,672,004	2,598,373	2,672,004	2,598,373
<b>Total Expenses</b>	<b>11,951,142</b>	<b>10,712,191</b>	<b>30,285,959</b>	<b>30,102,296</b>	<b>42,237,101</b>	<b>40,814,487</b>
Change in net position before transfers and special items	2,380,927	3,171,874	1,083,930	232,881	3,464,857	3,404,755
Special or Extraordinary Items	-	473,528	-	-	-	473,528
Transfers	(1,063,741)	(803,222)	1,063,741	803,222	-	-
Change in net position	1,317,186	2,842,180	2,147,671	1,036,103	3,464,857	3,878,283
Net Position, October 1	37,138,988	34,296,808	55,702,882	54,666,779	92,841,870	88,963,587
Net Position, September 30	<u>\$ 38,456,174</u>	<u>\$ 37,138,988</u>	<u>\$ 57,850,553</u>	<u>\$ 55,702,882</u>	<u>\$ 96,306,727</u>	<u>\$ 92,841,870</u>

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

- Total revenues increased 3.4%, or \$1,482,716. Governmental activities accounted for 30% of the increase, \$448,004, and business activities accounted for 70%, \$1,034,712.
- Total expenses increased by 3.5%, or \$1,422,614. Governmental activities accounted for 87%, \$1,238,951, and business activities accounted for 13%, \$183,663.

Governmental Activities

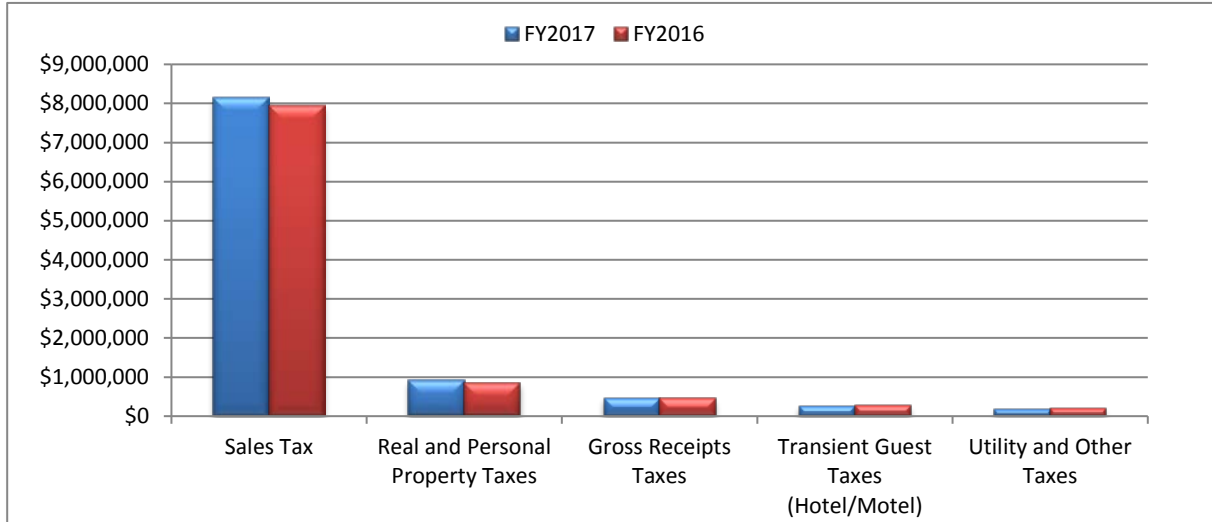
Governmental activities increased the City's net position by \$2,380,927 before transfers. Key elements of this change are as follows:

Revenue

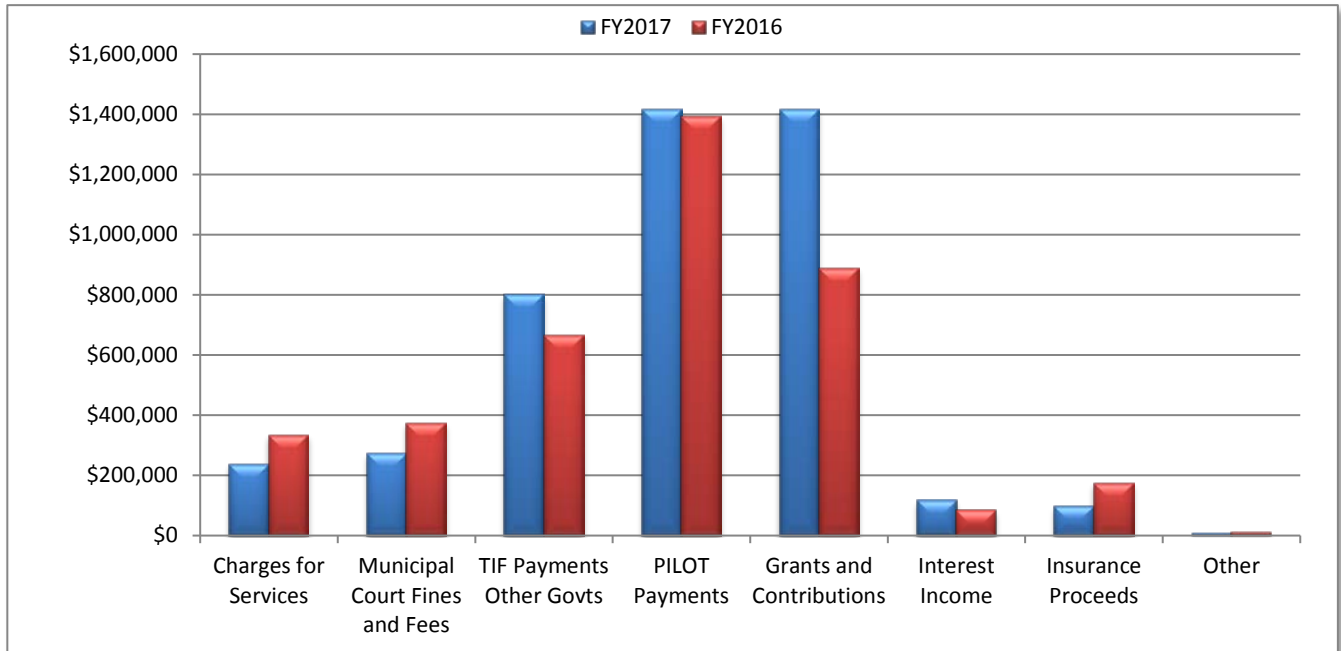
- Sales tax revenues increased by \$197,736. This represents a 2.5% increase over the prior year. The Fiscal Year 2017 increase marked four consecutive years of increased sales tax for the City, 2.5%, 6.2%, 8.4%, and 6.6%. Based on development in the area and economic growth, the City anticipates increases to continue as the economy grows.
- Other tax revenue changes for the City included:
  - A 5.2% increase in property taxes, \$44,790, driven by an increase in assessed valuation, (Prior year change: +1.6%, \$13,175);
  - A 3.1% increase in gross receipts taxes, \$13,865, (Prior year change: -4.6%, \$(21,941));
  - A 4.2% decrease in transient guest tax receipts, \$(11,745), (Prior year change: +6.9%, \$18,007); and
  - A 10.4% decrease in utility and other taxes combined, \$(20,200), (Prior year change: +9.1%, \$16,289).
- Interest income increased \$33,136 or 39.5% due to changes in cash and investment balances and rising interest rates.
- Administrative pilot payments increased by \$21,453, or 1.5%, 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 are 5% of defined revenue of the Utility and Sewer Funds. Sewer rates were increased during the fiscal year resulting in an increase in revenue and therefore an increase in the payments to the General Fund.
- Operating contributions and grants increased by \$266,414, 30%, from the prior year to a total of \$1,155,358. Operating grants were received in the public safety area in the amount of \$264,836. This consisted of \$121,447 for the Mineral Area Drug Task Force, \$4,865 for youth seat belt and hazardous moving vehicle enforcement efforts, \$9,998 for a body armor replacement for the police, \$59,541 from the Farmington R-7 School District as a cost-sharing contribution in support of the school resource officer program, \$68,000 from the St. Francois County 911 for support of the dispatch center which provides backup operations to the 911 communications center, \$935 from the State of Missouri for Child Protective Seats training and certification, and a \$50 donation toward the purchase of smoke detectors. General governmental activities received a grant in the amount of \$224,890 for pass-thru to the Missouri Community College Association for the operation of the Jobs for Americas Graduates program. Culture and recreation contributions in the amount of \$10,923 for the operation of the library, parks, and bike hostel from a combination of state aid and donations by individuals. The operating grants for the streets and public works are made up of motor fuel and vehicle taxes of \$654,709.
- The City received a capital donation of an office building valued at \$260,000. At September 30, 2017, the building was not in use, but the City was actively seeking a tenant to provide additional revenue.
- Changes in revenue from charges for services decreased \$198,748. Major components of this decrease included:
  - A \$111,000 decrease in public safety revenue due to a decrease of \$22,341 from the prior year including incident costs recovery on a fire call and no such event happened in 2017, an \$89,213 decrease in municipal court revenue due to a combined decrease in collections and activity, and various other minor changes, and
  - A \$70,019 decrease in streets and public works due to a decrease in storm water detention impact fee payments.

Figures 6 and 7 provide a prior year comparison of the revenues by category for the City of Farmington governmental activities.

Tax Revenues  
Figure 6



General Revenues by Source  
Figure 7



**Expenses**

- Overall, there was an increase of \$1,238,951, or 11.6%, in governmental activities operating expenses (debt service principal and or capital outlay not included). Changes by program area were:
  - A 27.5%, \$687,284, increase in general government, (Prior year change: +59.8%, \$1,088,974);
  - A 7.7%, \$302,274, increase in public safety, (Prior year change: +5.2%, \$196,809);
  - An 8.7%, \$230,357, increase in streets and public works, (Prior year change: +0.6%, \$14,363);

- An 11.6%, \$146,449, increase in culture and recreation, (Prior year change: +19.6%, \$246,836); and
- A 32.5%, \$(127,413), decrease in interest expense related to debt.
- Personnel related expenses as a whole for the governmental activities had an 8.1% net increase, \$416,608. This was the net result of an increase in payroll and taxes of \$354,552, 9.0%, due to pay increases, an increase in benefit expenses of \$89,362, 9.2%, and a \$27,307 decrease in other related employee expenses such as uniforms and contracted labor.
- Pension plan related expenses were \$200,527, an \$18,430 increase, 10.1%, over the prior year. Primary components of these expenses included service cost (the actuarial present value of projected benefit payments attributed to a valuation year), interest, administrative expenses, amortization of changes in actuarial assumptions, changes in casualty and benefit reserve fund allocations, differences between expected and actual experience, and differences between projected and actual earnings on plan investments.
- Significant changes in other function and program expenses included:
  - An increase of \$366,949 in developer payments in the City's tax increment financing districts. This was largely due to the opening of a large retail facility. It is anticipated this level of expenditure will continue into future years.
  - An increase of \$224,891 in grant expenditures related to the Missouri Community College Association pass-thru grant previously mentioned. This level of expenditure is expected to continue into the ensuing fiscal year.
  - A \$50,411 decrease due to the expiring of an economic development services contract with the Farmington Industrial Development Authority.
  - A \$62,803 decrease in insurance claims due to the prior year having experienced a large increase primarily related to the storm in April 2015, which was reported the prior year to be a one-year increase.

Figure 8 on the following page provides a prior year comparison of the functional expenses for the City of Farmington governmental activities exclusive of debt service principal and capital outlays.

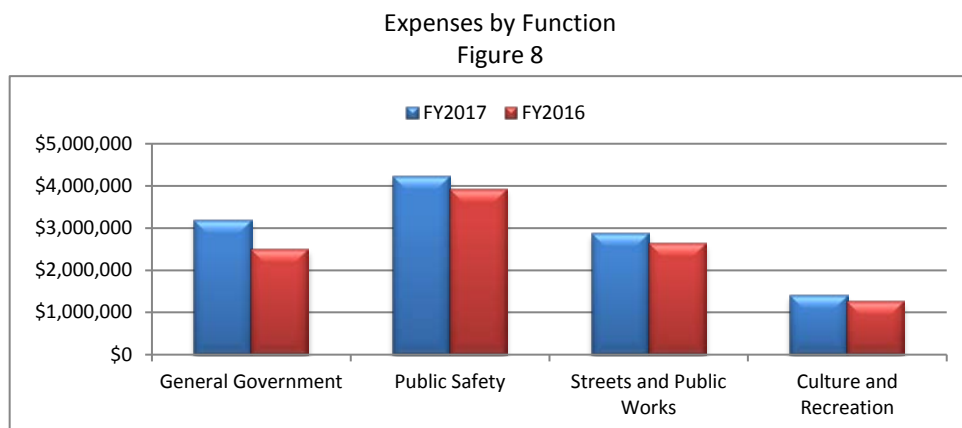
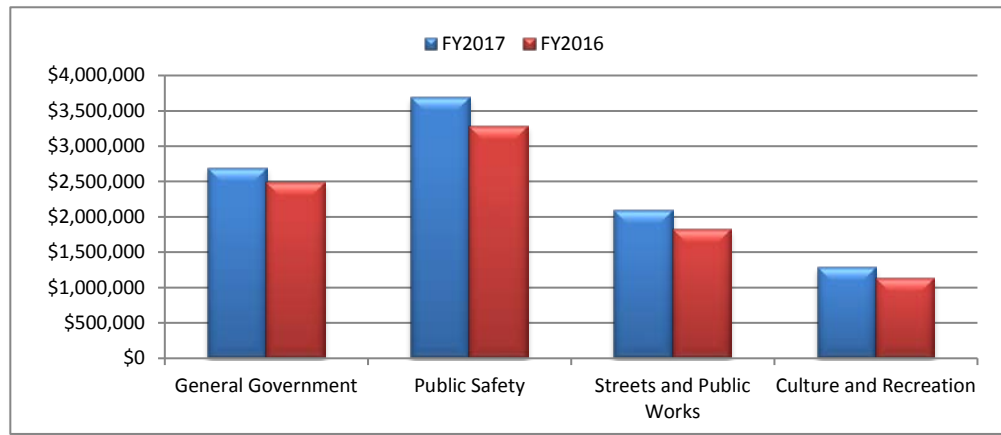


Figure 9 depicts the net cost of service for each activity area (*expenses - charges for service - grants and contributions*) for Fiscal Years ending September 30, 2017, and September 30, 2016.

