



CITY OF FARMINGTON, MISSOURI

FINANCIAL REPORT (Audited)

Year Ended September 30, 2018

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 20, 2019

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, 2018, 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.

- ☐ 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- ☐ 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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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, 2018, 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 20, 2019 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.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

Chesterfield, Missouri

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, 2018. 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

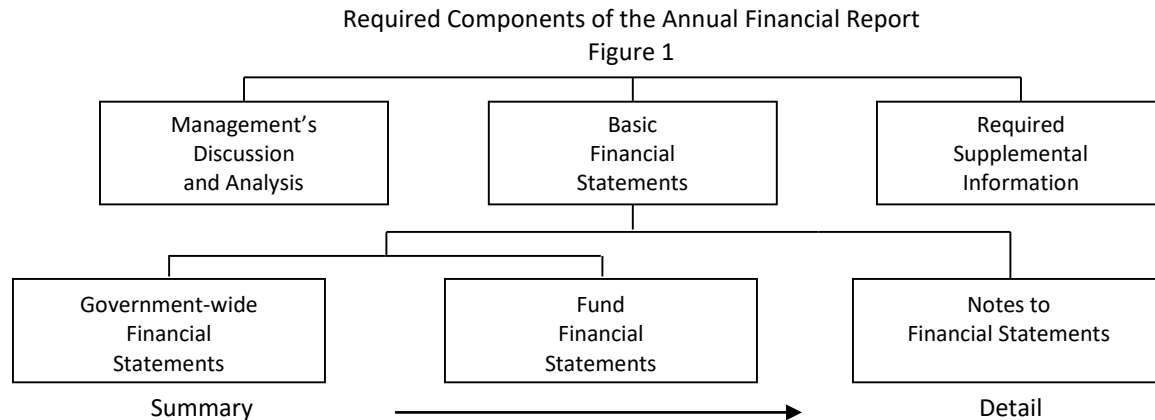
The City of Farmington continues to be a growing city. The City provides a full range of governmental and proprietary services that include five enterprise activities.

- The City of Farmington had a positive net position at the close of the fiscal year in the amount of \$100.1 million, a 3.9% 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 \$3.8 million. This increase was representative of a \$0.8 million increase in governmental activities and a \$3.0 million increase in position in business-type activities.
- Of the governmental fund balances, approximately \$3.439 million was available for spending at the government's discretion (*unassigned, assigned, and committed fund balances*). This was a 0.4% increase from the prior year amount of \$3.425 million.
- At the end of the fiscal year, the governmental funds full unassigned balance of approximately \$2.55 million was held in the General Fund. This amounted to approximately 30% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- Governmental activities general revenues were \$13.08 million in comparison to \$12.41 million the prior year, a 5.4% increase. This increase was primarily due to an increase in tax revenues, which accounted for \$11.41 million, 87%, of the total general revenue.
- The General Fund receives a payment in lieu of taxes (PILOT) from the Electric, Water, and Sewer Funds. The PILOT was set at 5% resulting in a total payment amount of \$1.456 million in fiscal year 2018. 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 decreased by \$2.28 million (11%) during the fiscal year. This decrease was the net effect of a reduction of \$2.98 million in principal and one new borrowing during the year of \$0.7 million for replacement of the heating, ventilation, and air conditioning system at the Civic and Centene Center.

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 60.

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, electric services, water 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 Guest 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 non-major 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), electric, 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 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, 2018**

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 non-major 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, 2018, and September 30, 2017.

City of Farmington's Statement of Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 8,213,966	\$ 8,199,536	\$ 15,434,332	\$ 13,737,173	\$ 23,648,298	\$ 21,936,709
Other Assets	-	-	5,053,178	7,300,298	5,053,178	7,300,298
Net Pension Asset	2,345,454	1,643,451	991,374	590,613	3,336,828	2,234,064
Capital assets (Net)	39,244,318	39,196,930	53,114,259	50,959,002	92,358,577	90,155,932
Total Assets	<u>49,803,738</u>	<u>49,039,917</u>	<u>74,593,143</u>	<u>72,587,086</u>	<u>124,396,881</u>	<u>121,627,003</u>
Deferred Outflows	<u>398,989</u>	<u>899,083</u>	<u>169,931</u>	<u>412,375</u>	<u>568,920</u>	<u>1,311,458</u>
Current liabilities	1,635,874	1,494,287	2,867,985	3,211,206	4,503,859	4,705,493
Noncurrent liabilities	8,313,434	9,514,868	10,606,329	11,659,217	18,919,763	21,174,085
Total Liabilities	<u>9,949,308</u>	<u>11,009,155</u>	<u>13,474,314</u>	<u>14,870,423</u>	<u>23,423,622</u>	<u>25,879,578</u>
Deferred Inflows	<u>1,008,893</u>	<u>473,671</u>	<u>421,459</u>	<u>278,485</u>	<u>1,430,352</u>	<u>752,156</u>
Net Position:						
Net investment in capital assets	31,257,321	29,970,588	46,320,056	45,363,337	77,577,377	75,333,925
Restricted	4,391,047	5,219,587	2,116,358	2,097,402	6,507,405	7,316,989
Unrestricted	<u>3,596,158</u>	<u>3,265,999</u>	<u>12,430,887</u>	<u>10,389,814</u>	<u>16,027,045</u>	<u>13,655,813</u>
Total Net Position	<u>\$ 39,244,526</u>	<u>\$ 38,456,174</u>	<u>\$ 60,867,301</u>	<u>\$ 57,850,553</u>	<u>\$ 100,111,827</u>	<u>\$ 96,306,727</u>

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, 2018, the combined assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$100,111,827. This equates to a 3.9%, or \$3,805,100, increase in combined net position as compared to September 30, 2017. This increase was split 21%, \$788,352, from governmental activities and 79%, \$3,016,748, from business-type activities.
- Comparatively, the City's net investment in capital assets was approximately 77.5% of the total net position, down from 78.2% in 2017. 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

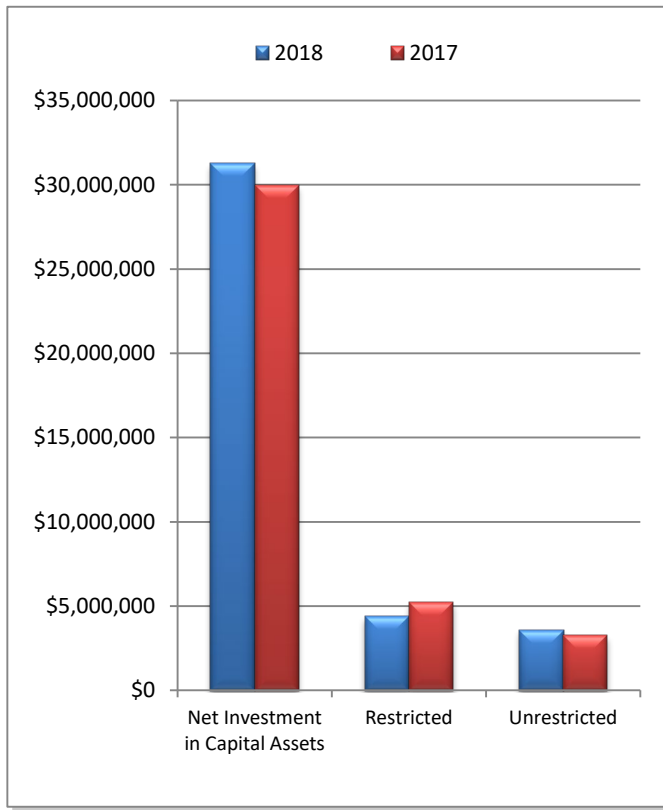
**MANAGEMENT DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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.

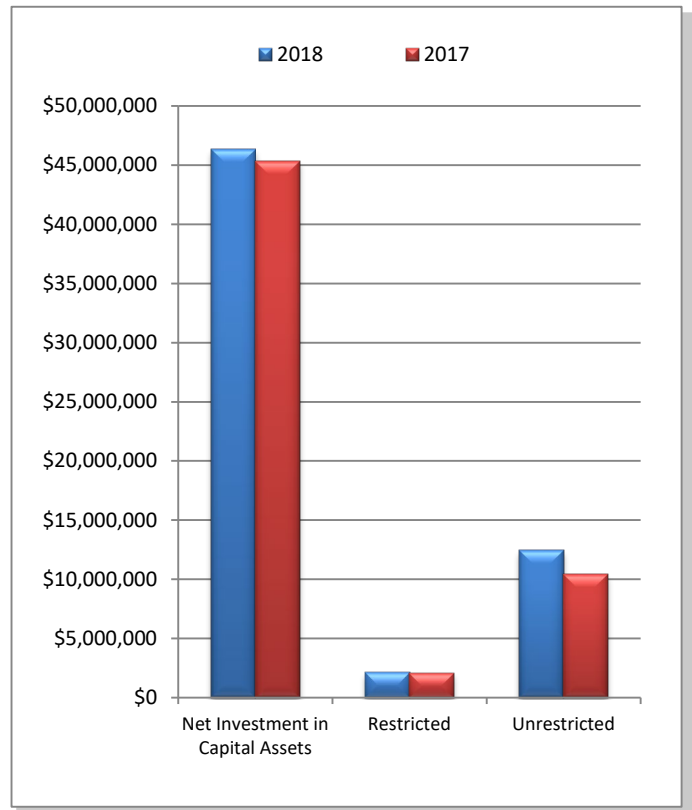
- Investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding increased by \$2,243,452, or 3%. The City's governmental activities accounted for \$1,286,733 of this increase. The remaining \$956,719 was comprised of the following business-type activities changes: Civic Complex Fund decreased \$420,702, Airport Fund decreased \$230,573, Electric Fund decreased \$611,995, Water Fund increased \$193,501, and Sewer Fund increased \$2,026,488.
- An additional portion of the City's net position 6.5%, \$6,507,405, represented resources that were subject to external restrictions on how they may be used. This consisted of \$4,391,047 for governmental activities and \$2,116,358 for business activities. The restricted amounts were for debt service, capital projects, tax increment finance districts, and pensions.
- The remaining balance of 16%, \$16,027,045, of the City's net position was unrestricted. This compared to \$13,655,813, or 14%, in the prior year. Of the unrestricted net position, approximately 22% was attributable to governmental type activities, and 78% 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, 2018, and September 30, 2017. (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, 2018**

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, 2018, and September 30, 2017.

City of Farmington's Statement of Activities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for goods and services	\$ 530,750	\$ 510,188	\$ -	\$ -	\$ 530,750	\$ 510,188
Electric Charges	-	-	22,328,465	21,337,921	22,328,465	21,337,921
Water Charges	-	-	3,387,486	3,457,955	3,387,486	3,457,955
Sewer Charges	-	-	3,445,169	3,542,292	3,445,169	3,542,292
Airport Charges	-	-	254,111	255,595	254,111	255,595
Civic Complex	-	-	1,580,346	1,575,290	1,580,346	1,575,290
Operating grants and contributions	1,341,505	1,155,358	273,888	296,888	1,615,393	1,452,246
Capital grants and contributions	218,493	260,000	228,865	720,790	447,358	980,790
General revenues:						
Sales Taxes	8,615,610	8,151,408	-	-	8,615,610	8,151,408
Property Taxes	926,748	909,161	-	-	926,748	909,161
Gross Receipts, Utility, and Other Taxes	625,964	641,572	-	-	625,964	641,572
Transient Guest Tax (Hotel/Motel)	296,824	265,430	-	-	296,824	265,430
TIF Proceeds	944,587	800,885	-	-	944,587	800,885
Interest Income	123,547	117,041	189,189	148,586	312,736	265,627
Administrative Pilot Payment	1,455,960	1,415,280	-	-	1,455,960	1,415,280
Insurance Proceeds	47,456	97,663	83,840	34,572	131,296	132,235
Other Income	39,964	8,083	-	-	39,964	8,083
Gain on Disposal of Assets	69,040	-	22,000	-	91,040	-
Total Revenues	15,236,448	14,332,069	31,793,359	31,369,889	47,029,807	45,701,958
Expenses:						
General government	3,915,990	3,189,584	-	-	3,915,990	3,189,584
Public safety	4,168,200	4,226,580	-	-	4,168,200	4,226,580
Streets and Public Works	3,216,767	2,868,219	-	-	3,216,767	2,868,219
Cultural and recreation	1,520,352	1,402,649	-	-	1,520,352	1,402,649
Governmental Activities - Interest Expense	241,445	264,110	-	-	241,445	264,110
Electric	-	-	21,245,671	20,820,727	21,245,671	20,820,727
Water	-	-	2,793,815	2,851,436	2,793,815	2,851,436
Sewer	-	-	2,914,947	3,189,012	2,914,947	3,189,012
Airport	-	-	634,087	752,780	634,087	752,780
Civic Complex	-	-	2,573,433	2,672,004	2,573,433	2,672,004
Total Expenses	13,062,754	11,951,142	30,161,953	30,285,959	43,224,707	42,237,101
Change in net position before transfers and special items	2,173,694	2,380,927	1,631,406	1,083,930	3,805,100	3,464,857
Transfers	(1,385,342)	(1,063,741)	1,385,342	1,063,741	-	-
Change in net position	788,352	1,317,186	3,016,748	2,147,671	3,805,100	3,464,857
Net Position, October 1	38,456,174	37,138,988	57,850,553	55,702,882	96,306,727	92,841,870
Net Position, September 30	<u>\$ 39,244,526</u>	<u>\$ 38,456,174</u>	<u>\$ 60,867,301</u>	<u>\$ 57,850,553</u>	<u>\$ 100,111,827</u>	<u>\$ 96,306,727</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 2.9%, or \$1,327,849. Governmental activities accounted for 68% of the increase, \$904,379, and business activities accounted for 32%, \$423,470.
- Total expenses increased by 2.3%, or \$987,606. This increase is the net result of an increase in governmental activities \$1,111,612 and a decrease in business activities \$124,006.

