



CITY OF FARMINGTON, MISSOURI

FINANCIAL REPORT (Audited)

Year Ended September 30, 2020

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 11, 2021

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, 2020, 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

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, 2020, 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 11, 2021 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, 2020. 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.

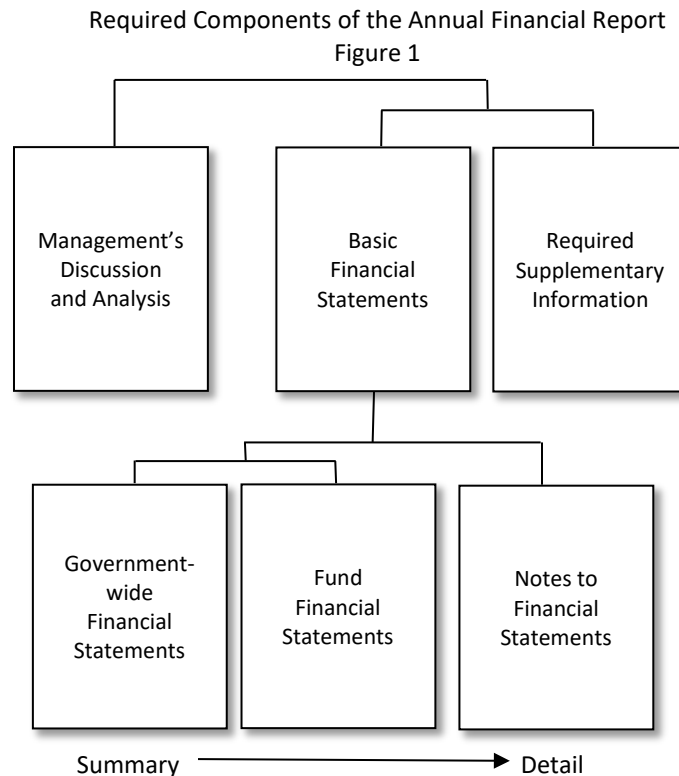
FINANCIAL HIGHLIGHTS

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 total amount of \$104.0 million, a 1.7% increase over the prior year restated net position of \$102.3 million (*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 \$1.73 million. This increase was representative of a \$1.55 million increase in governmental activities and a \$0.18 million increase in position in business-type activities.
- Of the governmental fund balances, approximately \$4.4 million was available for spending at the government's discretion (*unassigned, assigned, and committed fund balances*). This was a 2% increase from the prior year amount of \$4.3 million.
- At the end of the fiscal year, the governmental funds full unassigned balance of approximately \$3.01 million was held in the General Fund. This amounted to approximately 35% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- Governmental activities general revenues were \$13.84 million in comparison to \$13.16 million the prior year, a 5% increase. This increase was primarily due to an increase in tax revenues, which accounted for \$11.65 million, 81%, 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 \$1.417 million in fiscal year 2020. 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 was upheld by an opinion of the Missouri Supreme Court issued May 2011.
- The City of Farmington's total debt decreased by \$1.67 million (11%) during the fiscal year. This decrease was the result of the net effect of a reduction in principal due to debt service payments and the issuance of new debt.
- The City has continued to appropriate for and make all debt payments and pension contributions while continuing to invest in infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Farmington's annual report. The City's report consists of four components: 1) management's discussion and analysis, 2) the basic financial statements, 3) required supplementary information, and 4) an optional section that presents combining statements for non-major governmental funds (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide financial 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**. These statements 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 financial statements. The Fund Financial Statements include the governmental activities financial statements and the proprietary activities statements. The Fund Financial Statements can be found on pages 26 to 32.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. The Notes can be found on pages 33 to 61.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide financial

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 financial 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 financial 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 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

**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

those functions shown in the business-type activities in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The enterprise funds are reported using a full accrual basis. All revenues and expenses for the fiscal year are reported when earned and incurred regardless of when cash is received or paid. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Therefore, some revenues will result in cash flows in future fiscal years, and some expenses will result in cash outlays in future fiscal years.

Notes to Financial Statements

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

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 Supplementary Information

In addition to the basic financial statements, accompanying notes and required supplemental information, this report is followed by other information that 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, 2020, and September 30, 2019.

City of Farmington's Statement of Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	2019 Restated	2020	2019	2020	2019 Restated
Current Assets	\$ 9,966,308	\$ 9,419,300	\$ 15,971,412	\$ 15,364,896	\$ 25,937,720	\$ 24,784,196
Other Assets	-	-	1,699,289	1,914,459	1,699,289	1,914,459
Net Pension Asset	283,259	2,122,729	147,655	1,018,589	430,914	3,141,318
Capital Assets (Net)	40,720,393	38,894,757	52,333,542	54,221,814	93,053,935	93,116,571
Total Assets	<u>50,969,960</u>	<u>50,436,786</u>	<u>70,151,898</u>	<u>72,519,758</u>	<u>121,121,858</u>	<u>122,956,544</u>
Deferred Outflows	<u>1,313,695</u>	<u>400,161</u>	<u>684,789</u>	<u>154,110</u>	<u>1,998,484</u>	<u>554,271</u>
Current Liabilities	1,763,781	1,337,678	3,125,827	2,853,524	4,889,608	4,191,202
Noncurrent Liabilities	<u>7,241,427</u>	<u>7,129,089</u>	<u>6,650,234</u>	<u>8,676,145</u>	<u>13,891,661</u>	<u>15,805,234</u>
Total Liabilities	<u>9,005,208</u>	<u>8,466,767</u>	<u>9,776,061</u>	<u>11,529,669</u>	<u>18,781,269</u>	<u>19,996,436</u>
Deferred Inflows	<u>204,917</u>	<u>840,801</u>	<u>106,819</u>	<u>374,679</u>	<u>311,736</u>	<u>1,215,480</u>
Net Position:						
Net Investment in Capital Assets	33,644,729	32,093,757	46,006,958	46,183,388	79,651,687	78,277,145
Restricted	4,967,833	5,276,522	2,167,914	2,210,479	7,135,747	7,487,001
Unrestricted	<u>4,460,968</u>	<u>4,159,100</u>	<u>12,778,935</u>	<u>12,375,653</u>	<u>17,239,903</u>	<u>16,534,753</u>
Total Net Position	<u>\$ 43,073,530</u>	<u>\$ 41,529,379</u>	<u>\$ 60,953,807</u>	<u>\$ 60,769,520</u>	<u>\$ 104,027,337</u>	<u>\$ 102,298,899</u>

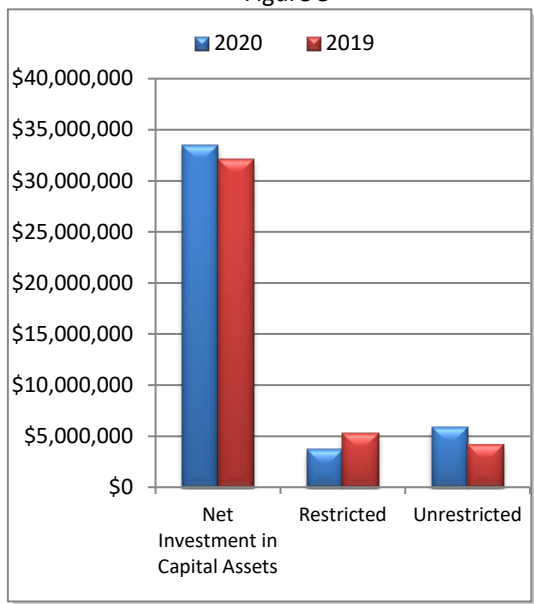
**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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 financial statement of net position reveals the following:

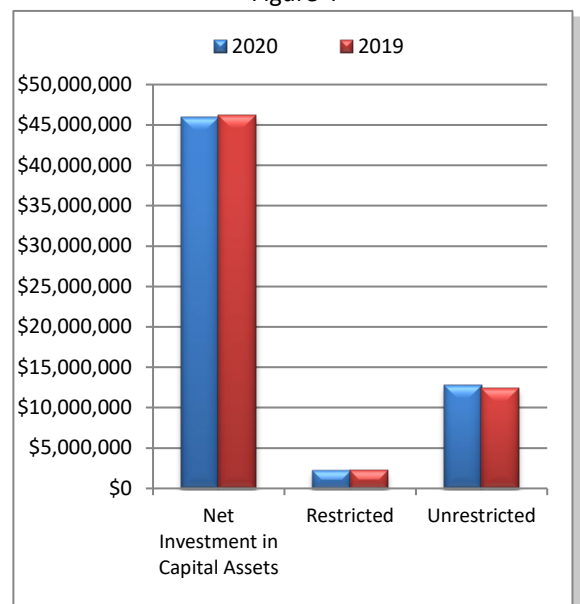
- At September 30, 2020, the combined assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$104,027,337. This equates to a 1.7%, or \$1,728,438, increase in combined net position as compared to September 30, 2019. This increase was the combination of an increase in governmental activities of \$1,544,151, 3.5%, and business-type activities of \$184,287, 0.4%.
- Comparatively, the City's net investment in capital assets was approximately 76.6% of the total net position, up from 76.5% in 2019. The City of Farmington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Farmington's investment in its capital assets is reported net of the outstanding related debt less project funds unspent as of September 30, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.
- Investment in capital assets (e.g., land, buildings, machinery, equipment, library collections) less any related debt still outstanding increased by \$1,374,542, or 1.8%. The City's governmental activities accounted for this full increase with a total increase of \$1,550,972. The business-type activities decrease of \$176,430 was comprised of the following changes: Civic Complex Fund decreased \$263,716, Airport Fund decreased \$330,180, Electric Fund increased \$48,708, Water Fund increased \$158,396, and Sewer Fund increased \$210,362.
- An additional portion of the City's net position 6.9%, \$7,135,747, represented resources that were subject to external restrictions on how they may be used. This consisted of \$4,967,833 for governmental activities and \$2,167,914 for business activities. The restricted amounts were for debt service, capital projects, tax increment finance districts, and pensions.
- The remaining balance of \$17,239,903, 16.5%, of the City's net position was unrestricted. This compared to \$16,534,753, or 16.2%, in the prior year. Of the unrestricted net position, approximately 26% was attributable to governmental type activities, and 74% 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, 2020, and September 30, 2019. (Figures 3 and 4).

Net Position Category
Governmental Activities
Figure 3



Net Position Category
Business-type Activities
Figure 4



CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Figure 5 shown below reflects the changes to the net position resulting from the City's activities for the years ended September 30, 2020, and September 30, 2019.

City of Farmington's Statement of Activities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for goods and services	\$ 411,999	\$ 523,029	\$ -	\$ -	\$ 411,999	\$ 523,029
Electric Charges	-	-	21,488,237	22,234,738	21,488,237	22,234,738
Water Charges	-	-	3,409,575	3,425,855	3,409,575	3,425,855
Sewer Charges	-	-	3,469,987	3,461,219	3,469,987	3,461,219
Airport Charges	-	-	217,318	276,842	217,318	276,842
Civic Complex	-	-	1,165,729	1,486,244	1,165,729	1,486,244
Operating grants and contributions	1,049,437	1,039,162	313,253	267,400	1,362,690	1,306,562
Capital grants and contributions	131,379	-	-	382,174	131,379	382,174
General revenues:						
Sales Taxes	9,267,353	8,626,940	-	-	9,267,353	8,626,940
Property Taxes	985,374	959,440	-	-	985,374	959,440
Gross Receipts, Utility, and Other Taxes	491,555	546,123	-	-	491,555	546,123
Transient Guest Tax (Hotel/Motel)	263,972	313,202	-	-	263,972	313,202
TIF Proceeds	1,269,006	1,042,471	-	-	1,269,006	1,042,471
Interest Income	58,550	148,390	139,565	292,036	198,115	440,426
Administrative Pilot Payment	1,416,650	1,454,774	-	-	1,416,650	1,454,774
Insurance Proceeds	34,326	27,902	9,276	72,770	43,602	100,672
Other Income	33,586	19,594	-	-	33,586	19,594
Gain on Sale of Capital Assets	20,253	21,425	-	-	20,253	21,425
Total Revenues	<u>15,433,440</u>	<u>14,722,452</u>	<u>30,212,940</u>	<u>31,899,278</u>	<u>45,646,380</u>	<u>46,621,730</u>
Expenses:						
General government	3,953,360	3,380,276	-	-	3,953,360	3,380,276
Public safety	4,577,897	4,746,183	-	-	4,577,897	4,746,183
Streets and Public Works	3,079,558	3,215,357	-	-	3,079,558	3,215,357
Cultural and recreation	1,457,047	1,485,386	-	-	1,457,047	1,485,386
Governmental Activities - Interest Expense	198,150	219,223	-	-	198,150	219,223
Electric	-	-	21,441,886	22,167,694	21,441,886	22,167,694
Water	-	-	2,752,939	2,924,885	2,752,939	2,924,885
Sewer	-	-	3,350,465	3,192,490	3,350,465	3,192,490
Airport	-	-	595,335	613,149	595,335	613,149
Civic Complex	-	-	2,511,305	2,619,243	2,511,305	2,619,243
Total Expenses	<u>13,266,012</u>	<u>13,046,425</u>	<u>30,651,930</u>	<u>31,517,461</u>	<u>43,917,942</u>	<u>44,563,886</u>
Change in net position before transfers	2,167,428	1,676,027	(438,990)	381,817	1,728,438	2,057,844
Transfers	(623,277)	491,554	623,277	(491,554)	-	-
Change in net position	<u>1,544,151</u>	<u>2,167,581</u>	<u>184,287</u>	<u>(109,737)</u>	<u>1,728,438</u>	<u>2,057,844</u>
Net Position, October 1	41,412,107	39,244,526	60,879,257	60,879,257	102,291,364	100,123,783
Prior Period Adjustment	117,272	-	-	-	117,272	-
Net Position, September 30	<u>\$ 43,073,530</u>	<u>\$ 41,412,107</u>	<u>\$ 61,063,544</u>	<u>\$ 60,769,520</u>	<u>\$ 104,137,074</u>	<u>\$ 102,181,627</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 decreased 2.1%, or \$975,350. Business-type activities accounted for this full decrease with a \$1,686,338 decrease in revenues offset by a \$710,988 increase in governmental activities revenue.

- Total expenses decreased by 1.4%, or \$645,944. This decrease is the net result of a decrease in business-type activities of \$865,531 and an increase in governmental activities of \$219,587.