Net Cost of Service Comparison  
Figure 9



#### Business-type Activities

Business-type activities increased the City of Farmington's net position by \$1,083,930 before transfers. Key elements of the changes were as follows:

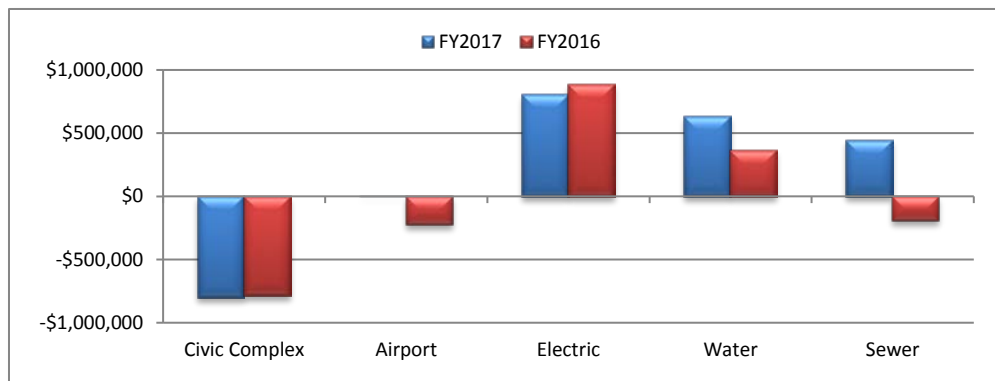
- The Civic Complex Fund experienced a net loss before transfers of \$800,587. Fund program revenues increased \$58,516, or 3.8%. A primary component of this increase was a \$52,318, or 8.7%, increase in Civic Center membership revenue due to increased rates and participation. Fund expenses increased \$73,631, or 2.8%. A key component of this increase was a \$122,803, 27.8%, increase in utility and maintenance costs of the facilities due to necessary repairs and higher utility cost on new equipment at the Civic Center (reprogramming of the equipment has been completed, and this increase was expected to trend off). Personnel related expenses increased \$62,569, or 6.5%. These increases were partially offset by a reduction in other expenses including contracts services, pension expense, and concession supplies. The Civic Complex Fund encompasses the operation of the Civic Center, Centene Center, Water Park, Splash Pad, and Senior Center. An annual operating subsidy is transferred to the Civic Complex Fund from the General Fund. The subsidy for the year ended September 30, 2017 was \$171,888. The fund received an additional transfer of \$319,108 from the Capital Projects Fund for the completion of needed capital improvements.
- The Airport Fund recorded a net gain of \$2,355 before transfers and after capital contributions. Charges for goods and services decreased \$29,422, or 10.3%, largely due to an 18.3% decrease in gallons of fuel sold. Expenses increased \$68,278, or 10%. Key components of this increase included an increase in engineering costs of \$31,833 related to remediation from the removal of the previous fuel tanks and a \$63,963 increase in contracted services related to tree trimming and removal in the runway approach zone at the airport. These increases were offset by decreases in other expenses, the most significant of which included fuel inventory costs and building and grounds maintenance costs. The City received a donation of land adjacent to the airport with a value of \$400,000. Avigation easements and property were purchased adjacent to the airport with support from the Missouri Department of Transportation in the form of federal transportation grant funds for capital outlay related to land and avigation easement acquisitions.
- The Utility Fund had a net gain of \$1,437,188 before transfers. The Utility Fund accounts for the operations of the electric and water utilities.
  - The electric utility represented \$806,345, 56%, of the gain. The electric utility charges for goods and services decreased \$506,401, 2.3%, due to a decrease in consumption. The electric utility expenses decreased \$37,310, 0.7%. Significant changes included an increase in contract labor costs of \$103,740 for emergency repair assistance due to storm damage, a

decrease in building repairs and maintenance of \$79,187 due to a prior year increase for storm repairs, a decrease in power purchased costs of \$86,533 due to reduced consumption, a \$113,709 increase due to additions to inventory, and a \$72,187 increase driven by an initiative to replace manual read electric meters to automatic read. Personnel related expenses increased \$192,038, or 19.5%. Pension expense decreased \$175,846, \$66,159 of which was attributable to current year changes in the pension net asset, deferred outflows, and deferred inflows; the additional \$109,687 decrease was related to prior period adjustment of the pension balances to correct allocations government-wide.

- The water utility represented \$630,843 of the Utility Fund net increase. The water utility charges for goods and services increased \$36,352, 1.1%. Key components of this change included a \$21,874 decrease in payments from contractors for materials used in new construction and renovations and a \$64,440 increase, 7.7%, for operating fees under an intragovernmental contract with the State of Missouri for the operation of the water system at the Farmington Correctional Center. Water utility expenses decreased \$209,527, 6.8%. Key components of this decrease included a \$340,346 decrease in cost of equipment maintenance and repairs for the water system at the Farmington Correctional Center, a \$184,253 increase driven by an initiative to replace manual read water meters to automatic read, a \$46,565 increase in system maintenance costs on the water system, a \$34,940, 9.1%, increase in personnel related expenses, and a \$72,459 decrease in pension expense, of which \$28,354 was attributable to current year changes in the pension net asset, deferred outflows, and deferred inflows. The additional \$44,105 decrease was related to prior period adjustment of the pension balances to correct allocations government-wide.
- The Sewer Fund had a net gain of \$444,974 before transfers. Sewer charges for services increased \$936,208, 35.9% primarily driven by an increase in rates. Sewer expenses increased by \$388,591, or 13.9%. Key components of this increase included a \$138,494 for an increase in inventory, a \$124,928 increase in debt interest due to a new issue for waste water system improvements, \$114,002 for costs of issuance on the issue, a \$77,360 increase for equipment repair and maintenance, and a \$45,536 decrease in system maintenance costs, an increase of \$35,596 in personnel related expenses, and a \$132,444 decrease in pension expenses, of which \$53,024 was attributable to current year changes in the pension net asset, deferred outflows, and deferred inflows. The additional \$79,420 decrease was related to prior period adjustment of the pension balances to correct allocations government-wide.

Figure 10 depicts the change in net position before capital contributions and transfers for each enterprise activity for Fiscal Years ending September 30, 2017, and September 30, 2016.

Change in Net Position Before Capital Contributions and Transfers  
Figure 10





## **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 total governmental fund balance at September 30, 2017, was \$6,303,496, compared to \$7,280,397 in the prior year, a 13.4% decrease. The City chose to present the Special Allocation Fund and the District Municipal Fund combined under the nonmajor 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, 2017, the General Fund had a balance of \$3,458,879, of which \$2,465,553 was 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 represented approximately 31% of total General Fund expenditures (capital and debt included) which was well above the minimum balance of 13% set in the City's financial policy and the 17% target operating reserve established in the FY2017 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, 2017, was \$0. 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, 2017, was \$801,167. 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, 2017, the balance of the Transient Guest Tax Fund was \$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 of and capital improvements to the parks. The balance of the Storm Water and Parks Tax Fund at September 30, 2017, was \$897,845. 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, but can be released for parks projects if so decided. 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, and airport). The balance of the Transportation Tax Fund at September 30, 2017, was \$90,583. The fund balance is restricted, and no minimum balance policy exists for this fund. The Transportation Fund took an inter-fund loan from the General Fund to complete some projects in progress prior to the receipt of the tax revenues. This loan was budgeted to be repaid in the following fiscal year.

#### 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, 2017, was \$57,850,553. The unrestricted portion of the total net position equaled \$11,443,940, a 20% increase from September 30, 2016. Changes in individual funds were as follows:

##### Civic Complex Fund

The Civic Complex Fund, which consists of the Civic Center, Centene Center, Water Park, and Senior Center, had a total net position of \$11,676,662 at September 30, 2017, of which \$490,587 was unrestricted. This equates to 23% of operating expenses (depreciation and capital expenditures not included) in comparison to 27% at September 30, 2016. The General Fund makes an annual transfer to subsidize the operations of the Civic Complex Fund activities.

##### 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, 2017, was \$7,261,917. The amount that was unrestricted was \$178,680. This equates to 40% of operating expenses (depreciation and capital outlay not included) compared to 6% at September 30, 2016. Both the General Fund and Transportation Tax Fund are eligible for transferring funds in support of the airport operations.

##### Utility Fund

The Utility Fund accounts for the activities of the electric utility and water utility. Electric and water rates are set to cover the cost of operations, debt, and capital improvements. The Utility Fund total net position at September 30, 2017, was \$23,795,296. Of this amount, \$9,970,214 was unrestricted. This was a \$424,471, or 4%, increase over the prior year. The unrestricted amount equals 44% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 41% at September 30, 2016. Increases in the fund balance were primarily due to user fees in excess of operating expenses. This differential is important for maintaining fund balances, providing funds for capital investment, payment of debt principal, and planning for future projects.

##### 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, 2017, was \$15,116,678. There was \$474,836 unrestricted net position in the Sewer Fund. Of the total net position, \$916,872 was held in restricted net position and \$13,724,970 was net investment in capital assets in comparison to \$1,158,203 restricted and \$13,391,756 net investment in capital assets the prior year. Of the restricted net position, \$916,872 was restricted for debt service. This portion restricted for sewer operations equates to 23% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 17% at September 30, 2016.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the City revised the budget on three 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.

Differences between the original and final amended budget can be summarized as follows:

- The General Fund revenues budget was increased by \$16,500. Primary components of this increase included:
  - A \$90,000 increase in insurance reimbursement revenue to account for final storm damage claims;
  - A \$35,000 decrease in gain on sale/trade of fixed assets due to the delay of the City auction until the ensuing fiscal year;
  - A net increase of \$10,000 in public works permitting and publication fees based on increased development being completed;
  - A combined decrease of \$38,000 in court fines and costs to reflect actual collections being realized;
  - An \$11,000 increase in interest income due to balance changes and increased rates; and
  - A \$24,600 decrease in administrative payments in lieu of taxes from the utility and sewer funds based on revised revenue projections.
  
- The General Fund expenditures budget was increased by \$237,800. Primary components of this increase included:
  - A decrease in personnel expenses of \$28,900 (combination of employee salaries, benefits, temporary labor, and uniform expense);
  - A \$115,000 increase in facilities repair and maintenance for the completion of repairs at various facilities;
  - A \$10,000 increase in computers and network equipment to cover increased costs of licenses and maintenance of the equipment;
  - A \$5,000 increase in nuisance abatement costs anticipated to address identified derelict properties;
  - A \$5,000 decrease in public safety material costs;
  - A \$34,200 increase in equipment repair for repairs to the radio system at the police department after a lightning strike;
  - An \$18,000 increase in utility costs primarily related to increased costs with the data lines at the police station;
  - A \$15,000 decrease in emergency system maintenance costs;
  - A \$10,000 decrease in engineering costs due to performing additional reviews in-house;
  - A \$12,000 decrease in gas and oil expenses to account for continued lower gas prices;
  - A \$35,000 increase in insurance claims for storm damage claims;
  - A \$10,000 decrease in snow and ice control materials for the street department due to a light winter;
  - A \$55,500 increase in contracts for mulching of the limbs at the City farm from the storm clean-up;
  - A \$20,000 increase in system maintenance costs for the parks department to cover increased maintenance costs;
  - A \$15,000 decrease in books and periodical costs for the library;
  - An increase in the parks department capital budget of \$32,000 (in addition to line item transfers) for the purchase of a van, holiday light decorations, and construction of a wedding venue;
  - An increase in the street department capital budget of \$35,500 for the addition to the budget of a digital information signs for construction projects; and
  - Other various smaller adjustments in response to actual expense trends at the time of the amendment.

#### **PERFORMANCE TO BUDGET - GENERAL FUND**

##### **Revenues**

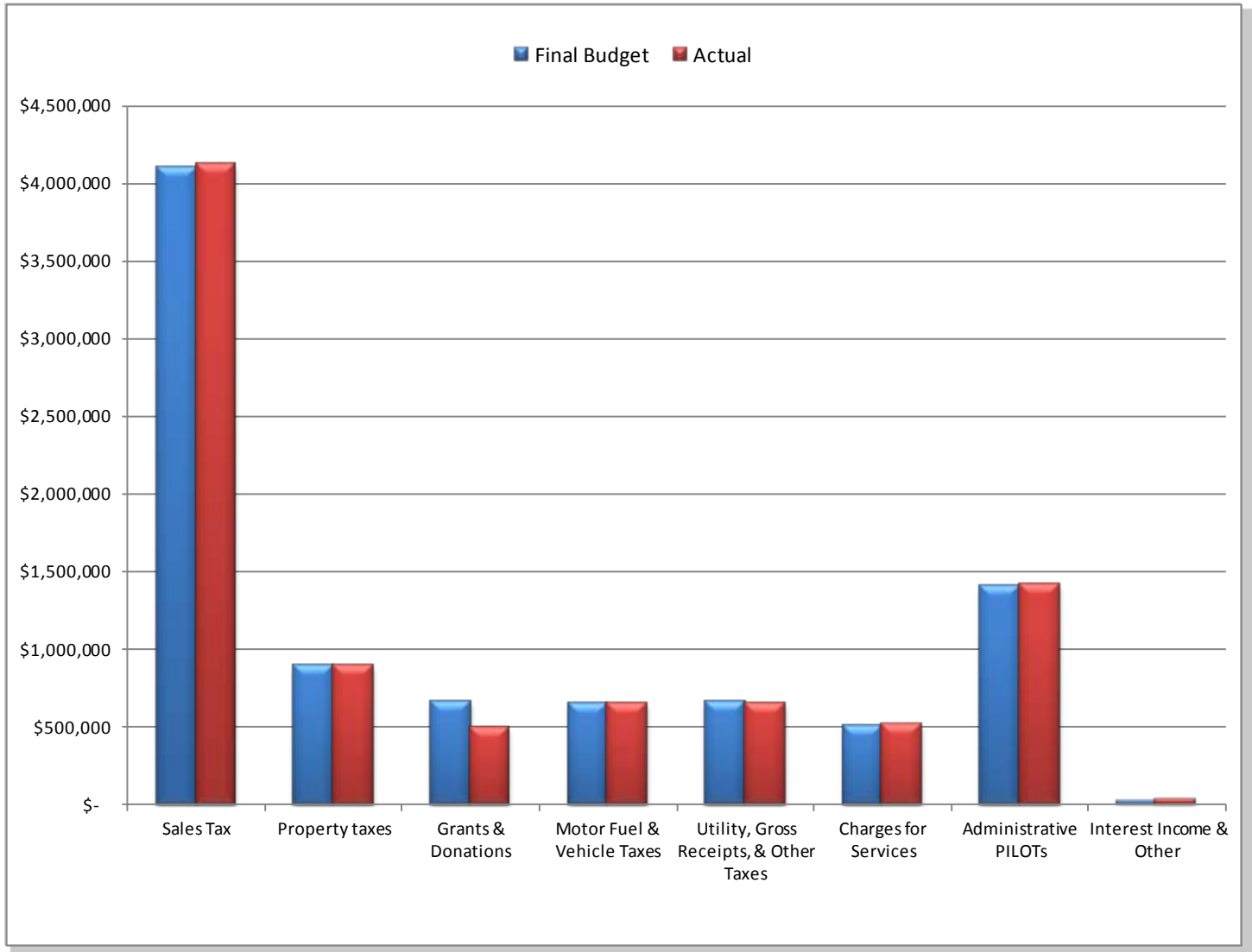
Actual revenues in the General Fund were \$120,558, or 1.3%, below budget. This variance consisted of the following major components:

- Actual sales tax revenues exceeded budget by \$31,439 due to increasing economic activity;
- Grants and donations were \$163,951 less than budgeted due to less activity than initially anticipated on the Missouri Community College Association pass-thru grant;

**MANAGEMENT DISCUSSION AND ANALYSIS  
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- Actual utility, gross receipts, and other taxes combined were \$16,628 under budget with each tax coming in slightly lower than anticipated; and
- Motor fuel and vehicle taxes were \$7,709 more than budgeted.