Governmental Activities

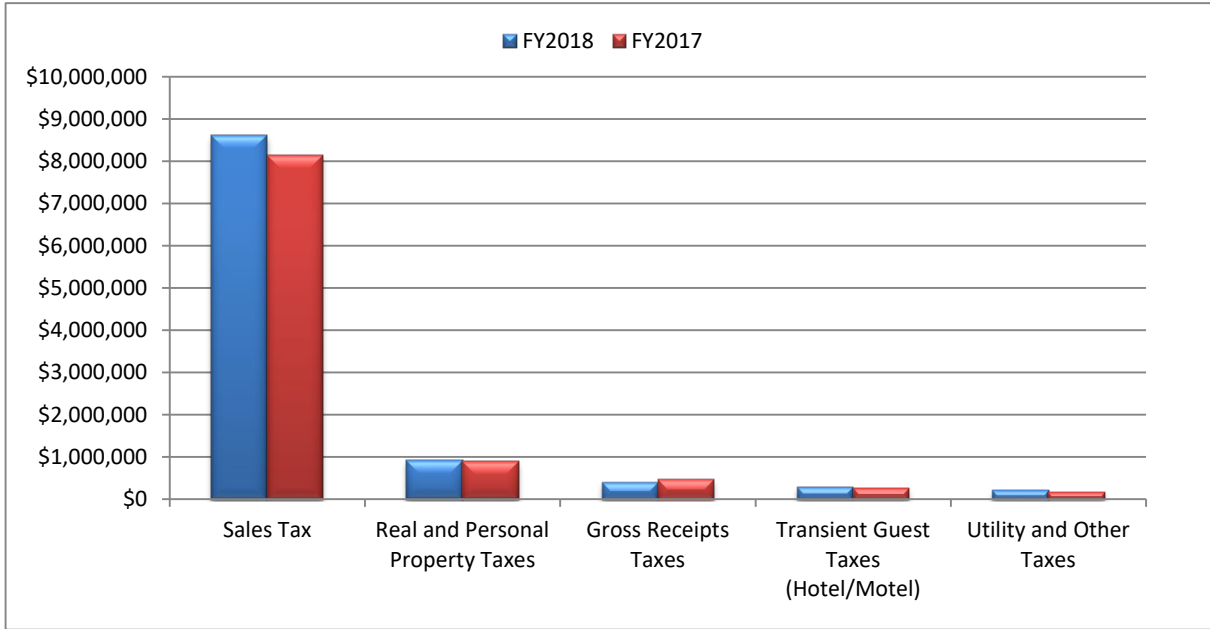
Governmental activities increased the City's net position by \$2,173,694 before transfers. Key elements of this change are as follows:

Revenue

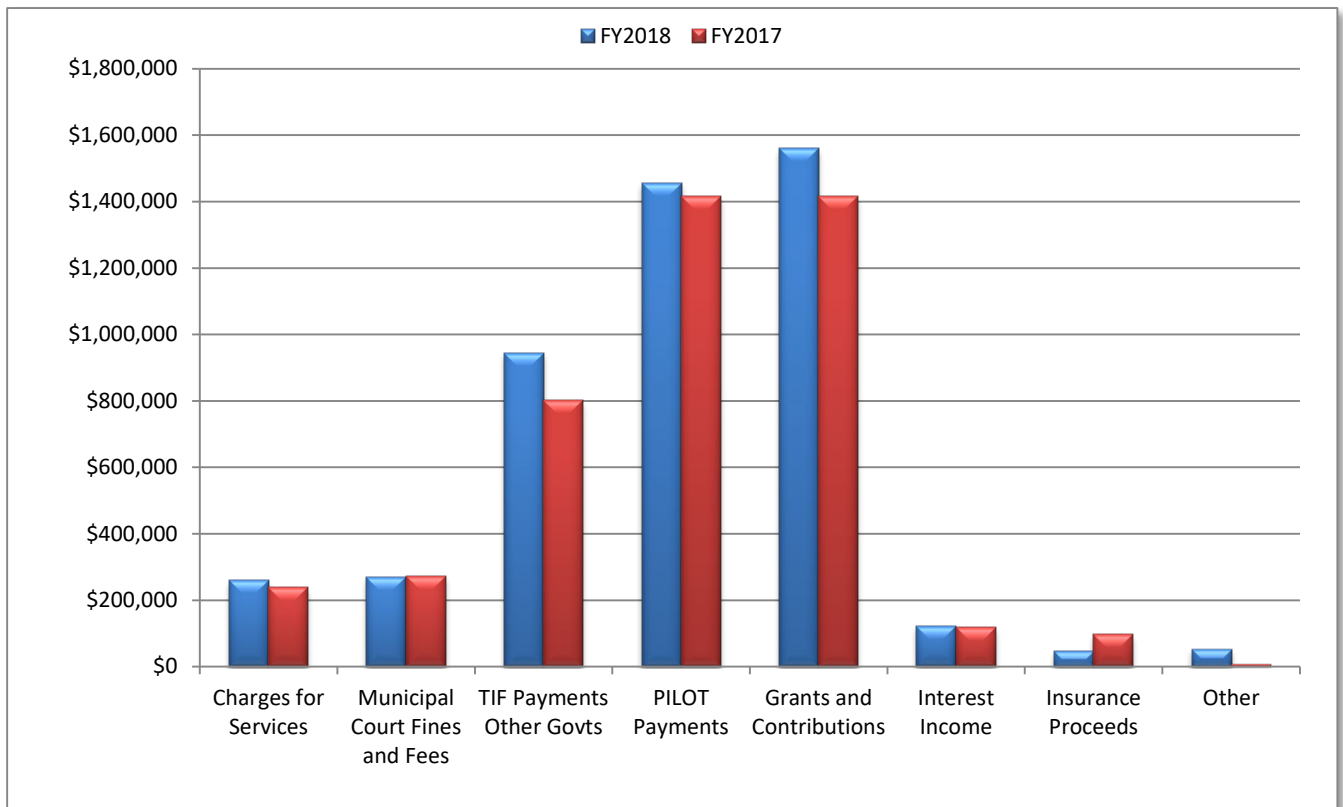
- Sales tax revenues increased by \$464,202. This represents a 5.7% increase over the prior year. The Fiscal Year 2018 increase marked five consecutive years of increased sales tax for the City, 5.7%, 2.5%, 6.2%, 8.4%, and 6.6%. Based on development in the area and economic growth, the City anticipates increases to continue as the economy grows.
- Other tax revenue changes for the City included:
 - A 1.9% increase in property taxes, \$17,587, driven by an increase in assessed valuation, (Prior year change: +5.2%, \$44,790);
 - A 12.3% decrease in gross receipts taxes, \$(57,894), was spread across multiple providers of the telecommunications and appears to be indicative of changes in the industry (Prior year change: +3.1%, \$13,865);
 - An 11.8% increase in transient guest tax receipts, \$31,394, comes off a prior year decrease. (Prior year change: -4.2%, \$(11,745)); and
 - A 24.2% increase in utility and other taxes combined, \$42,286, (Prior year change: -10.4%, \$(20,200)).
- Interest income increased \$6,506 or 5.6% due to changes in cash and investment balances and rising interest rates.
- Administrative pilot payments increased by \$40,680, or 2.9%, over the prior year. The pilot payments represent monies paid by the Electric, Water, and Sewer Funds to the General Fund in lieu of a gross receipts tax. The payments made are 5% of defined revenue of the Electric, Water, and Sewer Funds.
- Operating contributions and grants increased by \$186,147, 16%, from the prior year to a total of \$1,341,505. Operating grants were received in the public safety area in the amount of \$285,439. This consisted of \$145,055 for the Mineral Area Drug Task Force, \$5,400 for hazardous moving vehicle enforcement efforts, \$60,913 from the Farmington R-7 School District as a cost-sharing contribution in support of the school resource officer program, \$73,666 from the St. Francois County 911 for support of the dispatch center which provides backup operations to the 911 communications center, \$405 from a local organization for the purposes of animal control and enforcement. General governmental activities received a grant in the amount of \$375,853 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 \$23,677 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 \$656,536.
- Changes in revenue from charges for services increased \$20,562, 4%. Slight changes were seen across most functional areas with the general government having an increase of \$436, public safety a decrease of \$2,675, and streets and public works a \$584 increase. However, culture and recreation realized a \$22,217 increase attributable to increased revenues in the Parks Department.

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 \$1,111,612, or 9.3%, in governmental activities operating expenses (debt service principal and or capital outlay not included). Changes by program area were:
 - A 22.8%, \$726,406, increase in general government, (Prior year change: +27.5%, \$687,284);
 - A 1.4%, \$58,380, decrease in public safety, (Prior year change: +7.7%, \$302,274);
 - An 12.2%, \$348,548, increase in streets and public works, (Prior year change: +8.7%, \$230,357);
 - An 8.4%, \$117,703, increase in culture and recreation, (Prior year change: +11.6%, \$146,449); and
 - An 8.6%, \$22,665, decrease in interest expense related to debt (Prior year change: -32.5%, \$(127,413)).
- Personnel related expenses as a whole for the governmental activities had a 3.8% net increase, \$209,768. This was the net result of an increase in payroll and related taxes of \$222,611, 5.2%, due to pay increases, an increase in benefit expenses of \$7,272, 0.7%, and a \$20,115, 10.8%, decrease in other related employee expenses such as uniforms and contracted labor.
- Pension plan related expenses were \$333,312, a \$132,785 increase, 66.2%, 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 \$432,978 in developer payments under the City's tax sharing agreements and tax increment financing districts due to increased sales tax revenues.
 - An increase of \$150,962 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.

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

Expenses by Function
Figure 8

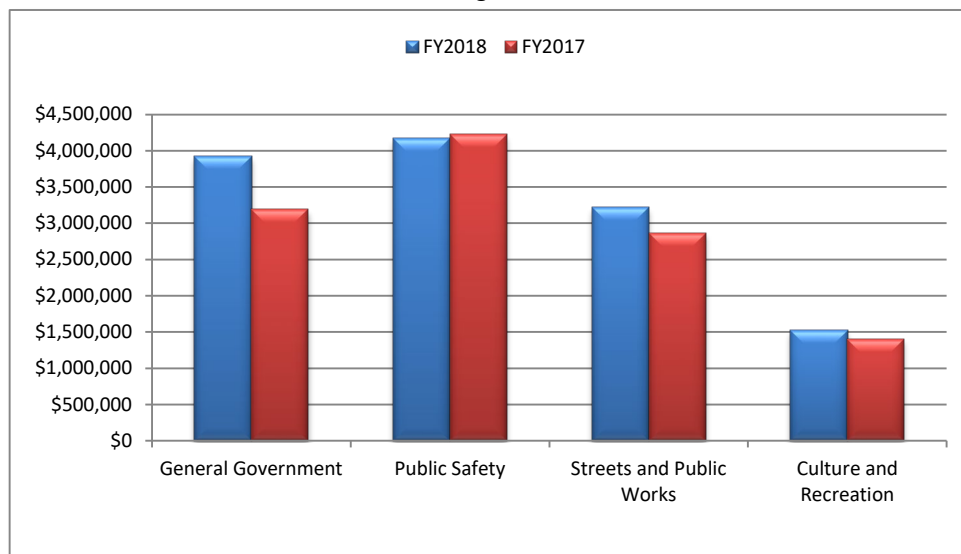
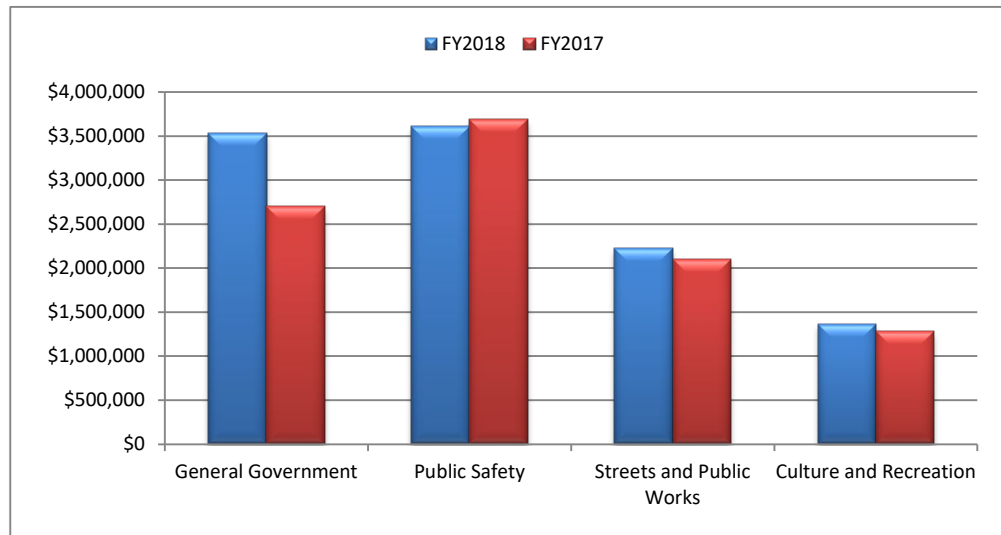


Figure 9 depicts the net cost of service for each activity area (*expenses - charges for service - grants and contributions*) for Fiscal Years ending September 30, 2018, and September 30, 2017.

Net Cost of Service Comparison
Figure 9



Business-type Activities

Business-type activities increased the City of Farmington's net position by \$1,631,406 before transfers. Key elements of the changes were as follows:

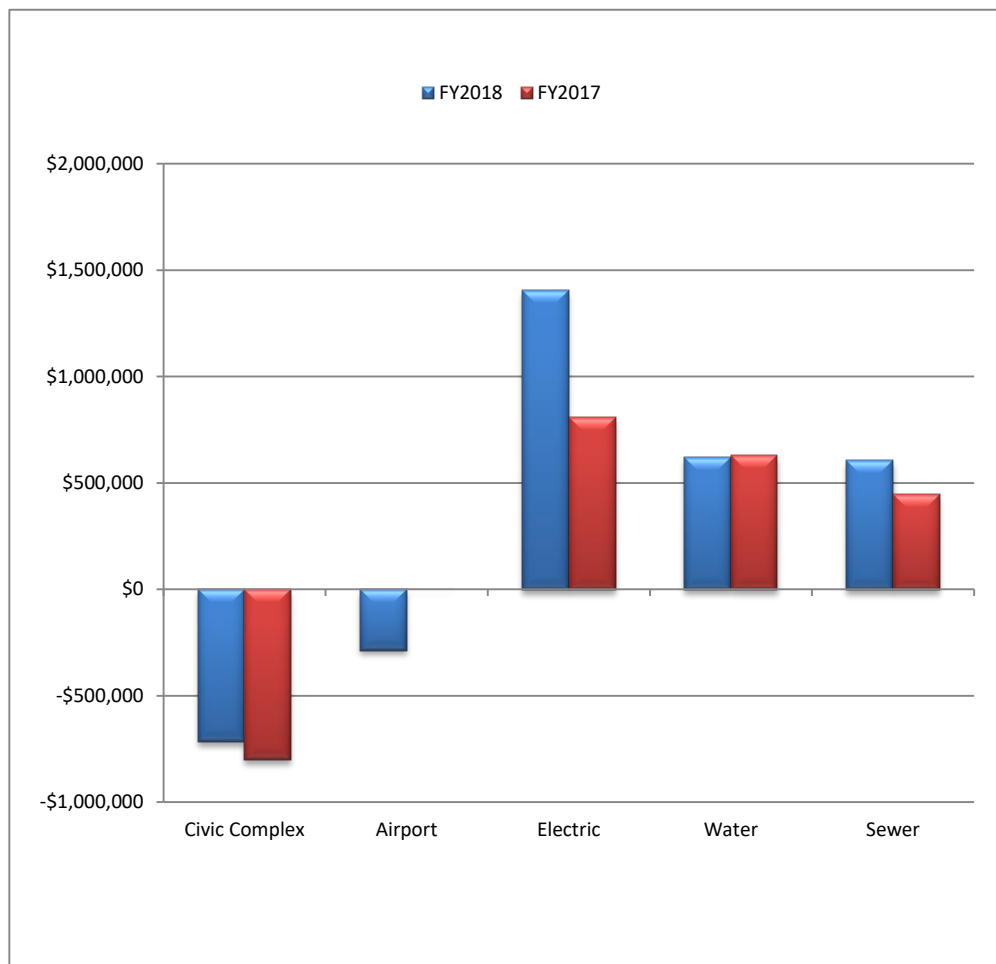
- The Civic Complex Fund experienced a net loss before transfers of \$716,485. Fund program revenues realized a slight increase of \$5,056, or 0.3%. Fund operating expenses net of depreciation decreased \$120,751, or 5.7%. Key components that resulted in a net decrease included a decrease of \$79,106 in utility and maintenance costs of the facilities due to the reprogramming of dehumidifier equipment at the Civic Center pool for the current year in addition to the prior year including roof maintenance costs at the Senior Center that were not required in the current year. Additionally, personnel related expenses decreased \$60,799, or 5.9%, due to a change in allocation of personnel for time related to park programs. 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, 2018 was \$130,144. The fund received an additional transfer of \$161,502 from the Capital Projects Fund for the completion of needed capital improvements.
- The Airport Fund recorded a net loss of \$286,887 before transfers. Charges for goods and services had a slight decrease of \$1,484, or 0.6%. Expenses net of depreciation decreased \$126,683, or 28.3%, primarily due to a decrease in contract services of \$123,001 due to the prior year including contracted services related to tree trimming and removal in the runway approach zone at the airport.
- The Electric Fund had a net gain of \$1,404,753 before transfers. The electric utility charges for goods and services increased \$990,544, 4.6%, due to an increase in consumption. The electric utility expenses net of depreciation increased \$389,499, 1.9%. The primary components of this net change included a decrease in contract labor costs from the prior year expenditure of \$103,740 for emergency repair assistance due to storm damage, a decrease in personnel related expenditures of \$46,004 due to decreased overtime and pension expense, an increase in power purchased costs of \$173,596 due to increased consumption, a \$102,997 increase due to additions to inventory, and a \$93,317 increase in contracts primarily due to the addition of a contract line clearing crew, a \$49,172 increase in PILOT