Governmental Activities

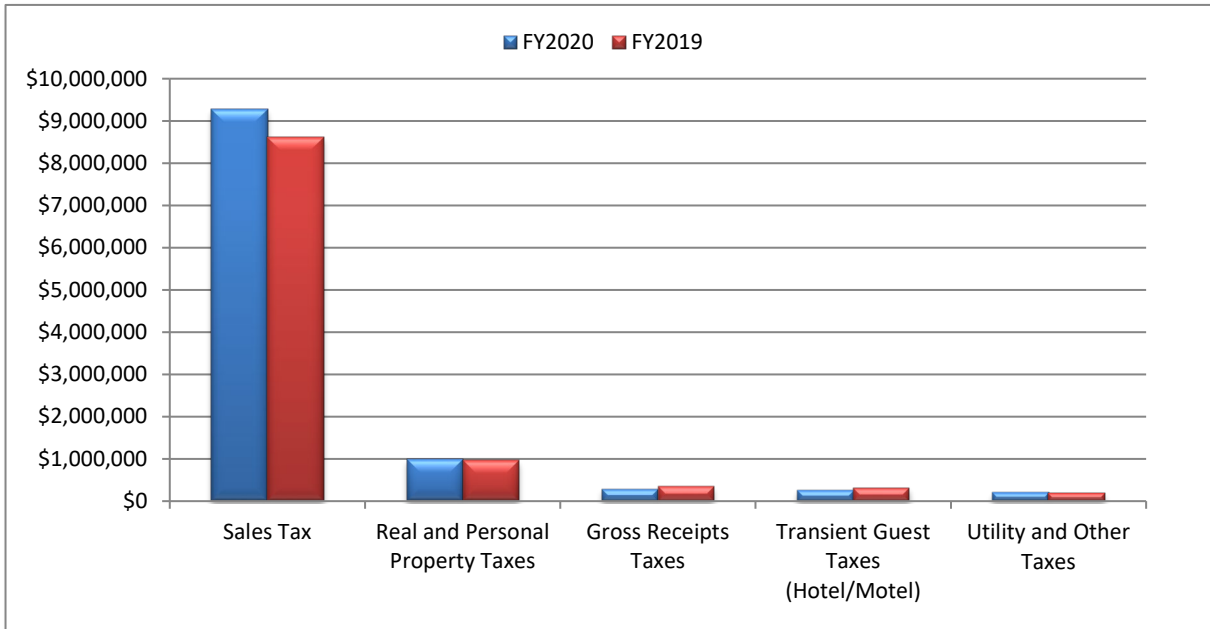
Governmental activities increased the City's net position by \$2,167,428 before transfers. Key elements of this change are as follows:

Revenue

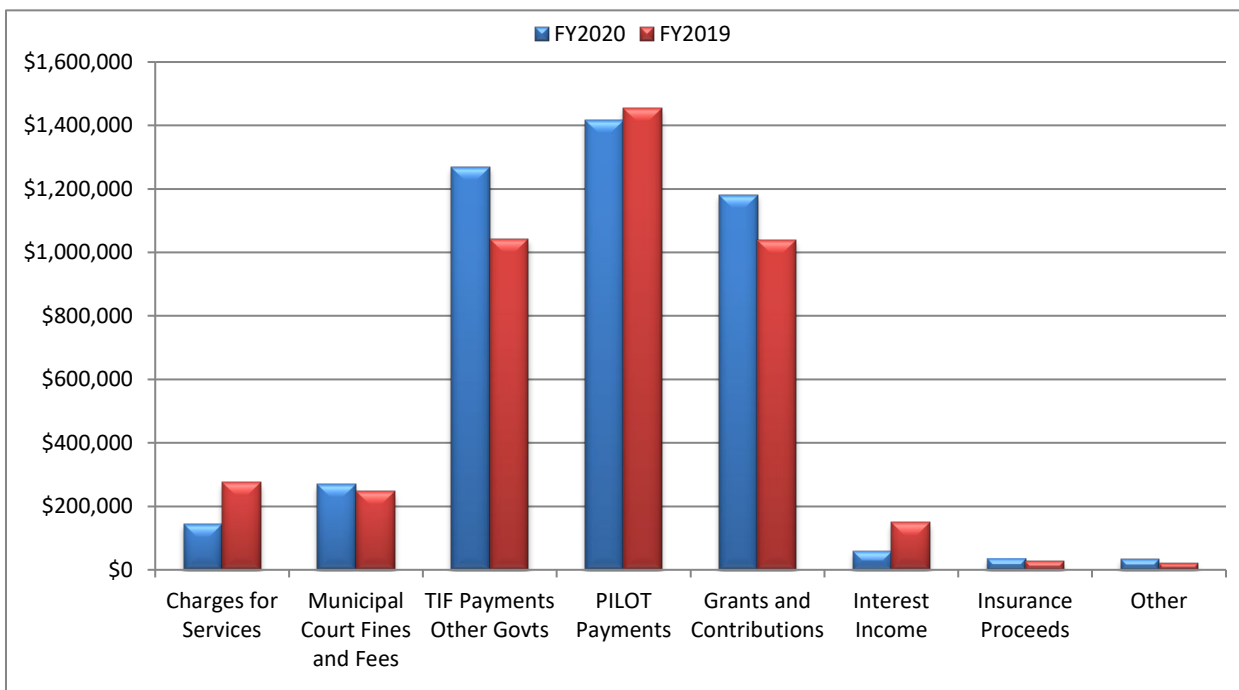
- Sales tax revenues grew with an increase of \$640,413, 7.4%. The Fiscal Year 2020 increase marked seven consecutive years of increased sales tax for the City (7.4%, 0.1%, 5.7%, 2.5%, 6.2%, 8.4%, and 6.6%). The City anticipates increases to continue as the economy grows, but to be on a smaller scale than experienced in the previous years.
- Other tax revenue changes for the City included:
 - A 2.7%, \$25,934, increase in property taxes, driven primarily by the allowable cost price index increase and new construction, (Prior year change: +3.5%, \$32,692);
 - A 17.4% decrease in gross receipts taxes, \$(61,016), was largely due to a decrease from one provider of the telecommunications and while the over-all decrease is indicative of changes seen in the industry in recent prior years the large decrease from a singular provider is being further explored, the (Prior year change: -14.3%, \$(58,674));
 - A 15.5% decrease in transient guest tax receipts, \$(49,230) primarily attributable to the effects of the COVID-19 pandemic. (Prior year change: +5.5%, \$16,378); and
 - A 3.3% increase in utility and other taxes combined, \$6,448, (Prior year change: -9.7%, \$(21,167)).
- Interest income decreased \$89,840 or 60.5% due to lower interest rates.
- Administrative pilot payments decreased \$38,124, -2.6% from 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 \$10,275, 1.0%, from the prior year to a total of \$1,049,437. Operating grants were received in the public safety area in the amount of \$170,502. This consisted of \$4,337 for hazardous moving vehicle enforcement efforts, \$97,135 from the Farmington R-7 School District as a cost-sharing contribution in support of the school resource officer program, \$34,000 from the St. Francois County 911 for support of the dispatch center which provides backup operations to the 911 communications center, \$3,914 for safety software, \$30,440 for the implementation of mobile, and \$676 in donations from various individuals in support of the Police Department. General governmental activities received a grant in the amount of \$226,587 for pass-thru to the Missouri Community College Association for the operation of the Jobs for Americas Graduates program, \$1,990 in CARES Act reimbursements, and \$500 in donations toward the operations of a day shelter for the homeless. Culture and recreation contributions in the amount of \$12,559 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 \$637,299.
- Changes in revenue from charges for services decreased \$111,030, 21.2%. The general government had a decrease of \$1,500 due to a decrease in rentals. Public safety realized a decrease of \$150,670 due to a decrease in Court fines collected attributable to the changes brought on by Missouri Senate Bill 5 and the effects of the COVID-19 pandemic. The streets and public works had a \$51,323 increase primarily attributable to an increase in storm water detention impact fee revenue. Culture and recreation realized a \$10,183 decrease attributable to a combination of decreases in league fees in the Parks Department and fines and services at the Library, both attributable to the effects of the COVID-19 pandemic.

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 219,587, or 1.7%, in governmental activities operating expenses (debt service principal and capital outlay not included). Changes by program area were:
 - A 16.9%, \$573,084, increase in general government, (Prior year change: -13.7%, \$(535,714));

- A 3.5%, \$168,286, decrease in public safety, (Prior year change: +13.1%, \$577.893);
- A 4.2%, \$135,799, decrease in streets and public works, (Prior year change: -0.1%, \$(1,410));
- A 1.9%, \$28,339, decrease in culture and recreation, (Prior year change: -2.3%, \$(34,966)); and
- A 9.6%, \$21,073, decrease in interest expense related to debt (Prior year change: -9.2%, \$(22,222)).
- Personnel related expenses as a whole for the governmental activities had a 0.4% net decrease, \$27,692. This is the net effect of a decrease in salaries and related payroll taxes in the amount of \$87,167, 1.7%, (increases in salaries and related taxes were offset by the transfer of the public safety dispatch operation to the St. Francois County 911 Central Dispatch for a net decrease in the category), an increase in benefit expenses of \$54,640, 4.7% due to a combination of premium increases and cost decreases due to the dispatch operations transfer, and a \$4,835, 2.6%, increase in other related employee expenses such as uniforms and contracted labor.
- Pension plan related expenses were \$367,832, a \$314,370 increase, 588%, from 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 in general government expenses of \$32,125 due to increased insurance premiums (16.5%),
 - An increase in general government expenses related to information technology equipment and supplies of \$40,921 (46%),
 - A net decrease of \$19,769 in grant expenditures related to the Missouri Community College Association pass-thru grant (\$108,339 increase) passed on submitted reimbursements and the Mineral Area Drug Task Force pass-thru grant (\$88,570 decrease) due to the transfer of the grant to St. Francois County,
 - An increase of \$37,520 in non-capital equipment related to the police department equipment for mobile ticketing implementation,
 - A decrease of \$42,088 in non-capital equipment related to the fire department based on a change in needs,
 - A decrease in fleet maintenance costs of \$38,009 based on required maintenance and repairs, and
 - A decrease in recycling center expense of \$34,058 due to discontinuing the recycling service.

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

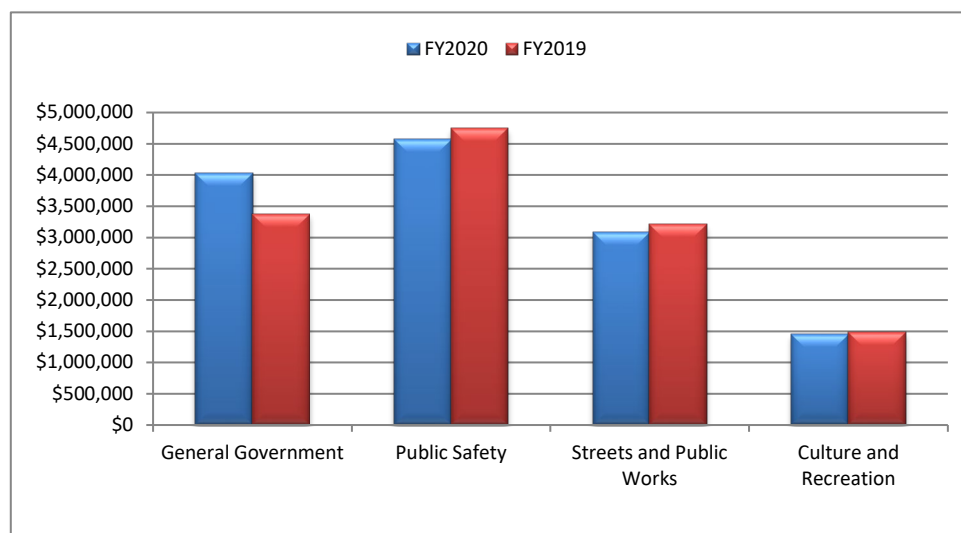
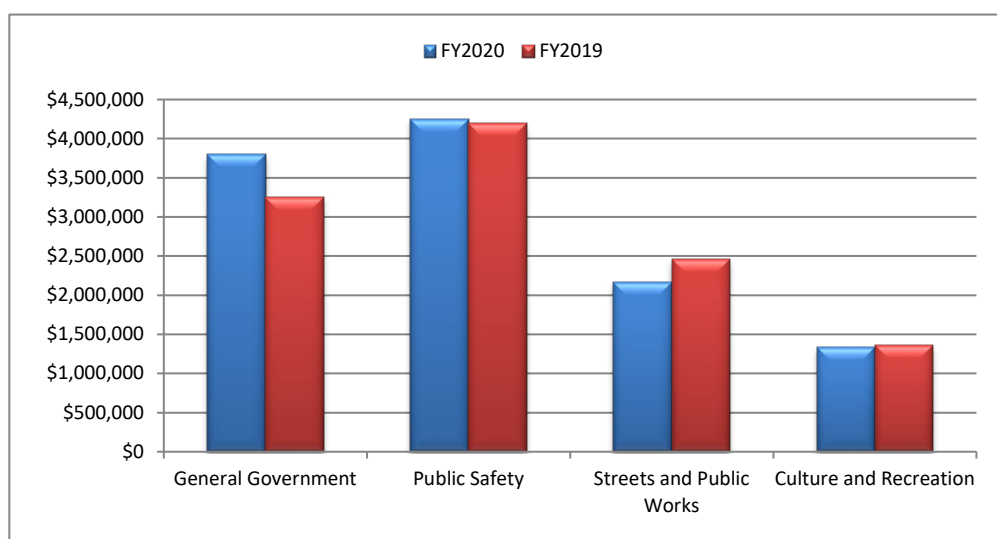


Figure 9 depicts the net cost of service for each activity area (*expenses - charges for service - grants and contributions*) for Fiscal Years ending September 30, 2020, and September 30, 2019.

Net Cost of Service Comparison
Figure 9



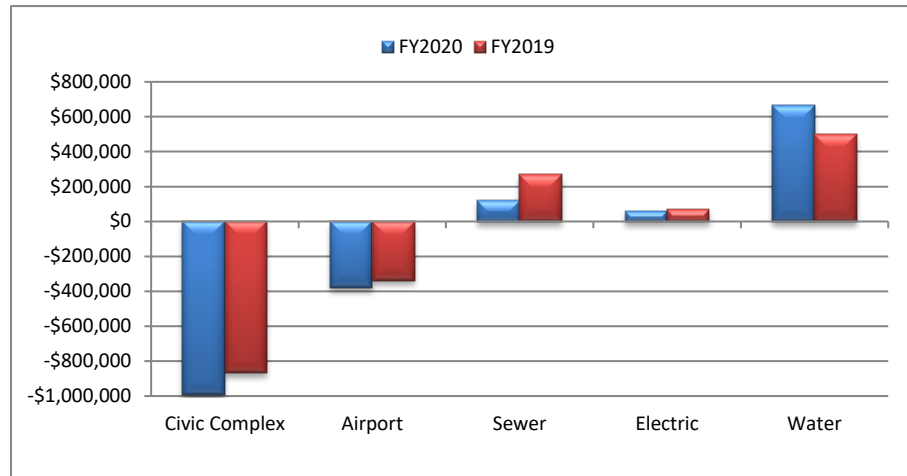
Business-type Activities

Business-type activities decreased the City of Farmington's net position by \$438,990 before transfers. Key elements of the changes were as follows:

- The Civic Complex Fund experienced a net loss before transfers of \$1,030,704. Fund program revenues realized a significant decrease of \$320,515, or 21.6% due to the effects on membership billings and attendance related to the COVID-19 pandemic. Fund operating expenses net of depreciation decreased by \$117,527, or 5.9%. Personnel related expenses decreased \$34,443, or 3.6%. The Civic Complex Fund encompasses the operation of the Civic Center, Centene Center, Water Park, Splash Pad, and Senior Center. An annual operating subsidy was transferred to the Civic Complex Fund from the Storm Water and Parks Tax Fund in the amount of \$95,000, as well as the General Fund in the amount of \$200,000, resulting in a total operations subsidy for the year ended September 30, 2020 of \$295,000. The fund received an additional transfer of \$365,277 from the Capital Projects Fund for the completion of needed capital improvements.
- The Airport Fund recorded a net loss of \$367,814 before transfers driven mostly by depreciation (\$330,180). Charges for goods and services had a decrease of \$59,524, or 21.5%, mostly due to decreases in fuel sales revenue attributable to a combination of a decrease in gallons of fuel sold as well as the price of fuel. Expenses net of depreciation decreased \$47,656, or 15.2%. This decrease is primarily the net effect of a decrease in engineering and fuel costs of goods sold offset by an increase in other equipment repair and maintenance which was due to a fuel pump communications upgrade, runway light repairs, and windsocks replacement.
- The Sewer Fund had a net gain of \$168,085 before transfers. Sewer charges for services increased \$8,768, 0.3% primarily due to an increase in consumption at the end of the fiscal year evidenced by an increase in the earnings not yet billed portion of the receivable. Sewer expenses net of depreciation increased by \$131,923, or 6.8%. Key components of this net increase included a \$20,376 increase in engineering costs, an increase of \$49,531 increase in chemical and lab supplies for the treatment plants, an increase of \$49,855 of inventory use expenses, a decrease of \$39,609 in debt service interest and fees due to lower principal balances, and an increase of \$16,028 in power purchased costs for operation of the treatment plants.
- The Electric Fund had a net gain of \$109,951 before transfers. The electric utility charges for goods and services decreased \$746,501, 3.4%, these decreases were primarily attributable to consumption decreases in large and small commercial accounts due to the effects of the COVID-19 pandemic. The electric utility expenses net of depreciation decreased \$747,333, 3.1%. The primary components of this net change included a decrease in personnel related expenditures of \$10,540 due to the net effect of pay and benefit costs increases offset by a decrease in overtime costs, a decrease in power purchased costs of \$463,593 due to decreased consumption and a decrease in wholesale power costs, and a \$287,838 decrease in electric service equipment and supply costs.
- The Water Fund had a net gain of \$681,492 before transfers. The water utility charges for goods and services decreased \$16,280, 0.5%, primarily attributable to decreases in consumption in large and small commercial accounts due to the effects of the COVID-19 pandemic offset by increases in residential and correctional facility consumption. Water utility expenses net of depreciation decreased \$172,414, 7.2%. Key components of this decrease included a \$211,262, 13.0%, decrease in system operating costs such as chemicals, supplies, and radionuclide treatment costs, and a \$12,220 increase in service equipment costs, a \$23,567 increase in equipment and small tools related costs.