General Fund Revenues  
Final Budget versus Actual  
Figure 11



**Expenditures**

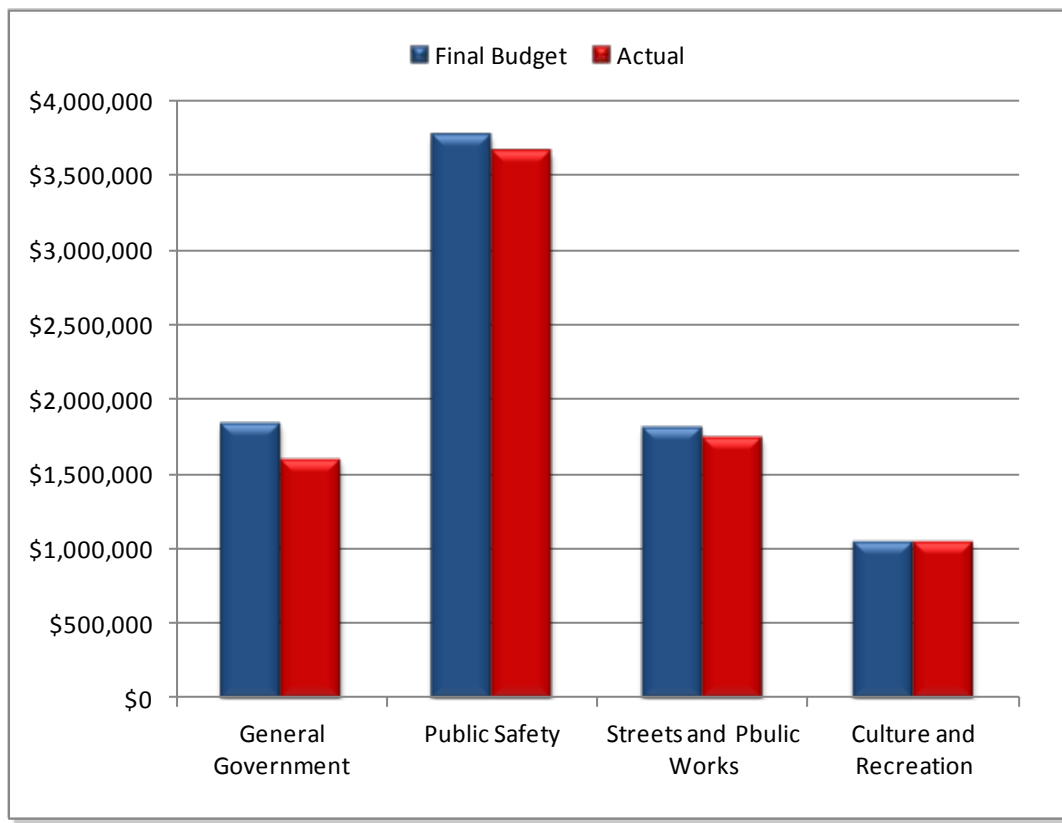
Actual expenditures of the General Fund were \$589,176, or approximately 6.1%, below budget. This variance consisted of the following:

- The general government had a variance of \$238,643 below budget. Major components included grant pass-thru funds to MoCCA below budget in the amount of \$175,109, insurance contract expenses below budget in the amount of \$17,632, \$25,448 below budget for building repairs and maintenance due to delays in purchases toward the end of the fiscal year.
- The public safety function was \$113,152 below budgeted amounts. Primary components included \$88,374 of personnel costs below budget and police contract costs below budget in the amount of \$27,398.

- The streets and public works activities were \$67,386 below budget. Primary components included personnel costs below budget in the amount of \$47,610 and contracts below budget in the amount of \$15,052.
- A variance of \$176,034 related to capital expenditures below budgeted amounts. This was primarily due to capital projects which were either in progress or delayed.

Actual to budget reviews are done on a monthly basis. Based on this monitoring, some hirings, projects, or purchases may be postponed to later in the budget year (personnel) or into a future budget year when practicable. Therefore, other expenditures below budget are a combination of projects in process and postponement of projects and purchases. The graph below depicts actual expenditures to the final budgeted expenditures by program area.

General Fund Expenditures  
Final Budget versus Actual  
Figure 12



#### **CAPITAL ASSET ACTIVITY**

The City's capital assets less accumulated depreciation as of September 30, 2017, totaled \$90,155,932. These assets included buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. This was a \$2,296,904, or 2.6%, increase over the prior year.

Figure 13 depicts a comparison to prior year of the capital assets net of depreciation (related debt not considered).

**MANAGEMENT DISCUSSION AND ANALYSIS  
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

City of Farmington's Capital Assets  
Figure 13

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Land Improvements	\$ 2,815,458	\$ 2,716,846	\$ 1,406,719	\$ 1,006,719	\$ 4,222,177	\$ 3,723,565
Buildings and system	14,908,183	14,648,183	20,960,322	20,677,070	35,868,505	35,325,253
Equipment, Furniture, and Vehicles	7,653,267	7,623,257	3,973,161	3,595,890	11,626,428	11,219,147
Infrastructure	33,526,223	31,273,304	59,343,458	56,510,567	92,869,681	87,783,871
Construction in progress	-	-	545,087	960,894	545,087	960,894
Total	58,903,131	56,261,590	86,228,747	82,751,140	145,131,878	139,012,730
Less - Accumulated Depreciation	19,706,201	18,152,109	35,269,745	33,001,593	54,975,946	51,153,702
Total	<u>\$ 39,196,930</u>	<u>\$ 38,109,481</u>	<u>\$ 50,959,002</u>	<u>\$ 49,749,547</u>	<u>\$ 90,155,932</u>	<u>\$ 87,859,028</u>

Major capital asset transactions during the year included the following:

Governmental Funds

In the governmental funds, a total of \$3,031,520 in new assets was added and a total of \$389,979 in fully depreciated assets was disposed during the year ended September 30, 2017.

These changes were comprised of:

- Culture and recreation asset increases in the amount of \$239,529 which included completion of the new wedding venue at Engler Park, a restroom trailer for use at the wedding venue, Christmas light displays, lighting and parking lot and drive improvements to the Sports Complex, a van for the library, and a van for the parks department;
- General government asset increases in the amount of \$260,000 for a donated office building;
- Public safety asset increases in the amount of \$218,386 which included four new police cruisers and pump and hose upgrades for the fire department;
- Streets and public works asset increases in the amount of \$2,313,605 which included multiple pieces of equipment, land for a storm water basin, and infrastructure improvements.
- Disposal of two culture and recreation vehicles that were fully depreciated;
- Disposal of public safety assets which included multiple police vehicles that were fully depreciated; and
- Disposal of multiple vehicles in the streets and public works that were fully depreciated.

Proprietary Funds

In the proprietary funds, a total of \$4,776,059 in assets was placed in service of which \$959,893 was previously construction in process, and a total of \$338,559 in fully-depreciated assets was disposed during the year ended September 30, 2017.

These changes were comprised of:

- Airport asset additions in the amount of \$603,805, which consisted of land and aviation easements;
- Civic Complex Fund asset additions in the amount of \$336,385, which included facility improvements at the Civic Center and water park along with new stage sound and lighting at the Centene Center;
- Utility Fund asset additions in the amount of \$1,903,740, which consisted of \$1,590,329 electric department assets (new substation and equipment) and \$313,411 water department assets (equipment, a vehicle and water system improvements);
- Sewer Fund asset additions in the amount of \$1,831,598, which included sewer system improvements, treatment plant improvements, and a camera van rebuild;

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- Disposal of Utility Fund assets, which included multiple pieces of equipment and vehicles for the electric and water departments that were fully depreciated; and
- Disposal of Sewer Fund assets, which included equipment and vehicles that were fully depreciated.

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

**LONG-TERM DEBT**

The City of Farmington's total debt increased by \$2,533,478, 14%, 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 14

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ -	\$ -	\$ 1,390,000	\$ 1,720,000	\$ 1,390,000	\$ 1,720,000
Due to State of Missouri	-	-	973,000	1,204,000	973,000	1,204,000
Certificates of Participation	6,240,000	7,060,000	8,870,000	3,362,600	15,110,000	10,422,600
Capital Leases	2,986,342	3,684,828	170,011	1,064,447	3,156,353	4,749,275
Total	<u>\$ 9,226,342</u>	<u>\$ 10,744,828</u>	<u>\$ 11,403,011</u>	<u>\$ 7,351,047</u>	<u>\$ 20,629,353</u>	<u>\$ 18,095,875</u>

New debt issued in the fiscal year ending September 30, 2017, included:

- Sewer Fund debt in the amount of \$6,007,400 certificates of participation for sewer system improvements.

In July 2016, the City went through a rating review with Moody's Investors Service. Moody's affirmed the City's A1 long-term issuer rating and assigned a rating of A2 for the Certificates of Participation issued in October 2017. Credit strengths noted included a moderately sized tax base that has experienced modest annual growth in each of the last ten years, healthy financial performance and metrics, and an experienced management team that adheres to formal financial policies.

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 2016 was \$205,810,313 resulting in a legal general obligation debt margin for the City of Farmington of \$41,162,063, 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 five percent (5%) 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 five percent (5%) 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 ten percent (10%) for the purpose of acquiring right-of-ways, constructing, extending, and improving streets and avenues and/or sanitary or storm sewer system, and an additional ten percent (10%) for purchasing or construction of waterworks, electric, or other light plants,

provided the total general obligation indebtedness of the City does not exceed twenty percent (20%) of the assessed valuation.

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

### **ECONOMIC FACTORS**

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

Sales Tax. Since Fiscal Year 2012, the City has been experiencing annual increases in sales tax receipts. The year ended September 30, 2017, showed a 2.5% increase in sales tax. This increase marked four consecutive years of strong increased sales tax revenue for the City, 2.5%, 6.2%, 8.4% and 6.6%. The State of Missouri conducted a computer system migration in 3<sup>rd</sup> quarter 2017. This resulted in a delay of some tax payments being entered into the system. At the time of this report, there was not sufficient information to make an adequate measurement of the amount of payments that could be attributable to the 2017 Fiscal Year. Therefore, the actual increase was likely greater than 2.5%. 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 versus what was seen in the three prior years. Therefore, the City remains conservative in its budgeted growth and expenditures for the ensuing fiscal year.

Property Tax. Property tax assessment remains unchanged for the upcoming fiscal year at \$0.4481 per \$100 of assessed valuation. The continued economic growth in the community has resulted in an increase in the total assessed valuation on which the ensuing fiscal year tax bills will be based. Assessed valuation at October 2017, was \$214,794,252.

Unemployment. Unemployment in the area around the City on a three month rolling average consistently exceeded 10% from January 2009 until August 2011 when this average fell below the 10% mark. This rate has been on a continued downward trend. As of October 2017, the Farmington Micropolitan Area was currently experiencing an unemployment rate of 2.8% according to the Missouri Economic Resource and Information Center, the research division for the Missouri Department of Economic Development. New employers are continuing to express interest in locating in Farmington. It is anticipated that the lower unemployment rates will continue into the foreseeable future based on planned retail expansions, consistent employment levels in local industries, and expanding medical services.

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 2017, the City experienced a 1.4% increase 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 the utility against significant losses because of increased wholesale rates due to unplanned outages and other economic issues, as well as providing an avenue to credit customers when power rate decreases are realized during the fiscal year. The Environmental Protection Agency continues to propose legislation and regulations that may negatively impact future forecasts. Continued monitoring of the situation and power costs will be necessary.

Business Environment. During Fiscal Year 2017, the City continued to see new retail stores and restaurants locate in Farmington. Multiple new restaurants and a Kay Jewelers are slated to open in Farmington in the first half of Fiscal Year 2018. Additionally, Farmington continues to see interest from regional and national leaders in the retail and restaurant industries.



**BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2018**

The Fiscal Year 2018 budget is structured to maintain and support municipal operations at a service consistent with current and past operations. The City will continue to employ 138 full-time employees with no additional staffing proposed. In addition to the full-time staff, the City utilizes many part-time and seasonal workers. Personnel expenses are budgeted to increase approximately 7% due to a combination of increases in employee pay and increased health insurance costs. The Fiscal Year 2018 budget includes the separation of the Utility Fund into two separate Funds, Electric and Water.

**Governmental Activities**

Revenues in the governmental funds (net of transfers and lease proceeds) are budgeted to increase by 6% to approximately \$14.8 million. Major components of this increase include an increase in grant funds, increased sales tax revenues, and revenue from the sale of properties. A five percent (5%) payment in lieu of taxes from the Electric, Water, and Sewer Funds to the General Fund is budgeted.

General Fund operating and personnel expenditures combined (debt and capital not included) are expected to rise a total of 8%. Governmental funds capital investment is budgeted at approximately \$2,983,000, a 7.6% increase over the preceding fiscal year. Debt for governmental activities is budgeted to decrease to \$7,986,997.

**Business-type Activities**

Overall revenues in the proprietary funds are budgeted to remain stable at \$31.5 million. The Civic Complex Fund revenues are budgeted to decrease in relation to prior year actual to an amount of \$1.76 million. Total Airport Fund revenues are expected to decrease 19% to \$610,000 due to a one-time donation of land in the prior fiscal year. However, an additional \$166,500 is anticipated in grant revenues for property and easement acquisitions to eliminate existing obstructions and make place for the future runway extension. The Electric Fund revenue is budgeted to increase to \$22.0 million, an increase of approximately 1.2%. This increase is largely driven by an increase in estimated electric usage by citizens and industries as the community continues to grow. The Water Fund is budgeted to remain consistent at \$3.5 million. The Sewer Fund is budgeted to have revenues of approximately \$3.6 million, a 2.5% increase.

Budgeted expenditures (debt and capital not included) in the Civic Complex Fund are expected to increase approximately 4% over prior year actual. Budgeted operating expenditures in the Airport Fund are expected to decrease approximately 24%, primarily due to a decrease in engineering and contract tree trimming costs. Budgeted expenditures in the Electric Fund are expected to increase approximately 7% over the prior year actual. The increase is driven by a combination of increased operating costs and an increase in personnel costs. Purchased power costs are forecasted to increase approximately 6% over Fiscal Year 2017 actual. Water Fund expenditures are budgeted to increase 16% over prior year actual. Primary components of this increase include an increase in personnel costs and an increase in equipment maintenance costs of the Farmington Correctional Center Water System. Sewer Fund expenditures (debt service not included) are budgeted to increase approximately 4% over the prior year actual. Debt as of September 30, 2018, is budgeted to be \$1,810,000 in the Water Fund and \$7,881,366 in the Sewer Fund.