expense due to increased revenues, a \$30,032 increase in service equipment and supply costs, and the addition of \$78,310 in online payment expenses previously elsewhere classified. Personnel related expenses decreased \$46,004, or 4.5%, primarily due to a decrease in overtime costs and pension expense.

- The Water Fund had a net gain of \$622,661 before transfers. The water utility charges for goods and services decreased \$70,469, 2.0%, primarily due to a decrease in consumption driven by weather fluctuations. Water utility expenses net of depreciation decreased \$64,082, 2.7%. Key components of this decrease included a \$15,567 decrease in personnel related costs primarily due to a decrease in pension expense and a \$38,268 decrease in service equipment and supplies costs.
- The Sewer Fund had a net gain of \$606,816 before transfers. Sewer charges for services decreased \$97,123, 2.7% primarily due to a decrease in consumption driven by weather fluctuations. Sewer expenses net of depreciation decreased by \$215,009, or 10.5%. Key components of this decrease included a \$30,676 decrease in personnel related costs due to a decrease in pension expense, a decrease of \$201,053 in service equipment and supplies costs, and a \$32,234 increase in building and grounds maintenance due in part to roof repairs and outside lighting and concrete work.

Figure 10 depicts the change in net position before capital contributions and transfers for each enterprise activity for Fiscal Years ending September 30, 2018, and September 30, 2017.

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, 2018, was \$6,139,719, compared to \$6,303,496 in the prior year, a 2.6% decrease. The City chose to present the Special Allocation Fund and the District Municipal Fund combined under the non-major funds. Following is information for each of the major governmental funds.

General Fund

The General Fund is the chief operating fund of the City. As of September 30, 2018, the General Fund had a balance of \$3,484,222, of which \$2,551,203 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 25% of total General Fund expenditures (capital, debt, and transfers 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 FY2018 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, 2018, 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, 2018, was \$1,276,410. 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 guest 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, 2018, 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, 2018, was \$1,022,977. A portion of the tax is designated in the budget each year to be 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. For year ended September 30, 2018, 44% of the tax was transferred to the General Fund. 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, 2018, was \$226,993. The fund balance is restricted, and no minimum balance policy exists for this fund.

Proprietary Funds

The City of Farmington's proprietary fund financial statements provide the same type of information found in the government-wide statements, but in more detail. The total net position of the proprietary funds at September 30, 2018, was \$60,867,301. The unrestricted portion of the total net position equaled \$12,430,887, a 19.6% increase from September 30, 2017. 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 \$11,251,823 at September 30, 2018, of which \$342,032 was unrestricted. This equates to 17% of operating expenses (depreciation and capital expenditures not included) in comparison to 16% at September 30, 2017. The General Fund makes an annual transfer to subsidize the operations of the Civic Complex Fund activities. The subsidy transfer for year ended September 30, 2018, was \$130,144.

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, 2018, was \$7,006,578. The amount that was unrestricted was \$140,161. This equates to 44% of operating expenses (depreciation and capital outlay not included) compared to 37% at September 30, 2017. Both the General Fund and Transportation Tax Fund are eligible for transferring funds in support of the airport operations.

Electric Fund

The Electric Fund accounts for the activities of the electric utility. Electric rates are set to cover the cost of operations, debt, and capital improvements. The Electric Fund total net position at September 30, 2018, was \$16,719,052. Of this amount, \$9,157,279 was unrestricted. The unrestricted amount equals 44% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 35% at September 30, 2017. Increases in the fund balance were primarily due to user fees in excess of actual operating expenses. This differential is important for maintaining fund balances, providing funds for capital investment, payment of debt principal, and planning for future projects.

Water Fund

The Water Fund accounts for the activities of the water utility. Water rates are set to cover the cost of operations, debt, and capital improvements. The Water Fund total net position at September 30, 2018, was \$9,103,658. Of this amount, \$2,886,821 was unrestricted. The unrestricted amount equals 128% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 106% at September 30, 2017. Increases in the fund balance were primarily due to user fees in excess of actual 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, 2018, was \$16,786,190. There was \$(95,406) unrestricted net position in the Sewer Fund. The unrestricted amount, which is available for sewer operations, equates to -5% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 15% at September 30, 2017. This swing is largely due to investment in capital with an anticipated reimbursement from project funds of \$266,354, which will increase the available portion to \$170,948 or 9% of operating expenditures.

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 budget for revenues and financing sources net of transfers was increased by \$65,500. Primary components of this increase included:
 - A \$65,000 increase in gain on sale/trade of fixed assets due to the sale of a lot located at Henry and Harrison Streets that was not initially budgeted;
 - An increase of \$35,000 in insurance proceeds due to reimbursements for damaged vehicles;
 - A \$37,200 increase in charges for services due primarily to a combination of increases in program revenues in the parks department due to increased offerings and participation and an increase in revenues generated by development related fees;
 - A \$25,000 increase in interest income due to balance changes and increased rates;
 - A decrease of \$61,500 based on a decrease in the original amount anticipated in pass-thru requests under the Missouri Community College Association Jobs for America's Graduates program; and
 - A \$30,000 decrease in gross receipts taxes due to actual revenue being recognized during the year coming in less than original estimates.
 - Other various smaller adjustments in response to actual revenue trends at the time of the amendment.
- The General Fund expenditures budget was increased by \$373,800. Primary components of this increase included:
 - An increase of \$410,000 in public safety activities for the purchase of a multipurpose fire response vehicle;
 - A combined decrease in all General Fund activities personnel expenses of \$126,500 due to a combination of decreases in expenses related to employee salaries and benefits based on personnel changes throughout the year;
 - A street and public works \$55,000 increase in to cover increased street maintenance costs;
 - A public safety \$28,000 decrease in utility costs primarily related to decreased costs with the data lines at the police station;
 - A \$25,000 increase in street and public works traffic control materials primary for a striping contract to perform striping on various City streets;
 - A \$20,000 increase in culture and recreation to cover increased park system maintenance costs;
 - A culture and recreation increase of \$15,000 for the purchase of museum cases for the development of a history museum;
 - An administration increase of \$15,000 in computers and network equipment to cover increased costs of licenses and purchase and maintenance of the equipment; and
 - Other various smaller adjustments in response to actual expense trends at the time of the amendment.

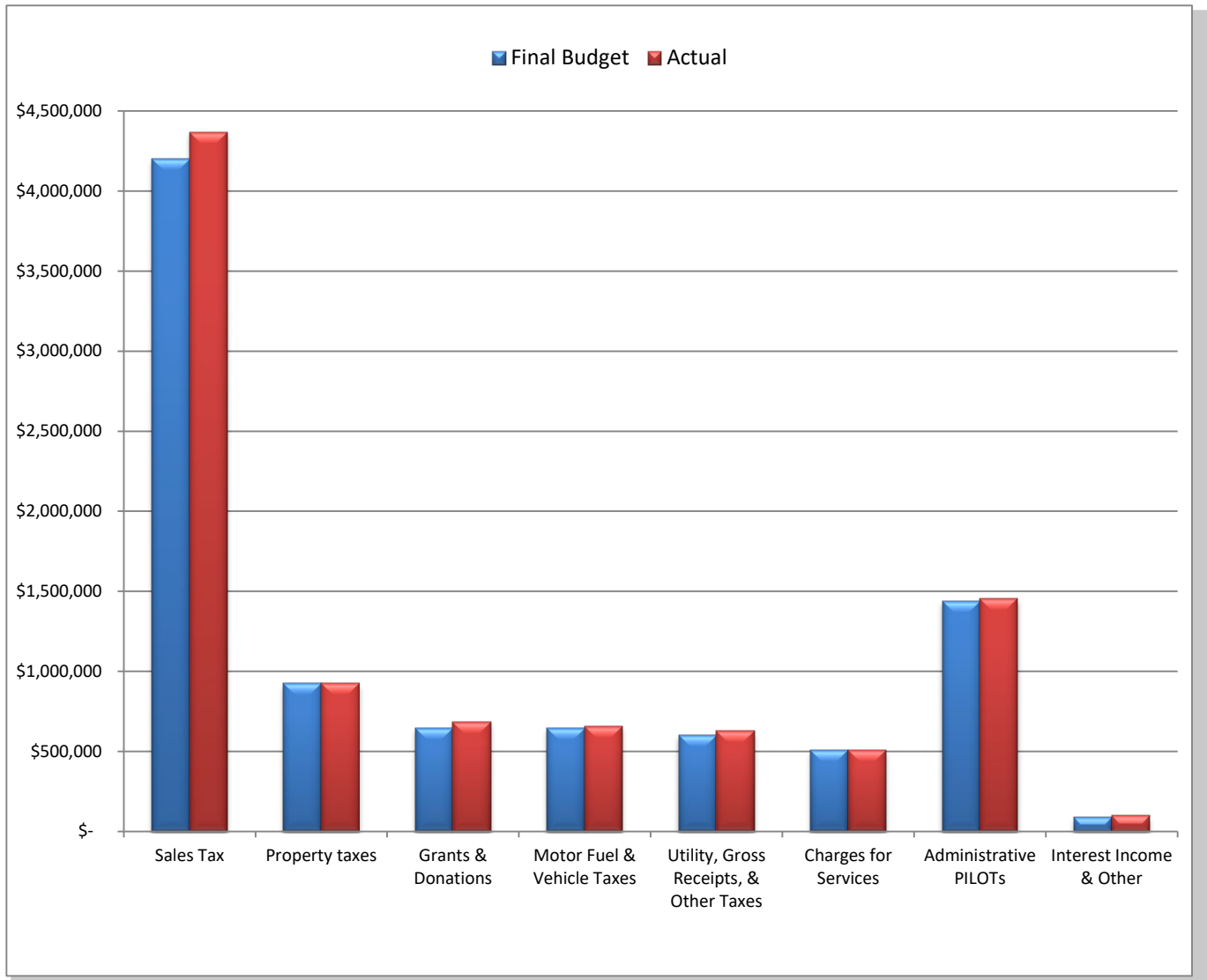
PERFORMANCE TO BUDGET - GENERAL FUND

Revenues

Actual revenues in the General Fund were \$267,066, or 3%, above budget. This variance consisted of the following major components:

- Actual sales tax revenues exceeded budget by \$167,960 due to increasing economic activity;
- Grants and donations were \$37,969 more than budgeted due to increased submission after the budget amendment was completed for the Missouri Community College Association pass-thru grant;
- Actual utility, gross receipts, and other taxes combined were \$23,164 over budget due to increased receipts after the budget amendment; and
- Administrative pilot payments from the utilities were \$17,560 over budget due to actual revenues exceeding budget projections for the year.

General Fund Revenues
Final Budget versus Actual
Figure 11



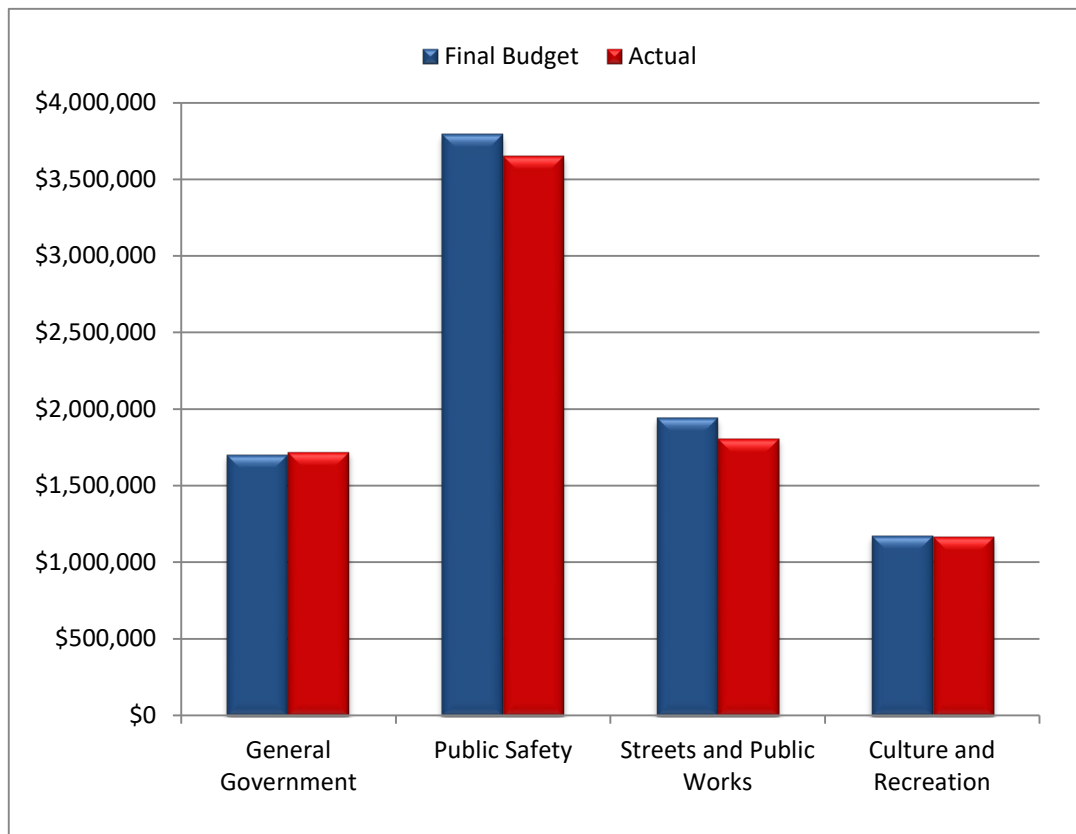
Expenditures

Actual expenditures of the General Fund were \$308,157, or approximately 3%, below budget. This variance consisted of the following by program area.