Figure 10 depicts the change in net position before capital contributions and transfers for each enterprise activity for Fiscal Years ending September 30, 2020, and September 30, 2019.

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, 2020, was \$7,616,149, compared to \$7,560,604 in the prior year, a 0.7% increase. 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, 2020, the General Fund had a balance of \$4,456,978, of which \$3,014,018 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 26% of total General Fund expenditures (capital, debt, and transfers included) which was well within the range of 17% to 34% as established by the City's Reserve Policy. The General Fund has an additional \$1,112,000 assigned to contingency reserves to be utilized as defined in the reserve policy.

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, 2020, was \$0. Per policy, no minimum reserve balance 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, 2020, was \$1,387,858. The fund balance is restricted for capital projects. Per policy, no minimum reserve balance policy exists for this fund.

Transient Guest Tax Fund

The Transient Guest Tax Fund is used by the City to account for those tax revenues received from the transient tax charged on hotel/motel guests. The City contracts with the Farmington Tourism Bureau to provide marketing and promotion of the City with the funds generated by the transient guest tax. At September 30, 2020, the balance of the Transient Guest Tax Fund was \$0. Per policy, no minimum reserve 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, 2020, was \$1,079,531. A portion of the tax is designated in the budget each year to be transferred 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, 2020, 54% of the tax was transferred to the General Fund for the operations of parks with an additional 8% transferred to the Civic Complex Fund for operations of the Civic Center. Per policy, no minimum reserve 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, 2020, was \$294,738. The fund balance is restricted, and per policy, no minimum reserve 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, 2020, was \$60,953,807. The unrestricted portion of the total net position equaled \$12,778,935, a 3.3% increase from September 30, 2019. 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 \$10,603,471 at September 30, 2020, of which \$239,609 was unrestricted. This equates to 13% of operating expenses (depreciation and capital expenditures not included) in comparison to 16% at September 30, 2019. The Civic Complex Fund receives an annual subsidy transfer for the operations of the Civic Complex Fund. The subsidy transfer for year ended September 30, 2020, was \$295,000. The fund received an additional transfer of \$365,277 for capital projects.

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, and pilot's lounge with showers. The fund net position at September 30, 2020, was \$6,720,383. The amount that was unrestricted was \$223,252. This equates to 84% of operating expenses (depreciation and capital outlay not included) an amount equal to the percentage at September 30, 2019. While both the General Fund and Transportation Tax Fund are eligible for transferring funds in support of the airport operations, no transfers were made for the fiscal year ending September 30, 2020.

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, 2020, was \$17,736,174. There was \$969,516 unrestricted net position in the Sewer Fund. The unrestricted amount, which is available for sewer operations, equates to 47% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 53% at September 30, 2019.

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, 2020, was \$16,359,304. Of this amount, \$8,766,028 was unrestricted. The unrestricted amount equals 42% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 40% at September 30, 2019.

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, 2020, was \$9,534,475. Of this amount, \$2,580,530 was unrestricted. The unrestricted amount equals 116% of operating expenditures (depreciation, capital outlay, and debt principal payments not included) compared to 87% at September 30, 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the City revised the budget on two 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 and lease proceeds was decreased by \$219,100. Primary components of this decrease included:
 - A decrease of \$92,500 in grants and donations as a net effect of a decrease in the original amount anticipated in pass-thru grants under the Missouri Community College Association Jobs for America's Graduates program of \$175,000 and increases for anticipated CARES Act grant funds of \$50,000, public safety mobile ticketing grant of \$30,000, and an increase in library state aid of \$2,500;
 - A \$35,500 decrease due to decreases in court fines and costs;
 - A \$37,300 decrease in charges for services due primarily to a combination of decreases in program revenues in the parks department and library;
 - A \$55,200 increase in revenues generated by development related fees;
 - A \$14,000 decrease in interest income due to decreased rates;
 - A \$107,000 decrease in gross receipts taxes due to actual revenue being recognized during the year coming in less than original estimates continuing a downward trend in these receipts; and
 - Other various smaller adjustments in response to actual revenue trends at the time of the amendment.

An amount of \$1,545,000 lease proceeds was added for the purchase of an aerial fire apparatus.

- The General Fund expenditures budget, net of the aerial fire apparatus purchase and related debt, was decreased by \$324,500. Primary components of this increase included:
 - A \$63,000 increase in administration operating and technology costs;
 - A \$175,000 decrease in grant expenditures based on a reduction in reimbursement requests by pass-thru entities;
 - A \$60,000 increase for the establishment of a homeless day shelter;
 - A decrease of \$29,100 in public safety;
 - A \$97,500 decrease in streets and public works budgets due primarily to a decrease in fleet maintenance costs and the reclassification of drainage costs to the Storm Water and Parks fund; and
 - A \$145,900 decrease in culture and recreation expenditures.

A budgeted expense amount of \$1,545,000 was added for the purchase of an aerial fire apparatus as well as \$134,000 in debt service related to the apparatus.

**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

- General Fund transfers in from other funds had a \$188,000 increase consisting of \$17,000 in funds from the Special Allocation Fund for capital work being performed in the district, a \$134,000 from capital projects for aerial fire apparatus debt service payments, and \$37,000 from the water fund to increase the contingency reserve to the level defined by policy.
- General Fund transfers out to other funds had a \$179,000 increase. The primary component of this change was an increase in transfers to the Special Allocation Fund and District Municipal Fund due to increased sales within the development areas. Additional items included an increase of \$55,000 to the Civic Complex Fund for the operations subsidy, and \$15,000 to the Storm Water Parks Fund for expenditures related to storm water detention being covered by the impact fees.

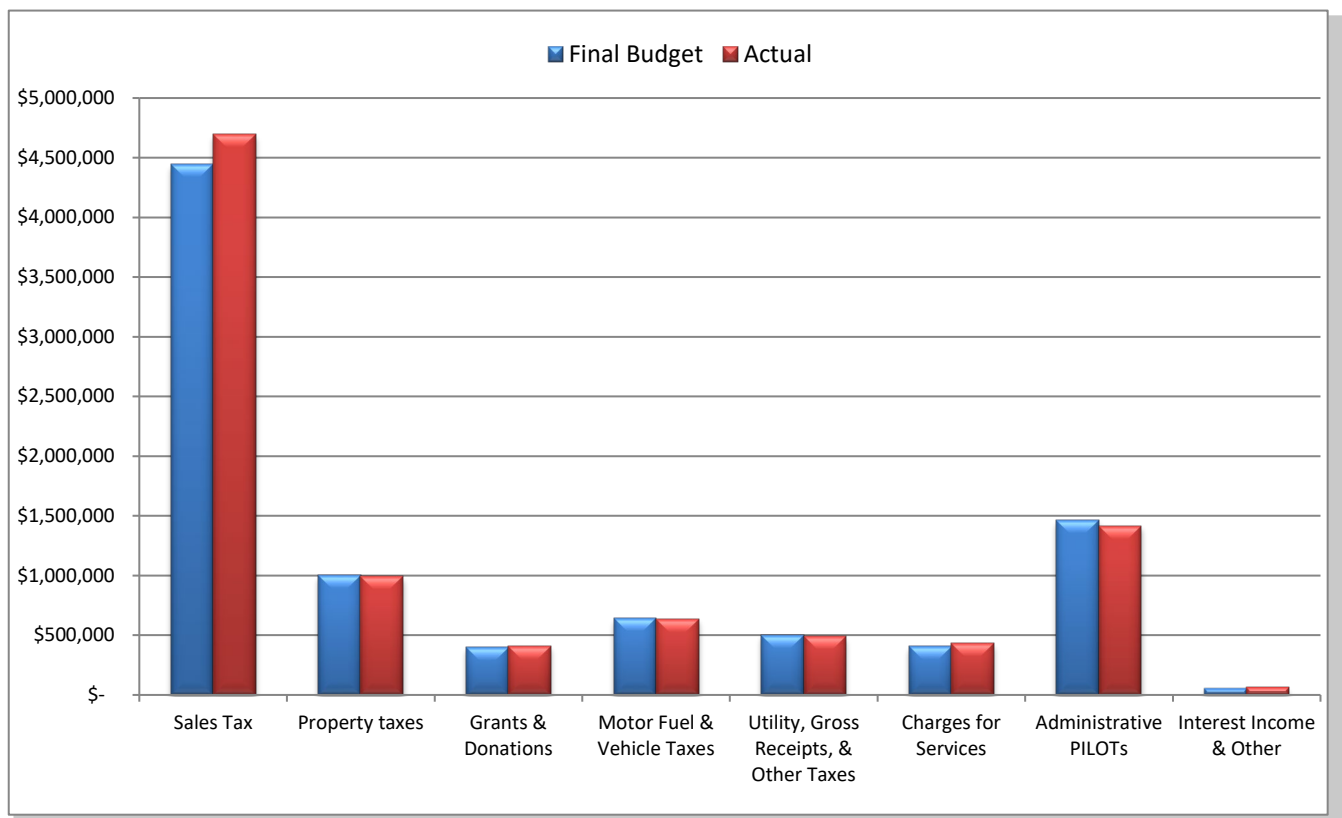
PERFORMANCE TO BUDGET - GENERAL FUND

Revenues

Actual revenues in the General Fund were \$232,129, or 2.2%, over budget. This variance consisted of the following major components:

- Actual sales tax revenues exceeded budget by \$250,563 due to increasing economic activity;
- Grants and donations were \$14,138 more than budgeted due to an increase in submission after the budget amendment was completed for the Missouri Community College Association pass-thru grant;
- Charges for services were \$23,473 over budget which is a combined effect of numerous smaller variances; and
- Actual utility payments in lieu of taxes was \$44,550 below budget due to decreased charges for services in the respective utilities.

General Fund Revenues
Final Budget versus Actual
Figure 11



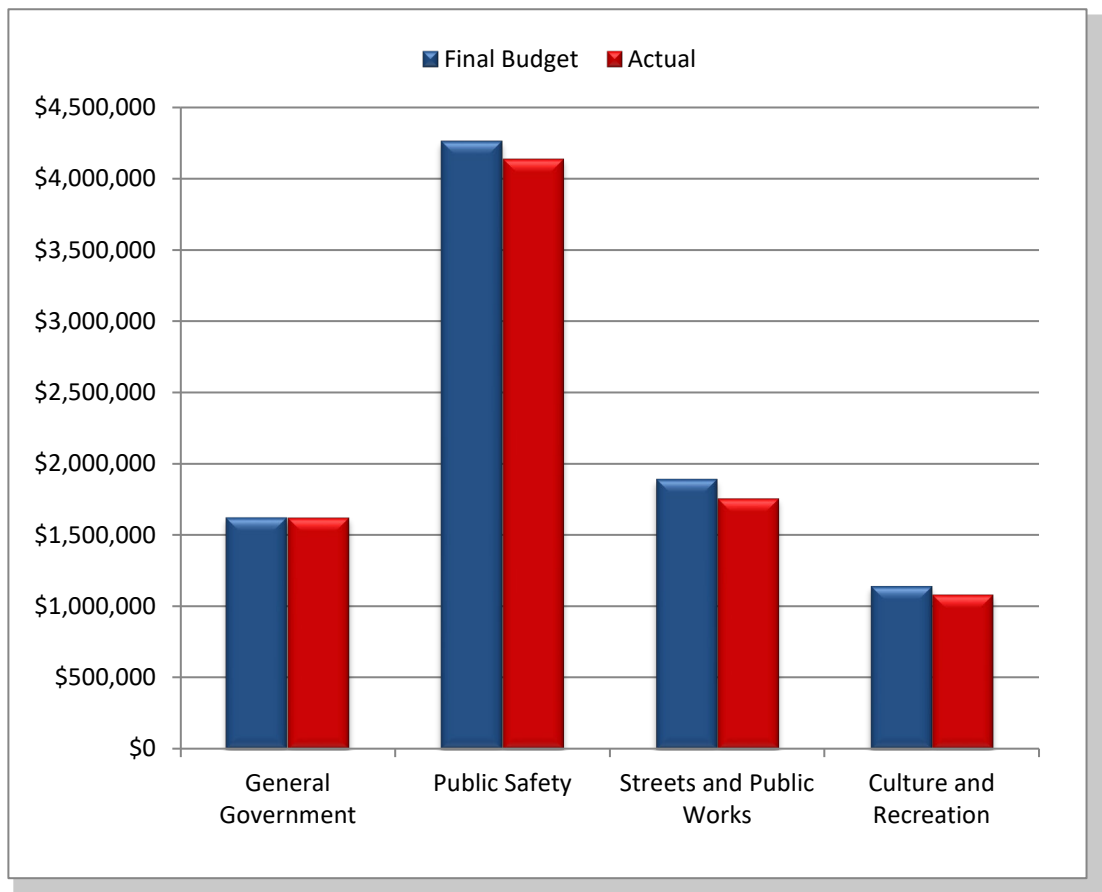
Expenditures

Actual expenditures of the General Fund were \$308,422, or approximately 2.8%, below budget. This variance consisted of the following by program area.

- The general government had a variance of \$1,043 below budget.
- The public safety function was \$123,991 below budgeted amounts. Primary components included \$74,469 of personnel related costs below budget, \$14,047 travel expenses below budget, and \$9,722 expenses below budget related to the emergency management system maintenance.
- The streets and public works activities were \$136,244 below budget. Primary components included personnel costs under budget in the amount of \$53,912 and expenses below budget in the amount of \$65,112 for system engineering and maintenance costs.
- The culture and recreation activity expenses were \$59,601 below budget. The two largest components of this included \$27,031 park system maintenance costs below budget and \$34,964 in library collection costs budgeted as an operating expense, but later reclassified as capital.
- The balance of the variance consisted of expenses over budget in the amount of \$12,515 related to capital expenditures and \$58 under budget for costs related to debt service.