**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, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 6,224,664	\$ 8,457,774	\$ 14,682,438
Receivables (Net)	1,888,709	3,548,619	5,437,328
Prepaid Items	33,549	90,372	123,921
Due From Other Funds	52,614	(52,614)	-
Inventory	-	1,693,022	1,693,022
Restricted Assets:			
Cash and Investments	-	7,300,298	7,300,298
Capital Assets (Net):			
Non Depreciable	2,365,554	1,951,806	4,317,360
Depreciable	36,831,376	49,007,196	85,838,572
Net Pension Asset	1,643,451	590,613	2,234,064
<b>TOTAL ASSETS</b>	<b>49,039,917</b>	<b>72,587,086</b>	<b>121,627,003</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>			
Pension Related	899,083	412,375	1,311,458
<b><u>LIABILITIES</u></b>			
Accounts Payable	1,062,287	2,223,591	3,285,878
Accrued Salaries	80,099	41,082	121,181
Accrued Interest	75,908	104,201	180,109
Taxes Payable	5,925	79,350	85,275
Protested Taxes	121,981	-	121,981
Builder's Deposits	-	23,626	23,626
Administrative Expense Deposits	10,926	-	10,926
Civic Center Facility Use Deposits	-	1,525	1,525
Customer Deposits Payable	-	454,856	454,856
Other Payable	137,161	282,975	420,136
Noncurrent Liabilities:			
Due within one year	1,527,871	1,847,798	3,375,669
Due within more than one year	7,986,997	9,811,419	17,798,416
<b>TOTAL LIABILITIES</b>	<b>11,009,155</b>	<b>14,870,423</b>	<b>25,879,578</b>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>			
Pension Related	473,671	278,485	752,156
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	29,970,588	45,363,337	75,333,925
Restricted for:			
Debt Service	79,508	1,367,899	1,447,407
Capital Projects	1,710,087	-	1,710,087
Utilities	-	5,000	5,000
Tax Increment Finance District Projects	1,361,129	-	1,361,129
Unrestricted	5,334,862	11,114,317	16,449,179
<b>TOTAL NET POSITION</b>	<b>\$ 38,456,174</b>	<b>\$ 57,850,553</b>	<b>\$ 96,306,727</b>

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

**CITY OF FARMINGTON, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2017

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	\$ 3,189,584	\$ 9,064	\$ 260,000	\$ 224,890	\$ (2,695,630)	\$ -	\$ (2,695,630)
Public Safety	4,226,580	272,738	-	264,836	(3,689,006)	-	(3,689,006)
Streets and Public Works	2,868,219	117,864	-	654,709	(2,095,646)	-	(2,095,646)
Culture and Recreation	1,402,649	110,522	-	10,923	(1,281,204)	-	(1,281,204)
Interest on Long-term Debt	264,110	-	-	-	(264,110)	-	(264,110)
Total Governmental Activities	<u>11,951,142</u>	<u>510,188</u>	<u>260,000</u>	<u>1,155,358</u>	<u>(10,025,596)</u>	<u>-</u>	<u>(10,025,596)</u>
Business-type Activities:							
Airport	752,780	255,595	464,538	55	-	(32,592)	(32,592)
Electric	20,820,727	21,337,921	256,252	-	-	773,446	773,446
Water	2,851,436	3,457,955	-	1,950	-	608,469	608,469
Sewer	3,189,012	3,542,292	-	-	-	353,280	353,280
Civic Complex	2,672,004	1,575,290	-	294,883	-	(801,831)	(801,831)
Total Business-type Activities	<u>30,285,959</u>	<u>30,169,053</u>	<u>720,790</u>	<u>296,888</u>	<u>-</u>	<u>900,772</u>	<u>900,772</u>
Total City Functions/Programs	<u>\$ 42,237,101</u>	<u>\$ 30,679,241</u>	<u>\$ 980,790</u>	<u>\$ 1,452,246</u>	<u>(10,025,596)</u>	<u>900,772</u>	<u>(9,124,824)</u>
General Revenues:							
Taxes							
Sales Taxes					8,151,408	-	8,151,408
Real and Personal Property Taxes					909,161	-	909,161
Gross Receipts Taxes					466,938	-	466,938
Transient Guest Tax (Hotel/Motel)					265,430	-	265,430
Utility and Other Taxes					174,634	-	174,634
TIF Proceeds					800,885	-	800,885
Administrative Pilot Payment					1,415,280	-	1,415,280
Interest Income					117,041	148,586	265,627
Insurance Proceeds					97,663	34,572	132,235
Other					8,083	-	8,083
Transfers					<u>(1,063,741)</u>	<u>1,063,741</u>	<u>-</u>
Total General Revenues and Transfers					<u>11,342,782</u>	<u>1,246,899</u>	<u>12,589,681</u>
Change in Net Position for the Year					1,317,186	2,147,671	3,464,857
Net Position - October 1, 2016 as restated					<u>37,138,988</u>	<u>55,702,882</u>	<u>92,841,870</u>
Net Position - September 30, 2017					<u>\$ 38,456,174</u>	<u>\$ 57,850,553</u>	<u>\$ 96,306,727</u>

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

**CITY OF FARMINGTON, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2017

	Major Funds							
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Tax Fund	Storm Water And Parks Tax Fund	Transportation Tax Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 3,037,275	\$ -	\$ 568,387	\$ 259,154	\$ 924,294	\$ 3,759	\$ 1,431,795	\$ 6,224,664
Accounts Receivable (net)	999,390	-	270,260	40,061	135,095	135,094	308,809	1,888,709
Prepaid Items	33,549	-	-	-	-	-	-	33,549
Due From Other Funds	87,614	-	-	-	-	-	138,431	226,045
<b>TOTAL ASSETS</b>	<b>\$ 4,157,828</b>	<b>\$ -</b>	<b>\$ 838,647</b>	<b>\$ 299,215</b>	<b>\$ 1,059,389</b>	<b>\$ 138,853</b>	<b>\$ 1,879,035</b>	<b>\$ 8,372,967</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 107,261	\$ -	\$ -	\$ 299,215	\$ 148,552	\$ 279	\$ 506,980	\$ 1,062,287
Accrued Salaries	80,099	-	-	-	-	-	-	80,099
Taxes Payable	5,925	-	-	-	-	-	-	5,925
Protested Taxes	121,981	-	-	-	-	-	-	121,981
Unearned Revenue - Administrative Expense Deposits	-	-	-	-	-	-	10,926	10,926
Due to Other Funds	74,968	-	37,480	-	12,992	47,991	-	173,431
Other Liabilities	137,161	-	-	-	-	-	-	137,161
Total Liabilities	527,395	-	37,480	299,215	161,544	48,270	517,906	1,591,810
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue - Court and Property Taxes	171,554	-	-	-	-	-	-	171,554
Unavailable Revenue - Tax Increment District Payments	-	-	-	-	-	-	306,107	306,107
Total Deferred Inflows of Resources	171,554	-	-	-	-	-	306,107	477,661
<b>FUND BALANCE</b>								
<b>Nonspendable</b>								
Prepays	33,549	-	-	-	-	-	-	33,549
<b>Restricted</b>								
Debt Service	-	-	79,508	-	-	-	-	79,508
Capital Projects	-	-	721,659	-	897,845	90,583	-	1,710,087
Karsch - Downtown TIF District	-	-	-	-	-	-	790,844	790,844
Highway 67 TIF District	-	-	-	-	-	-	264,178	264,178
<b>Committed</b>								
Acquisition/Improvement of Public Spaces	53,022	-	-	-	-	-	-	53,022
<b>Assigned</b>								
Appropriated to FY2018	518,000	-	-	-	-	-	-	518,000
Other Purposes	132,693	-	-	-	-	-	-	132,693
Storm Water Improvements	202,995	-	-	-	-	-	-	202,995
Wilson Rozier Ballpark	53,067	-	-	-	-	-	-	53,067
<b>Unassigned</b>	<b>2,465,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,465,553</b>
Total Fund Balances	3,458,879	-	801,167	-	897,845	90,583	1,055,022	6,303,496
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 4,157,828</b>	<b>\$ -</b>	<b>\$ 838,647</b>	<b>\$ 299,215</b>	<b>\$ 1,059,389</b>	<b>\$ 138,853</b>	<b>\$ 1,879,035</b>	<b>\$ 8,372,967</b>

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

**CITY OF FARMINGTON, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**Year Ended September 30, 2017**

Total Fund Balances - Governmental Funds	\$	6,303,496
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**Amounts reported for governmental activities in the statement of net position are different because:**

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	1,643,451		
Deferred Outflows	899,083		
Deferred Inflows	<u>(473,671)</u>		
			2,068,863

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.

Governmental capital assets	58,903,131		
Less - Accumulated depreciation	<u>(19,706,201)</u>		
			39,196,930

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.

Accrued Compensated Absences	(288,526)		
Leases Payable	(9,226,342)		
Accrued Interest Payable	<u>(75,908)</u>		
			(9,590,776)

Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures. Therefore, these revenues are reported as a deferred inflow of resources on the Governmental Funds Statement.

	<u>477,661</u>
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**Net Position of Governmental Activities**

	\$	<u><u>38,456,174</u></u>
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**CITY OF FARMINGTON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended September 30, 2017**

	Major Funds							
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Tax Fund	Storm Water and Parks Tax Fund	Transportation Tax Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>								
Sales Tax	\$ 4,131,439	\$ -	\$ 2,010,287	\$ -	\$ 1,004,841	\$ 1,004,841	\$ -	\$ 8,151,408
Real and Personal Property Tax	901,156	-	-	-	-	-	-	901,156
Grants and Donations	500,649	-	-	-	-	-	-	500,649
Motor Fuel and Vehicle Tax	654,709	-	-	-	-	-	-	654,709
Utility, Gross Receipts and Other Taxes	641,572	-	-	-	-	-	-	641,572
Charges for Services	239,216	-	-	-	-	-	-	239,216
Municipal Court Fines and Fees	275,922	-	-	-	-	-	-	275,922
Transient Guest (Hotel/Motel) Tax	-	-	-	265,430	-	-	-	265,430
Interest Income	21,366	75,000	6,412	915	5,854	619	6,875	117,041
TIF Proceeds From Other Governments	-	-	-	-	-	-	754,250	754,250
Administrative Pilot Payment	1,415,280	-	-	-	-	-	-	1,415,280
Other	8,083	-	-	-	-	-	-	8,083
Total Operating Revenues	8,789,392	75,000	2,016,699	266,345	1,010,695	1,005,460	761,125	13,924,716
<b>EXPENDITURES</b>								
General Government								
Administration	1,596,657	-	-	-	-	-	1,057,628	2,654,285
Tourism	-	-	-	266,345	-	-	-	266,345
Public Safety								
Police	2,518,438	-	-	-	-	-	-	2,518,438
Municipal Court	102,746	-	-	-	-	-	-	102,746
Fire	1,030,464	-	-	-	-	-	-	1,030,464
Streets and Public Works								
Street	789,680	-	-	-	-	-	-	789,680
Public Works	380,640	-	-	-	-	-	-	380,640
Maintenance	575,394	-	-	-	-	-	-	575,394
Culture and Recreation								
Park	664,153	-	-	-	-	-	-	664,153
Library	391,078	-	-	-	-	-	-	391,078
Capital Outlay	521,466	-	-	-	1,279,651	802,202	168,201	2,771,520
Debt Service - Interest	7,922	264,388	-	-	-	-	-	272,310
Debt Service - Principal	415,486	1,103,000	-	-	-	-	-	1,518,486
Total Expenditures	8,994,124	1,367,388	-	266,345	1,279,651	802,202	1,225,829	13,935,539
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(204,732)	(1,292,388)	2,016,699	-	(268,956)	203,258	(464,704)	(10,823)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer In	862,939	1,292,074	-	-	-	183,636	961,875	3,300,524
Transfer Out	(1,125,361)	-	(2,119,449)	-	(356,997)	(104,100)	(658,358)	(4,364,265)
Insurance Proceeds	97,663	-	-	-	-	-	-	97,663
Total Other Financing Sources and Uses	(164,759)	1,292,074	(2,119,449)	-	(356,997)	79,536	303,517	(966,078)
<b>NET CHANGE IN FUND BALANCES</b>	(369,491)	(314)	(102,750)	-	(625,953)	282,794	(161,187)	(976,901)
<b>FUND BALANCES - OCTOBER 1, 2016 as restated</b>	3,828,370	314	903,917	-	1,523,798	(192,211)	1,216,209	7,280,397
<b>FUND BALANCES - SEPTEMBER 30, 2017</b>	\$ 3,458,879	\$ -	\$ 801,167	\$ -	\$ 897,845	\$ 90,583	\$ 1,055,022	\$ 6,303,496

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 -**  
**Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2017**

Amounts Reported for Governmental Activities in the Statement of Activities and Change in Net Position were different because:

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (976,901)</b>
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the Statement of Activities.	
Capital outlay	2,771,520
Capital contributions	260,000
Depreciation	(1,944,071)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenues	49,690
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.	
Payment of capital lease principal	1,518,486
In the Government-wide Statement of Activities, compensated absences are accrued whereas in the Governmental Funds, an expenditure is reported when due and matured.	
Change in compensated absences	(169,212)
In the Government-wide Statement of Activities, interest is accrued whereas in the Governmental Funds, an expenditure is reported when due.	
Change in accrued interest	8,200
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense.	
Pension Expense	(200,526)
<b>Change in Net Position of Governmental Activities as Reported on the Statement of Activities</b>	<b>\$ 1,317,186</b>

**CITY OF FARMINGTON, MISSOURI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2017**

	<b>Civic Complex Fund</b>	<b>Airport Fund</b>	<b>Utility Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>					
Current Assets:					
Cash and Cash Equivalents	\$ 373,228	\$ 25,000	\$ 7,368,463	\$ 691,083	\$ 8,457,774
Accounts Receivable	58,100	164,643	2,912,355	413,521	3,548,619
Prepays	5,349	678	76,074	8,271	90,372
Inventory	-	33,562	1,563,796	95,664	1,693,022
Total Current	<u>436,677</u>	<u>223,883</u>	<u>11,920,688</u>	<u>1,208,539</u>	<u>13,789,787</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Investments	-	-	456,027	6,844,271	7,300,298
Capital Assets (Net of Accumulated Depreciation)	11,186,075	7,083,237	15,599,055	17,090,635	50,959,002
Net Pension Asset	118,015	11,052	298,428	163,118	590,613
Total Noncurrent Assets	<u>11,304,090</u>	<u>7,094,289</u>	<u>16,353,510</u>	<u>24,098,024</u>	<u>58,849,913</u>
Total Assets	<u>11,740,767</u>	<u>7,318,172</u>	<u>28,274,198</u>	<u>25,306,563</u>	<u>72,639,700</u>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>					
Pension Related	81,904	8,171	206,788	115,512	412,375
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>11,822,671</u>	<u>7,326,343</u>	<u>28,480,986</u>	<u>25,422,075</u>	<u>73,052,075</u>
<b><u>LIABILITIES</u></b>					
Current Liabilities:					
Accounts Payable	38,019	2,309	1,439,387	743,876	2,223,591
Accrued Salaries and accrued vacation	32,985	2,214	87,408	44,952	167,559
Accrued Interest	-	-	33,252	70,949	104,201
Taxes Payable	2,486	170	82,945	3,425	89,026
Due to Other Funds	-	52,614	-	-	52,614
Builder's Deposits	-	-	23,626	-	23,626
Civic Center Facility Use Deposits	1,525	-	-	-	1,525
Other Liabilities	15,297	1,550	194,973	71,155	282,975
Current Portion of Long-term Debt	-	-	420,000	1,291,645	1,711,645
Total	<u>90,312</u>	<u>58,857</u>	<u>2,281,591</u>	<u>2,226,002</u>	<u>4,656,762</u>
Noncurrent Liabilities:					
Customer Deposits Payable	-	-	454,856	-	454,856
Due to State of Missouri - State Revolving Fund	-	-	-	973,000	973,000
Revenue Bonds Payable	-	-	-	1,390,000	1,390,000
Capital Leases Payable	-	-	2,230,000	6,930,064	9,160,064
Less - Current Maturities	-	-	(420,000)	(1,291,645)	(1,711,645)
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>2,264,856</u>	<u>8,001,419</u>	<u>10,266,275</u>
Total Liabilities	<u>90,312</u>	<u>58,857</u>	<u>4,546,447</u>	<u>10,227,421</u>	<u>14,923,037</u>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>					
Pension Related	55,697	5,569	139,243	77,976	278,485
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<u>146,009</u>	<u>64,426</u>	<u>4,685,690</u>	<u>10,305,397</u>	<u>15,201,522</u>
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	11,186,075	7,083,237	13,369,055	13,724,970	45,363,337
Restricted	-	-	456,027	916,872	1,372,899
Unrestricted	490,587	178,680	9,970,214	474,836	11,114,317
<b>TOTAL NET POSITION</b>	<u>\$ 11,676,662</u>	<u>\$ 7,261,917</u>	<u>\$ 23,795,296</u>	<u>\$ 15,116,678</u>	<u>\$ 57,850,553</u>