- The general government had a variance of \$21,126 above budget. The primary component of this overage was grant pass-thru funds to MoCCA over budget in the amount of \$30,853.
- The public safety function was \$139,658 below budgeted amounts. Primary components included \$30,421 of personnel costs below budget, police contract costs below budget in the amount of \$57,748 due to the delay in payment of software related expenses to better coincide with term of use, and canine unit cost savings of \$19,048.
- The streets and public works activities were \$132,833 below budget. Primary components included personnel costs below budget in the amount of \$33,170, contracts below budget in the amount of \$46,178 due to the delay in contractor performance of debris removal at the City farm, and system engineering and maintenance costs below budget in the amount of \$28,008 due to actual timing of the completion of system maintenance projects to budget.
- The culture and recreation activity expenses were largely in line with budget (\$894 above budget).
- A variance of \$56,379 related to capital expenditures below budgeted amounts 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 hiring, 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, 2018, totaled \$92,358,577. These assets included buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. This was a \$2,202,645, or 2.4%, increase over the prior year.

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

City of Farmington's Capital Assets
Figure 13

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Land Improvements	\$ 2,784,665	\$ 2,815,458	\$ 1,406,719	\$ 1,406,719	\$ 4,191,384	\$ 4,222,177
Buildings and System	14,908,183	14,908,183	20,960,322	20,960,322	35,868,505	35,868,505
Equipment, Furniture, and Vehicles	8,075,280	7,653,267	4,067,791	3,973,161	12,143,071	11,626,428
Infrastructure	34,750,553	33,526,223	64,580,389	59,343,458	99,330,942	92,869,681
Construction in Progress	450,074	-	155,612	545,087	605,686	545,087
Total	60,968,755	58,903,131	91,170,833	86,228,747	152,139,588	145,131,878
Less - Accumulated Depreciation	21,724,437	19,706,201	38,056,574	35,269,745	59,781,011	54,975,946
Total	<u>\$ 39,244,318</u>	<u>\$ 39,196,930</u>	<u>\$ 53,114,259</u>	<u>\$ 50,959,002</u>	<u>\$ 92,358,577</u>	<u>\$ 90,155,932</u>

Major capital asset transactions during the year included the following:

Governmental Funds

In the governmental funds, a total of \$2,253,643 in new assets was added and a total of \$188,019 assets with a book value of \$104,902 were disposed during the year ended September 30, 2018.

These changes were comprised of:

- Culture and recreation asset additions in the amount of \$106,282 which included museum cases for the history museum at the library, a copier with finisher at the library, and the resurfacing of playgrounds in the parks department;
- General government asset additions in the amount of \$17,710 for a new heating, ventilation and air conditioning system at City Hall;
- Public safety asset additions in the amount of \$582,742 which included four new police cruisers, a new fire multi-purpose response vehicle, and an infrared drone with a thermal camera in the fire department;
- Streets and public works asset increases in the amount of \$1,546,909 which included multiple pieces of equipment and vehicles, land for a storm water detention basin, and infrastructure improvements;
- Disposal of a public safety police vehicle that was fully depreciated;
- Disposal of a tractor in streets and public works which was partially depreciated with a remaining book value of \$11,616;
- Disposal of a track loader in streets and public works which was partially depreciated with a remaining book value of \$18,661; and
- Sale of land in the streets and public works with a value of \$74,625.

Proprietary Funds

In the proprietary funds, a total of \$5,178,986 in assets were added, of which \$155,612 was construction in process. A total of \$545,087 of previous construction in process was placed in service. A total of \$236,900 with no depreciation was disposed during the year ended September 30, 2018.

**MANAGEMENT DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

These changes to the proprietary capital assets were comprised of:

- Airport asset additions in the amount of \$74,274, which consisted of land and avigation easements and \$55,024 construction in process related to the runway restoration;
- Civic Complex Fund asset additions in the amount of \$130,357, which included a new vehicle and \$100,588 construction in process for a heating, ventilation and air conditioning system at the Civic and Centene Center;
- Electric Fund asset additions in the amount of \$174,672 for distribution and connectivity;
- Water Fund asset additions in the amount of \$243,729 for equipment and water system improvements;
- Sewer Fund asset additions in the amount of \$4,555,954, which included sewer system main improvements and treatment plant improvements; and
- Removal of Electric Fund assets in the amount of \$236,900 due to a reduction in the cost of the Woodlawn Drive Substation as a result of the receipt of a refund of costs. No prior depreciation had been booked to the original asset.

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 decreased by \$2,278,201, 11%, 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	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 1,055,000	\$ 1,390,000	\$ 1,055,000	\$ 1,390,000
Due to State of Missouri	-	-	738,500	973,000	738,500	973,000
Certificates of Participation	5,405,000	6,240,000	7,795,000	8,870,000	13,200,000	15,110,000
Capital Leases	2,581,997	2,986,342	775,655	170,011	3,357,652	3,156,353
Total	<u>\$ 7,986,997</u>	<u>\$ 9,226,342</u>	<u>\$ 10,364,155</u>	<u>\$ 11,403,011</u>	<u>\$ 18,351,152</u>	<u>\$ 20,629,353</u>

New debt issued in the fiscal year ending September 30, 2018, included a Civic Complex Fund capital lease in the amount of \$700,120 for the replacement of the heating, ventilation, and air conditioning system at the Civic and Centene Center.

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 2017 was \$214,794,252 resulting in a legal general obligation debt margin for the City of Farmington of \$42,958,850, 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, 2018, showed a 5.6% increase in sales tax. This increase marked five consecutive years of strong increased sales tax revenue for the City, 5.6%, 2.5%, 6.2%, 8.4% and 6.6%. The State of Missouri conducted a computer system migration in 3rd quarter 2017. This resulted in a delay of some tax payments being entered into the system. At that time, there was not sufficient information to make an adequate measurement of the amount of payments that could have been attributable to the 2017 Fiscal Year. Therefore, the actual increase in 2018 is likely lower than 5.6% and the 2017 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 2018, was \$219,886,845 compared to \$214,794,252 the prior year. Included in the October 2018 valuation is \$2,569,200 of real property new construction.

Unemployment. As of October 2018, the Farmington Micropolitan Area was experiencing an unemployment rate of 2.6% 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 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 in the near future. During Fiscal Year 2018, the City experienced a 4% decrease in wholesale power rates. However, it is anticipated the rates will remain stable in the ensuing year. 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 2018, the City continued to see new retail stores and restaurants locate in Farmington. In 2018, Centene Corporation invested in the construction of an estimated \$24 million dollar new claims processing center in Farmington, which is slated to add an additional estimated 500 full-time employees to the company's

current local employment level. The local economy is expected to remain strong and growing due to retail expansions, consistent employment levels in local industries, and expanding medical services.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2019

The Fiscal Year 2019 budget is structured to maintain and support municipal operations at a service level consistent with current and past operations. The City will employ 145 full-time employees which includes an additional police officer to be assigned as a School Resource Officer, two additional fire-fighters to be employed at mid-year to field additional alternate response crew man-hours, and an additional apprentice lineman in the electric department in anticipation of future retirements. In addition to the full-time staff, the City utilizes many part-time and seasonal workers. The budget includes an adjustment for cost of living and market rates in the employee pay and classification plan. Overall, personnel expenses are budgeted to increase approximately 11% over the year ending September 30, 2018.

Governmental Activities

Revenues in the governmental funds (net of transfers and lease proceeds) are conservatively budgeted to remain largely the same with a slight, 0.8%, decrease to approximately \$15 million. Major components of this slight decrease include the removal of proceeds from the sale of assets and insurance reimbursements realized in the year ending September 30, 2018. A five percent (5%) payment in lieu of taxes from the Electric, Water, and Sewer Funds to the General Fund is budgeted, as well as a sixty percent (60%) transfer from the Storm Water and Parks Tax Fund for parks operations.

General Fund operating and personnel expenditures combined (debt and capital not included) are expected to rise a total of 12%. Governmental funds capital investment is budgeted at \$2,640,000, an 18.5% increase over the preceding fiscal year. Debt for governmental activities is budgeted to decrease to \$6,830,000, a \$1,156,997 or 14% decrease.

Business-type Activities

Overall revenues in the proprietary funds are budgeted to increase to \$32.1 million, a 1% increase. The Civic Complex Fund revenues are budgeted to decrease in relation to prior year actual to an amount of \$1.84 million, a 1.2% decrease. Total Airport Fund revenues net of grant proceeds are expected to increase to \$345,000. Additional grant income of \$855,000 is anticipated to be received for property and easement acquisitions to eliminate existing obstructions and make place for the future runway extension and runway and apron pavement improvements. The Electric Fund operating revenue is budgeted to decrease to \$22.1 million, a decrease of approximately 1% based on conservative consumption estimates. The Water Fund is budgeted to remain consistent at \$3.4 million. The Sewer Fund is budgeted to remain consistent as well at \$3.5 million.

Budgeted expenditures (debt and capital not included) in the Civic Complex Fund are expected to decrease approximately 14% over prior year actual. Budgeted operating expenditures in the Airport Fund are expected to increase approximately 15%, primarily due to an increase in anticipated fuel costs based on anticipated increased sales. Budgeted expenditures in the Electric Fund are expected to increase approximately 5% 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 remain stable. Water Fund expenditures are budgeted to increase 18% over prior year actual. Primary components of this increase include an increase in personnel costs and an increase in service supplies for meter replacements and radionuclide treatment costs. Sewer Fund expenditures (debt service not included) are budgeted to increase approximately 11% over the prior year actual due to a combination of increased personnel and operating costs. The budget includes a one-time transfer of \$500,000 from the Water Fund to the Sewer Fund for sewer main and manhole rehabilitation. Debt as of September 30, 2019, is budgeted to be \$504,738 in the Civic Complex Fund, \$1,375,000 in the Water Fund, and \$6,556,579 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, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,674,588	\$ 10,256,030	\$ 15,930,618
Receivables (Net)	2,126,017	3,656,906	5,782,923
Prepaid Items	44,904	94,175	139,079
Due From Other Funds	368,457	(368,457)	-
Inventory	-	1,790,678	1,790,678
Restricted Assets:			
Cash and Investments	-	5,058,178	5,058,178
Capital Assets (Net):			
Non Depreciable	2,784,835	1,562,331	4,347,166
Depreciable	36,459,483	51,551,928	88,011,411
Net Pension Asset	2,345,454	991,374	3,336,828
TOTAL ASSETS	49,803,738	74,593,143	124,396,881
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension Related	398,989	169,931	568,920
<u>LIABILITIES</u>			
Accounts Payable	1,218,361	1,923,860	3,142,221
Accrued Salaries	85,600	32,789	118,389
Accrued Interest	67,558	91,734	159,292
Taxes Payable	6,338	97,195	103,533
Protested Taxes	140,513	-	140,513
Builder's Deposits	-	14,867	14,867
Administrative Expense Deposits	10,927	-	10,927
Civic Center Facility Use Deposits	-	4,213	4,213
Customer Deposits Payable	-	478,448	478,448
Other Payable	106,577	224,879	331,456
Noncurrent Liabilities:			
Due within one year	1,483,434	2,063,298	3,546,732
Due within more than one year	6,830,000	8,543,031	15,373,031
TOTAL LIABILITIES	9,949,308	13,474,314	23,423,622
<u>DEFERRED INFLOW OF RESOURCES</u>			
Pension Related	1,008,893	421,459	1,430,352
<u>NET POSITION</u>			
Net Investment in Capital Assets	31,257,321	46,320,056	77,577,377
Restricted for:			
Debt Service	67,558	1,376,512	1,444,070
Capital Projects	2,458,822	-	2,458,822
Tax Increment Finance District Projects	129,117	-	129,117
Pension	1,735,550	739,846	2,475,396
Unrestricted	3,596,158	12,430,887	16,027,045
TOTAL NET POSITION	\$ 39,244,526	\$ 60,867,301	\$ 100,111,827

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

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	\$ 3,915,990	\$ 9,500	\$ -	\$ 375,853	\$ (3,530,637)	\$ -	\$ (3,530,637)
Public Safety	4,168,200	270,063	-	285,439	(3,612,698)	-	(3,612,698)
Streets and Public Works	3,216,767	118,448	218,493	656,536	(2,223,290)	-	(2,223,290)
Culture and Recreation	1,520,352	132,739	-	23,677	(1,363,936)	-	(1,363,936)
Interest on Long-term Debt	241,445	-	-	-	(241,445)	-	(241,445)
Total Governmental Activities	<u>13,062,754</u>	<u>530,750</u>	<u>218,493</u>	<u>1,341,505</u>	<u>(10,972,006)</u>	<u>-</u>	<u>(10,972,006)</u>
Business-type Activities:							
Airport	634,087	254,111	93,069	20	-	(286,887)	(286,887)
Electric	21,245,671	22,328,465	135,796	-	-	1,218,590	1,218,590
Water	2,793,815	3,387,486	-	-	-	593,671	593,671
Sewer	2,914,947	3,445,169	-	-	-	530,222	530,222
Civic Complex	2,573,433	1,580,346	-	273,868	-	(719,219)	(719,219)
Total Business-type Activities	<u>30,161,953</u>	<u>30,995,577</u>	<u>228,865</u>	<u>273,888</u>	<u>-</u>	<u>1,336,377</u>	<u>1,336,377</u>
Total City Functions/Programs	<u>\$ 43,224,707</u>	<u>\$ 31,526,327</u>	<u>\$ 447,358</u>	<u>\$ 1,615,393</u>	<u>(10,972,006)</u>	<u>1,336,377</u>	<u>(9,635,629)</u>
General Revenues:							
Taxes							
Sales Taxes					8,615,610	-	8,615,610
Real and Personal Property Taxes					926,748	-	926,748
Gross Receipts Taxes					409,044	-	409,044
Transient Guest Tax (Hotel/Motel)					296,824	-	296,824
Utility and Other Taxes					216,920	-	216,920
TIF Proceeds					944,587	-	944,587
Administrative Pilot Payment					1,455,960	-	1,455,960
Interest Income					123,547	189,189	312,736
Insurance Proceeds					47,456	83,840	131,296
Other					39,964	-	39,964
Gain on Sale of Capital Assets					69,040	22,000	91,040
Transfers					(1,385,342)	1,385,342	-
Total General Revenues and Transfers					<u>11,760,358</u>	<u>1,680,371</u>	<u>13,440,729</u>
Change in Net Position for the Year					788,352	3,016,748	3,805,100
Net Position - September 30, 2017					<u>38,456,174</u>	<u>57,850,553</u>	<u>96,306,727</u>
Net Position - September 30, 2018					<u>\$ 39,244,526</u>	<u>\$ 60,867,301</u>	<u>\$ 100,111,827</u>