Actual to budget reviews are completed on a monthly basis. Based on this monitoring, some hiring, projects, or purchases may be postponed to later in the budget year or into a future budget year when practicable. 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



**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

CAPITAL ASSET ACTIVITY

The City's capital assets less accumulated depreciation as of September 30, 2020, totaled \$93,053,935. These assets included buildings, roads and bridges, land, machinery and equipment, park facilities, library collections, easements, and vehicles. This was a \$62,636, or 0.1%, decrease from 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	
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated
Land and Land Improvements	\$ 2,850,211	\$ 2,835,280	\$ 1,492,181	\$ 1,492,181	\$ 4,342,392	\$ 4,327,461
Buildings and System	14,956,982	14,908,183	22,041,274	21,872,531	36,998,256	36,780,714
Equipment, Furniture, Collections, and Vehicles	9,810,035	9,442,723	4,557,815	4,479,629	14,367,850	13,922,352
Infrastructure	37,704,602	36,066,218	67,915,382	67,272,798	105,619,984	103,339,016
Intangible Assets	-	-	181,231	181,231	181,231	181,231
Construction in Progress	2,063,079	-	401,847	-	2,464,926	-
Total	67,384,909	63,252,404	96,589,730	95,298,370	163,974,639	158,550,774
Less - Accumulated Depreciation	26,664,516	24,357,647	44,256,188	41,076,556	70,920,704	65,434,203
Total	<u>\$ 40,720,393</u>	<u>\$ 38,894,757</u>	<u>\$ 52,333,542</u>	<u>\$ 54,221,814</u>	<u>\$ 93,053,935</u>	<u>\$ 93,116,571</u>

Major capital asset transactions during the year included the following:

Governmental Funds

In the governmental funds, a total of \$4,151,791 in new assets was added and a total of \$19,286 in assets was disposed for the year ended September 30, 2020. These changes were comprised of:

- General government asset additions of \$62,709 for the Uplift Center, a homeless day shelter;
- Public safety asset additions in the amount of \$168,501 for four new police vehicles and \$1,543,404 of assets in process (aerial fire apparatus);
- Culture and recreation asset additions of \$34,964 for the library book collection;
- Streets and public works asset increases in the amount of \$2,342,213 which included a dump truck in the amount of \$149,937, land for storm water detention basins in the amount of \$9,217, infrastructure improvements in the amount of \$1,638,384, \$519,675 of infrastructure type projects in process, and a donated asset in the amount of \$25,000 for a detention basin; and
- Disposal of streets and public works assets consisting of land originally purchased for a detention basin with a book value of \$19,286.

Proprietary Funds

In the proprietary funds, a total of \$1,291,360 in assets was added and no assets were disposed during the year ended September 30, 2020. These changes to the proprietary capital assets were comprised of:

- Civic Complex Fund asset additions in the amount of \$194,976, which included facility improvements in the amount of \$140,210, lighting dimmer controls in the amount of \$38,920, and water park improvements in process in the amount of \$15,846;
- Sewer Fund asset additions in the amount of \$283,988 of sewer main improvements;
- Electric Fund asset additions in the amount of \$624,378 consisting of \$28,533 in warehouse improvements, \$209,844 for vehicles and system monitoring equipment, and \$386,001 of assets in process for the distribution and connectivity infrastructure; and
- Water Fund asset additions in the amount of \$188,018 for water main improvements.

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

**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

LONG-TERM DEBT

The City of Farmington's total debt decreased by \$1,668,839, 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	
Revenue bonds	\$ -	\$ -	\$ 360,000	\$ 710,000	\$ 360,000	\$ 710,000
Due to State of Missouri	-	-	252,000	497,000	252,000	497,000
Certificates of Participation	3,680,000	4,550,000	5,555,000	6,690,000	9,235,000	11,240,000
Capital Leases	3,395,664	2,251,000	331,549	545,052	3,727,213	2,796,052
Total	<u>\$ 7,075,664</u>	<u>\$ 6,801,000</u>	<u>\$ 6,498,549</u>	<u>\$ 8,442,052</u>	<u>\$ 13,574,213</u>	<u>\$ 15,243,052</u>

The City issued new debt for the purchase of a fire aerial apparatus in the amount of \$1,543,404 in the fiscal year ending September 30, 2020.

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 2019 was \$253,275,532, resulting in a legal general obligation debt margin for the City of Farmington of \$50,655,106, 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. The year ended September 30, 2020, showed an increase in sales tax of 7.4%. This marks seven years of increasing sales tax for the City (0.1%, 5.7%, 2.5%, 6.2%, 8.4% and 6.6%). Based on development in the area and economic growth, the City anticipates that the market will remain strong with some growth. However, a somewhat slower rate of increase is

anticipated versus what was seen in the previous years. Therefore, the City remains conservative in its budgeted growth and expenditures for the ensuing fiscal year.

Property Tax. Property tax assessment for the upcoming fiscal year is increasing from \$0.4034 to \$0.4075 per \$100 of assessed valuation due to increases in the assessed valuation due to reassessments. The reassessments and 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 2020, was \$254,839,768 compared to \$253,275,532 the prior year. Included in the October 2020 valuation is \$3,303,970 of real property new construction.

Unemployment. As of October 2020, the Farmington Micropolitan Area was experiencing an unemployment rate of 4.3% according to the U. S. Census Bureau, U. S. Bureau of Labor Statistics. 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 an approximate 10% decrease due to expiring power purchase agreements and changes in the energy resource mix. During Fiscal Year 2019, the City experienced a 2% increase in wholesale power rates. The electric rate code includes a purchase power adjustment factor. The adjustment is applied to the billing when a three-month rolling average of the power cost is either in excess of 104% of the base power cost estimated for the Fiscal Year or is below 93% of the base power cost estimated. This adjustment helps protect the utility against significant losses because of increased wholesale rates due to unplanned outages and other economic issues, as well as providing an avenue to credit customers when power rate decreases are realized during the Fiscal Year. The Environmental Protection Agency continues to propose legislation and regulations that may negatively impact future forecasts. Continued monitoring of the situation and power costs will be necessary.

Business Environment. During Fiscal Year 2020, the local retail market was increasingly impacted by online retail sales which may impede retail sales tax growth in future years if not result in actual declines. The City continued to see new retail stores and restaurants locate in Farmington. The local economy is expected to remain stable, however policy makers should take a conservative outlook on future operating and capital decisions that would increase costs for the City. Employment levels are expected to remain stable, while medical services available are anticipated to expand with emphasis on long term care facilities.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2021

The Fiscal Year 2021 budget is structured to maintain and support municipal operations at a service level consistent with current and past operations. The City will employ 139 full-time employees at the start of the budget year. In addition to full-time staff, the City utilizes many part-time and seasonal workers. The budget includes funding of step advancements in the employee pay and classification plan. Overall, personnel expenses are budgeted to increase 8.6% over the year ending September 30, 2020.

Governmental Activities

Revenues in the governmental funds (net of transfers and lease proceeds) are conservatively budgeted to increase over Fiscal Year 2020 actuals by 0.8% to approximately \$15.4 million. Major components of this include transfers from the Electric, Water and Sewer funds to cover administrative costs allocation as well as a five percent (5%) payment in lieu of taxes from the Electric, Water, and Sewer Funds to the General Fund is budgeted. A sixty percent (60%) transfer from the Storm Water Parks Tax is budgeted for expenses in parks operations.

**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

General Fund operating and personnel expenditures combined (debt and capital not included) are expected to rise a total of 6.4% over Fiscal Year 2020 actuals to \$9.2 million. Governmental funds capital investment is budgeted at approximately \$2.8 million, an increase of 44% over Fiscal Year 2020 actuals. Over-all debt balance for governmental activities is budgeted to decrease to approximately \$5.8 million, a \$1.5 million (18%) decrease.

Business-type Activities

Overall revenues in the proprietary funds are budgeted to increase to \$30.9 million, a 4% increase over Fiscal Year 2020 actuals. The Civic Complex Fund revenues are budgeted to increase in relation to the prior year actual of \$1.2 million to an amount of \$1.8 million (Fiscal Year 2020 included two months with no membership billing due to the COVID-19 pandemic). Total Airport Fund revenues net of grant proceeds are expected to increase to \$342,900. Additional grant income of \$90,000 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 City has utilized a slight increase in consumption estimates for the utilities anticipating less impact from the COVID-19 pandemic. The Sewer Fund is budgeted to have a 3.5% increase to \$3.6 million. The Electric Fund revenue is budgeted to remain stable at \$21.6 million, a 0.7% increase. The Water Fund is budgeted to have a 2.0% increase to \$3.5 million.

Budgeted expenditures (debt and capital not included) in the Civic Complex Fund are expected to increase from the Fiscal Year 2020 actual of \$1.8 million to \$2.2 million. Budgeted operating expenditures in the Airport Fund are expected to increase from the Fiscal Year 2020 actual of \$267,006 to \$357,600. Sewer Fund expenditures (debt service not included) are budgeted to increase approximately 8% over the prior year actual to \$2.2 million due to a combination of increased personnel and operating costs. Budgeted expenditures in the Electric Fund are expected to increase approximately 3.8% over the prior year actual to \$21.6 million. Water Fund expenditures are budgeted to increase from the prior year actual of \$2.2 million to \$2.7 million. Primary components of this increase include an increase in personnel costs and an increase in service supplies for meter replacements and radionuclide treatment costs. Debt as of September 30, 2021, is budgeted to be \$152,991 in the Civic Complex Fund and \$4,025,900 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, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 7,431,341	\$ 10,312,768	\$ 17,744,109
Receivables (Net)	2,441,673	3,505,655	5,947,328
Prepaid Items	93,294	257,169	350,463
Inventory	-	1,895,820	1,895,820
Restricted Assets:			
Investments	-	1,699,289	1,699,289
Capital Assets (Net):			
Non Depreciable	4,463,386	2,075,259	6,538,645
Depreciable	36,257,007	50,258,283	86,515,290
Net Pension Asset	283,259	147,655	430,914
TOTAL ASSETS	50,969,960	70,151,898	121,121,858
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension Related	1,313,695	684,789	1,998,484
<u>LIABILITIES</u>			
Accounts Payable	1,224,116	2,052,180	3,276,296
Accrued Salaries	144,950	71,499	216,449
Accrued Interest	50,308	64,215	114,523
Taxes Payable	10,600	90,391	100,991
Protested Taxes	180,029	-	180,029
Builder's Deposits	-	24,429	24,429
Civic Center Facility Use Deposits	-	1,946	1,946
Customer Deposits Payable	-	480,399	480,399
Other Payable	153,778	340,768	494,546
Noncurrent Liabilities:			
Due within one year	1,604,929	2,592,208	4,197,137
Due within more than one year	5,636,498	4,058,026	9,694,524
TOTAL LIABILITIES	9,005,208	9,776,061	18,781,269
<u>DEFERRED INFLOW OF RESOURCES</u>			
Pension Related	204,917	106,819	311,736
<u>NET POSITION</u>			
Net Investment in Capital Assets	33,644,729	46,006,958	79,651,687
Restricted for:			
Debt Service	-	1,442,289	1,442,289
Capital Projects	2,762,127	-	2,762,127
Tax Increment Finance District Projects	813,669	-	813,669
Pension	1,392,037	725,625	2,117,662
Unrestricted	4,460,968	12,778,935	17,239,903
TOTAL NET POSITION	\$ 43,073,530	\$ 60,953,807	\$ 104,027,337

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

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	\$ 3,953,360	\$ 8,200	\$ -	\$ 229,077	\$ (3,716,083)	\$ -	\$ (3,716,083)
Public Safety	4,577,897	157,301	-	170,502	(4,250,094)	-	(4,250,094)
Streets and Public Works	3,079,558	143,351	131,379	637,299	(2,167,529)	-	(2,167,529)
Culture and Recreation	1,457,047	103,147	-	12,559	(1,341,341)	-	(1,341,341)
Interest on Long-term Debt	198,150	-	-	-	(198,150)	-	(198,150)
Total Governmental Activities	<u>13,266,012</u>	<u>411,999</u>	<u>131,379</u>	<u>1,049,437</u>	<u>(11,673,197)</u>	<u>-</u>	<u>(11,673,197)</u>
Business-type Activities:							
Civic Complex	2,511,305	1,165,729	-	313,208	-	(1,032,368)	(1,032,368)
Airport	595,335	217,318	-	45	-	(377,972)	(377,972)
Sewer	3,350,465	3,469,987	-	-	-	119,522	119,522
Electric	21,441,886	21,488,237	-	-	-	46,351	46,351
Water	2,752,939	3,409,575	-	-	-	656,636	656,636
Total Business-type Activities	<u>30,651,930</u>	<u>29,750,846</u>	<u>-</u>	<u>313,253</u>	<u>-</u>	<u>(587,831)</u>	<u>(587,831)</u>
Total City Functions/Programs	<u>\$ 43,917,942</u>	<u>\$ 30,162,845</u>	<u>\$ 131,379</u>	<u>\$ 1,362,690</u>	<u>(11,673,197)</u>	<u>(587,831)</u>	<u>(12,261,028)</u>
General Revenues:							
Taxes							
Sales Taxes					9,267,353	-	9,267,353
Real and Personal Property Taxes					985,374	-	985,374
Gross Receipts Taxes					289,354	-	289,354
Transient Guest Tax (Hotel/Motel)					263,972	-	263,972
Utility and Other Taxes					202,201	-	202,201
TIF Proceeds					1,269,006	-	1,269,006
Administrative Pilot Payment					1,416,650	-	1,416,650
Interest Income					58,550	139,565	198,115
Insurance Proceeds					34,326	9,276	43,602
Other					33,586	-	33,586
Gain on Sale of Capital Assets					20,253	-	20,253
Transfers					(623,277)	623,277	-
Total General Revenues and Transfers					<u>13,217,348</u>	<u>772,118</u>	<u>13,989,466</u>
Change in Net Position for the Year					1,544,151	184,287	1,728,438
Net Position - September 30, 2019					<u>41,412,107</u>	<u>60,769,520</u>	<u>102,181,627</u>
Prior Period Adjustment					<u>117,272</u>	<u>-</u>	<u>117,272</u>
Net Position - September 30, 2020					<u>\$ 43,073,530</u>	<u>\$ 60,953,807</u>	<u>\$ 104,027,337</u>

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

CITY OF FARMINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2020

	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	\$ 4,029,955	\$ -	\$ 1,085,640	\$ 422,469	\$ 1,045,191	\$ 550,142	\$ 297,944	\$ 7,431,341
Accounts Receivable (net)	1,257,987	-	355,786	36,956	177,892	177,892	435,160	2,441,673
Prepaid Items	93,294	-	-	-	-	-	-	93,294
Due From Other Funds	-	-	-	-	-	-	195,716	195,716
TOTAL ASSETS	\$ 5,381,236	\$ -	\$ 1,441,426	\$ 459,425	\$ 1,223,083	\$ 728,034	\$ 928,820	\$ 10,162,024
<u>LIABILITIES</u>								
Accounts Payable	\$ 121,672	\$ -	\$ -	\$ 459,425	\$ 126,062	\$ 401,806	\$ 115,151	\$ 1,224,116
Accrued Salaries	144,950	-	-	-	-	-	-	144,950
Taxes Payable	10,600	-	-	-	-	-	-	10,600
Protested Taxes	180,029	-	-	-	-	-	-	180,029
Due to Other Funds	107,168	-	53,568	-	17,490	17,490	-	195,716
Other Liabilities	139,778	-	-	-	-	14,000	-	153,778
Total Liabilities	704,197	-	53,568	459,425	143,552	433,296	115,151	1,909,189
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable Revenue - Court and Property Taxes	220,061	-	-	-	-	-	-	220,061
Unavailable Revenue - Tax Increment District Payments	-	-	-	-	-	-	416,625	416,625
Total Deferred Inflows of Resources	220,061	-	-	-	-	-	416,625	636,686
<u>FUND BALANCE</u>								
Nonspendable								
Prepays	93,294	-	-	-	-	-	-	93,294
Restricted								
Capital Projects	-	-	1,387,858	-	1,079,531	294,738	-	2,762,127
Karsch - Downtown TIF District	-	-	-	-	-	-	397,044	397,044
Committed								
Acquisition/Improvement of Public Spaces	53,022	-	-	-	-	-	-	53,022
Assigned								
Contingency Reserves	1,112,000	-	-	-	-	-	-	1,112,000
Other Purposes	16,103	-	-	-	-	-	-	16,103
Storm Water Improvements	115,474	-	-	-	-	-	-	115,474
Wilson Rozier Ballpark	53,067	-	-	-	-	-	-	53,067
Unassigned	3,014,018	-	-	-	-	-	-	3,014,018
Total Fund Balances	4,456,978	-	1,387,858	-	1,079,531	294,738	397,044	7,616,149
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 5,381,236	\$ -	\$ 1,441,426	\$ 459,425	\$ 1,223,083	\$ 728,034	\$ 928,820	\$ 10,162,024