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



**CITY OF FARMINGTON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS**  
**Year Ended September 30, 2017**

	<b>Civic Complex Fund</b>	<b>Airport Fund</b>	<b>Utility Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b><u>OPERATING REVENUES</u></b>					
Charges for Services:					
Civic Complex Charges	\$ 1,575,290	\$ -	\$ -	\$ -	\$ 1,575,290
Airport Charges	-	255,595	-	-	255,595
Electric Charges	-	-	21,337,921	-	21,337,921
Water Charges	-	-	3,457,955	-	3,457,955
Sewer Charges	-	-	-	3,542,292	3,542,292
Total Operating Revenues	<u>1,575,290</u>	<u>255,595</u>	<u>24,795,876</u>	<u>3,542,292</u>	<u>30,169,053</u>
<b><u>OPERATING EXPENSES</u></b>					
Civic Complex Expenses	2,112,100	-	-	-	2,112,100
Airport Expenses	-	447,015	-	-	447,015
Electric Expenses	-	-	20,306,405	-	20,306,405
Water Expenses	-	-	2,312,838	-	2,312,838
Sewer Expenses	-	-	-	2,045,036	2,045,036
Depreciation	559,904	305,765	950,761	790,281	2,606,711
Total Operating Expenses	<u>2,672,004</u>	<u>752,780</u>	<u>23,570,004</u>	<u>2,835,317</u>	<u>29,830,105</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,096,714)</u>	<u>(497,185)</u>	<u>1,225,872</u>	<u>706,975</u>	<u>338,948</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>					
Grant Income	201,663	64,538	258,202	-	524,403
Contributions	93,220	55	-	-	93,275
Interest and Investment Income	1,244	375	55,273	91,694	148,586
Bond Fees	-	-	(612)	(123,335)	(123,947)
Interest Expense	-	-	(101,547)	(230,360)	(331,907)
Insurance Proceeds and Settlements	-	34,572	-	-	34,572
Total Nonoperating Revenues (Expenses)	<u>296,127</u>	<u>99,540</u>	<u>211,316</u>	<u>(262,001)</u>	<u>344,982</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(800,587)</u>	<u>(397,645)</u>	<u>1,437,188</u>	<u>444,974</u>	<u>683,930</u>
Capital Contribution	-	400,000	-	-	400,000
Transfers In	<u>490,996</u>	<u>451,000</u>	<u>-</u>	<u>121,745</u>	<u>1,063,741</u>
<b>CHANGE IN NET POSITION</b>	<u>(309,591)</u>	<u>453,355</u>	<u>1,437,188</u>	<u>566,719</u>	<u>2,147,671</u>
<b>NET POSITION - OCTOBER 1, 2016, as restated</b>	<u>11,986,253</u>	<u>6,808,562</u>	<u>22,358,108</u>	<u>14,549,959</u>	<u>55,702,882</u>
<b>NET POSITION - SEPTEMBER 30, 2017</b>	<u><u>\$ 11,676,662</u></u>	<u><u>\$ 7,261,917</u></u>	<u><u>\$ 23,795,296</u></u>	<u><u>\$ 15,116,678</u></u>	<u><u>\$ 57,850,553</u></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, 2017**

	<u>Civic Complex Fund</u>	<u>Airport Fund</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Receipts from Customers	\$ 1,565,924	\$ 219,393	\$ 24,763,155	\$ 3,478,638	\$ 30,027,110
Payments to Suppliers	(1,057,005)	(397,196)	(21,767,431)	(855,342)	(24,076,974)
Payments to or on Behalf of Employees	(1,007,783)	(48,807)	(1,469,988)	(735,389)	(3,261,967)
Net Cash Provided By (Used In) Operating Activities	<u>(498,864)</u>	<u>(226,610)</u>	<u>1,525,736</u>	<u>1,887,907</u>	<u>2,688,169</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>					
Transfers In	490,996	451,000	-	121,745	1,063,741
Contributions and Operating Grants	273,801	55	-	-	273,856
Insurance Proceeds, Settlements and Other	-	34,572	-	-	34,572
Loans To/From Other Funds	-	(182,503)	-	-	(182,503)
Net Cash Provided By (Used In) For Noncapital Financing Activities	<u>764,797</u>	<u>303,124</u>	<u>-</u>	<u>121,745</u>	<u>1,189,666</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Capital Contributions and Grant Receipts	-	523,446	258,202	-	781,648
Proceeds from Capital Leases less Project Funds	-	-	-	1,053,001	1,053,001
Principal Payments on Long-term Debt Net of Applied Reserves	-	-	(1,238,415)	(717,020)	(1,955,435)
Interest Paid	-	-	(101,547)	(243,699)	(345,246)
Bond Fees	-	-	(612)	(123,335)	(123,947)
Capital Assets - Acquisition, Sale and Disposal	(336,385)	(602,805)	(943,847)	(1,603,506)	(3,486,543)
Net Cash Used For Capital and Related Financing Activities	<u>(336,385)</u>	<u>(79,359)</u>	<u>(2,026,219)</u>	<u>(1,634,559)</u>	<u>(4,076,522)</u>
<b><u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u></b>					
Investment Earnings (Loss)	<u>1,244</u>	<u>375</u>	<u>92,261</u>	<u>(38,499)</u>	<u>55,381</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(69,208)</u>	<u>(2,470)</u>	<u>(408,222)</u>	<u>336,594</u>	<u>(143,306)</u>
<b>Cash and Cash Equivalent Balances at October 1, 2016</b>	<u>442,436</u>	<u>27,470</u>	<u>7,776,685</u>	<u>354,489</u>	<u>8,601,080</u>
<b>Cash and Cash Equivalent Balances at September 30, 2017</b>	<u>\$ 373,228</u>	<u>\$ 25,000</u>	<u>\$ 7,368,463</u>	<u>\$ 691,083</u>	<u>\$ 8,457,774</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) by Operating Activities</b>					
Operating Income (Loss)	\$ (1,096,714)	\$ (497,185)	\$ 1,225,872	\$ 706,975	\$ 338,948
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation Expense	559,904	305,765	950,761	790,281	2,606,711
Pension Expense	15,219	1,827	37,601	23,197	77,844
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows					
Accounts Receivable	(9,366)	(36,203)	(5,235)	(63,654)	(114,458)
Prepays	414	(81)	(8,238)	(2,283)	(10,188)
Inventory	-	(1,512)	(230,847)	46,288	(186,071)
Accounts Payable and Other Payables	21,364	11	(458,103)	367,477	(69,251)
Customer and Builder Deposits Payable	-	-	(27,486)	-	(27,486)
Accrued Salaries and Compensated Absences	10,315	768	41,411	19,626	72,120
Net Cash Provided By (Used In) Operating Activities	<u>\$ (498,864)</u>	<u>\$ (226,610)</u>	<u>\$ 1,525,736</u>	<u>\$ 1,887,907</u>	<u>\$ 2,688,169</u>

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 accounting principles generally accepted in the United States of America, 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 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 Basis of Presentation**

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) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions 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 nonmajor funds in the fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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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 nonmajor 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.

**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.

**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 and sidewalks within the City and construction, reconstructions, repair and maintenance of the municipal airport.

The following funds are reported in aggregate under nonmajor governmental funds:

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

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

**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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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, transient guest 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 nonoperating 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 nonoperating 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 or regulations.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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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, 2017.

**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 \$0.4481 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, 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. Delinquent taxes expected to be received later than 60 days after the close of the fiscal year are classified as a deferred inflow of resources within the governmental fund financial statements.

**4. Prepaid Items**

Payments made for services that will benefit periods beyond September 30, 2017, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure is reported in the year in which the services are consumed.

**5. 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.

**6. Restricted Assets**

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

**7. 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 actual cost or estimated historical cost and comprehensively reported in the government-wide financial statements. If actual cost was not available, historical cost was estimated using a price deflator related to the assets' year of acquisition. Donated capital assets acquired prior to October 1, 2015, are recorded at estimated fair value at the date of donation. Donated capital assets acquired after October 1, 2015, are recorded at acquisition value.

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 - Nonoffice	\$ 15,000
Vehicles	\$ 15,000
Infrastructure/Improvements	\$ 25,000

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

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

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

**8. Deferred Outflow 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 government-wide deferred outflows of resources as of September 30, 2017, representative of the difference between projected and actual earnings on pension plan investments, the difference in pension asset due to changes in assumptions, the difference in expected and actual experience on plan assumptions and plan investments, and the pension plan payments made subsequent to the pension plan measurement date of June 30, 2017.

**9. 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 50%. Compensated absences are reported in accrued salaries and payroll taxes in the government-wide and proprietary fund financial statements. Only those amounts which came due (matured) are recorded in the governmental fund financial statements.

**10. Pensions**

For purposes of measuring the net pension asset/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. LAGERS' investments are reported at fair value.

**11. Other Post-Employment Benefits**

The City does not provide any type of other 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.

**12. Long-term Debt**

In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the governmental fund financial statements, governmental funds recognize the face amount of the debt is reported as other financing sources. Premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, are reported as debt service expenditures.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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**13. Deferred Inflows of Resources**

The acquisitions of resources 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. Government-wide deferred inflows realized by the City may 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 unamortized difference between expected and actual experience of the total pension liability. Governmental funds statements include deferred inflows for unavailable revenues associated with property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**14. 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, Storm Water and Parks Tax Fund, Transportation Tax Fund, Capital Projects Fund, and nonmajor governmental funds (Municipal District Fund and Special Allocation Fund).

- *Nonspendable 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 no legal or binding restrictions or commitments exist. 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, 2017, are shown on the following page.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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**15. 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 net of funds remaining in the project account. As of September 30, 2017, the City had a total of \$75,333,925 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, 2017, the City's restricted net position of \$4,523,623 is comprised of debt service, capital projects, and tax increment financing. Governmental activities restricted net position at September 30, 2017, is \$3,150,724. Restricted net position of the business-type activities totals \$1,372,899.
- **Unrestricted net position** is the residual and represents amounts available for future operations or distribution. Government-wide unrestricted net position at September 30, 2017, is \$16,449,179.

**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, 2017, was prepared and adopted using the modified accrual basis of accounting for governmental funds and accrual 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 Debt Service Fund exceeded budgeted expenditures by \$46,338 or approximately 3.5% over budget. This excess expenditure is driven by a change in the debt service schedule for the fire station, which was not carried over to the budget amendment. Payment of this debt is currently funded through transfers from the Downtown-Karsch Tax Increment Finance District.
- Actual expenditures of the Transient Guest Tax Fund exceeded budgeted expenditures by \$1,245 or approximately 0.5% over budget. This excess expenditure is driven by an equivalent positive variance in revenue. Upon the receipt of monies, a corresponding expenditure to the Farmington Tourism Board is booked.
- Actual expenditures of the Storm Water and Parks Fund exceeded budgeted expenditures by \$72,651, or 6%, due to public works capital projects in excess of budgeted amount.

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 a payment in lieu of taxes for management and accounting services rendered by the General Fund and use of easements. The percent remitted for the year ending September 30, 2017, is 5%.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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**H. Adoption of Accounting Pronouncements**

**1. Future Accounting Pronouncements**

This report does not incorporate GASB Statement No. 83, *Certain Asset Retirement Obligation*; and GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 85, *Omnibus 2017*; GASB Statement No. 86, *Certain Debt Extinguishment Issues*; and GASB Statement No. 87, *Leases*. These statements will be adopted in future accounting periods as required. The impact of these statements on the City's financials has not yet been determined.

**2. Newly Adopted Accounting Pronouncements**

Effective October 1, 2016, the City adopted GASB Statement No. 77, *Tax Abatement Disclosure*. The requirements of this statement improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements. This statement will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand: (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The adoption of this statement added additional disclosures to the financial statements.

Effective October 1, 2016, the City adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement had no impact on the City's financial statements.

Effective October 1, 2016, the City considers GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* fully adopted. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. This statement had no impact on the City's financial statements.

Effective October 1, 2016, the City adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement had no impact on the City's financial statements.

Effective October 1, 2016, the City adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. A split-interest agreement is a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This statement had no impact on the City's financial statements.

Effective October 1, 2016, the City adopted GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

- Presentation of Payroll Related Measures. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.
- Selection of Assumptions. This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.
- Classification of Employer-Paid Member Contributions. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

This Statement had no impact on the City's financial statements.

**I. Prior Period Adjustments**

Prior period adjustments and restatements were made in connection with the financial statements contained herein. Adjustments were made to the Government-wide statements to correct the allocation of the net pension asset and associated deferred inflows and outflows. Governmental funds were restated to correct for unavailable revenue related to property tax and court receivables and to adjust the bad debt assumption related to these receivables.

	Governmental Activities	Business-type Activities	Total	
Net Position at September 30, 2016	\$ 36,797,190	\$ 56,006,359	\$ 92,803,549	
Prepaid interest	(28,346)	-	(28,346)	
Change in Bad Debt Assumptions	66,667	-	66,667	
Pension Allocation Changes	303,477	(303,477)	-	
Net Position at September 30, 2016 - Restated	<u>\$ 37,138,988</u>	<u>\$ 55,702,882</u>	<u>\$ 92,841,870</u>	
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds
Governmental Activities:				
Fund Balance at September 30, 2016	\$ 3,810,888	\$ 28,660	\$ 819,809	\$ 1,475,681
Unavailable Revenues	(168,499)	-	-	(259,472)
Prepaid/Accrued Interest	-	(28,346)	84,108	-
Change in Bad Debt Assumptions	66,667	-	-	-
Compensated absences	119,314	-	-	-
Fund Balance at September 30, 2016 - Restated	<u>\$ 3,828,370</u>	<u>\$ 314</u>	<u>\$ 903,917</u>	<u>\$ 1,216,209</u>
	Civic Complex Fund	Airport Fund	Utility Fund	Sewer Fund
Business-type Activities:				
Net Position at September 30, 2016	\$ 12,041,833	\$ 6,823,799	\$ 22,507,445	\$ 14,633,282
Pension Allocation Changes	(55,580)	(15,237)	(149,337)	(83,323)
Net Position at September 30, 2016 - Restated	<u>\$ 11,986,253</u>	<u>\$ 6,808,562</u>	<u>\$ 22,358,108</u>	<u>\$ 14,549,959</u>

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**J. Special and Extraordinary Items**

The City had no special or extraordinary items for fiscal year ending September 30, 2017.

**K. 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 20% 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, 2017, is \$5,921,466, of which \$275,922, 4.7%, represents monies received from all Municipal Court Fines and Fees. Therefore, it is evident that the "minor traffic violation" amount is below the 20% threshold.

<u>Revenue Source</u>	<u>Amount</u>
General Sales Tax	\$ 4,131,439
Real and Personal Property Tax	901,156
Gross Receipts Taxes	473,506
Charges for Services	239,216
Utility and Other Taxes	168,066
Other	<u>8,083</u>
Total	<u>\$ 5,921,466</u>

**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 flow 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.

**NOTE 2 - CASH AND INVESTMENTS - continued**

Missouri state 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, 2017, 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, 2017, the bank balances in the City's checking accounts were \$15,015,146. Pledged securities held by the bank in the City's name had a market value of \$17,955,377.