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

CITY OF FARMINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	Major Funds							
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Guest Tax Fund	Storm Water And Parks Tax Fund	Transportation Tax Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 2,719,555	\$ -	\$ 1,022,652	\$ 463,767	\$ 906,167	\$ 178,734	\$ 383,713	\$ 5,674,588
Accounts Receivable (net)	1,091,859	-	287,155	34,765	169,590	184,316	358,332	2,126,017
Prepaid Items	44,904	-	-	-	-	-	-	44,904
Due From Other Funds	368,457	-	-	-	-	-	121,090	489,547
TOTAL ASSETS	\$ 4,224,775	\$ -	\$ 1,309,807	\$ 498,532	\$ 1,075,757	\$ 363,050	\$ 863,135	\$ 8,335,056
<u>LIABILITIES</u>								
Accounts Payable	\$ 142,062	\$ -	\$ -	\$ 498,532	\$ 42,334	\$ 125,611	\$ 409,822	\$ 1,218,361
Accrued Salaries	85,600	-	-	-	-	-	-	85,600
Taxes Payable	6,338	-	-	-	-	-	-	6,338
Protested Taxes	140,513	-	-	-	-	-	-	140,513
Unearned Revenue - Administrative Expense Deposits	-	-	-	-	-	-	10,927	10,927
Due to Other Funds	66,801	-	33,397	-	10,446	10,446	-	121,090
Other Liabilities	106,577	-	-	-	-	-	-	106,577
Total Liabilities	547,891	-	33,397	498,532	52,780	136,057	420,749	1,689,406
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable Revenue - Court and Property Taxes	192,662	-	-	-	-	-	-	192,662
Unavailable Revenue - Tax Increment District Payments	-	-	-	-	-	-	313,269	313,269
Total Deferred Inflows of Resources	192,662	-	-	-	-	-	313,269	505,931
<u>FUND BALANCE</u>								
Nonspendable								
Prepays	44,904	-	-	-	-	-	-	44,904
Restricted								
Debt Service	-	-	67,558	-	-	-	-	67,558
Capital Projects	-	-	1,208,852	-	1,022,977	226,993	-	2,458,822
Karsch - Downtown TIF District	-	-	-	-	-	-	129,117	129,117
Committed								
Acquisition/Improvement of Public Spaces	53,022	-	-	-	-	-	-	53,022
Assigned								
Appropriated to FY2019	530,250	-	-	-	-	-	-	530,250
Other Purposes	30,532	-	-	-	-	-	-	30,532
Storm Water Improvements	221,244	-	-	-	-	-	-	221,244
Wilson Rozier Ballpark	53,067	-	-	-	-	-	-	53,067
Unassigned	2,551,203	-	-	-	-	-	-	2,551,203
Total Fund Balances	3,484,222	-	1,276,410	-	1,022,977	226,993	129,117	6,139,719
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 4,224,775	\$ -	\$ 1,309,807	\$ 498,532	\$ 1,075,757	\$ 363,050	\$ 863,135	\$ 8,335,056

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, 2018

Total Fund Balances - Governmental Funds	\$	6,139,719
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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	2,345,454		
Deferred Outflows	398,989		
Deferred Inflows	<u>(1,008,893)</u>		
			1,735,550

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

Governmental capital assets	60,968,755		
Less - Accumulated depreciation	<u>(21,724,437)</u>		
			39,244,318

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	(326,437)		
Leases Payable	(7,986,997)		
Accrued Interest Payable	<u>(67,558)</u>		
			(8,380,992)

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>505,931</u>
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Net Position of Governmental Activities

	\$	<u><u>39,244,526</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, 2018

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Guest Tax Fund	Storm Water and Parks Tax Fund	Transportation Tax Fund		
REVENUES								
Sales Tax	\$ 4,367,960	\$ -	\$ 2,123,946	\$ -	\$ 1,061,852	\$ 1,061,852	\$ -	\$ 8,615,610
Real and Personal Property Tax	926,609	-	-	-	-	-	-	926,609
Grants and Donations	684,969	-	-	-	119,988	98,505	-	903,462
Motor Fuel and Vehicle Tax	656,536	-	-	-	-	-	-	656,536
Utility, Gross Receipts and Other Taxes	625,964	-	-	-	-	-	-	625,964
Charges for Services	263,733	-	-	-	-	-	-	263,733
Municipal Court Fines and Fees	246,047	-	-	-	-	-	-	246,047
Transient Guest Tax (Hotel/Motel)	-	-	-	296,824	-	-	-	296,824
Interest Income	42,716	46,218	17,900	2,522	6,186	726	7,279	123,547
TIF Proceeds From Other Governments	-	-	-	-	-	-	937,425	937,425
Administrative Pilot Payment	1,455,960	-	-	-	-	-	-	1,455,960
Other	13,872	-	-	-	-	-	-	13,872
Total Revenues	9,284,366	46,218	2,141,846	299,346	1,188,026	1,161,083	944,704	15,065,589
EXPENDITURES								
General Government								
Administration	1,724,726	-	-	-	-	-	1,490,606	3,215,332
Tourism	-	-	-	299,346	-	-	-	299,346
Public Safety								
Police	2,480,090	-	-	-	-	-	-	2,480,090
Municipal Court	120,206	-	-	-	-	-	-	120,206
Fire	1,052,146	-	-	-	-	-	-	1,052,146
Streets and Public Works								
Street	905,504	-	-	-	-	200,000	-	1,105,504
Public Works	320,787	-	-	-	-	-	-	320,787
Maintenance	586,776	-	-	-	-	-	-	586,776
Culture and Recreation								
Park	759,100	-	-	-	-	-	-	759,100
Library	417,794	-	-	-	-	-	-	417,794
Capital Outlay	937,621	-	-	-	564,487	720,711	4,824	2,227,643
Debt Service - Interest	2,348	239,097	-	-	-	-	-	241,445
Debt Service - Principal	142,345	1,097,000	-	-	-	-	-	1,239,345
Total Expenditures	9,449,443	1,336,097	-	299,346	564,487	920,711	1,495,430	14,065,514
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(165,077)	(1,289,879)	2,141,846	-	623,539	240,372	(550,726)	1,000,075
OTHER FINANCING SOURCES (USES)								
Transfer In	689,303	1,289,879	-	-	-	-	989,615	2,968,797
Transfer Out	(651,333)	-	(1,666,603)	-	(567,447)	(103,962)	(1,364,794)	(4,354,139)
Sale of Capital Asset	104,994	-	-	-	69,040	-	-	174,034
Insurance Proceeds	47,456	-	-	-	-	-	-	47,456
Total Other Financing Sources (Uses)	190,420	1,289,879	(1,666,603)	-	(498,407)	(103,962)	(375,179)	(1,163,852)
NET CHANGE IN FUND BALANCES	25,343	-	475,243	-	125,132	136,410	(925,905)	(163,777)
FUND BALANCES - SEPTEMBER 30, 2017	3,458,879	-	801,167	-	897,845	90,583	1,055,022	6,303,496
FUND BALANCES - SEPTEMBER 30, 2018	\$ 3,484,222	\$ -	\$ 1,276,410	\$ -	\$ 1,022,977	\$ 226,993	\$ 129,117	\$ 6,139,719

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, 2018

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (163,777)
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.	
Capital Additions (Outlay + Trade Proceeds)	2,253,643
Depreciation	(2,101,354)
Governmental funds report all proceeds from the sale or trade of assets as revenue while on the Government-Wide Statement of Activities this amount is netted against accumulated depreciation.	
Cost of Disposed Assets	(188,019)
Accumulated Depreciation	83,118
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	28,270
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	1,239,345
Proceeds from the issuance of long-term debt are reported as providing current financial resources in governmental funds, but are reported as long-term debt in the government-wide financial	
Change in compensated absences	(37,911)
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	8,350
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	<u>(333,313)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities	<u>\$ 788,352</u>

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Civic Complex Fund	Airport Fund	Electric Fund	Water Fund	Sewer Fund	Totals
<u>ASSETS</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 378,002	\$ 105,618	\$ 7,246,759	\$ 2,325,651	\$ 200,000	\$ 10,256,030
Accounts Receivable	46,929	35,778	2,766,833	397,144	410,222	3,656,906
Prepays	6,150	798	70,304	10,755	6,168	94,175
Inventory	-	36,914	1,344,575	298,064	111,125	1,790,678
Total Current Assets	<u>431,081</u>	<u>179,108</u>	<u>11,428,471</u>	<u>3,031,614</u>	<u>727,515</u>	<u>15,797,789</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Investments	700,000	-	5,000	450,292	3,902,886	5,058,178
Capital Assets (Net of Accumulated Depreciation)	10,738,161	6,852,664	7,291,355	7,469,206	20,762,873	53,114,259
Net Pension Asset	195,859	18,813	359,648	142,552	274,502	991,374
Total Noncurrent Assets	<u>11,634,020</u>	<u>6,871,477</u>	<u>7,656,003</u>	<u>8,062,050</u>	<u>24,940,261</u>	<u>59,163,811</u>
Total Assets	<u>12,065,101</u>	<u>7,050,585</u>	<u>19,084,474</u>	<u>11,093,664</u>	<u>25,667,776</u>	<u>74,961,600</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>						
Pension Related	<u>32,851</u>	<u>3,368</u>	<u>62,496</u>	<u>23,791</u>	<u>47,425</u>	<u>169,931</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>12,097,952</u>	<u>7,053,953</u>	<u>19,146,970</u>	<u>11,117,455</u>	<u>25,715,201</u>	<u>75,131,531</u>
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts Payable	41,156	34,074	1,495,993	77,451	275,186	1,923,860
Accrued Salaries and accrued vacation	32,103	3,439	64,167	21,832	46,708	168,249
Accrued Interest	-	-	-	27,652	64,082	91,734
Taxes Payable	2,418	263	81,208	9,751	3,555	97,195
Due to Other Funds	-	-	-	-	368,457	368,457
Builder's Deposits	-	-	14,867	-	-	14,867
Civic Center Facility Use Deposits	4,213	-	-	-	-	4,213
Other Liabilities	9,159	1,171	141,509	8,107	64,933	224,879
Current Portion of Long-term Debt	168,050	-	-	435,000	1,338,127	1,941,177
Total Current Liabilities	<u>257,099</u>	<u>38,947</u>	<u>1,797,744</u>	<u>579,793</u>	<u>2,161,048</u>	<u>4,834,631</u>
Noncurrent Liabilities:						
Customer Deposits Payable	-	-	478,448	-	-	478,448
Due to State of Missouri - State Revolving Fund	-	-	-	-	738,500	738,500
Revenue Bonds Payable	-	-	-	-	1,055,000	1,055,000
Capital Leases Payable	672,788	-	-	1,810,000	6,194,581	8,677,369
Less - Current Maturities	(168,050)	-	-	(435,000)	(1,338,127)	(1,941,177)
Total Noncurrent Liabilities	<u>504,738</u>	<u>-</u>	<u>478,448</u>	<u>1,375,000</u>	<u>6,649,954</u>	<u>9,008,140</u>
Total Liabilities	<u>761,837</u>	<u>38,947</u>	<u>2,276,192</u>	<u>1,954,793</u>	<u>8,811,002</u>	<u>13,842,771</u>
<u>DEFERRED INFLOW OF RESOURCES</u>						
Pension Related	<u>84,292</u>	<u>8,428</u>	<u>151,726</u>	<u>59,004</u>	<u>118,009</u>	<u>421,459</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>846,129</u>	<u>47,375</u>	<u>2,427,918</u>	<u>2,013,797</u>	<u>8,929,011</u>	<u>14,264,230</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	10,765,373	6,852,664	7,291,355	5,659,206	15,751,458	46,320,056
Restricted	144,418	13,753	270,418	557,631	1,130,138	2,116,358
Unrestricted	<u>342,032</u>	<u>140,161</u>	<u>9,157,279</u>	<u>2,886,821</u>	<u>(95,406)</u>	<u>12,430,887</u>
TOTAL NET POSITION	<u>\$ 11,251,823</u>	<u>\$ 7,006,578</u>	<u>\$ 16,719,052</u>	<u>\$ 9,103,658</u>	<u>\$ 16,786,190</u>	<u>\$ 60,867,301</u>

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended September 30, 2018

	Civic Complex Fund	Airport Fund	Electric Fund	Water Fund	Sewer Fund	Totals
<u>OPERATING REVENUES</u>						
Charges for Services:						
Civic Complex Charges	\$ 1,580,346	\$ -	\$ -	\$ -	\$ -	\$ 1,580,346
Airport Charges	-	254,111	-	-	-	254,111
Electric Charges	-	-	22,328,465	-	-	22,328,465
Water Charges	-	-	-	3,387,486	-	3,387,486
Sewer Charges	-	-	-	-	3,445,169	3,445,169
Total Operating Revenues	<u>1,580,346</u>	<u>254,111</u>	<u>22,328,465</u>	<u>3,387,486</u>	<u>3,445,169</u>	<u>30,995,577</u>
<u>OPERATING EXPENSES</u>						
Civic Complex Expenses	1,991,349	-	-	-	-	1,991,349
Airport Expenses	-	320,332	-	-	-	320,332
Electric Expenses	-	-	20,695,904	-	-	20,695,904
Water Expenses	-	-	-	2,248,756	-	2,248,756
Sewer Expenses	-	-	-	-	1,830,027	1,830,027
Depreciation	578,271	304,847	549,767	470,228	883,716	2,786,829
Total Operating Expenses	<u>2,569,620</u>	<u>625,179</u>	<u>21,245,671</u>	<u>2,718,984</u>	<u>2,713,743</u>	<u>29,873,197</u>
OPERATING INCOME (LOSS)	<u>(989,274)</u>	<u>(371,068)</u>	<u>1,082,794</u>	<u>668,502</u>	<u>731,426</u>	<u>1,122,380</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Grant Income	187,741	93,069	135,796	-	-	416,606
Contributions	86,127	20	-	-	-	86,147
Interest and Investment Income	2,734	548	80,323	28,990	76,594	189,189
Bond Fees	(120)	-	-	(626)	(7,850)	(8,596)
Interest Expense	(3,693)	-	-	(74,205)	(193,354)	(271,252)
Gain (Loss) on Sale of Capital Assets	-	-	22,000	-	-	22,000
Insurance Proceeds and Settlements	-	(8,908)	83,840	-	-	74,932
Total Nonoperating Revenues (Expenses)	<u>272,789</u>	<u>84,729</u>	<u>321,959</u>	<u>(45,841)</u>	<u>(124,610)</u>	<u>509,026</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(716,485)</u>	<u>(286,339)</u>	<u>1,404,753</u>	<u>622,661</u>	<u>606,816</u>	<u>1,631,406</u>
Transfers In	<u>291,646</u>	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>1,062,696</u>	<u>1,385,342</u>
CHANGE IN NET POSITION	<u>(424,839)</u>	<u>(255,339)</u>	<u>1,404,753</u>	<u>622,661</u>	<u>1,669,512</u>	<u>3,016,748</u>
NET POSITION - SEPTEMBER 30, 2017	<u>11,676,662</u>	<u>7,261,917</u>	<u>15,314,299</u>	<u>8,480,997</u>	<u>15,116,678</u>	<u>57,850,553</u>
NET POSITION - SEPTEMBER 30, 2018	<u>\$ 11,251,823</u>	<u>\$ 7,006,578</u>	<u>\$ 16,719,052</u>	<u>\$ 9,103,658</u>	<u>\$ 16,786,190</u>	<u>\$ 60,867,301</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, 2018