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, 2020

Total Fund Balances - Governmental Funds	\$	7,616,149
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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	283,259		
Deferred Outflows	1,313,695		
Deferred Inflows	<u>(204,917)</u>		
			1,392,037

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

Governmental capital assets	67,384,909		
Less - Accumulated depreciation	<u>(26,664,516)</u>		
			40,720,393

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	(165,763)		
Leases Payable	(7,075,664)		
Accrued Interest Payable	<u>(50,308)</u>		
			(7,291,735)

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>636,686</u>
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Net Position of Governmental Activities	\$	<u><u>43,073,530</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended September 30, 2020

	Major Funds							Total
	General Fund	Debt Service Fund	Capital Projects Fund	Transient Guest Tax Fund	Storm Water and Parks Tax Fund	Transportation Tax Fund	Nonmajor Funds	Governmental Funds
REVENUES								
Sales Tax	\$ 4,694,763	\$ -	\$ 2,286,286	\$ -	\$ 1,143,152	\$ 1,143,152	\$ -	\$ 9,267,353
Real and Personal Property Tax	990,705	-	-	-	-	-	-	990,705
Grants and Donations	412,138	-	-	-	-	106,379	-	518,517
Motor Fuel and Vehicle Tax	637,299	-	-	-	-	-	-	637,299
Utility, Gross Receipts and Other Taxes	491,555	-	-	-	-	-	-	491,555
Charges for Services	268,290	-	-	-	-	-	-	268,290
Municipal Court Fines and Fees	162,683	-	-	-	-	-	-	162,683
Transient Guest (Hotel/Motel) Tax	-	-	-	263,972	-	-	-	263,972
Interest Income	28,460	1,009	16,687	2,310	6,532	1,941	1,611	58,550
TIF Proceeds From Other Governments	-	-	-	-	-	-	1,188,041	1,188,041
Administrative Pilot Payment	1,416,650	-	-	-	-	-	-	1,416,650
Other	33,586	-	-	-	-	-	-	33,586
Total Operating Revenues	9,136,129	1,009	2,302,973	266,282	1,149,684	1,251,472	1,189,652	15,297,201
EXPENDITURES								
General Government								
Administration	1,623,657	-	-	-	-	-	1,723,672	3,347,329
Tourism	-	-	-	266,282	-	-	-	266,282
Public Safety								
Police	2,675,396	-	-	-	-	-	-	2,675,396
Municipal Court	96,621	-	-	-	-	-	-	96,621
Fire	1,366,792	-	-	-	-	-	-	1,366,792
Streets and Public Works								
Street	870,188	-	-	-	-	-	-	870,188
Public Works	359,916	-	-	-	38,492	-	-	398,408
Maintenance	527,752	-	-	-	-	-	-	527,752
Culture and Recreation								
Park	705,116	-	-	-	-	-	-	705,116
Library	379,383	-	-	-	-	-	-	379,383
Capital Outlay	1,959,515	-	-	-	323,151	1,693,900	150,225	4,126,791
Debt Service - Interest	8,202	198,648	-	-	-	-	-	206,850
Debt Service - Principal	125,740	1,143,000	-	-	-	-	-	1,268,740
Total Expenditures	10,698,278	1,341,648	-	266,282	361,643	1,693,900	1,873,897	16,235,648
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,562,149)	(1,340,639)	2,302,973	-	788,041	(442,428)	(684,245)	(938,447)
OTHER FINANCING SOURCES (USES)								
Proceeds from capital lease	1,543,404	-	-	-	-	-	-	1,543,404
Transfer In	1,100,197	1,340,639	-	-	91,057	622,074	1,256,369	4,410,336
Transfer Out	(960,631)	-	(2,632,423)	-	(837,149)	(126,117)	(477,293)	(5,033,613)
Sale of Capital Asset	-	-	-	-	39,539	-	-	39,539
Insurance Proceeds	34,326	-	-	-	-	-	-	34,326
Total Other Financing Sources and Uses	1,717,296	1,340,639	(2,632,423)	-	(706,553)	495,957	779,076	993,992
NET CHANGE IN FUND BALANCES	155,147	-	(329,450)	-	81,488	53,529	94,831	55,545
FUND BALANCES - SEPTEMBER 30, 2019	4,301,831	-	1,717,308	-	998,043	241,209	302,213	7,560,604
FUND BALANCES - SEPTEMBER 30, 2020	\$ 4,456,978	\$ -	\$ 1,387,858	\$ -	\$ 1,079,531	\$ 294,738	\$ 397,044	\$ 7,616,149

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, 2020

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	\$ 55,545
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the Statement of Activities.	
Capital Additions (Outlay + Trade Proceeds)	4,126,791
Capital Contribution	25,000
Depreciation	(2,306,869)
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	(19,286)
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	56,660
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	1,268,740
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 financials statements.	(1,543,404)
In the Government-wide Statement of Activities, compensated absences are accrued whereas in the Governmental Funds, an expenditure is reported when due and matured.	
Change in compensated absences	162,326
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	8,700
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	(290,052)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities	\$ 1,544,151

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	Civic Complex Fund	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
<u>ASSETS</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 260,632	\$ 194,006	\$ 660,332	\$ 7,230,187	\$ 1,967,611	\$ 10,312,768
Accounts Receivable	50,061	20,501	438,331	2,579,924	416,838	3,505,655
Prepays	10,784	1,489	11,977	218,682	14,237	257,169
Inventory	-	38,542	85,398	1,467,771	304,109	1,895,820
Total Current	<u>321,477</u>	<u>254,538</u>	<u>1,196,038</u>	<u>11,496,564</u>	<u>2,702,795</u>	<u>15,971,412</u>
Noncurrent Assets:						
Restricted Assets:						
Investments	-	-	1,212,310	5,000	481,979	1,699,289
Capital Assets (Net of Accumulated Depreciation)	10,579,475	6,482,963	20,671,259	7,309,774	7,290,071	52,333,542
Net Pension Asset	23,591	2,883	41,740	57,689	21,752	147,655
Total Noncurrent Assets	<u>10,603,066</u>	<u>6,485,846</u>	<u>21,925,309</u>	<u>7,372,463</u>	<u>7,793,802</u>	<u>54,180,486</u>
Total Assets	<u>10,924,543</u>	<u>6,740,384</u>	<u>23,121,347</u>	<u>18,869,027</u>	<u>10,496,597</u>	<u>70,151,898</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>						
Pension Related	109,412	13,371	193,580	267,547	100,879	684,789
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>11,033,955</u>	<u>6,753,755</u>	<u>23,314,927</u>	<u>19,136,574</u>	<u>10,597,476</u>	<u>70,836,687</u>
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts Payable	39,914	27,973	67,847	1,846,079	70,367	2,052,180
Accrued Salaries and Accrued Vacation	28,420	1,827	37,599	56,299	19,004	143,149
Accrued Interest	-	-	49,569	-	14,646	64,215
Taxes Payable	2,152	140	2,843	76,098	9,158	90,391
Builder's Deposits	-	-	-	24,429	-	24,429
Civic Center Facility Use Deposits	1,946	-	-	-	-	1,946
Other Liabilities	9,436	1,346	68,664	252,232	9,090	340,768
Current Portion of Long-term Debt	178,558	-	1,417,000	-	925,000	2,520,558
Total	<u>260,426</u>	<u>31,286</u>	<u>1,643,522</u>	<u>2,255,137</u>	<u>1,047,265</u>	<u>5,237,636</u>
Noncurrent Liabilities:						
Customer Deposits Payable	-	-	-	480,399	-	480,399
Due to State of Missouri - State Revolving Fund	-	-	252,000	-	-	252,000
Revenue Bonds Payable	-	-	360,000	-	-	360,000
Capital Leases Payable	331,549	-	4,710,035	-	925,000	5,966,584
Less - Current Maturities	(178,558)	-	(1,417,000)	-	(925,000)	(2,520,558)
Total Noncurrent Liabilities	<u>152,991</u>	<u>-</u>	<u>3,905,035</u>	<u>480,399</u>	<u>-</u>	<u>4,538,425</u>
Total Liabilities	<u>413,417</u>	<u>31,286</u>	<u>5,548,557</u>	<u>2,735,536</u>	<u>1,047,265</u>	<u>9,776,061</u>
<u>DEFERRED INFLOW OF RESOURCES</u>						
Pension Related	17,067	2,086	30,196	41,734	15,736	106,819
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>430,484</u>	<u>33,372</u>	<u>5,578,753</u>	<u>2,777,270</u>	<u>1,063,001</u>	<u>9,882,880</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	10,247,926	6,482,963	15,601,224	7,309,774	6,365,071	46,006,958
Restricted	115,936	14,168	1,165,434	283,502	588,874	2,167,914
Unrestricted	239,609	223,252	969,516	8,766,028	2,580,530	12,778,935
TOTAL NET POSITION	<u>\$ 10,603,471</u>	<u>\$ 6,720,383</u>	<u>\$ 17,736,174</u>	<u>\$ 16,359,304</u>	<u>\$ 9,534,475</u>	<u>\$ 60,953,807</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, 2020

	Civic Complex Fund	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
<u>OPERATING REVENUES</u>						
Charges for Services:						
Civic Complex Charges	\$ 1,165,729	\$ -	\$ -	\$ -	\$ -	\$ 1,165,729
Airport Charges	-	217,318	-	-	-	217,318
Sewer Charges	-	-	3,469,987	-	-	3,469,987
Electric Charges	-	-	-	21,488,237	-	21,488,237
Water Charges	-	-	-	-	3,409,575	3,409,575
Total Operating Revenues	<u>1,165,729</u>	<u>217,318</u>	<u>3,469,987</u>	<u>21,488,237</u>	<u>3,409,575</u>	<u>29,750,846</u>
<u>OPERATING EXPENSES</u>						
Civic Complex Expenses	1,866,464	-	-	-	-	1,866,464
Airport Expenses	-	265,155	-	-	-	265,155
Sewer Expenses	-	-	2,061,402	-	-	2,061,402
Electric Expenses	-	-	-	20,866,216	-	20,866,216
Water Expenses	-	-	-	-	2,227,960	2,227,960
Depreciation	631,882	330,180	1,162,278	575,670	479,622	3,179,632
Total Operating Expenses	<u>2,498,346</u>	<u>595,335</u>	<u>3,223,680</u>	<u>21,441,886</u>	<u>2,707,582</u>	<u>30,466,829</u>
OPERATING INCOME (LOSS)	<u>(1,332,617)</u>	<u>(378,017)</u>	<u>246,307</u>	<u>46,351</u>	<u>701,993</u>	<u>(715,983)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Grant Income	313,208	-	-	-	-	313,208
Contributions	-	45	-	-	-	45
Interest and Investment Income	1,664	1,068	48,563	63,414	24,856	139,565
Bond Fees	-	-	(4,539)	-	(626)	(5,165)
Interest Expense	(12,959)	-	(122,246)	-	(44,731)	(179,936)
Insurance Proceeds and Settlements	-	9,090	-	186	-	9,276
Total Non-operating Revenues (Expenses)	<u>301,913</u>	<u>10,203</u>	<u>(78,222)</u>	<u>63,600</u>	<u>(20,501)</u>	<u>276,993</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(1,030,704)</u>	<u>(367,814)</u>	<u>168,085</u>	<u>109,951</u>	<u>681,492</u>	<u>(438,990)</u>
Transfers In	660,277	-	-	-	-	660,277
Transfers Out	-	-	-	-	(37,000)	(37,000)
CHANGE IN NET POSITION	<u>(370,427)</u>	<u>(367,814)</u>	<u>168,085</u>	<u>109,951</u>	<u>644,492</u>	<u>184,287</u>
NET POSITION - SEPTEMBER 30, 2019	<u>10,973,898</u>	<u>7,088,197</u>	<u>17,568,089</u>	<u>16,249,353</u>	<u>8,889,983</u>	<u>60,769,520</u>
NET POSITION - SEPTEMBER 30, 2020	<u>\$ 10,603,471</u>	<u>\$ 6,720,383</u>	<u>\$ 17,736,174</u>	<u>\$ 16,359,304</u>	<u>\$ 9,534,475</u>	<u>\$ 60,953,807</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, 2020

	Civic Complex Fund	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 1,170,720	\$ 216,475	\$ 3,490,801	\$ 21,683,987	\$ 3,422,279	\$ 29,984,262
Payments to Suppliers	(934,823)	(173,048)	(1,267,997)	(19,675,318)	(1,892,663)	(23,943,849)
Payments to or on Behalf of Employees	(927,862)	(53,904)	(806,044)	(1,094,634)	(433,876)	(3,316,320)
Net Cash Provided By (Used In) Operating Activities	<u>(691,965)</u>	<u>(10,477)</u>	<u>1,416,760</u>	<u>914,035</u>	<u>1,095,740</u>	<u>2,724,093</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Transfers In (Out)	660,277	-	-	-	(37,000)	623,277
Contributions and Operating Grants	313,208	45	-	-	-	313,253
Insurance Proceeds, Settlements and Other	-	9,090	-	186	-	9,276
Net Cash Provided By (Used In) For Noncapital Financing Activities	<u>973,485</u>	<u>9,135</u>	<u>-</u>	<u>186</u>	<u>(37,000)</u>	<u>945,806</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Principal Payments on Long-term Debt Net of Applied Reserves	(173,189)	-	(1,095,690)	-	(459,453)	(1,728,332)
Interest Paid	(12,959)	-	(142,983)	-	(44,731)	(200,673)
Bond Fees	-	-	(4,539)	-	(626)	(5,165)
Capital Assets - Acquisition, Sale and Disposal	(194,977)	-	(283,987)	(624,378)	(188,018)	(1,291,360)
Net Cash Used For Capital and Related Financing Activities	<u>(381,125)</u>	<u>-</u>	<u>(1,527,199)</u>	<u>(624,378)</u>	<u>(692,828)</u>	<u>(3,225,530)</u>
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u>						
Investment Earnings (Loss)	<u>1,664</u>	<u>1,068</u>	<u>48,563</u>	<u>63,414</u>	<u>24,856</u>	<u>139,565</u>
Net Change in Cash and Cash Equivalents	(97,941)	(274)	(61,876)	353,257	390,768	583,934
Cash and Cash Equivalent Balances at October 1, 2019	<u>358,573</u>	<u>194,280</u>	<u>722,208</u>	<u>6,876,930</u>	<u>1,576,843</u>	<u>9,728,834</u>
Cash and Cash Equivalent Balances at September 30, 2020	<u>\$ 260,632</u>	<u>\$ 194,006</u>	<u>\$ 660,332</u>	<u>\$ 7,230,187</u>	<u>\$ 1,967,611</u>	<u>\$ 10,312,768</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) by Operating Activities						
Operating Income (Loss)	\$ (1,332,617)	\$ (378,017)	\$ 246,307	\$ 46,351	\$ 701,993	\$ (715,983)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation Expense	631,882	330,180	1,162,278	575,670	479,622	3,179,632
Pension Expense	36,052	(317)	15,978	11,020	9,662	72,395
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows						
Accounts Receivable	4,991	(842)	20,814	194,974	12,705	232,642
Prepays	(3,335)	(550)	(5,077)	(143,131)	(2,918)	(155,011)
Inventory	-	12,667	37,792	(120,121)	(30,550)	(100,212)
Accounts Payable and Other Payables	(26,044)	27,376	(49,622)	369,750	(69,001)	252,459
Customer and Builder Deposits Payable	-	-	-	776	-	776
Accrued Salaries and Compensated Absences	(2,894)	(974)	(11,710)	(21,254)	(5,773)	(42,605)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (691,965)</u>	<u>\$ (10,477)</u>	<u>\$ 1,416,760</u>	<u>\$ 914,035</u>	<u>\$ 1,095,740</u>	<u>\$ 2,724,093</u>

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 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 Guest Tax Fund - The Transportation Guest 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, Sewer Fund, Electric Fund, and Water 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, gross receipts 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, 2020.