A reconciliation of cash and cash equivalents as shown on the government-wide financial statement of net position at September 30, 2017, consists of the following:

Type	Amount	Reconciliation to the Statement of Net Position	Amount
Cash on Hand	\$ 2,534	Cash and Cash Equivalents	\$ 20,289,070
Deposits	12,967,521	Investments	1,693,666
Money Market Accounts (Demand)	7,319,015		
Certificates of Deposit	17,000	Total	\$ 21,982,736
Money Market Mutual Funds	52,113		
State and Local Government Bonds	395		
Guaranteed Investment Contracts	1,112,682		
United States Treasury Notes	511,476		
Total Deposits and Investments	\$ 21,982,736		

**Fair Value Measurement**

The City measures and records its investments, other than money market accounts, using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. The definition of "fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs; and
- Level 3 inputs are significant unobservable inputs.

The below chart identifies the City's recurring fair value measurements as of September 30, 2017. All investments are valued using market prices (Level 1).

**Interest Rate Risks**

Interest rate risk is the risk that the fair value of investments will fall due to changes in general interest rates. The City does not have a formal interest rate risk policy.

**Credit Risks and Concentration of Credit Risks**

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. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

The City does not have a formal credit risk policy, and there is no limit on the amount that may be invested in one issuer. The City's investment policy states that the investments are to be purchased using the "Prudent Person" standard. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The maturities of investments and credit quality ratings held by the City at September 30, 2017, are shown in the chart below:

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 2 - CASH AND INVESTMENTS - continued**

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	\$ -	\$ -	N/A
Money Market Mutual Funds	52,113	52,113	-	-	AAAm
State and Local Government Bonds*	395	-	395	-	N/A
Guaranteed Investment Contracts**	1,112,682	-	1,112,682	-	AA+
United States Treasury Notes***	511,476	-	511,476	-	N/A

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

\*\* While the Guaranteed Investment Contracts mature in 1 - 5 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.

**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. These funds are classified as restricted on the balance sheets and statement of net position because their use is limited by debt covenants or other statutory provisions. At September 30, 2017, the balance of the restricted assets is \$7,300,298.

**NOTE 3 - ACCOUNTS RECEIVABLE**

**Accounts Receivable**

In the governmental funds, the majority of the accounts receivable balance consists of sales tax 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 grant reimbursements.

The City considers these accounts receivable fully collectible, except for the municipal court and property tax receivables. Therefore, an allowance of \$411,277 is recorded for uncollectable balances (municipal court receivables uncollectable allowance of \$395,542; property tax receivables uncollectable allowance balance of \$15,735).

Accounts receivable balances at September 30, 2017, are as follows:

	Accounts Receivable	Grants Receivable	Taxes Receivable	Total Receivable	Bad Debt Allowance	Net Receivable
Governmental Activities:						
General	\$ 623,125	\$ 10,720	\$ 776,822	\$ 1,410,667	\$ 411,277	\$ 999,390
Capital Projects	-	-	270,260	270,260	-	270,260
TIF and Tax Sharing Agreements	308,809	-	-	308,809	-	308,809
Transient Tax	-	-	40,061	40,061	-	40,061
Stormwater and Parks Tax	-	-	135,095	135,095	-	135,095
Transportation Tax	-	-	135,094	135,094	-	135,094
Total Governmental Activities	<u>\$ 931,934</u>	<u>\$ 10,720</u>	<u>\$ 1,357,332</u>	<u>\$ 2,299,986</u>	<u>\$ 411,277</u>	<u>\$ 1,888,709</u>

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 3 - ACCOUNTS RECEIVABLE - continued**

	Accounts Receivable	Grants and Insurance Receivable	Taxes Receivable	Total Receivable	Bad Debt Allowance	Net Receivable
Business-type Activities:						
Civic Complex	\$ 37,019	\$ 21,081	\$ -	\$ 58,100	\$ -	\$ 58,100
Airport	13,759	150,884	-	164,643	-	164,643
Water and Electric Utility	2,912,355	-	-	2,912,355	-	2,912,355
Sewer Utility	413,521	-	-	413,521	-	413,521
Total Business-type Activities	<u>\$ 3,376,654</u>	<u>\$ 171,965</u>	<u>\$ -</u>	<u>\$ 3,548,619</u>	<u>\$ -</u>	<u>\$ 3,548,619</u>

**Concentration of Revenue**

Approximately 19% of the sales tax revenue of the City is generated by one customer.

**NOTE 4 - CAPITAL ASSETS**

Capital assets are depreciated over the useful life of the asset as outlined in Note 1. Governmental fund financial statements do not report depreciation. Total depreciation expense for the year, as reported on the government-wide statement of activities was \$4,550,782. Depreciation is charged to the following functions as follows:

Function/Program	Current Depreciation	
	Governmental Activities	Business-type Activities
General Government	\$ 53,139	\$ -
Public Safety	477,604	-
Streets and Public Works	1,087,152	-
Culture and Recreation	326,176	-
Civic Complex	-	559,904
Airport	-	305,765
Electric	-	499,755
Water	-	451,006
Sewer	-	790,281
Total	<u>\$ 1,944,071</u>	<u>\$ 2,606,711</u>

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 4 - CAPITAL ASSETS - *continued***

Changes in fixed assets for the governmental activities are as follows for the year ended September 30, 2017:

	Balance, September 30, 2016	Increased	Decreases	Balance, September 30, 2017
<b><u>Governmental Activities:</u></b>				
Capital Assets, not depreciated:				
Land	\$ 2,266,942	\$ 98,612	\$ -	\$ 2,365,554
Capital Assets, depreciated:				
Buildings	14,648,183	260,000	-	14,908,183
Land Improvements	449,904	-	-	449,904
Infrastructure	31,273,304	2,252,919	-	33,526,223
Furniture, Machinery and Equipment	3,239,930	201,989	-	3,441,919
Vehicles	4,383,327	218,000	389,979	4,211,348
Total Capital Assets, Depreciated	53,994,648	2,932,908	389,979	56,537,577
Less - Accumulated Depreciation:				
Buildings	2,244,818	430,917	-	2,675,735
Land Improvements	278,567	20,901	-	299,468
Infrastructure	11,520,387	1,013,232	-	12,533,619
Furniture, Machinery and Equipment	1,347,784	224,606	-	1,572,390
Vehicles	2,760,553	254,415	389,979	2,624,989
Total Accumulated Depreciation	18,152,109	1,944,071	389,979	19,706,201
Total Capital Assets, Depreciated	35,842,539	988,837	-	36,831,376
Capital Assets, Net	\$ 38,109,481	\$ 1,087,449	\$ -	\$ 39,196,930

Changes in fixed assets for the proprietary activities are as follows for the year ended September 30, 2017:

	Balance, September 30, 2016	Increases	Decreases	Balance, September 30, 2017
<b><u>Proprietary Activities:</u></b>				
Capital Assets, not depreciated:				
Land	\$ 1,006,719	\$ 400,000	\$ -	\$ 1,406,719
Construction in Progress	960,894	876,648	1,292,455	545,087
Total Capital Assets, Not depreciated	1,967,613	1,276,648	1,292,455	1,951,806
Capital Assets, depreciated:				
Buildings	20,677,070	283,252	-	20,960,322
Infrastructure	56,510,567	2,832,892	-	59,343,459
Furniture, Machinery and Equipment	1,696,624	687,629	138,220	2,246,033
Vehicles	1,899,266	28,200	200,339	1,727,127
Total Capital Assets, Depreciated	80,783,527	3,831,973	338,559	84,276,941
Less - Accumulated Depreciation:				
Buildings	7,218,995	609,061	-	7,828,056
Infrastructure	23,603,564	1,773,480	-	25,377,044
Furniture, Machinery and Equipment	899,016	115,491	138,220	876,287
Vehicles	1,280,018	108,679	200,339	1,188,358
Total Accumulated Depreciation	33,001,593	2,606,711	338,559	35,269,745
Total Capital Assets, Depreciated	47,781,934	1,225,262	-	49,007,196
Capital Assets, Net	\$ 49,749,547	\$ 2,501,910	\$ 1,292,455	\$ 50,959,002



**NOTES TO FINANCIAL STATEMENTS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 5 - ACCOUNTS PAYABLE**

**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 as of September 30, 2017, have been accrued. Governmental activities reported payables in the amount of \$1,148,311. Business-type activities reported payables in the amount of \$2,254,754, of which \$1,238,107 was due to a single vendor for the electric utility's purchase of power for the month of September.

Payable balances at September 30, 2017, as reported on the government-wide statements, were as follows:

	Payments to Vendors	Payments to Employees	Taxes Payable	Total Payables	
<u>Governmental Activities</u>					
General	\$ 107,261	\$ 80,099	\$ 5,925	\$ 193,285	
TIF and Tax Sharing Agreements	506,980	-	-	506,980	
Transient Tax	299,215	-	-	299,215	
Stormwater and Parks Tax	148,552	-	-	148,552	
Transportation Tax	279	-	-	279	
Total Governmental Activities	<u>\$ 1,062,287</u>	<u>\$ 80,099</u>	<u>\$ 5,925</u>	<u>\$ 1,148,311</u>	
	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Business-type Activities</u>					
Civic Complex	\$ 38,019	\$ 32,985	\$ -	\$ 2,486	\$ 73,490
Airport	2,309	2,214	-	170	4,693
Water and Electric Utility	1,439,387	87,408	33,252	82,945	1,642,992
Sewer Utility	743,876	44,952	70,949	3,425	863,202
Total Business-type Activities	<u>\$ 2,223,591</u>	<u>\$ 167,559</u>	<u>\$ 104,201</u>	<u>\$ 89,026</u>	<u>\$ 2,584,377</u>

**NOTE 6 - CONTINGENCIES AND COMMITMENTS**

**A. Contingencies**

**1. Grants**

The City receives financial assistance from various federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, based upon prior experience, management believes the level of such potential reimbursements, if any, would be immaterial and no provisions have been made within the financial statements for the refund or repayment of grant monies.

**2. Litigation**

Various claims or suits against the City are presently pending involving claims for personal injury and other miscellaneous claims. In the opinion of management, both individually and in the aggregate, such suits or claims will not have a material effect on the financial position of the City.

**NOTE 6 - CONTINGENCIES AND COMMITMENTS - *continued***

**B. Commitments**

**1. Construction and System Improvement Commitments**

The contract commitments including retainage and source of funding at September 30, 2017, were as follows:

	Amount	Source of Funding
<u>Governmental Activities</u>		
General Fund	\$ 81,124	Capital Improvement Tax
Storm Water and Parks Tax	147,371	Storm Water Tax
Total Governmental Activities	<u>228,495</u>	
<u>Business-type Activities</u>		
Utility Fund	65,423	Electric Revenues
Sewer Fund	3,808,082	Certificates of Participation Proceeds
	978,000	Tax Increment Financing Revenues
Total Business-type Activities	<u>4,851,505</u>	
Total	<u>\$ 5,080,000</u>	

**2. Long-term Contract for the Purchase of Electric Power**

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, 2017. 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

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FARMINGTON, MISSOURI  
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**NOTE 6 - CONTINGENCIES AND COMMITMENTS - *continued***

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

**NOTE 7 - OPERATING LEASES**

The previous operating lease on the land at the Senior Center became void with the donation of the office building and land received in Fiscal Year 2017. At September 30, 2017, the City had no operating leases.

**NOTE 8 - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions	Deductions	Balance September 30, 2017	Current Portion
<b><u>Governmental Activities</u></b>					
Capital Leases:					
Firestation Lease	\$ 3,043,000	\$ -	\$ (283,000)	\$ 2,760,000	\$ 262,000
Fire Pumper Lease	275,197	-	(275,197)	-	-
Fire Pumper Rebuild	366,631	-	(140,289)	226,342	142,345
Certificates of Participation:					
Series 2014 - Library, Police Station and Water Park Improvements	7,060,000	-	(820,000)	6,240,000	835,000
Compensated Absences	119,314	288,526	(119,314)	288,526	288,526
<b>Total Governmental Activities</b>	<b>\$ 10,864,142</b>	<b>\$ 288,526</b>	<b>\$ (1,637,800)</b>	<b>\$ 9,514,868</b>	<b>\$ 1,527,871</b>
	Balance September 30, 2016	Additions	Deductions	Balance September 30, 2017	Current Portion
<b><u>Business-type Activities</u></b>					
Capital Leases:					
Sewer Vactor Truck	\$ 236,032	\$ -	\$ (66,021)	\$ 170,011	\$ 67,145
COP Sr2011-Radionuclide Project	2,640,000	-	(410,000)	2,230,000	420,000
COP Sr2011-Treatment Plant UV Project	600,000	-	(90,000)	510,000	95,000
Electric Substation	828,415	-	(828,415)	-	-
COP Sr2016 -Sewer System	122,600	6,007,400	-	6,130,000	560,000
Premium	-	133,392	(13,339)	120,053	-
Revenue Bonds:					
Series 2000A - West Treatment Plant	1,720,000	-	(330,000)	1,390,000	335,000
Due to State of Missouri	1,204,000	-	(231,000)	973,000	234,500
Compensated Absences	56,251	136,153	(56,251)	136,153	136,153
<b>Total Business-type Activities</b>	<b>\$ 7,407,298</b>	<b>\$ 6,276,945</b>	<b>\$ (2,025,026)</b>	<b>\$ 11,659,217</b>	<b>\$ 1,847,798</b>

Based off the October 2016 assessed valuation report from the St. Francois County Assessor, the City's assessed value supports a general obligation bond limit of \$41,162,023. The City did not have any general obligation bonds outstanding as of September 30, 2017.

## NOTE 9 - CAPITAL LEASES

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### ***Governmental Activities:***

The City 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 1<sup>st</sup> and April 1<sup>st</sup> at 2.0% to 3.1%. The debt payment schedule anticipates final payment and retirement of the debt April 1, 2024. At September 30, 2017, there was an unpaid balance of \$6,240,000.

#### **Capital Lease Obligations**

The fire station project lease was entered into on September 10, 2009, with Missouri Association of Municipal Utilities in the amount of \$4,305,000. Lease payments are due in monthly installments including variable interest ranging from \$12,000 to \$25,000, beginning October 20, 2009, until final payment on August 20, 2029. The difference between projected interest and actual interest is applied to the principal upon reconciliation each year. This has resulted in a revised final payment date of October 20, 2028. The balance at September 30, 2017, was \$2,760,000.

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, 2017, there was no balance due.

In June 2016, the City added Property Schedule 3 in the amount of \$425,000 to the Master lease with US Bancorp dated February 24, 2014. The added schedule provides for the rebuild of a Pierce Pumper truck. Lease payments are due in monthly installments of \$12,058, which include interest at an interest rate of 1.456%. The debt payment schedule anticipated an initial payment due June 1, 2016, with final payment and retirement of the debt May 1, 2019. At September 30, 2017, there was a principal balance of \$226,342.

### ***Business-type Activities:***

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

#### **Certificates of Participation**

The City entered into a capital lease to finance water system and wastewater treatment system capital improvements through a financing arrangement with The Bank of New York Mellon Trust Company. Under the arrangement, the bank issued certificates of participation in the amount of \$5,555,000 on May 3, 2011, to finance the improvements. The scheduled lease payments the City makes to the bank will be used to pay the debt service on these certificates. The lease payments are due in installments ranging from \$445,000 to \$1,135,000, which began in May 2012 and continue through May 2021. Interest is payable each November 1<sup>st</sup> and May 1<sup>st</sup> at 2.0% to 3.8%. The balance at September 30, 2017, was \$2,740,000, of which \$2,230,000 is allocated to the utility fund for the water system and \$510,000 is allocated to the sewer fund.