	Civic Complex Fund	Airport Fund	Electric Fund	Water Fund	Sewer Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 1,586,492	\$ 293,184	\$ 22,094,022	\$ 3,385,139	\$ 3,448,468	\$ 30,807,305
Payments to Suppliers	(1,020,012)	(241,772)	(19,711,039)	(1,842,644)	(1,247,873)	(24,063,340)
Payments to or on Behalf of Employees	(973,597)	(49,427)	(978,950)	(417,934)	(749,045)	(3,168,953)
Net Cash Provided By (Used In) Operating Activities	(407,117)	1,985	1,404,033	1,124,561	1,451,550	3,575,012
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Transfers In	291,646	31,000	-	-	1,062,696	1,385,342
Contributions and Operating Grants	278,893	20	-	-	-	278,913
Insurance Proceeds, Settlements and Other	-	(8,908)	83,840	-	-	74,932
Loans To/From Other Funds	-	(52,614)	-	-	368,457	315,843
Net Cash Provided By (Used In) Noncapital Financing Activities	570,539	(30,502)	83,840	-	1,431,153	2,055,030
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Capital Contributions and Grant Receipts	-	182,862	135,796	-	-	318,658
Proceeds from Capital Leases less Project Funds	700,120	-	-	-	2,716,233	3,416,353
Principal Payments on Long-term Debt Net of Applied Reserves	(27,332)	-	-	(420,000)	(1,184,930)	(1,632,262)
Interest Paid	(3,693)	-	-	(74,205)	(206,693)	(284,591)
Bond Fees	(120)	-	-	(626)	(127,903)	(128,649)
Capital Assets - Acquisition, Sale and Disposal	(130,357)	(74,275)	84,229	(243,729)	(4,885,577)	(5,249,709)
Net Cash Provided By (Used In) Capital and Related Financing Activities	538,618	108,587	220,025	(738,560)	(3,688,870)	(3,560,200)
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u>						
Investment Earnings	2,734	548	80,323	29,725	315,084	428,414
Net Change in Cash and Cash Equivalents	704,774	80,618	1,788,221	415,726	(491,083)	2,498,256
Cash and Cash Equivalent Balances at October 1, 2017	373,228	25,000	5,458,538	1,909,925	691,083	8,457,774
Cash and Cash Equivalent Balances at September 30, 2018	\$ 1,078,002	\$ 105,618	\$ 7,246,759	\$ 2,325,651	\$ 200,000	\$ 10,956,030
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) by Operating Activities</u>						
Operating Income (Loss)	\$ (989,274)	\$ (371,068)	\$ 1,082,794	\$ 668,502	\$ 731,426	\$ 1,122,380
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation Expense	578,271	304,847	549,767	470,228	883,716	2,786,829
Pension Expense	(196)	(99)	(6,918)	(4,866)	(3,264)	(15,343)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows						
Accounts Receivable	6,146	39,072	(249,276)	(2,347)	3,299	(203,106)
Prepays	(801)	(120)	(3,578)	(1,407)	2,103	(3,803)
Inventory	-	(3,352)	(58,671)	(20,173)	(15,461)	(97,657)
Accounts Payable and Other Payables	(381)	31,386	77,427	13,688	(152,025)	(29,905)
Customer and Builder Deposits Payable	-	94	14,833	-	-	14,927
Accrued Salaries and Compensated Absences	(882)	1,225	(2,345)	936	1,756	690
Net Cash Provided By (Used In) Operating Activities	\$ (407,117)	\$ 1,985	\$ 1,404,033	\$ 1,124,561	\$ 1,451,550	\$ 3,575,012

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

Under 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 non-major funds in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City utilizes the following funds:

Governmental Fund Types:

While the City could report the Debt Service Fund, Transient Guest Tax Fund, Storm Water and Parks Fund, and Transportation Tax Fund in aggregate with the District Municipal Fund and Special Allocation Fund under non-major funds, City officials believe it is important that the financial information for these four funds be presented separately for accountability. Therefore, the City reports the following major governmental funds:

General Fund - The General Fund is the primary fund of the City. It is used to account for all financial resources not accounted for and reported in another fund.

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

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 Guest Tax Fund - The Transient Guest Tax Fund is used to account for the financial resources derived from the Transient Guest Tax. Transient Guest 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 non-major 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, Electric Fund, Water Fund, and Sewer Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The financial statements of the City are prepared in accordance with 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 non-operating revenue and expenses. Operating revenue and expenses generally result from providing goods or services as a part of the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services. Principal operating expenses are the costs of providing goods or services and include administrative expenses (i.e., salaries, benefits, supplies, etc.) and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, the City customarily utilizes restricted funds prior to unrestricted funds. It is the City's policy to utilize the method defined at the time the expenditure was budgeted.

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

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

1. Deposits and Investments

For the purpose of reporting, "cash" and "cash equivalents" includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three months or less. Restricted cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and investments whose maturity is greater than three months or whose use is subject to constraints by creditors, grantors, contributors, or laws 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 inter-fund payable in that fund and an inter-fund receivable in the General Fund. However, in certain cases, the Electric 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 inter-fund receivable is recorded in the Electric Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The excess amount of demand deposits and certificates of deposit not covered by FDIC insurance are required to be 100% collateralized. Obligations that may be pledged as collateral include the same type as those authorized for investment by the City. All legal requirements were met during the year ended September 30, 2018.

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 Electric, 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, 2018, 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 – Non-office	\$ 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, 2018, 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, 2018.

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 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

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 projected and actual earnings on pension plan investments, the difference in pension asset due to changes in assumptions, and the difference in 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 Guest Tax Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund, Capital Projects Fund, and non-major governmental funds (Municipal District Fund and Special Allocation Fund).

- *Non-spendable fund balances* include amounts that cannot be spent because they are either: a) not in spendable form (inventory and prepaid items), or b) legally or contractually required to be maintained intact.
- *Restricted fund balances* are amounts that are restricted to specific purposes either by: a) constraints placed on the use of the resources by external resource providers such as creditors, grantors, contributors, or laws or regulation of other governments, or b) imposed by law through the constitutional provisions or enabling legislation.
- *Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution.
- *Assigned fund balances* are any amounts for which it is the City's intent that the funds be used for specific purposes, but 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, 2018, are shown on the following page.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2018, the City had a total of \$77,577,377 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, 2018, the City's restricted net position of \$6,507,405 is comprised of debt service, capital projects, tax increment financing, and pensions. Governmental activities restricted net position at September 30, 2018, is \$4,391,047. Restricted net position of the business-type activities totals \$2,116,358.
- **Unrestricted net position** is the residual and represents amounts available for future operations or distribution. Government-wide unrestricted net position at September 30, 2018, is \$16,027,045.

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, 2018, 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 District Municipal Fund exceeded budgeted expenditures by \$39,607 or approximately 14.2% over budget. This excess expenditure is driven by an equivalent positive variance in revenue. Upon the receipt of monies, a corresponding expenditure is required under the developer tax sharing agreements.

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, 2018, is 5%.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. Adoption of Accounting Pronouncements

1. Future Accounting Pronouncements

This report does not incorporate GASB Statement No. 87, *Leases*; GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. 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, 2017, the City adopted GASB Statement No. 83, *Certain Asset Retirement Obligation*. The requirements of this statement enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. This statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to the asset retirement obligations. The City has no asset retirement obligations. The adoption of this statement had no impact on the City's financial statements.

Effective October 1, 2017, the City adopted GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The City has no fiduciary funds. The adoption of this statement had no impact on the City's financial statements.

Effective October 1, 2017, the City adopted GASB Statement No. 85, *Omnibus 2017*. This statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)). The requirements of this statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of the financial statements. The adoption of this statement had no impact on the City's financial statements.

Effective October 1, 2017, the City adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this statement will also enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substances.

I. Prior Period Adjustments

Prior period adjustments and restatements were made in connection with the financial statements contained herein. Adjustments were made to split the Utility Fund into two separate funds, Electric and Water. This change had no effect on the government wide financial statements. The resulting net position as of October 1, 2017, was \$15,314,299 for the Electric Fund and \$8,480,997 for the Water Fund.

J. Special and Extraordinary Items

The City had no special or extraordinary items for fiscal year ending September 30, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2018, is \$6,444,185, of which \$246,047, 3.8%, 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.

Revenue Source	Amount
General Sales Tax	\$ 4,367,960
Real and Personal Property Tax	926,609
Gross Receipts Taxes	409,044
Charges for Services	263,733
Municipal Court Fines and Fees	246,047
Utility and Other Taxes	216,920
Other	13,872
Total	<u>\$ 6,444,185</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.

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, 2018, the bank balances of the City's deposits were covered by a combination of an irrevocable line of credit, federal depository insurance, or by collateral held by the City's agent in the City's name.

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

NOTE 2 - CASH AND INVESTMENTS - continued

At September 30, 2018, the bank balances in the City's checking accounts were \$16,789,478. Pledged securities held by the bank in the City's name had a market value of \$4,263,074 and an irrevocable line of credit of \$14,000,000.

A reconciliation of cash and cash equivalents as shown on the government-wide financial statement of net position at September 30, 2018, consists of the following:

Type	Amount	Reconciliation to the Statement of Net Position	Amount
Cash on Hand	\$ 2,834	Cash and Cash Equivalents	\$ 15,930,618
Deposits	14,102,726	Investments	5,058,178
Money Market Accounts (Demand)	5,378,968		
Certificates of Deposit	17,000	Total	<u>\$ 20,988,796</u>
Money Market Mutual Funds	114,514		
State and Local Government Bonds	395		
Guaranteed Investment Contracts	883,110		
United States Treasury Notes	<u>489,249</u>		
Total Deposits and Investments	<u>\$ 20,988,796</u>		

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, 2018. All investments are valued using market prices (Level 1).

The maturities of investments and credit quality ratings held by the City at September 30, 2018, are shown in the chart below:

Type	Fair Value	Investment Maturities			Credit Quality Rating
		Less Than One Year	1 - 5 Years	6 - 10 years	
Certificates of Deposit	\$ 17,000	\$ 5,000	\$ 12,000	\$ -	N/A
Money Market Mutual Funds	114,514	114,514	-	-	AAAm
State and Local Government Bonds*	395	-	395	-	N/A
Guaranteed Investment Contracts**	883,110	-	883,110	-	AA+
United States Treasury Notes***	489,249	-	489,249	-	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.

NOTE 2 - CASH AND INVESTMENTS - continued

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.

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, 2018, the balance of the restricted assets is \$5,058,178.

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 \$439,609 is recorded for uncollectable balances (municipal court receivables uncollectable allowance of \$406,803; property tax receivables uncollectable allowance balance of \$32,806).

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

NOTE 3 - ACCOUNTS RECEIVABLE - continued

Accounts receivable balances at September 30, 2018, are as follows:

	Accounts Receivable	Grants Receivable	Taxes Receivable	Total Receivable	Bad Debt Allowance	Net Receivable
Governmental Activities:						
General	\$ 702,780	\$ 50,145	\$ 778,543	\$ 1,531,468	\$ 439,609	\$ 1,091,859
Capital Projects	-	-	287,155	287,155	-	287,155
TIF and Tax Sharing Agreements	358,332	-	-	358,332	-	358,332
Transient Guest Tax	-	-	34,765	34,765	-	34,765
Storm Water and Parks Tax	-	26,018	143,572	169,590	-	169,590
Transportation Tax	-	40,743	143,573	184,316	-	184,316
Total Governmental Activities	<u>\$ 1,061,112</u>	<u>\$ 116,906</u>	<u>\$ 1,387,608</u>	<u>\$ 2,565,626</u>	<u>\$ 439,609</u>	<u>\$ 2,126,017</u>
Business-type Activities:						
Civic Complex	\$ 30,873	\$ 16,056	\$ -	\$ 46,929	\$ -	\$ 46,929
Airport	9,258	26,520	-	35,778	-	35,778
Electric Utility	2,766,833	-	-	2,766,833	-	2,766,833
Water Utility	397,144	-	-	397,144	-	397,144
Sewer Utility	410,222	-	-	410,222	-	410,222
Total Business-type Activities	<u>\$ 3,614,330</u>	<u>\$ 42,576</u>	<u>\$ -</u>	<u>\$ 3,656,906</u>	<u>\$ -</u>	<u>\$ 3,656,906</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 \$4,888,183. Depreciation is charged to the City functions as follows:

Function/Program	Current Depreciation	
	Governmental Activities	Business-type Activities
General Government	\$ 59,293	\$ -
Public Safety	491,458	-
Streets and Public Works	1,202,905	-
Culture and Recreation	347,698	-
Civic Complex	-	578,271
Airport	-	304,847
Electric	-	549,767
Water	-	470,228
Sewer	-	883,716
Total	<u>\$ 2,101,354</u>	<u>\$ 2,786,829</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

NOTE 4 - CAPITAL ASSETS - *continued*

Changes in fixed assets for the governmental activities are as follows for the year ended September 30, 2018:

	Balance, September 30, 2017	Increased	Decreases	Balance, September 30, 2018
<u>Governmental Activities:</u>				
Capital Assets, not depreciated:				
Land	\$ 2,365,554	\$ 43,832	\$ 74,625	\$ 2,334,761
Construction in Progress	-	450,074	-	450,074
Total Capital Assets, Not Depreciated	<u>2,365,554</u>	<u>493,906</u>	<u>74,625</u>	<u>2,784,835</u>
Capital Assets, depreciated:				
Buildings	14,908,183	-	-	14,908,183
Land Improvements	449,904	-	-	449,904
Infrastructure	33,526,223	1,224,330	-	34,750,553
Furniture, Machinery and Equipment	3,441,919	321,654	85,689	3,677,884
Vehicles	4,211,348	213,753	27,705	4,397,396
Total Capital Assets, Depreciated	<u>56,537,577</u>	<u>1,759,737</u>	<u>113,394</u>	<u>58,183,920</u>
Less - Accumulated Depreciation:				
Buildings	2,675,735	436,334	-	3,112,069
Land Improvements	299,468	20,901	-	320,369
Infrastructure	12,533,619	1,133,355	-	13,666,974
Furniture, Machinery and Equipment	1,572,390	233,966	55,413	1,750,943
Vehicles	2,624,989	276,798	27,705	2,874,082
Total Accumulated Depreciation	<u>19,706,201</u>	<u>2,101,354</u>	<u>83,118</u>	<u>21,724,437</u>
Total Capital Assets, Depreciated	<u>36,831,376</u>	<u>(341,617)</u>	<u>30,276</u>	<u>36,459,483</u>
Capital Assets, Net	<u>\$ 39,196,930</u>	<u>\$ 152,289</u>	<u>\$ 104,901</u>	<u>\$ 39,244,318</u>

Changes in fixed assets for the proprietary activities are as follows for the year ended September 30, 2018:

	Balance, September 30, 2017	Increases	Decreases	Balance, September 30, 2018
<u>Proprietary Activities:</u>				
Capital Assets, not depreciated:				
Land	\$ 1,406,719	\$ -	\$ -	\$ 1,406,719
Construction in Progress	545,087	1,863,053	2,252,528	155,612
Total Capital Assets, Not depreciated	<u>1,951,806</u>	<u>1,863,053</u>	<u>2,252,528</u>	<u>1,562,331</u>
Capital Assets, depreciated:				
Buildings	20,960,322	-	-	20,960,322
Infrastructure	59,343,459	5,473,830	236,900	64,580,389
Furniture, Machinery and Equipment	2,246,033	64,863	-	2,310,896
Vehicles	1,727,127	29,768	-	1,756,895
Total Capital Assets, Depreciated	<u>84,276,941</u>	<u>5,568,461</u>	<u>236,900</u>	<u>89,608,502</u>
Less - Accumulated Depreciation:				
Buildings	7,828,056	618,370	-	8,446,426
Infrastructure	25,377,044	1,902,429	-	27,279,473
Furniture, Machinery and Equipment	876,287	157,802	-	1,034,089
Vehicles	1,188,358	108,228	-	1,296,586
Total Accumulated Depreciation	<u>35,269,745</u>	<u>2,786,829</u>	<u>-</u>	<u>38,056,574</u>
Total Capital Assets, Depreciated	<u>49,007,196</u>	<u>2,781,632</u>	<u>236,900</u>	<u>51,551,928</u>
Capital Assets, Net	<u>\$ 50,959,002</u>	<u>\$ 4,644,685</u>	<u>\$ 2,489,428</u>	<u>\$ 53,114,259</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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, 2018, have been accrued. Governmental activities reported payables in the amount of \$1,310,299. Business-type activities reported payables in the amount of \$2,281,038, of which \$1,265,068 was due to a single vendor for the electric utility's purchase of power for the month of September.

Payable balances at September 30, 2018, 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	\$ 142,062	\$ 85,600	\$ 6,338	\$ 234,000
TIF and Tax Sharing Agreements	409,822	-	-	409,822
Transient Guest Tax	498,532	-	-	498,532
Storm Water and Parks Tax	42,334	-	-	42,334
Transportation Tax	125,611	-	-	125,611
Total Governmental Activities	<u>\$ 1,218,361</u>	<u>\$ 85,600</u>	<u>\$ 6,338</u>	<u>\$ 1,310,299</u>

	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Business-type Activities</u>					
Civic Complex	\$ 41,156	\$ 32,103	\$ -	\$ 2,418	\$ 75,677
Airport	34,074	3,439	-	263	37,776
Electric Utility	1,495,993	64,167	-	81,208	1,641,368
Water Utility	77,451	21,832	27,652	9,751	136,686
Sewer Utility	275,186	46,708	64,082	3,555	389,531
Total Business-type Activities	<u>\$ 1,923,860</u>	<u>\$ 168,249</u>	<u>\$ 91,734</u>	<u>\$ 97,195</u>	<u>\$ 2,281,038</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, 2018, were as follows:

	Amount	Source of Funding
<u>Governmental Activities</u>		
General Fund	\$ 19,740	General Revenues
Special Allocation Fund	111,489	TIF Proceeds
Storm Water and Parks Tax Fund	38,628	Storm Water Tax
Transportation Tax Fund	8,700	Transportation Tax
Total Governmental Activities	<u>178,557</u>	
<u>Business-type Activities</u>		
Civic Complex Fund	823,884	Lease Proceeds and Capital Projects Tax
Airport Fund	274,949	Transportation Tax and Grant Funding
Electric Fund	69,000	Electric Revenues
Sewer Fund	890,591	Certificates of Participation Proceeds
Total Business-type Activities	<u>2,058,424</u>	
Total	<u>\$ 2,236,981</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, 2018. 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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

NOTE 6 - CONTINGENCIES AND COMMITMENTS - *continued*

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

NOTE 7 - OPERATING LEASES

At September 30, 2018, the City had no operating leases.

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018	Current Portion
<u>Governmental Activities</u>					
Capital Leases:					
Firestation Lease	\$ 2,760,000	\$ -	\$ (262,000)	\$ 2,498,000	\$ 218,000
Fire Pumper Rebuild	226,342	-	(142,345)	83,997	83,997
Certificates of Participation:					
Series 2014 - Library, Police Station, and Water Park Improvements	6,240,000	-	(835,000)	5,405,000	855,000
Compensated Absences	288,526	326,437	(288,526)	326,437	326,437
Total Governmental Activities	\$ 9,514,868	\$ 326,437	\$ (1,527,871)	\$ 8,313,434	\$ 1,483,434
	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018	Current Portion
<u>Business-type Activities</u>					
Capital Leases:					
Civic Center HVAC System	\$ -	\$ 700,120	\$ (27,332)	\$ 672,788	\$ 168,050
Sewer Vactor Truck	170,011	-	(67,144)	102,867	68,288
COP Sr2011-Radionuclide Project	2,230,000	-	(420,000)	1,810,000	435,000
COP Sr2011-Treatment Plant UV Project	510,000	-	(95,000)	415,000	100,000
COP Sr2016-Sewer System	6,130,000	-	(560,000)	5,570,000	570,000
Premium	120,053	-	(13,339)	106,714	-
Revenue Bonds:					
Series 2000A - West Treatment Plant	1,390,000	-	(335,000)	1,055,000	345,000
Due to State of Missouri	973,000	-	(234,500)	738,500	241,500
Compensated Absences	136,153	135,460	(136,153)	135,460	135,460
Total Business-type Activities	\$ 11,659,217	\$ 835,580	\$ (1,888,468)	\$ 10,606,329	\$ 2,063,298

Based off the October 2017 assessed valuation report from the St. Francois County Assessor, the City's assessed value supports a general obligation bond limit of \$42,958,850. The City did not have any general obligation bonds outstanding as of September 30, 2018.

NOTE 9 - CAPITAL LEASES

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 1st and April 1st at 2.0% to 3.1%. The debt payment schedule anticipates final payment and retirement of the debt April 1, 2024. At September 30, 2018, there was an unpaid balance of \$5,405,000.

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 an original 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 August 18, 2028. The balance at September 30, 2018, was \$2,498,000.

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 provided 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 included an initial payment due June 1, 2016, with final payment and retirement of the debt May 1, 2019. At September 30, 2018, there was a principal balance of \$83,997.

Business-type Activities:

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

Certificates of Participation

The City entered into a capital lease to finance water system and wastewater treatment system capital improvements through a financing arrangement with The Bank of New York Mellon Trust Company. Under the arrangement, the bank issued certificates of participation in the amount of \$5,555,000 on May 3, 2011, to finance the improvements. The scheduled lease payments the City makes to the bank will be used to pay the debt service on these certificates. The lease payments are due in installments ranging from \$445,000 to \$1,135,000, which began in May 2012 and continue through May 2021. Interest is payable each November 1st and May 1st at 2.0% to 3.8%. The balance at September 30, 2018, was \$2,225,000, of which \$1,810,000 is allocated to the Water Fund and \$415,000 is allocated to the Sewer Fund.

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 due October 2017, and final payment due October 2026. Interest is payable each April 1st and October 1st at 2.0% to 2.25%. The principal balance at September 30, 2018, was \$5,570,000.

NOTE 9 - CAPITAL LEASES - continued

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, 2018, there was a principal balance of \$102,867.

The City entered into a capital lease with FS Leasing LLC on June 29, 2018, for \$700,120 to be used for the replacement of the heating, ventilation, and air conditioning system at the Civic Center and Centene Center. Lease payments are due in monthly installments of \$15,512, which include interest at an interest rate of 2.995%. The debt payment schedule anticipated an initial payment due August 1, 2018, with final payment and retirement of the debt on July 1, 2022. At September 30, 2018, there was a principal balance of \$672,788.

Future minimum lease obligations (including interest payments) and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2019	\$ 1,372,004	\$ 1,540,511	\$ 2,912,515
2020	1,288,331	1,511,613	2,799,944
2021	1,279,592	2,033,815	3,313,407
2022	1,282,816	822,410	2,105,226
2023	1,278,705	669,394	1,948,099
2024 - 2028	2,434,985	2,665,419	5,100,404
2029	24,327	-	24,327
Total Minimum Lease Payments	8,960,760	9,243,162	18,203,922
Less - Amount Representing Interest	973,763	672,507	1,646,270
Present Value of Minimum Lease Payments	<u>\$ 7,986,997</u>	<u>\$ 8,570,655</u>	<u>\$ 16,557,652</u>

Assets under capital leases at September 30, 2018, included:

<u>Asset Type</u>	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and Buildings	\$ 13,552,760	\$ 1,642,548	\$ 11,910,212
Infrastructure	5,457,992	116,994	5,340,998
Machinery and Equipment	6,349,896	1,740,117	4,609,779
Total Assets Under Capital Lease	<u>\$ 25,360,648</u>	<u>\$ 3,499,659</u>	<u>\$ 21,860,989</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 1st and July 1st at 4.6% to 5.7%. The balance at September 30, 2018, was \$1,055,000. 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>
2019	\$ 345,000	\$ 59,963
2020	350,000	40,470
2021	360,000	20,520
Total	<u>\$ 1,055,000</u>	<u>\$ 120,953</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 2018, the City paid back \$234,500. As of September 30, 2018, the balance due to the State is \$738,500. 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>
2019	\$ 241,500
2020	245,000
2021	<u>252,000</u>
Total	<u>\$ 738,500</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, 2018.

- A temporary loan in the amount of \$368,457 is owed to the General Fund from the Sewer Fund which is payable upon receipt of a disbursement from the Certificates of Participation Project Account in the ensuing fiscal year.
- The non-major funds (Special Allocation Fund and District Municipal Fund) were owed a total of \$121,090 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, 2018. The amounts owed from each major fund were: General Fund \$66,801, Storm Water and Parks Tax Fund \$10,446, Transportation Tax Fund \$10,446, and Capital Projects Fund \$33,397.

NOTE 11 - INTER-FUND TRANSACTIONS - continued

Inter-fund Transfers

During the year ended September 30, 2018, 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	\$ 144,694	Capital tax funds used for payment of debt on Fire Pumper
General	Capital Projects	81,124	Capital tax funds used for parks capital projects
General	Storm Water and Parks Tax	463,485	Parks operating costs transfer
Debt Service	Special Allocation	302,098	Firestation Debt Payment
Debt Service	Capital Projects	987,781	Certificates of Participation payments
District Municipal	General	211,132	Tax sharing agreement transfers
District Municipal	Capital Projects	105,513	Tax sharing agreement transfers
Special Allocation	General	310,057	Tax increment finance districts incremental EATS tax
Special Allocation	Storm Water and Parks Tax	103,962	Tax increment finance districts incremental EATS tax
Special Allocation	Transportation Tax	103,962	Tax increment finance districts incremental EATS tax
Special Allocation	Capital Projects	154,989	Tax increment finance districts incremental EATS tax
Civic Complex	Capital Projects	161,502	Capital tax funds used for payment of capital projects
Civic Complex	General	130,144	Operating subsidy and reserves replenishment
Airport	Capital Projects	31,000	Capital grant match
Sewer	Special Allocation	1,062,696	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.

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.

2018 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, 2018, 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	56
Active employees	<u>132</u>
 Total	 <u>244</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 in effect for the year ended September 30, 2018 were 9.3% (General), 4.3% (Police), and 10.8% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2018.

Actuarial Assumptions

The total pension liability in the February 28, 2018, 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, 2018, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	43.00 %	5.16 %
Fixed Income	26.00	2.86
Real Assets	21.00	3.23
Strategic Assets	10.00	5.59

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at 6/30/2017	\$ 22,956,351	\$ 25,190,415	\$ (2,234,064)
Changes for the year:			
Service cost	537,322	-	537,322
Interest	1,657,392	-	1,657,392
Difference between expected and actual experience	(126,773)	-	(126,773)
Contributions - City	-	475,254	(475,254)
Net investment income	-	3,037,712	(3,037,712)
Benefit payments, including refunds	(732,260)	(732,260)	-
Administrative expense	-	(18,186)	18,186
Other changes	-	(324,075)	324,075
Net changes	1,335,681	2,438,445	(1,102,764)
Balances at 6/30/2018	\$ 24,292,032	\$ 27,628,860	\$ (3,336,828)

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)	\$ 28,075,611	\$ 24,292,032	\$ 21,203,890
Plan Fiduciary Net Position	27,628,860	27,628,860	27,628,860
Net Pension Liability (Asset) (NPL)	<u>\$ 446,751</u>	<u>\$ (3,336,828)</u>	<u>\$ (6,424,970)</u>

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

For the year ended September 30, 2018, the City recognized pension expense of \$785,804. 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	\$ 152,845	\$ (746,263)
Changes in assumptions	291,600	(20,070)
Net difference between projected and actual earnings on pension plan investments	-	(664,019)
Employer contributions subsequent to the measurement date	124,475	-
Total	<u>\$ 568,920</u>	<u>\$ (1,430,352)</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 (asset) for the year ending September 30, 2019.

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

<u>Year Ended</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 53,790
2020	(183,909)
2021	(519,562)
2022	(274,880)
2023	(19,832)
Thereafter	<u>(41,514)</u>
Total	<u>\$ (985,907)</u>

NOTE 13 - RETIREMENT PLAN - continued

Payable to the Pension Plan

At September 30, 2018, the City reported a payable of \$43,573 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2018.