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 Sewer, Electric, and Water 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 \$0.4034 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, 2020, 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 for utility systems inventory and monthly for aviation fuel. 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, infrastructure, and intangible property 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

7. Capital Assets and Depreciation - 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, certain intangible 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, Equipment & Collections	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, 2020, 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, 2020.

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 fifty percent (50%). Compensated absences are reported 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, court fines, and tax increment finance payments from other governments. 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 (District Municipal 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 thirty-four percent (34%) of combined regular general fund, civic complex fund, and airport fund operating 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 seventeen percent (17%) of combined regular general fund, civic complex fund, and airport fund operating expenses 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, 2020, 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, 2020, the City had a total of \$79,651,687 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, 2020, the City's restricted net position of \$7,135,747 is comprised of debt service, capital projects, tax increment financing, and pensions. Governmental activities restricted net position at September 30, 2020, is \$4,967,833. Restricted net position of the business-type activities totals \$2,167,914.
- **Unrestricted net position** is the residual and represents amounts available for future operations or distribution. Government-wide unrestricted net position at September 30, 2020, is \$17,239,903.

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, 2020, 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 \$18,826 or approximately 4.9% over budget. This excess expenditure is due to fund proceeds in excess of budgeted revenue due to increased taxes. All proceeds of this fund are payable to the developers. Therefore, upon the receipt of monies, a corresponding expenditure is required.

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, 2020, 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*; GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. 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

The City adopted no new standards for fiscal year ending September 30, 2020.

I. Prior Period Adjustments

A prior period adjustment and restatement was made in connection with the financial statements contained herein. The adjustment was made to the Government-wide statements to record the library book collection as a capital depreciable asset. Total book value of the collection as of September 30, 2019 was \$920,091 with an accumulated depreciation of \$802,819, for a net prior period increase in government-wide statement, governmental activities of \$117,272 to a total of \$41,529,379 and \$102,298,899 total government-wide net position.

J. Special and Extraordinary Items

The City had no special or extraordinary items for the fiscal year ending September 30, 2020.

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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City's general operating revenue, as calculated below, for the year ending September 30, 2020, is \$6,641,582, of which \$162,683, 2.4%, 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	\$ 4,694,763
Real and Personal Property Tax	990,705
Gross Receipts Taxes	289,354
Charges for Services	268,290
Municipal Court Fines and Fees	162,683
Utility and Other Taxes	202,201
Other	33,586
Total	<u>\$ 6,641,582</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, 2020, 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.

At September 30, 2020, the bank balances in the City's checking accounts totaled \$21,299,812. These funds were secured by a combination of pledged securities held by the bank in the City's name with a market value of \$12,166,188 and a total of FDIC insurance coverage at the local bank and under an insured sweep deposit placement agreement totaling \$9,252,184.

A reconciliation of cash and cash equivalents as shown on the government-wide financial statement of net position at September 30, 2020, consists of the following:

Type	Amount	Reconciliation to the Statement of Net Position	Amount
Cash on Hand	\$ 2,884	Cash and Cash Equivalents	\$ 17,744,109
Deposits	14,515,306	Investments	<u>1,699,289</u>
Money Market Accounts (Demand)	3,897,163		
Certificates of Deposit	5,000	Total	<u>\$ 19,443,398</u>
Money Market Mutual Funds	155,982		
Guaranteed Investment Contracts	379,786		
United States Treasury Notes	<u>487,277</u>		
Total Deposits and Investments	<u>\$ 19,443,398</u>		

NOTE 2 - CASH AND INVESTMENTS - continued

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, 2020. All investments are valued using market prices (Level 1).

The maturities of investments and credit quality ratings held by the City at September 30, 2020, 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	\$ 5,000	\$ 5,000	\$ -	\$ -	N/A
Money Market Mutual Funds	155,982	155,982	-	-	AAAm
Guaranteed Investment Contracts*	379,786	379,786	-	-	AA+
United States Treasury Notes**	487,277	-	487,277	-	N/A

* 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.

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, 2020, the balance of the restricted assets is \$1,699,289.

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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, insurance reimbursements, and grant reimbursements.

The City considers these accounts receivable fully collectible, except for the municipal court and property tax receivables. Therefore, an allowance of \$428,396 is recorded for uncollectable balances (municipal court receivables uncollectable allowance of \$379,759; property tax receivables uncollectable allowance balance of \$48,637).

Accounts receivable balances at September 30, 2020, are as follows:

	Accounts Receivable	Grants Receivable	Taxes Receivable	Total Receivable	Bad Debt Allowance	Net Receivable
Governmental Activities:						
General	\$ 729,296	\$ 23,685	\$ 933,402	\$ 1,686,383	\$ 428,396	\$ 1,257,987
Capital Projects	-	-	355,786	355,786	-	355,786
TIF and Tax Sharing Agreements	435,160	-	-	435,160	-	435,160
Transient Guest Tax	-	-	36,956	36,956	-	36,956
Stormwater and Parks Tax	-	-	177,892	177,892	-	177,892
Transportation Tax	-	-	177,892	177,892	-	177,892
Total Governmental Activities	<u>\$ 1,164,456</u>	<u>\$ 23,685</u>	<u>\$ 1,681,928</u>	<u>\$ 2,870,069</u>	<u>\$ 428,396</u>	<u>\$ 2,441,673</u>
Business-type Activities:						
Civic Complex	\$ 24,233	\$ 25,828	\$ -	\$ 50,061	\$ -	\$ 50,061
Airport	20,501	-	-	20,501	-	20,501
Sewer Utility	438,331	-	-	438,331	-	438,331
Electric Utility	2,579,924	-	-	2,579,924	-	2,579,924
Water Utility	416,838	-	-	416,838	-	416,838
Total Business-type Activities	<u>\$ 3,479,827</u>	<u>\$ 25,828</u>	<u>\$ -</u>	<u>\$ 3,505,655</u>	<u>\$ -</u>	<u>\$ 3,505,655</u>

Concentration of Revenue

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

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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 \$5,486,501. Depreciation is charged to the City functions as follows:

Function/Program	Current Depreciation	
	Governmental Activities	Business-type Activities
General Government	\$ 61,604	\$ -
Public Safety	539,720	-
Streets and Public Works	1,319,077	-
Culture and Recreation	386,468	-
Civic Complex	-	631,882
Airport	-	330,180
Sewer	-	1,162,278
Electric	-	575,670
Water	-	479,622
Total	<u>\$ 2,306,869</u>	<u>\$ 3,179,632</u>

Changes in fixed assets for the governmental activities are as follows for the year ended September 30, 2020:

	Balance, September 30, 2019	Increases	Decreases	Balance, September 30, 2020
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 2,385,376	\$ 34,217	\$ 19,286	\$ 2,400,307
Construction in Progress	-	2,063,079	-	2,063,079
Total Capital Assets, Not Depreciated	<u>2,385,376</u>	<u>2,097,296</u>	<u>19,286</u>	<u>4,463,386</u>
Capital Assets, depreciated:				
Buildings	14,908,183	48,799	-	14,956,982
Land Improvements	449,904	-	-	449,904
Infrastructure	36,066,218	1,638,384	-	37,704,602
Furniture, Equipment & Collections	4,541,477	48,874	-	4,590,351
Vehicles	4,901,246	318,438	-	5,219,684
Total Capital Assets, Depreciated	<u>60,867,028</u>	<u>2,054,495</u>	<u>-</u>	<u>62,921,523</u>
Less - Accumulated Depreciation:				
Buildings	3,548,403	437,147	-	3,985,550
Land Improvements	341,270	20,901	-	362,171
Infrastructure	14,857,800	1,254,334	-	16,112,134
Furniture, Equipment & Collections	2,657,934	277,795	-	2,935,729
Vehicles	2,952,240	316,692	-	3,268,932
Total Accumulated Depreciation	<u>24,357,647</u>	<u>2,306,869</u>	<u>-</u>	<u>26,664,516</u>
Total Capital Assets, Depreciated	<u>36,509,381</u>	<u>(252,374)</u>	<u>-</u>	<u>36,257,007</u>
Capital Assets, Net	<u>\$ 38,894,757</u>	<u>\$ 1,844,922</u>	<u>\$ 19,286</u>	<u>\$ 40,720,393</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 4 - CAPITAL ASSETS – continued

Changes in fixed assets for the proprietary activities are as follows for the year ended September 30, 2020:

	Balance, September 30, 2019	Increases	Decreases	Balance, September 30, 2020
<u>Proprietary Activities:</u>				
Capital Assets, not depreciated:				
Land	\$ 1,492,181	\$ -	\$ -	\$ 1,492,181
Intangible Assets	181,231	-	-	181,231
Construction in Progress	-	401,847	-	401,847
Total Capital Assets, Not depreciated	<u>1,673,412</u>	<u>401,847</u>	<u>-</u>	<u>2,075,259</u>
Capital Assets, depreciated:				
Buildings	21,872,531	168,743	-	22,041,274
Infrastructure	67,272,798	642,584	-	67,915,382
Furniture, Machinery and Equipment	2,468,104	58,896	-	2,527,000
Vehicles	2,011,525	19,290	-	2,030,815
Total Capital Assets, Depreciated	<u>93,624,958</u>	<u>889,513</u>	<u>-</u>	<u>94,514,471</u>
Less - Accumulated Depreciation:				
Buildings	9,109,488	663,188	-	9,772,676
Infrastructure	29,362,263	2,212,929	-	31,575,192
Furniture, Machinery and Equipment	1,192,859	174,295	-	1,367,154
Vehicles	1,411,946	129,220	-	1,541,166
Total Accumulated Depreciation	<u>41,076,556</u>	<u>3,179,632</u>	<u>-</u>	<u>44,256,188</u>
Total Capital Assets, Depreciated	<u>52,548,402</u>	<u>(2,290,119)</u>	<u>-</u>	<u>50,258,283</u>
Capital Assets, Net	<u>\$ 54,221,814</u>	<u>\$ (1,888,272)</u>	<u>\$ -</u>	<u>\$ 52,333,542</u>

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, 2020, have been accrued. Governmental activities reported payables in the amount of \$1,379,666. Business-type activities reported payables in the amount of \$2,349,935, of which \$1,537,750 was due to a single vendor for the electric utility's purchase of power for the month of September.

Payable balances at September 30, 2020, as reported on the government-wide financial statements, were as follows:

	Payments to Vendors	Payments to Employees	Taxes Payable	Total Payables
<u>Governmental Activities</u>				
General	\$ 121,672	\$ 144,950	\$ 10,600	\$ 277,222
TIF and Tax Sharing Agreements	115,151	-	-	115,151
Transient Tax	459,425	-	-	459,425
Stormwater and Parks Tax	126,062	-	-	126,062
Transportation Tax	401,806	-	-	401,806
Total Governmental Activities	<u>\$ 1,224,116</u>	<u>\$ 144,950</u>	<u>\$ 10,600</u>	<u>\$ 1,379,666</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 5 - ACCOUNTS PAYABLE – continued

	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Business-type Activities</u>					
Civic Complex	\$ 39,914	\$ 28,420	\$ -	\$ 2,152	\$ 70,486
Airport	27,973	1,827	-	140	29,940
Sewer Utility	67,847	37,599	49,569	2,843	157,858
Electric Utility	1,846,079	56,299	-	76,098	1,978,476
Water Utility	70,367	19,004	14,646	9,158	113,175
Total Business-type Activities	<u>\$ 2,052,180</u>	<u>\$ 143,149</u>	<u>\$ 64,215</u>	<u>\$ 90,391</u>	<u>\$ 2,349,935</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. Sovereign immunity laws in Missouri limit liability exposure for public entities and the City maintains liability insurance that exceeds the sovereign immunity liability limits. Sovereign immunity limits are waived to the limit of liability insurance coverage if the City elects to maintain coverage that exceeds the statutory limit. Certain litigation filed under 18 U.S.C Section 1983 is not limited by Missouri sovereign immunity statutes. A lawsuit has been filed against the City (*David Mecey and Robin Mecey v. City of Farmington*) in U.S. Federal District Court for the Eastern District of Missouri claiming civil rights violations pursuant to 18 U.S.C Section 1983. Legal Counsel for the City's liability insurance carrier (MoPERM) has advised that there is very limited exposure for the City due to the nature of the litigation, so there is no expectation of a material effect on the financial position of the City resulting from the lawsuit.

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, 2020, were as follows:

	Amount	Source of Funding
<u>Governmental Activities</u>		
General Fund	\$ 28,824	General Revenues
Special Allocation Fund	51,500	TIF Proceeds
Storm Water and Parks Tax Fund	106,075	Storm Water Tax
Transportation Tax Fund	374,971	Transportation Tax
Capital Projects Fund	85,115	Capital Projects Tax
Total Governmental Activities	<u>646,485</u>	
<u>Business-type Activities</u>		
Airport Fund	\$ 38,539	Capital Projects Tax and Grant Funding
Sewer Fund	27,009	Sewer Revenues
Electric Fund	261,441	Electric Revenues
Total Business-type Activities	<u>326,989</u>	
Total	<u>\$ 973,474</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, 2020. 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.

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, 2020, the City had no operating leases.