**NOTE 9 - CAPITAL LEASES - continued**

The City entered into a capital lease to finance improvements to the waste water system with U.S. Bank NA. Under the arrangement, the bank issued certificates of participation in the amount of \$6,130,000 on October 6, 2016. 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 \$560,000 to \$670,000 with the first installment being due October 2017, and final payment due October 2026. Interest is payable each April 1<sup>st</sup> and October 1<sup>st</sup> at 2.0% to 2.25%. The principal balance at September 30, 2017 was \$6,130,000.

**Capital Lease Obligations**

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, 2017, there was a principal balance of \$170,011.

The City entered into a capital lease with FS Leasing LLC on January 6, 2016, for \$950,000 to be used for the construction of an electric substation. Lease payments are due in monthly installments of \$16,596, which include interest at an interest rate of 1.84%. The debt payment schedule anticipated an initial payment due February 6, 2016, with final payment and retirement of the debt on December 6, 2020. The decision was made to pay this debt in full at the end of the fiscal year. Therefore, at September 30, 2017, there was no principal balance.

Future minimum lease obligations (including interest payments) and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2018	\$ 1,472,075	\$ 1,363,644	\$ 2,835,719
2019	1,364,486	1,365,864	2,730,350
2020	1,281,358	1,331,425	2,612,783
2021	1,272,971	1,852,486	3,125,457
2022	1,276,650	679,537	1,956,187
2023 - 2027	3,404,469	3,397,100	6,801,569
2028 - 2029	305,277	-	305,277
Total Minimum Lease Payments	10,377,286	9,990,056	20,367,342
Less - Amount Representing Interest	1,150,944	950,045	2,100,989
Present Value of Minimum Lease Payments	<u>\$ 9,226,342</u>	<u>\$ 9,040,011</u>	<u>\$ 18,266,353</u>

Assets under capital leases at September 30, 2017, included:

<u>Asset Type</u>	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and Buildings	\$ 13,552,760	\$ 1,252,181	\$ 12,300,579
Infrastructure	1,814,390	26,274	1,788,116
Machinery and Equipment	6,764,673	1,685,077	5,079,596
Total Assets Under Capital Lease	<u>\$ 22,131,823</u>	<u>\$ 2,963,532</u>	<u>\$ 19,168,291</u>

**NOTE 10 - 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 1<sup>st</sup> and July 1<sup>st</sup> at 4.6% to 5.7%. The balance at September 30, 2017, was \$1,390,000. The bonds are to be repaid solely through sewer system revenues. The bond covenants, which require 110% coverage of the debt service for each fiscal year, were met.

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>
2018	\$ 335,000	\$ 78,722
2019	345,000	59,963
2020	350,000	40,470
2021	<u>360,000</u>	<u>20,520</u>
Total	<u>\$ 1,390,000</u>	<u>\$ 199,675</u>

**Due to the State of Missouri**

When the City used the Series 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 2017, the City paid back \$231,000. As of September 30, 2017, the balance due to the State is \$973,000. Assuming 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>
2018	\$ 234,500
2019	241,500
2020	245,000
2021	<u>252,000</u>
Total	<u>\$ 973,000</u>

**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, 2017.

- A temporary loan in the amount of \$35,000 is owed to the General Fund from the Transportation Tax Fund which is payable upon receipt of sales tax payments in the ensuing fiscal year.
- A temporary loan in the amount of \$52,614 is owed to the General Fund from the Airport Fund which is payable upon receipt of an insurance grant reimbursement from Missouri Department of Transportation for expansion work at the airport.

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 11 - INTER-FUND TRANSACTIONS - *continued***

- The nonmajor funds (Special Allocation Fund and District Municipal Fund) were owed a total of \$138,431 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 at September 30, 2017. The amounts owed from each major fund were: General Fund \$74,968, Storm Water and Parks Fund \$12,992, Transportation Fund \$12,991, and Capital Projects Fund \$37,480.

**Inter-fund Transfers**

During the year ended September 30, 2017, 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	Capital Projects	\$ 423,408	Capital tax funds used for payment of debt on 2 Fire Pumpers
General	Capital Projects	137,217	Capital tax funds used for parks capital projects
General	Storm Water and Parks	252,896	Parks operating costs transfer
General	Special Allocation	49,418	Parks capital purchase
Debt Service	Special Allocation	303,559	Firestation Debt Payment
Debt Service	Capital Projects	988,515	Certificates of Participation payments
District Municipal	General	191,923	Tax sharing agreement transfers
District Municipal	Capital Projects	95,921	Tax sharing agreement transfers
Special Allocation	General	310,551	Tax increment finance districts incremental EATS tax
Special Allocation	Storm Water and Parks	104,100	Tax increment finance districts incremental EATS tax
Special Allocation	Transportation	104,100	Tax increment finance districts incremental EATS tax
Special Allocation	Capital Projects	155,280	Tax increment finance districts incremental EATS tax
Transportation	Special Allocation	183,636	Capital project serving the TIF District
Civic Complex	Capital Projects	319,108	Capital tax funds used for payment of capital projects
Civic Complex	General	171,888	Operating subsidy and reserves replenishment
Airport	General	451,000	Operations support and capital grant match
Sewer	Special Allocation	121,745	Capital improvements

**NOTE 12 - 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.

**NOTE 13 - RETIREMENT PLAN**

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.

**Plan Description**

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City 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

**NOTE 13 - RETIREMENT PLAN - *continued***

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](http://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 Missouri 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.

2017 Valuation

Benefit Multiplier	1.5% for life, plus 0.5% to age 65
Final Average Salary	3 Years
Member Contributions	- %

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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	51
Active employees	<u>127</u>
 Total	 <u>234</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 9.8% (General), 6.0% (Police) and 10.1% (Fire) of annual covered payroll.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

**Actuarial Assumptions**

The total pension liability in the February 28, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation for General and Police; 3.25% to 7.15% including wage inflation for Fire
Investment rate of return	7.25%, net of investment expenses



**NOTE 13 - RETIREMENT PLAN - continued**

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2017, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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	43.00 %	5.29 %
Fixed Income	26.00	2.93
Real Assets	21.00	3.31
Strategic Assets	10.00	5.73

**Discount Rate**

The discount rate used to measure the total pension liability is 7.25% for General, Police, and Fire. 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.

**Changes in the Net Pension Asset**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at 6/30/2016	\$ 21,902,843	\$ 22,722,123	\$ (819,280)
Changes for the year:			
Service Cost	507,515	-	507,515
Interest	1,579,628	-	1,579,628
Difference between expected and actual experience	(318,318)	-	(318,318)
Changes in assumptions	(33,588)	-	(33,588)
Contributions - City	-	483,484	(483,484)
Net investment income	-	2,668,442	(2,668,442)
Benefit payments, including refunds	(681,729)	(681,729)	-
Administrative expense	-	(18,123)	18,123
Other changes	-	16,218	(16,218)
Net changes	1,053,508	2,468,292	(1,414,784)
Balances at 6/30/2017	\$ 22,956,351	\$ 25,190,415	\$ (2,234,064)

**NOTE 13 - RETIREMENT PLAN - continued**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

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

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 26,543,178	\$ 22,956,351	\$ 20,030,092
Plan Fiduciary Net Position	<u>25,190,415</u>	<u>25,190,415</u>	<u>25,190,415</u>
Net Pension Liability (Asset) (NPL)	<u>\$ 1,352,763</u>	<u>\$ (2,234,064)</u>	<u>\$ (5,160,323)</u>

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

For the year ended September 30, 2017, the City recognized pension expense of \$760,463. Reported deferred outflows and inflows of resources are related to pensions from the following sources:

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	\$ 77,499	\$ (725,327)
Changes in Assumptions	396,509	(26,829)
Net Difference between projected and actual earnings on pension plan investments	705,555	-
Employer contributions subsequent to the measurement date	<u>131,895</u>	<u>-</u>
Total	<u>\$ 1,311,458</u>	<u>\$ (752,156)</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 September 30, 2018.

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
2018	\$ 311,641
2019	311,640
2020	73,941
2021	(261,712)
2022	(16,106)
Thereafter	<u>8,003</u>
Total	<u>\$ 427,407</u>

**NOTE 13 - RETIREMENT PLAN - continued**

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**Payable to the Pension Plan**

At September 30, 2017, the City reported a payable of \$64,994 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

**NOTE 14 - TAX ABATEMENTS**

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**A. Tax Increment Financing Districts**

**Karsch Boulevard-Downtown TIF District**

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

The redevelopment plan proposes public activities (projects) to alleviate the existing conditions. The projects will convert existing deteriorated areas and demolish deteriorated, dilapidated buildings and provide areas for both public and private buildings, including administrative offices, housing and commercial buildings. The total cost of all of the redevelopment projects is estimated to be approximately \$80,800,000. This includes the costs of property acquisition, historic preservation, electrical improvements, street and sidewalks, sanitary sewers, storm sewers, water improvements, housing construction, commercial building construction, construction of a county courthouse annex, downtown revitalization, parking improvements, planning, administration, engineering, legal, interest charges and contingencies. On advice of counsel, and in view of case law since the plan was first adopted, the City amended its plan to clearly articulate the historic preservation grant program and to affirm that the fire station construction was included in the plan.

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

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

It is anticipated that the redevelopment will support the issuance of \$14,800,000 of TIF Debt. However, it is the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTS as surplus on an annual basis and pass through 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.

**NOTE 14 - TAX ABATEMENTS - continued**

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Open development agreements at September 30, 2017, included:

- A development agreement with Stetty Properties LLC, approved on September 11, 2014, to reimburse project costs related to the architectural 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. At September 30, 2017, a balance of \$15,000 remained open on this agreement.
- A development agreement with 1 North Jefferson LLC, approved on August 11, 2016, to reimburse project costs not to exceed the lesser of \$50,000; or 50% of the cost of qualifying exterior restoration or renovation costs associated with the work, or 25% of the cost of architectural and historical assessment and design costs associated with work on the building located at 1 North Jefferson Street. At September 30, 2017, a balance of \$15,209 remained open on this agreement.
- A development agreement with Stetty Properties LLC, approved on March 28, 2016, to reimburse project costs related to the architectural preservation of the property located at 3 N. Jefferson Street. Reimbursement costs are to be paid from the funds on deposit from the District's economic activity tax and are limited to \$50,000. No payments have been made on this agreement as of September 30, 2017.
- A development agreement with Lance and Patti Krause d/b/a Hometown Realty, approved on April 24, 2017, to reimburse project costs related to the architectural preservation of the property located at 114 E. Columbia Street. Reimbursement costs are to be paid from the funds on deposit from the District's economic activity tax and are limited to \$50,000. No payments have been made on this agreement as of September 30, 2017.
- A development agreement with McMann Properties LLC, approved on May 11, 2017, to reimburse project costs related to the architectural preservation of the property located at 218 N Washington Street. Reimbursement costs are to be paid from the funds on deposit from the District's economic activity tax and are limited to \$50,000. No payments have been made on this agreement as of September 30, 2017.

As of September 30, 2017, no TIF bonds have 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, 2008, and 2015. The plan consisted of two redevelopment projects including retail and commercial development, as well as public infrastructure improvements. The total cost of the redevelopment project was estimated to be approximately \$124,050,000. The plan proposed to use community improvement districts as well as tax increment financing obligations to fund a part of the redevelopment costs. The total TIF and CID obligations were not to 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 anticipated funding redevelopment projects on a pay as you go method. The City, however, could decide to fund several projects up front, and therefore, the plan estimated an annual interest rate of 6.25% on the maximum amount of potential bonds to be issued.

**NOTE 14 - TAX ABATEMENTS - continued**

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It was 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 anticipated 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 allocated 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 could 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 was 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 all 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. (Menards is a home-improvement store with over 280 stores in 14 states at the time of the agreements). 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 an agreement under which the developer will receive \$4,850,000 (plus an interest factor) 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%. This development agreement is the only open agreement for this TIF district. As of September 30, 2017, a total of \$308,465 had been paid on this agreement.

An amendment to the TIF plan approved by City Council on March 23, 2015, included the removal of all property not incorporated by the Menards' Project Sub-Area from the district boundary and amended the plan total project costs to \$24,300,000 with anticipated reimbursable project costs of \$6,300,000.

**B. Community Improvement Districts**

**GPMVLC Community Improvement District**

On February 8, 2012, the City Council approved a petition from GPMVLC to establish a Community Improvement District at the site of the property formerly the location of Value City. On February 27, 2012, the City Council approved an intergovernmental agreement with the CID to provide public incentives not to exceed \$1,000,000 for the developer to locate a national brand retailer to the site. It is expected that the primary tenant will occupy at least 50,000 square feet of the building and will engage in retail sales of at least \$8,000,000 annually. The cooperative agreement provided 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 limited 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

**NOTE 14 - TAX ABATEMENTS - continued**

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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. As of September 30, 2017, additional retail stores have opened in the development, and there remains a reimbursable balance of \$2,075,630.

**Farmington Land ABG Community Improvement District**

On February 12, 2015, the City Council approved a CID and a redevelopment agreement 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 was a planned Rural King retail store. The redevelopment agreement by and between the City of Farmington, the Farmington Land ABG Community Improvement District (CID), and Farmington ABG, LLC provided certain public assistance to the CID to assist the developer with funds necessary to eliminate the blighted conditions. 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 to reimburse the developer for the actual cost plus interest for the eligible project expenses up to a maximum reimbursable amount of \$2,700,000. The term of the agreement is twenty years. As of September 30, 2017, no payments have been made to the developer under this agreement.

**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 out lots. 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. 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. On June 22, 2015, the City Council re-authorized the Community Improvement District first approved on December 11, 2014 and the development agreement. This agreement has no direct financial impact on the City.

**C. Industrial Revenue Bonds**

The City has issued certain limited-obligation bonds for the express purpose of providing capital financing for a specific third party that is not a part of the City's financial reporting entity. At the same time, the City entered into a lease agreement with the Borrower, which contains provisions allowing the lessee to purchase the leased property for a nominal amount at the end of the lease term, or at earlier dates upon payment of amounts sufficient to redeem the entire related bond issued by the City, which are then outstanding. Capital Outlay is earmarked to have been purchased with these bonds to keep from having to pay property taxes on the items purchased. Instead of paying property taxes on this property, Payments In Lieu of Taxes are paid to the City and passed through to the Farmington Educational Foundation, Inc. for a twenty-five year period with the final payment to be made December 31, 2025. The total amount of PILOTS outstanding as of September 30, 2017, was \$1,270,000. 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.

**NOTES TO FINANCIAL STATEMENTS  
CITY OF FARMINGTON, MISSOURI  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 14 - TAX ABATEMENTS - *continued***

A summary of the taxes abated for the year ended September 30, 2017, were as follows:

Tax Abatement Program	Tax Type	Amount of Taxes Abated during the Fiscal Year
Tax Increment Finance Districts Developer Agreements	Sales Tax	\$ 430,949
Community Improvement Districts Agreements	Sales Tax	288,959
Industrial Revenue Bonds	Property Tax	62,678
Total		<u>\$ 782,586</u>

**NOTE 15 - SUBSEQUENT EVENTS**

The City had no material events subsequent to the end of the fiscal year.

**NOTE 16 - RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2016, the City leased rental property to City employees. The properties were purchased for future expansions and have been leased short-term. As of September 30, 2017, there were no outstanding rental payments due.