NOTE 14 - TAX ABATEMENTS

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

Open development agreements at September 30, 2018, included:

- A development agreement with Samuel Audrey Properties LLC, approved on September 11, 2014, to reimburse project costs related to the architectural preservation of property located at 101 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 \$50,000. At September 30, 2018, a balance of \$50,000 remained open on this agreement.
- A development agreement with Clinton Roberts, approved on February 8, 2018, to reimburse project costs not to exceed the lesser of \$17,000; 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 20 West Columbia Street. At September 30, 2018, a balance of \$17,000 remained open on this agreement.
- A development agreement with Robert and Nancy Gierse, approved on March 8, 2018, to reimburse project costs related to the architectural preservation of the properties located at 104 and 106 West Columbia Street. Reimbursement costs are to be paid from the funds on deposit from the District's economic activity tax and are limited to \$20,000. At September 30, 2018, a balance of \$9,647 remained open on this agreement.
- A development agreement with Hurst Properties LLC, approved on June 14, 2018, to reimburse project costs related to the architectural preservation of the property located at 102 West 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. At September 30, 2018, a balance of \$34,842 remained open on this agreement.

As of September 30, 2018, no TIF bonds have been issued by the City of Farmington for the Karsch Boulevard-Downtown TIF District projects.

Highway 67 TIF District

In October 2005, the City adopted an ordinance approving the redevelopment plan for the Highway 67 TIF 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 TIF 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.

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.

NOTE 14 - TAX ABATEMENTS - continued

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 agreement). 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, 2018, a total of \$773,510 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 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, 2018, additional retail stores have opened in the development, and there remains a reimbursable balance of \$1,926,389.

NOTE 14 - TAX ABATEMENTS - continued

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, 2018, there remains a reimbursable balance of \$1,221,764.

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, 2018, was \$1,140,000. 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, 2018**

NOTE 14 - TAX ABATEMENTS - *continued*

A summary of the taxes abated for the year ended September 30, 2018, were as follows:

Tax Abatement Program	Tax Type	Amount of Taxes Abated during the Fiscal Year
Tax Increment Finance Districts Developer Agreements	Sales Tax	\$ 698,518
Community Improvement Districts Agreements	Sales Tax	316,645
Industrial Revenue Bonds	Property Tax	17,223
Total		<u>\$ 1,032,386</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, 2018, 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, 2018, 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, 2018, is as follows:

Fund	Net Position
Capital Projects	\$ 1,208,852
Storm Water and Parks Tax	1,022,977
Transportation Tax	226,993
Non-major Funds	129,117
Total	<u>\$ 2,587,939</u>

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REQUIRED SUPPLEMENTAL INFORMATION SECTION

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, 2018

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
REVENUES				
Sales Tax	\$ 4,200,000	\$ 4,200,000	\$ 4,367,960	\$ 167,960
Real and Personal Property Tax	936,000	926,000	926,609	609
Grants and Donations	708,500	647,000	684,969	37,969
Motor Fuel and Vehicle Tax	647,000	647,000	656,536	9,536
Utility, Gross Receipts, and Other Taxes	626,500	602,800	625,964	23,164
Municipal Court Fines and Fees	272,500	270,500	246,047	(24,453)
Charges for Services	202,000	239,200	263,733	24,533
Interest Income	15,000	40,000	42,716	2,716
Administrative Pilot Payment	1,446,400	1,438,400	1,455,960	17,560
Other	2,900	6,400	13,872	7,472
Total Revenue	<u>9,056,800</u>	<u>9,017,300</u>	<u>9,284,366</u>	<u>267,066</u>
EXPENDITURES				
General Government				
Administration	1,823,600	1,703,600	1,724,726	(21,126)
Public Safety				
Police	2,668,800	2,568,800	2,480,090	88,710
Municipal Court	115,400	124,900	120,206	4,694
Fire	1,112,400	1,098,400	1,052,146	46,254
Streets and Public Works				
Street	887,600	991,400	905,504	85,896
Public Works	385,000	347,800	320,787	27,013
Maintenance	616,800	606,700	586,776	19,924
Culture and Recreation				
Park	675,400	747,700	759,100	(11,400)
Library	396,800	428,300	417,794	10,506
Capital Outlay	556,000	994,000	937,621	56,379
Debt Service - Interest and Fees	3,000	3,000	2,348	652
Debt Service - Principal	143,000	143,000	142,345	655
Total Expenditures	<u>9,383,800</u>	<u>9,757,600</u>	<u>9,449,443</u>	<u>308,157</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(327,000)</u>	<u>(740,300)</u>	<u>(165,077)</u>	<u>575,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	758,500	1,099,000	689,303	(409,697)
Transfers Out	(1,076,000)	(787,000)	(651,333)	135,667
Sale of Capital Assets	35,000	105,000	104,994	(6)
Insurance Proceeds	10,000	45,000	47,456	2,456
Total Other Financing Sources (Uses)	<u>(272,500)</u>	<u>462,000</u>	<u>190,420</u>	<u>(271,580)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (599,500)</u>	<u>\$ (278,300)</u>	<u>25,343</u>	<u>\$ 303,643</u>
FUND BALANCE, OCTOBER 1, 2017			<u>3,458,879</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<u>\$ 3,484,222</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TRANSIENT GUEST TAX FUND
Year Ended September 30, 2018

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Transient Tax Income	\$ 300,000	\$ 300,000	\$ 296,824	\$ (3,176)
Interest Income	400	1,800	2,522	722
Total Revenue	<u>300,400</u>	<u>301,800</u>	<u>299,346</u>	<u>(2,454)</u>
<u>EXPENDITURES</u>				
General Government	<u>300,400</u>	<u>301,800</u>	<u>299,346</u>	<u>2,454</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2017			<u>-</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<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, 2018

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	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 537,322	\$ 507,515	\$ 494,790	\$ 500,396
Interest on Total Pension Liability	1,657,392	1,579,628	1,469,673	1,411,366
Difference Between Expected and Actual Experience	(126,773)	(318,318)	(297,274)	(368,584)
Changes of Assumptions	0	(33,588)	606,327	-
Benefit Payments, Including Refunds	(732,260)	(681,729)	(784,185)	(689,879)
Net Change in Total Pension Liability	1,335,681	1,053,508	1,489,331	853,299
Total Pension Liability Beginning	22,956,351	21,902,843	20,413,512	19,560,213
Total Pension Liability Ending (a)	<u>\$ 24,292,032</u>	<u>\$ 22,956,351</u>	<u>\$ 21,902,843</u>	<u>\$ 20,413,512</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 475,254	\$ 483,484	\$ 503,863	\$ 589,380
Net Investment Income	3,037,712	2,668,442	(73,051)	468,062
Pension Plan Benefit Payments, Including Refunds	(732,260)	(681,729)	(784,185)	(689,879)
Administrative Expense	(18,186)	(18,123)	(17,418)	(18,828)
Other (Net Transfer)	(324,075)	16,218	(373,803)	247,462
Net Change in Plan Fiduciary Net Position	2,438,445	2,468,292	(744,594)	596,197
Plan Fiduciary Net Position Beginning	25,190,415	22,722,123	23,466,717	22,870,520
Plan Fiduciary Net Position Ending (b)	<u>\$ 27,628,860</u>	<u>\$ 25,190,415</u>	<u>\$ 22,722,123</u>	<u>\$ 23,466,717</u>
Net Pension Liability (Asset) Ending (a)-(b)	<u>\$ (3,336,828)</u>	<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	113.74 %	109.73 %	103.74 %	114.96 %
Covered Payroll	\$ 5,552,798	\$ 5,130,214	\$ 4,873,669	\$ 4,792,368
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(60.09) %	(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>
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
2018	467,138	467,138	-	5,633,259	8.29

Notes to Schedule:

Valuation Date: February 28, 2018

The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, 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 20 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

Other Information: None

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OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Allocation Fund	District Municipal Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 333,346	\$ 50,367	\$ 383,713
Accounts Receivable (net)	358,332	-	358,332
Due From Other Funds	83,576	37,514	121,090
TOTAL ASSETS	\$ 775,254	\$ 87,881	\$ 863,135
<u>LIABILITIES</u>			
Accounts Payable	\$ 321,941	\$ 87,881	\$ 409,822
Administrative Expense Deposits	10,927	-	10,927
Total Liabilities	332,868	87,881	420,749
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Tax Increment District Payments	313,269	-	313,269
<u>FUND BALANCE</u>			
Restricted:			
Karsch - Downtown TIF District	129,117	-	129,117
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 775,254	\$ 87,881	\$ 863,135

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2018

	Special Allocation Fund	District Municipal Fund	Total
<u>REVENUES</u>			
Interest Income	\$ 5,017	\$ 2,262	\$ 7,279
TIF Proceeds From Other Governments	937,425	-	937,425
Total Revenues	<u>942,442</u>	<u>2,262</u>	<u>944,704</u>
<u>EXPENDITURES</u>			
General Government:			
Administration	1,171,699	318,907	1,490,606
Capital Outlay	4,824	-	4,824
Total Expenditures	<u>1,176,523</u>	<u>318,907</u>	<u>1,495,430</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(234,081)</u>	<u>(316,645)</u>	<u>(550,726)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	672,970	316,645	989,615
Transfer Out	(1,364,794)	-	(1,364,794)
Total Other Financing Sources (Uses)	<u>(691,824)</u>	<u>316,645</u>	<u>(375,179)</u>
NET CHANGE IN FUND BALANCES	(925,905)	-	(925,905)
FUND BALANCES - OCTOBER 1, 2017	<u>1,055,022</u>	<u>-</u>	<u>1,055,022</u>
FUND BALANCES - SEPTEMBER 30, 2018	<u><u>\$ 129,117</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 129,117</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, 2018

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
REVENUES				
TIF Proceeds From Other Governments	\$ 710,000	\$ 929,000	\$ 937,425	\$ 8,425
Interest Income	800	4,300	5,017	717
Total Revenues	<u>710,800</u>	<u>933,300</u>	<u>942,442</u>	<u>9,142</u>
EXPENDITURES				
General Government	969,800	1,280,000	1,171,699	108,301
Capital Outlay	-	-	4,824	(4,824)
Total Expenditures	<u>969,800</u>	<u>1,280,000</u>	<u>1,176,523</u>	<u>103,477</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(259,000)</u>	<u>(346,700)</u>	<u>(234,081)</u>	<u>112,619</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	802,500	628,000	672,970	44,970
Transfers Out	(302,000)	(1,366,100)	(1,364,794)	1,306
Total Other Financing Sources (Uses)	<u>500,500</u>	<u>(738,100)</u>	<u>(691,824)</u>	<u>46,276</u>
NET CHANGE IN FUND BALANCE	<u>\$ 241,500</u>	<u>\$ (1,084,800)</u>	<u>(925,905)</u>	<u>\$ 158,895</u>
FUND BALANCE, OCTOBER 1, 2017			<u>1,055,022</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<u>\$ 129,117</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, 2018

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ -	\$ 1,800	\$ 2,262	\$ 462
<u>EXPENDITURES</u>				
General Government	<u>292,500</u>	<u>279,300</u>	<u>318,907</u>	<u>(39,607)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(292,500)	(277,500)	(316,645)	(39,145)
OTHER FINANCING SOURCES				
Transfers In	<u>292,500</u>	<u>277,500</u>	<u>316,645</u>	<u>39,145</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2017			<u>-</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<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, 2018

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ 70,000	\$ 46,200	\$ 46,218	\$ 18
<u>EXPENDITURES</u>				
Debt Service Interest and Fees	230,500	240,100	239,097	1,003
Debt Service Principal	1,121,000	1,097,000	1,097,000	-
Total Expenditures	1,351,500	1,337,100	1,336,097	1,003
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,281,500)	(1,290,900)	(1,289,879)	1,021
OTHER FINANCING SOURCES				
Transfer In	1,281,500	1,290,900	1,289,879	(1,021)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2017			-	
FUND BALANCE, SEPTEMBER 30, 2018			<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, 2018

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 2,100,000	\$ 2,100,000	\$ 2,123,946	\$ 23,946
Interest Income	100	16,000	17,900	1,900
Total Revenue	<u>2,100,100</u>	<u>2,116,000</u>	<u>2,141,846</u>	<u>25,846</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,100,100	2,116,000	2,141,846	25,846
OTHER FINANCING USES				
Transfers Out	<u>(1,860,500)</u>	<u>(2,321,300)</u>	<u>(1,666,603)</u>	<u>654,697</u>
NET CHANGE IN FUND BALANCE	<u>\$ 239,600</u>	<u>\$ (205,300)</u>	475,243	<u>\$ 680,543</u>
FUND BALANCE, OCTOBER 1, 2017			<u>801,167</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<u>\$ 1,276,410</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, 2018

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 1,050,000	\$ 1,050,000	\$ 1,061,852	\$ 11,852
Interest Income	1,000	6,000	6,186	186
Grants and Donations	-	118,000	119,988	1,988
Total Revenues	<u>1,051,000</u>	<u>1,174,000</u>	<u>1,188,026</u>	<u>14,026</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>988,000</u>	<u>712,000</u>	<u>564,487</u>	<u>147,513</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>63,000</u>	<u>462,000</u>	<u>623,539</u>	<u>161,539</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	-	69,000	69,040	40
Transfers Out	<u>(582,500)</u>	<u>(557,000)</u>	<u>(567,447)</u>	<u>(10,447)</u>
Total Other Financing Sources (Uses)	<u>(582,500)</u>	<u>(488,000)</u>	<u>(498,407)</u>	<u>(10,407)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (519,500)</u>	<u>\$ (26,000)</u>	125,132	<u>\$ 151,132</u>
FUND BALANCE, OCTOBER 1, 2017			<u>897,845</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<u>\$ 1,022,977</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, 2018

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 1,050,000	\$ 1,050,000	\$ 1,061,852	\$ 11,852
Grants and Donations	-	102,000	98,505	(3,495)
Interest Income	-	500	726	226
Total Revenues	<u>1,050,000</u>	<u>1,152,500</u>	<u>1,161,083</u>	<u>8,583</u>
<u>EXPENDITURES</u>				
Streets and Public Works	-	-	200,000	(200,000)
Capital Outlay	<u>875,000</u>	<u>936,000</u>	<u>720,711</u>	<u>215,289</u>
Total Expenditures	<u>875,000</u>	<u>936,000</u>	<u>920,711</u>	<u>15,289</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>175,000</u>	<u>216,500</u>	<u>240,372</u>	<u>(6,706)</u>
OTHER FINANCING USES				
Transfers Out	<u>(175,000)</u>	<u>(95,000)</u>	<u>(103,962)</u>	<u>(8,962)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 121,500</u>	<u>136,410</u>	<u>\$ (15,668)</u>
FUND BALANCE, OCTOBER 1, 2017			<u>90,583</u>	
FUND BALANCE, SEPTEMBER 30, 2018			<u>\$ 226,993</u>	