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2020, was as follows:

Direct Borrowings and Placements

	Balance September 30, 2019	Additions	Deductions	Balance September 30, 2020	Current Portion
<u>Governmental Activities</u>					
Capital Leases:					
Firestation Lease	\$ 2,251,000	\$ -	\$ (273,000)	\$ 1,978,000	\$ 254,000
Fire Aerial Truck	-	1,543,404	(125,740)	1,417,664	300,166
Total Governmental Activities	<u>\$ 2,251,000</u>	<u>\$ 1,543,404</u>	<u>\$ (398,740)</u>	<u>\$ 3,395,664</u>	<u>\$ 554,166</u>
	Balance September 30, 2019	Additions	Deductions	Balance September 30, 2020	Current Portion
<u>Business-type Activities</u>					
Capital Leases:					
Civic Center HVAC System	\$ 504,738	\$ -	\$ (173,189)	\$ 331,549	\$ 178,558
Sewer Vactor Truck	40,314	-	(40,314)	-	-
Revenue Bonds:					
Series 2000A - West Treatment Plant	710,000	-	(350,000)	360,000	360,000
Due to State of Missouri	497,000	-	(245,000)	252,000	252,000
Total Business-type Activities	<u>\$ 1,752,052</u>	<u>\$ -</u>	<u>\$ (808,503)</u>	<u>\$ 943,549</u>	<u>\$ 790,558</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

Other Debt

	Balance September 30, 2019	Additions	Deductions	Balance September 30, 2020	Current Portion
<u>Governmental Activities</u>					
Certificates of Participation:					
Series 2014-Library, Police Station & Water Park Improvements	\$ 4,550,000	\$ -	\$ (870,000)	\$ 3,680,000	\$ 885,000
Compensated Absences	328,089	165,763	(328,089)	165,763	165,763
Total Governmental Activities	<u>\$ 4,878,089</u>	<u>\$ 165,763</u>	<u>\$ (1,198,089)</u>	<u>\$ 3,845,763</u>	<u>\$ 1,050,763</u>

Governmental activities Series 2014 debt is paid from the Capital Projects Fund; compensated absences are paid from the General Fund.

	Balance September 30, 2019	Additions	Deductions	Balance September 30, 2020	Current Portion
<u>Business-type Activities</u>					
Capital Leases:					
COP Sr2011 - Radionuclide Project	\$ 1,375,000	\$ -	\$ (450,000)	\$ 925,000	\$ 925,000
COP Sr2011 - Treatment Plant UV Project	315,000	-	(105,000)	210,000	210,000
COP Sr2016 - Sewer System	5,000,000	-	(580,000)	4,420,000	595,000
Premium	93,375	-	(13,340)	80,035	-
Compensated Absences	140,718	71,650	(140,718)	71,650	71,650
Total Business-type Activities	<u>\$ 6,924,093</u>	<u>\$ 71,650</u>	<u>\$ (1,289,058)</u>	<u>\$ 5,706,685</u>	<u>\$ 1,801,650</u>

Based off the October 2019 assessed valuation report from the St. Francois County Assessor, the City's assessed value supports a general obligation bond limit of \$50,655,106. The City did not have any general obligation bonds outstanding as of September 30, 2020.

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. The police station and skate park constitute collateral for this lease obligation. The lease of the asset is in one year renewable terms with the final term ending April 2024. In the event of default, the lease agreement authorizes actions necessary to recover any amount payable under the then-current term. At September 30, 2020, there was an unpaid balance of \$3,680,000.

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 in addition to an application of surplus funds to accelerate the reduction in principal. This has resulted in a revised final payment date

NOTE 9 - CAPITAL LEASES - *continued*

of May 19, 2028. The fire station and associated land represent collateral for this lease obligation. In the event of default, the lease agreement authorizes actions necessary to recover any amount due under the then-current fiscal year. The balance at September 30, 2020, was \$1,978,000.

In May 2020, the City added Property Schedule 4 in the amount of \$1,543,404 to the Master lease with US Bancorp dated February 24, 2014. The added schedule provided for the purchase of a Pierce Aerial Fire Truck. Lease payments are due in monthly installments of \$26,788, which include interest at an interest rate of 1.663%. The truck constitutes collateral for the lease obligation. The debt payment schedule included an initial payment due May 29, 2020, with final payment and retirement of the debt April 29, 2025. At September 30, 2020, there was an unpaid balance of \$1,417,664.

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 lease of the asset is in one year renewable terms with the final term ending May 2021. In the event of default, the lease agreement authorizes actions necessary to recover any amount payable under the then-current term. Pledged collateral for this lease includes five well houses and associated property located in the City of Farmington. The lease balance at September 30, 2020, was \$1,135,000, of which \$925,000 is allocated to the water fund and \$210,000 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 lease of the asset is in one year renewable terms with the final term ending October 2026. The East Waste Water Treatment plant is pledged as collateral for these certificates. In the event of default, the lease agreement authorizes actions necessary to recover any amount payable under the then-current term. The principal balance at September 30, 2020, was \$4,420,000.

Capital Lease Obligations

The City entered into a capital lease with US Bancorp on April 1, 2015, for the purchase of a Sewer Vactor Truck with sewer line cleaning equipment in the amount of \$327,211. Lease payments are due in monthly installments of \$5,792, which include interest at an interest rate of 1.69%. The debt payment schedule anticipated an initial payment due June 1, 2015, with final payment and retirement of the debt April 1, 2020. The Sewer Vactor Truck constitutes collateral for the lease obligation. At September 30, 2020, this capital lease was paid in full with no balance due.

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 and Centene Centers. Lease payments are due in monthly installments of \$15,512, which include interest at a rate of 2.995%. The debt payment schedule anticipated an initial payment due August 1, 2018, with final payment and retirement of debt on July 1, 2022. The equipment constitutes collateral for the lease obligation. At September 30, 2020, there was a principal balance of \$331,549.

**NOTES TO FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 9 - CAPITAL LEASES - continued

Future minimum lease obligations (including interest payments) and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2021	\$ 1,631,317	\$ 2,045,815	\$ 3,677,132
2022	1,600,504	834,660	2,435,164
2023	1,602,267	682,288	2,284,555
2024	1,607,318	679,394	2,286,712
2025	483,163	680,847	1,164,010
2026 - 2028	788,491	1,354,572	2,143,063
Total Minimum Lease Payments	7,713,060	6,277,576	13,990,636
Less - Amount Representing Interest	637,396	391,027	1,028,423
Present Value of Minimum Lease Payments	<u>\$ 7,075,664</u>	<u>\$ 5,886,549</u>	<u>\$ 12,962,213</u>

Assets under capital leases at September 30, 2020, included:

Asset Type	Asset Cost	Accumulated Depreciation	Book Value
Land and Buildings	\$ 14,452,830	\$ 2,505,788	\$ 11,947,042
Infrastructure	6,348,048	740,258	5,607,790
Machinery and Equipment	7,032,958	2,029,803	5,003,155
Total Assets Under Capital Lease	<u>\$ 27,833,836</u>	<u>\$ 5,275,849</u>	<u>\$ 22,557,987</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, 2020, was \$360,000. The bonds are secured and to be repaid solely through sewer system net revenues. The bond covenants, which require 110% coverage of the debt service for each fiscal year, were met. In the event of continuing default, the agreement includes the right for whatever action may appear necessary or desirable to collect amounts due and to become due.

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

Year Ended September 30	Business-type Activities	
	Principal	Interest
2021	<u>\$ 360,000</u>	<u>20,520</u>

NOTE 10 - LONG-TERM DEBT - *continued*

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 2020, the City paid back \$245,000. As of September 30, 2020, the balance due to the State is \$252,000. Assuming the City makes all of the related principal payments, the amount owed to the State will be paid back as follows:

<u>Year Ended September 30</u>	<u>Payment to State</u>
2021	<u>\$ 252,000</u>

NOTE 11 - INTER-FUND TRANSACTIONS

Inter-Fund Receivables and Payables

Inter-fund receivables and payables are current amounts owed between funds within the City. The following details the amounts and purpose of the inter-fund receivables and payables at September 30, 2020.

- The non-major funds (Special Allocation Fund and District Municipal Fund) were owed a total of \$195,716 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, 2020. The amounts owed from each major fund were: General Fund \$107,168, Storm Water and Parks Tax Fund \$17,490, Transportation Fund \$17,490, and Capital Projects Fund \$53,568.

Inter-fund Transfers

During the year ended September 30, 2020, 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	Water	\$ 37,000	Transfer excess funds for contingency reserve
General	Storm Water and Parks	616,032	Parks operating costs transfer
General	Capital Projects	447,165	Fire truck Debt Payments
Debt Service	Special Allocation	351,957	Firestation Debt Payments
Debt Service	Capital Projects	988,682	Certificates of Participation payments
District Municipal	General	270,575	Tax sharing agreement transfers
District Municipal	Capital Projects	135,233	Tax sharing agreement transfers
Special Allocation	General	398,999	Tax increment finance districts incremental EATS tax
Special Allocation	Storm Water and Parks	126,117	Tax increment finance districts incremental EATS tax
Special Allocation	Transportation	126,117	Tax increment finance districts incremental EATS tax
Special Allocation	Capital Projects	199,328	Tax increment finance districts incremental EATS tax
Storm Water & Parks	General	91,057	Storm Water Impact Fee transfer for detention property
Transportation	Special Allocation	125,336	Karsch Boulevard Crosswalk with Signals
Transportation	Capital Projects	496,738	Pine St Development Project
Civic Complex	Capital Projects	365,277	Capital tax funds used for payment of capital projects/HVAC debt service
Civic Complex	General	200,000	Parks (civic complex) operations costs coverage
Civic Complex	Storm Water and Parks	95,000	Parks (civic complex) operations costs coverage

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 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.

2020 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.

NOTE 13 - RETIREMENT PLAN - *continued*

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>140</u>
Total	<u>258</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, 2020, were 8.4% (General), 5.2% (Police) and 11.3% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2020. The pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing procedures incorporating the actuarial assumptions.

Actuarial Assumptions

The total pension liability in the February 29, 2020, 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

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 29, 2020, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Alpha	15.00 %	3.67 %
Equity	35.00	4.78
Fixed Income	31.00	1.41
Real Assets	36.00	3.29
Strategic Assets	8.00	5.25
Cash/Leverage	(25.00)	(0.29)

NOTE 13 - RETIREMENT PLAN - continued

Discount Rate

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

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at 6/30/2019	\$ 26,030,119	\$ 29,171,437	\$ (3,141,318)
Changes for the year:			
Service Cost	626,158	-	626,158
Interest	1,881,766	-	1,881,766
Difference between expected and actual experience	1,012,258	-	1,012,258
Contributions - City	-	495,661	(495,661)
Net investment income	-	374,851	(374,851)
Benefit payments, including refunds	(778,275)	(778,275)	-
Administrative expense	-	(29,858)	29,858
Other changes	-	(30,876)	30,876
Net changes	2,741,907	31,503	2,710,404
Balances at 6/30/2020	\$ 28,772,026	\$ 29,202,940	\$ (430,914)

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)	\$ 33,167,351	\$ 28,772,026	\$ 25,178,152
Plan Fiduciary Net Position	29,202,940	29,202,940	29,202,940
Net Pension Liability (Asset) (NPL)	\$ 3,964,411	\$ (430,914)	\$ (4,024,788)

NOTE 13 - RETIREMENT PLAN - continued

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

For the year ended September 30, 2020, the City recognized pension expense of \$858,091. 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	\$ 1,012,619	\$ (305,184)
Changes in Assumptions	81,782	(6,552)
Net Difference between projected and actual earnings on pension plan investments	774,798	-
Employer contributions subsequent to the measurement date	129,285	-
Total	<u>\$ 1,998,484</u>	<u>\$ (311,736)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2020.

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>
2021	\$ 56,481
2022	301,163
2023	556,213
2024	507,407
2025	98,548
Thereafter	<u>37,651</u>
Total	<u>\$ 1,557,463</u>

Payable to the Pension Plan

At September 30, 2020, the City reported a payable of \$52,945 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2020.

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.

NOTE 14 - TAX ABATEMENTS - continued

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.

Open development agreements at September 30, 2020, included:

- 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, 2020, a balance of \$1,500 remained open on this agreement.
- A development agreement originally entered into with Dennis and Carla McIntosh on June 14, 2018, assigned to Brian and Carla Wilson on September 28, 2020, to reimburse project costs not to exceed the lesser of \$50,000; or 50% of the cost of qualifying exterior restoration or renovation costs associated with the work, or 25% of the cost of architectural and historical assessment and design costs associated with work on the building located at 28 East Columbia Street. At September 30, 2020, a balance of \$50,000 remained open on this agreement.

NOTE 14 - TAX ABATEMENTS - *continued*

As of September 30, 2020, no TIF bonds have been issued by the City of Farmington for the Karsch-Downtown TIF District projects.

Highway 67 TIF District

In October 2005, the City adopted an ordinance approving the redevelopment plan for the Highway 67 tax increment financing district. This is the second TIF district within the City. Subsequent amendments to the plan were made in 2006, 2008, and 2015. The plan consisted of two redevelopment projects including retail and commercial development, as well as public infrastructure improvements. The total cost of the redevelopment project was estimated to be approximately \$124,050,000. The plan proposed to use community improvement districts as well as tax increment financing obligations to fund a part of the redevelopment costs. The total TIF and CID obligations were not to exceed \$42,000,000, to which will be added accrued and capitalized interest, debt service reserve and issuance costs. The redevelopment projects and the TIF obligations were authorized for a 23-year period following their adoption. This plan anticipated funding redevelopment projects on a pay as you go method. The City, however, could decide to fund several projects up front, and therefore, the plan estimated an annual interest rate of 6.25% on the maximum amount of potential bonds to be issued.

It was the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTS as surplus on one development project and 60% on the other on an annual basis and pass through that amount to the individual taxing entities. This plan anticipated a total of \$390,961 of PILOTS. The actual PILOTS over the 23 year projected life of the TIF District will depend on the amount of actual development that occurs and may be more than the projected \$390,961, but will be limited to the amount of actual PILOTS collected. The redevelopment plans allocated a portion of local sales tax revenues generated by economic activities (EATS) within the redevelopment area to pay directly for project costs or retire the TIF Obligations. In addition the EATs could be used to reimburse the City or other taxing jurisdictions for certain eligible costs incurred in constructing public improvements including, but not limited to, financing costs associated with the public improvements, legal costs, engineering fees, plan preparation costs and administration.

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

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

In February 2014, the City approved a Redevelopment Agreement between the City, Menards and Priority Property Holdings, an amendment and restatement of a Redevelopment Agreement between the City and Priority Property Holdings, and an amendment and restatement of a Cooperative Agreement between the City, Priority Property Holdings, and the District. (Menards is a home-improvement store with over 280 stores in 14 states at the time of the agreements). The agreements were in reference to the purchase of 24.96 acres by Menards to create a retail commercial development of at least 100,000 square feet with projected sales of \$25,000,000 (Menards' Project Sub-Area). The Developer and the City entered into an agreement under which the developer will receive \$4,850,000 (plus an interest factor) on a pay-as-you-go basis. All previously outstanding TIF notes are cancelled.

NOTE 14 - TAX ABATEMENTS - *continued*

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, 2020, a total of \$2,003,774 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, 2020, additional retail stores have opened in the development, and there remains a reimbursable balance of \$1,648,927.

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. Previously, \$1,735,671 had been approved for reimbursement. An additional \$643,161 has since been approved leaving a net reimbursable balance as of September 30, 2020, of \$1,466,255.

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

NOTE 14 - TAX ABATEMENTS - *continued*

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, 2020, was \$880,000. 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.

A summary of the taxes abated for the year ended September 30, 2020, were as follows:

Tax Abatement Program	Tax Type	Amount of Taxes Abated during the Fiscal Year
Tax Increment Finance Districts Developer Agreements	Sales Tax	\$ 377,951
Community Improvement Districts Agreements	Sales Tax	405,826
Industrial Revenue Bonds	Property Tax	<u>16,763</u>
Total		<u><u>\$ 800,540</u></u>

NOTE 15 - SUBSEQUENT EVENTS

Extreme cold weather during February 2021 caused broad disruption to the wholesale electric market resulting in record high wholesale energy costs for the period. The wholesale energy cost for the City of Farmington due to the event increased \$2,589,329 above normal wholesale costs for the period. This impacts the purchased power costs which were budgeted to total \$17,700,000 in fiscal year 2021. The City's electric energy supplier MoPEP has secured a line of credit for the excess charges and will allow twenty-four months for member cities to pay the excess charges. The City may elect to pay all or part of the charges from electric energy reserves; however, we currently plan to pay the excessive wholesale energy costs with anticipated wholesale energy savings beginning in July 2021 resulting from favorable long-term replacement energy contracts. Either option will maintain working capital within adopted policies, as well as allow for reserves for the electric utility to be utilized and replenished within adopted policies. The City remains fully capable of continuing operations of the electric utility without disruption of services.