**NOTE 17 - NET POSITION RESTRICTED BY ENABLING LEGISLATION**

The amount of net position restricted by enabling legislation at September 30, 2017, is as follows:

Fund	Net Position
Capital Projects	\$ 721,659
Storm Water and Parks	897,845
Transportation	90,583
Nonmajor Funds	<u>1,361,129</u>
Total	<u>\$ 3,071,216</u>

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**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

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**CITY OF FARMINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended September 30, 2017**

	<b>Appropriated Budget Amounts</b>			<b>Positive (Negative) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b><u>REVENUES</u></b>				
Sales Tax	\$ 4,100,000	\$ 4,100,000	\$ 4,131,439	\$ 31,439
Real and Personal Property Tax	897,000	897,000	901,156	4,156
Grants and Donations	665,500	664,600	500,649	(163,951)
Motor Fuel and Vehicle Tax	647,000	647,000	654,709	7,709
Utility, Gross Receipts, and Other Taxes	658,200	658,200	641,572	(16,628)
Municipal Court Fines and Fees	338,200	300,200	275,922	(24,278)
Charges for Services	195,600	209,600	239,216	29,616
Interest Income	8,000	19,000	21,366	2,366
Administrative Pilot Payment	1,436,550	1,411,950	1,415,280	3,330
Other	2,400	2,400	8,083	5,683
Total Revenue	<u>8,948,450</u>	<u>8,909,950</u>	<u>8,789,392</u>	<u>(120,558)</u>
<b><u>EXPENDITURES</u></b>				
General Government				
Administration	1,748,300	1,835,300	1,596,657	238,643
Public Safety				
Police	2,519,800	2,570,000	2,518,438	51,562
Municipal Court	103,100	103,100	102,746	354
Fire	1,106,700	1,091,700	1,030,464	61,236
Streets and Public Works				
Street	741,900	790,900	789,680	1,220
Public Works	430,500	438,900	380,640	58,260
Maintenance	594,800	583,300	575,394	7,906
Culture and Recreation				
Park	651,100	670,100	664,153	5,947
Library	394,300	378,500	391,078	(12,578)
Capital Outlay	631,000	697,500	521,466	176,034
Debt Service - Interest and Fees	144,000	9,000	7,922	1,078
Debt Service - Principal	280,000	415,000	415,486	(486)
Total Expenses	<u>9,345,500</u>	<u>9,583,300</u>	<u>8,994,124</u>	<u>589,176</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(397,050)</u>	<u>(673,350)</u>	<u>(204,732)</u>	<u>468,618</u>
<b><u>OTHER FINANCING SOURCES(USES)</u></b>				
Transfers In	1,104,000	959,000	862,939	(96,061)
Transfers Out	(721,500)	(1,307,700)	(1,125,361)	182,339
Sale of Capital Assets	35,000	-	-	-
Insurance Proceeds	10,000	100,000	97,663	(2,337)
Total Other Financing Sources(Uses)	<u>427,500</u>	<u>(248,700)</u>	<u>(164,759)</u>	<u>83,941</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 30,450</u>	<u>\$ (922,050)</u>	<u>(369,491)</u>	<u>\$ 552,559</u>
<b>FUND BALANCE, OCTOBER 1, 2016 as restated</b>			<u>3,828,370</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ 3,458,879</u>	

**CITY OF FARMINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - TRANSIENT TAX FUND**  
**Year Ended September 30, 2017**

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Transient Tax Income	\$ 285,000	\$ 265,000	\$ 265,430	\$ 430
Interest Income	100	100	915	815
Total Revenue	<u>285,100</u>	<u>265,100</u>	<u>266,345</u>	<u>1,245</u>
<b><u>EXPENDITURES</u></b>				
General Government	<u>285,100</u>	<u>265,100</u>	<u>266,345</u>	<u>(1,245)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE, OCTOBER 1, 2016</b>			<u>-</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ -</u>	

**CITY OF FARMINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended September 30, 2017**

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

The City Council adopts a budget for all City funds. The primary basis of budgetary control is at the department level. Departments may not legally exceed their total appropriation without City Council approval. A review of the current year's budget is made periodically throughout the year and amended as needs arise. Any remaining unencumbered appropriations lapse at the fiscal year end.

**CITY OF FARMINGTON, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**For the Current and Prior Years\***

Fiscal year ending June 30	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 507,515	\$ 494,790	\$ 500,396
Interest on Total Pension Liability	1,579,628	1,469,673	1,411,366
Difference Between Expected and Actual Experience	(318,318)	(297,274)	(368,584)
Changes of Assumptions	(33,588)	606,327	-
Benefit Payments, Including Refunds	(681,729)	(784,185)	(689,879)
Net Change in Total Pension Liability	1,053,508	1,489,331	853,299
Total Pension Liability Beginning	21,902,843	20,413,512	19,560,213
Total Pension Liability Ending (a)	<u>\$ 22,956,351</u>	<u>\$ 21,902,843</u>	<u>\$ 20,413,512</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 483,484	\$ 503,863	\$ 589,380
Net Investment Income	2,668,442	(73,051)	468,062
Pension Plan Benefit Payments, Including Refunds	(681,729)	(784,185)	(689,879)
Administrative Expense	(18,123)	(17,418)	(18,828)
Other (Net Transfer)	16,218	(373,803)	247,462
Net Change in Plan Fiduciary Net Position	2,468,292	(744,594)	596,197
Plan Fiduciary Net Position Beginning	22,722,123	23,466,717	22,870,520
Plan Fiduciary Net Position Ending (b)	<u>\$ 25,190,415</u>	<u>\$ 22,722,123</u>	<u>\$ 23,466,717</u>
Net Pension Liability (Asset) Ending (a)-(b)	<u>\$ (2,234,064)</u>	<u>\$ (819,280)</u>	<u>\$ (3,053,205)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.73 %	103.74	114.96
Covered-employee Payroll	5,130,214	4,873,669	4,792,368
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(43.55) %	(16.81)	(63.71)

**Notes to Schedule:**

\*Information for additional prior years is not available, amounts presented for the year end were determined as of June 30, the measurement date. The City will continue to present information for years available until a ten year trend is compiled.

**CITY OF FARMINGTON, MISSOURI  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
Last 10 Fiscal Years**

<u>Fiscal Year</u>	<u>Actuarially Determined Pension Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage of Covered Employee Payroll</u>
2008	\$ 404,593	\$ 404,593	\$ -	\$ 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	-	5,000,672	12.36
2015	581,234	581,234	-	4,908,089	11.84
2016	502,513	502,514	(1)	5,172,485	9.72
2017	487,341	482,093	5,248	5,401,563	8.93

Notes to Schedule:

Valuation Date: February 28, 2017

The roll-forward of total pension liability from February 28, 2017, to June 30, 2017, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.

Remaining Amortization Period: Multiple bases from 15 to 21 years

Asset Valuation Method: 5-Year smoothed market; 20% corridor

Inflation: 3.25% wage inflation; 2.5% price inflation

Salary Increases: 3.25% to 6.55% including wage inflation for General and Police; 3.25% to 7.15% including wage inflation for Fire

Investment Rate of Return: 7.25%, net of investment expenses

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition.

Mortality: The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information: None

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## **OTHER SUPPLEMENTAL INFORMATION SECTION**

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**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2017**

	<b>Special Allocation Fund</b>	<b>District Municipal Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,121,400	\$ 310,395	\$ 1,431,795
Accounts Receivable (net)	308,809	-	308,809
Due From Other Funds	103,932	34,499	138,431
<b>TOTAL ASSETS</b>	<b><u>\$ 1,534,141</u></b>	<b><u>\$ 344,894</u></b>	<b><u>\$ 1,879,035</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 162,086	\$ 344,894	\$ 506,980
Administrative Expense Deposits	10,926	-	10,926
Total Liabilities	<u>173,012</u>	<u>344,894</u>	<u>517,906</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable Revenue - Tax Increment District Payments	<u>306,107</u>	<u>-</u>	<u>306,107</u>
<b><u>FUND BALANCE</u></b>			
Restricted:			
Karsch - Downtown TIF District	790,844	-	790,844
Highway 67 TIF District	264,178	-	264,178
Total Fund Balances	<u>1,055,022</u>	<u>-</u>	<u>1,055,022</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b><u>\$ 1,534,141</u></b>	<b><u>\$ 344,894</u></b>	<b><u>\$ 1,879,035</u></b>

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended September 30, 2017**

	Special Allocation Fund	District Municipal Fund	Total
<b><u>REVENUES</u></b>			
Interest Income	\$ 5,760	\$ 1,115	\$ 6,875
TIF Proceeds From Other Governments	754,250	-	754,250
Total Revenues	<u>760,010</u>	<u>1,115</u>	<u>761,125</u>
<b><u>EXPENDITURES</u></b>			
General Government:			
Administration	768,669	288,959	1,057,628
Capital Outlay	168,201	-	168,201
Total Expenditures	<u>936,870</u>	<u>288,959</u>	<u>1,225,829</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(176,860)</u>	<u>(287,844)</u>	<u>(464,704)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	674,031	287,844	961,875
Transfer Out	(658,358)	-	(658,358)
Total Other Financing Sources (Uses)	<u>15,673</u>	<u>287,844</u>	<u>303,517</u>
<b>NET CHANGE IN FUND BALANCES</b>	(161,187)	-	(161,187)
<b>FUND BALANCES - OCTOBER 1, 2016 as restated</b>	<u>1,216,209</u>	<u>-</u>	<u>1,216,209</u>
<b>FUND BALANCES - SEPTEMBER 30, 2017</b>	<u><u>\$ 1,055,022</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,055,022</u></u>

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL ALLOCATION FUND**  
**Year Ended September 30, 2017**

	<b>Appropriated Budget Amounts</b>			<b>Positive (Negative) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
TIF Proceeds From Other Governments	\$ 615,000	\$ 810,000	\$ 754,250	\$ (55,750)
Interest Income	800	1,600	5,760	4,160
Total Revenues	<u>615,800</u>	<u>811,600</u>	<u>760,010</u>	<u>(51,590)</u>
<b>EXPENDITURES</b>				
General Government	614,200	832,500	768,669	63,831
Capital Outlay	-	155,000	168,201	(13,201)
Total Expenditures	<u>614,200</u>	<u>987,500</u>	<u>936,870</u>	<u>50,630</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,600</u>	<u>(175,900)</u>	<u>(176,860)</u>	<u>(960)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	462,900	661,300	674,031	12,731
Transfers Out	(464,500)	(1,391,000)	(658,358)	732,642
Total Other Financing Sources (Uses)	<u>(1,600)</u>	<u>(729,700)</u>	<u>15,673</u>	<u>745,373</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (905,600)</u>	<u>(161,187)</u>	<u>\$ 744,413</u>
<b>FUND BALANCE, OCTOBER 1, 2016, as restated</b>			<u>1,216,209</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ 1,055,022</u>	

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DISTRICT MUNICIPAL FUND**  
**Year Ended September 30, 2017**

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Interest Income	\$ -	\$ -	\$ 1,115	\$ 1,115
<b><u>EXPENDITURES</u></b>				
General Government	<u>267,000</u>	<u>297,000</u>	<u>288,959</u>	<u>8,041</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(267,000)	(297,000)	(287,844)	9,156
<b><u>OTHER FINANCING SOURCES</u></b>				
Transfers In	<u>267,000</u>	<u>297,000</u>	<u>287,844</u>	<u>(9,156)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE, OCTOBER 1, 2016</b>			<u>-</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ -</u>	

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**Year Ended September 30, 2017**

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Interest Income	\$ 60,000	\$ 75,000	\$ 75,000	\$ -
<b><u>EXPENDITURES</u></b>				
Debt Service Interest and Fees	276,000	236,000	264,388	(28,388)
Debt Service Principal	1,085,000	1,085,000	1,103,000	(18,000)
Total Expenditures	1,361,000	1,321,000	1,367,388	(46,388)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,301,000)	(1,246,000)	(1,292,388)	(46,388)
<b>OTHER FINANCING SOURCES</b>				
Transfer In	1,301,000	1,246,000	1,292,074	46,074
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	(314)	<u>\$ (314)</u>
<b>FUND BALANCE, OCTOBER 1, 2016 as restated</b>			314	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ -</u>	

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**Year Ended September 30, 2017**

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Sales Tax	\$ 2,050,000	\$ 2,050,000	\$ 2,010,287	\$ (39,713)
Interest Income	100	100	6,412	6,312
Total Revenue	<u>2,050,100</u>	<u>2,050,100</u>	<u>2,016,699</u>	<u>(33,401)</u>
<b><u>EXPENDITURES</u></b>				
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,050,100	2,050,100	2,016,699	(33,401)
<b>OTHER FINANCING USES</b>				
Transfers Out	<u>(2,231,000)</u>	<u>(2,150,600)</u>	<u>(2,119,449)</u>	<u>31,151</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (180,900)</u>	<u>\$ (100,500)</u>	(102,750)	<u>\$ (2,250)</u>
<b>FUND BALANCE, OCTOBER 1, 2016, as restated</b>			<u>903,917</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ 801,167</u>	

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STORM WATER AND PARKS TAX FUND**  
**Year Ended September 30, 2017**

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Sales Tax	\$ 1,025,000	\$ 1,025,000	\$ 1,004,841	\$ (20,159)
Interest Income	1,000	4,000	5,854	1,854
Total Revenues	<u>1,026,000</u>	<u>1,029,000</u>	<u>1,010,695</u>	<u>(18,305)</u>
<b><u>EXPENDITURES</u></b>				
Capital Outlay	<u>701,300</u>	<u>1,207,000</u>	<u>1,279,651</u>	<u>(72,651)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>324,700</u>	<u>(178,000)</u>	<u>(268,956)</u>	<u>(90,956)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of Capital Assets	-	75,000	-	(75,000)
Transfers Out	<u>(324,700)</u>	<u>(349,500)</u>	<u>(356,997)</u>	<u>(7,497)</u>
Total Other Financing Sources (Uses)	<u>(324,700)</u>	<u>(274,500)</u>	<u>(356,997)</u>	<u>(82,497)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (452,500)</u>	<u>(625,953)</u>	<u>\$ (173,453)</u>
<b>FUND BALANCE, OCTOBER 1, 2016</b>			<u>1,523,798</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ 897,845</u>	

**CITY OF FARMINGTON, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - TRANSPORTATION TAX FUND**  
**Year Ended September 30, 2017**

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Sales Tax	\$ 1,025,000	\$ 1,025,000	\$ 1,004,841	\$ (20,159)
Grants and Donations	-	220,000	-	(220,000)
Interest Income	500	500	619	119
Total Revenues	<u>1,025,500</u>	<u>1,245,500</u>	<u>1,005,460</u>	<u>(240,040)</u>
<b><u>EXPENDITURES</u></b>				
Capital Outlay	<u>623,100</u>	<u>1,109,900</u>	<u>802,202</u>	<u>307,698</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>402,400</u>	<u>135,600</u>	<u>203,258</u>	<u>67,658</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	-	200,000	183,636	(16,364)
Transfers Out	<u>(127,400)</u>	<u>(99,500)</u>	<u>(104,100)</u>	<u>(4,600)</u>
Total Other Financing Sources (Uses)	<u>(127,400)</u>	<u>100,500</u>	<u>79,536</u>	<u>(20,964)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 275,000</u>	<u>\$ 236,100</u>	<u>282,794</u>	<u>\$ 46,694</u>
<b>FUND BALANCE, OCTOBER 1, 2016</b>			<u>(192,211)</u>	
<b>FUND BALANCE, SEPTEMBER 30, 2017</b>			<u>\$ 90,583</u>	