NOTE 15 - SUBSEQUENT EVENTS - *continued*

On March 13, 2020, President Trump declared a nationwide emergency related to the Coronavirus Disease 2019 ("COVID-19") pandemic which began January 20, 2020. Actions taken at the national, state, and local levels to help mitigate the spread of the coronavirus included restrictions on travel, quarantine of exposed individuals, and forced closures for certain types of public places and businesses. These resulted in a significant impact on individuals and economies on not only a local level, but state, national, and global levels too. As of this report, it is unknown how long adverse conditions associated with the coronavirus will last and what the complete financial effect will be in the long-term. From a local standpoint, the City experienced no significant financial impact from the virus and mitigation strategies implemented. No future significant financial impact is anticipated, however, the City is monitoring fiscal year 2021 revenue and expenditures very closely and will react accordingly if deemed necessary.

NOTE 16 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the City leased rental property to City employees. The properties were purchased for future expansions and have been leased short-term. The rental income totaled \$13,500 for the year ended September 30, 2020. As of September 30, 2020, 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, 2020, is as follows:

<u>Fund</u>	<u>Net Position</u>
Capital Projects	\$ 1,387,858
Storm Water and Parks	1,079,531
Transportation	294,738
Non-major Funds	<u>813,669</u>
Total	<u><u>\$ 3,575,796</u></u>

NOTE 18 - FUTURE ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued a statement not yet implemented by the City. The statement that might impact the City is as follows:

- GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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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, 2020

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
<u>REVENUES</u>				
Sales Tax	\$ 4,444,200	\$ 4,444,200	\$ 4,694,763	\$ 250,563
Real and Personal Property Tax	999,000	999,000	990,705	(8,295)
Grants and Donations	494,000	398,000	412,138	14,138
Motor Fuel and Vehicle Tax	653,000	638,000	637,299	(701)
Utility, Gross Receipts, and Other Taxes	599,500	501,500	491,555	(9,945)
Municipal Court Fines and Fees	189,200	153,700	162,683	8,983
Charges for Services	220,100	253,800	268,290	14,490
Interest Income	40,000	26,000	28,460	2,460
Administrative Pilot Payment	1,461,200	1,461,200	1,416,650	(44,550)
Other	22,900	28,600	33,586	4,986
Total Revenue	<u>9,123,100</u>	<u>8,904,000</u>	<u>9,136,129</u>	<u>232,129</u>
<u>EXPENDITURES</u>				
General Government				
Administration	1,726,700	1,624,700	1,623,657	1,043
Public Safety				
Police	2,747,100	2,767,100	2,675,396	91,704
Municipal Court	111,000	105,700	96,621	9,079
Fire	1,368,800	1,390,000	1,366,792	23,208
Streets and Public Works				
Street	999,300	946,600	870,188	76,412
Public Works	387,000	387,700	359,916	27,784
Maintenance	595,300	559,800	527,752	32,048
Culture and Recreation				
Park	794,300	726,500	705,116	21,384
Library	440,700	417,600	379,383	38,217
Capital Outlay	482,000	1,947,000	1,959,515	(12,515)
Debt Service - Interest and Fees	-	8,200	8,202	(2)
Debt Service - Principal	-	125,800	125,740	60
Total Expenses	<u>9,652,200</u>	<u>11,006,700</u>	<u>10,698,278</u>	<u>308,422</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(529,100)</u>	<u>(2,102,700)</u>	<u>(1,562,149)</u>	<u>540,551</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from capital lease	-	1,545,000	1,543,404	(1,596)
Transfers In	988,000	1,176,000	1,100,197	(75,803)
Transfers Out	(869,000)	(1,048,000)	(960,631)	87,369
Insurance Proceeds	10,000	10,000	34,326	24,326
Total Other Financing Sources (Uses)	<u>129,000</u>	<u>1,683,000</u>	<u>1,717,296</u>	<u>34,296</u>
NET CHANGE IN FUND BALANCE	<u>\$ (400,100)</u>	<u>\$ (419,700)</u>	155,147	<u>\$ 574,847</u>
FUND BALANCE, OCTOBER 1, 2019			<u>4,301,831</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u>\$ 4,456,978</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, 2020

	<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	\$ 276,000	\$ 280,000	\$ 263,972	\$ (16,028)
Interest Income	1,000	2,500	2,310	(190)
Total Revenue	<u>277,000</u>	<u>282,500</u>	<u>266,282</u>	<u>(16,218)</u>
<u>EXPENDITURES</u>				
General Government	<u>277,000</u>	<u>282,500</u>	<u>266,282</u>	<u>16,218</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
FUND BALANCE, OCTOBER 1, 2019			<u>-</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u><u>\$ -</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, 2020

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	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 626,158	\$ 579,558	\$ 537,322	\$ 507,515	\$ 494,790	\$ 500,396
Interest on Total Pension Liability	1,881,766	1,755,151	1,657,392	1,579,628	1,469,673	1,411,366
Difference Between Expected and Actual Experience	1,012,258	152,005	(126,773)	(318,318)	(297,274)	(368,584)
Changes of Assumptions	-	-	-	(33,588)	606,327	-
Benefit Payments, Including Refunds	<u>(778,275)</u>	<u>(748,627)</u>	<u>(732,260)</u>	<u>(681,729)</u>	<u>(784,185)</u>	<u>(689,879)</u>
Net Change in Total Pension Liability	2,741,907	1,738,087	1,335,681	1,053,508	1,489,331	853,299
Total Pension Liability Beginning	<u>26,030,119</u>	<u>24,292,032</u>	<u>22,956,351</u>	<u>21,902,843</u>	<u>20,413,512</u>	<u>19,560,213</u>
 Total Pension Liability Ending (a)	 <u>\$ 28,772,026</u>	 <u>\$ 26,030,119</u>	 <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	\$ 495,661	\$ 471,890	\$ 475,254	\$ 483,484	\$ 503,863	\$ 589,380
Net Investment Income	374,851	1,840,384	3,037,712	2,668,442	(73,051)	468,062
Pension Plan Benefit Payments, Including Refunds	(778,275)	(748,627)	(732,260)	(681,729)	(784,185)	(689,879)
Administrative Expense	(29,858)	(26,695)	(18,186)	(18,123)	(17,418)	(18,828)
Other (Net Transfer)	<u>(30,876)</u>	<u>5,625</u>	<u>(324,075)</u>	<u>16,218</u>	<u>(373,803)</u>	<u>247,462</u>
Net Change in Plan Fiduciary Net Position	31,503	1,542,577	2,438,445	2,468,292	(744,594)	596,197
Plan Fiduciary Net Position Beginning	<u>29,171,437</u>	<u>27,628,860</u>	<u>25,190,415</u>	<u>22,722,123</u>	<u>23,466,717</u>	<u>22,870,520</u>
 Plan Fiduciary Net Position Ending (b)	 <u>\$ 29,202,940</u>	 <u>\$ 29,171,437</u>	 <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>\$ (430,914)</u>	 <u>\$ (3,141,318)</u>	 <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	 101.50 %	 112.07 %	 113.74 %	 109.73 %	 103.74 %	 114.96 %
 Covered-employee Payroll	 \$ 6,551,925	 \$ 5,835,555	 \$ 5,552,798	 \$ 5,130,214	 \$ 4,873,669	 \$ 4,792,368
 Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	 (6.58) %	 (53.83) %	 (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>
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
2019	477,165	477,165	-	6,110,879	7.81
2020	496,397	495,644	753	6,216,706	7.97

Notes to Schedule:

Valuation Date: February 29, 2020

The roll-forward of total pension liability from February 29, 2020, to June 30, 2020, 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 18 years

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

Inflation: 3.25% wage inflation; 2.5% price inflation

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

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

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

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

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

Other Information: None

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OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	Special Allocation Fund	District Municipal Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 297,944	\$ -	\$ 297,944
Accounts Receivable (net)	435,160	-	435,160
Due From Other Funds	139,928	55,788	195,716
TOTAL ASSETS	\$ 873,032	\$ 55,788	\$ 928,820
<u>LIABILITIES</u>			
Accounts Payable	\$ 59,363	\$ 55,788	\$ 115,151
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Tax Increment District Payments	416,625	-	416,625
<u>FUND BALANCE</u>			
Restricted:			
Karsch - Downtown TIF District	397,044	-	397,044
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 873,032	\$ 55,788	\$ 928,820

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2020

	Special Allocation Fund	District Municipal Fund	Total
<u>REVENUES</u>			
Interest Income	\$ 1,593	\$ 18	\$ 1,611
TIF Proceeds From Other Governments	1,188,041	-	1,188,041
Total Revenues	<u>1,189,634</u>	<u>18</u>	<u>1,189,652</u>
<u>EXPENDITURES</u>			
General Government:			
Administration	1,317,846	405,826	1,723,672
Capital Outlay	150,225	-	150,225
Total Expenditures	<u>1,468,071</u>	<u>405,826</u>	<u>1,873,897</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(278,437)</u>	<u>(405,808)</u>	<u>(684,245)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In	850,561	405,808	1,256,369
Transfer Out	(477,293)	-	(477,293)
Total Other Financing Sources (Uses)	<u>373,268</u>	<u>405,808</u>	<u>779,076</u>
NET CHANGE IN FUND BALANCES	94,831	-	94,831
FUND BALANCES - OCTOBER 1, 2019	<u>302,213</u>	<u>-</u>	<u>302,213</u>
FUND BALANCES - SEPTEMBER 30, 2020	<u><u>\$ 397,044</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 397,044</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, 2020

	Appropriated Budget Amounts			Positive (Negative)
	Original	Final	Actual	Variance
REVENUES				
TIF Proceeds From Other Governments	\$ 1,010,000	\$ 1,192,000	\$ 1,188,041	\$ (3,959)
Interest Income	2,500	1,500	1,593	93
Total Revenues	<u>1,012,500</u>	<u>1,193,500</u>	<u>1,189,634</u>	<u>(3,866)</u>
EXPENDITURES				
General Government	1,192,500	1,394,000	1,317,846	76,154
Capital Outlay	53,600	218,000	150,225	67,775
Total Expenditures	<u>1,246,100</u>	<u>1,612,000</u>	<u>1,468,071</u>	<u>143,929</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(233,600)</u>	<u>(418,500)</u>	<u>(278,437)</u>	<u>140,063</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	683,000	834,000	850,561	16,561
Transfers Out	(531,400)	(556,300)	(477,293)	79,007
Total Other Financing Sources (Uses)	<u>151,600</u>	<u>277,700</u>	<u>373,268</u>	<u>95,568</u>
NET CHANGE IN FUND BALANCE	<u>\$ (82,000)</u>	<u>\$ (140,800)</u>	94,831	<u>\$ 235,631</u>
FUND BALANCE, OCTOBER 1, 2019			<u>302,213</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u>\$ 397,044</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, 2020

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ -	\$ -	\$ 18	\$ 18
<u>EXPENDITURES</u>				
General Government	<u>336,000</u>	<u>387,000</u>	<u>405,826</u>	<u>(18,826)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(336,000)	(387,000)	(405,808)	(18,808)
OTHER FINANCING SOURCES				
Transfers In	<u>336,000</u>	<u>387,000</u>	<u>405,808</u>	<u>18,808</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2019			<u>-</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u>\$ -</u>	

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended September 30, 2020

	Appropriated Budget Amounts		Actual	Positive (Negative) Variance
	Original	Final		
REVENUES				
Interest Income	\$ -	\$ 1,000	\$ 1,009	\$ 9
EXPENDITURES				
Debt Service Interest and Fees	190,500	199,400	198,648	752
Debt Service Principal	1,148,000	1,148,000	1,143,000	5,000
Total Expenditures	1,338,500	1,347,400	1,341,648	5,752
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,338,500)	(1,346,400)	(1,340,639)	5,761
OTHER FINANCING SOURCES				
Transfer In	1,338,500	1,346,400	1,340,639	(5,761)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2019			-	
FUND BALANCE, SEPTEMBER 30, 2020			<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, 2020

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 2,222,100	\$ 2,222,100	\$ 2,286,286	\$ 64,186
Interest Income	10,000	14,000	16,687	2,687
Total Revenue	2,232,100	2,236,100	2,302,973	66,873
<u>EXPENDITURES</u>				
Capital Outlay	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,232,100	2,236,100	2,302,973	66,873
OTHER FINANCING USES				
Transfers Out	(2,397,300)	(3,223,300)	(2,632,423)	590,877
NET CHANGE IN FUND BALANCE	<u>\$ (165,200)</u>	<u>\$ (987,200)</u>	(329,450)	<u>\$ 657,750</u>
FUND BALANCE, OCTOBER 1, 2019			<u>1,717,308</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u>\$ 1,387,858</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, 2020

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
<u>REVENUES</u>				
Sales Tax	\$ 1,075,000	\$ 1,111,100	\$ 1,143,152	\$ 32,052
Grants and Donations	-	31,000	-	(31,000)
Interest Income	4,000	6,000	6,532	532
Total Revenues	<u>1,079,000</u>	<u>1,148,100</u>	<u>1,149,684</u>	<u>1,584</u>
<u>EXPENDITURES</u>				
Public Works	-	40,000	38,492	1,508
Capital Outlay	668,000	563,300	323,151	240,149
Total Expenditures	<u>668,000</u>	<u>603,300</u>	<u>361,643</u>	<u>241,657</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>411,000</u>	<u>544,800</u>	<u>788,041</u>	<u>243,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	185,000	200,000	91,057	(108,943)
Transfers (Out)	(696,000)	(941,500)	(837,149)	104,351
Sale of Capital Assets	-	40,000	39,539	(461)
Total Other Financing Sources (Uses)	<u>(511,000)</u>	<u>(701,500)</u>	<u>(706,553)</u>	<u>(5,053)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (100,000)</u>	<u>\$ (156,700)</u>	81,488	<u>\$ 238,188</u>
FUND BALANCE, OCTOBER 1, 2019			<u>998,043</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u>\$ 1,079,531</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, 2020

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
REVENUES				
Sales Tax	\$ 1,111,100	\$ 1,111,100	\$ 1,143,152	\$ 32,052
Grants and Donations	376,000	345,000	106,379	(238,621)
Interest Income	500	1,500	1,941	441
Total Revenues	1,487,600	1,457,600	1,251,472	(206,128)
EXPENDITURES				
Capital Outlay	1,741,000	2,514,000	1,693,900	820,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(253,400)	(1,056,400)	(442,428)	613,972
OTHER FINANCING SOURCES (USES)				
Transfers In	557,000	1,153,000	622,074	(530,926)
Transfers Out	(105,000)	(124,500)	(126,117)	(1,617)
Total Other Financing Sources (Uses)	452,000	1,028,500	495,957	(532,543)
NET CHANGE IN FUND BALANCE	<u>\$ 198,600</u>	<u>\$ (27,900)</u>	53,529	<u>\$ 81,429</u>
FUND BALANCE, OCTOBER 1, 2019			<u>241,209</u>	
FUND BALANCE, SEPTEMBER 30, 2020			<u>\$ 294,738</u>	