

**CITY OF FARMINGTON,
MISSOURI**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Farmington, Missouri

Report on the Audit of the Financial Statements

Opinions

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 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Farmington, Missouri's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington, Missouri, as of September 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Farmington, Missouri and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Farmington, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing*

Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Farmington, Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Farmington, Missouri's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-22 and 62-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington, Missouri's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the combining and budget to actual of nonmajor funds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, on our consideration of the City of Farmington, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Farmington, Missouri's 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 City of Farmington, Missouri's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Decker & DeGood".

Decker & DeGood, PC

Springfield, Missouri
March 13, 2024

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, 2023. 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.

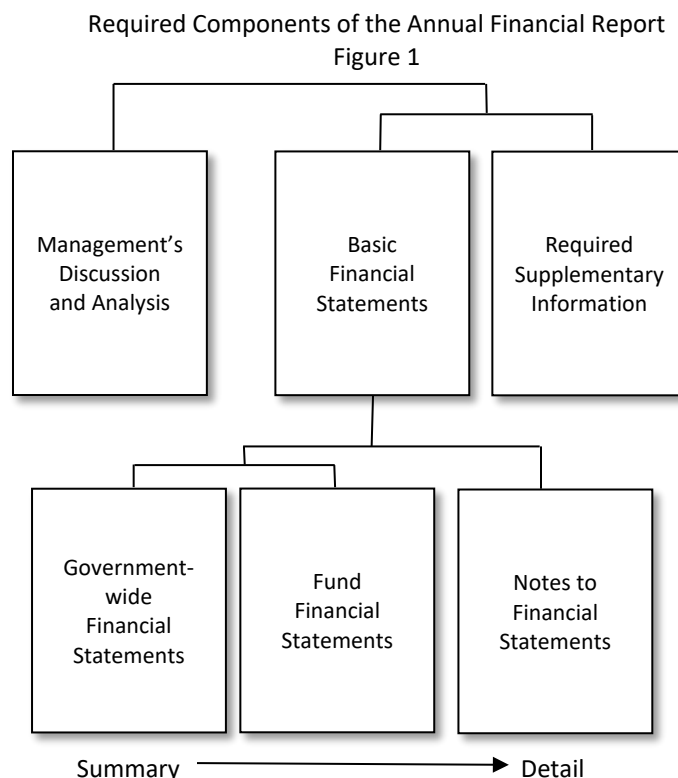
FINANCIAL HIGHLIGHTS

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 \$122.2 million, a 7.0% increase over the prior year net position of \$114.2 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 \$8.04 million. This increase was representative of a \$16.63 million increase in governmental activities and an \$8.59 million decrease in position in business-type activities. \$9.96 million of these changes is related to a transfer from business-type activities to governmental activities for the closing of a fund.
- Of the governmental fund balances, approximately \$9.06 million was available for spending at the government's discretion (*unassigned, assigned, and committed fund balances*). This was a 4.0% increase over the prior year amount of \$8.71 million.
- At the end of the fiscal year, the governmental funds full unassigned balance of \$7,436,674 was held in the General Fund. This amounted to approximately 77.8% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- Governmental activities general revenues were \$19.3 million in comparison to \$16.3 million the prior year, an 18.5% increase. This increase was primarily due to an increase in tax revenues, which accounted for \$17.35 million, 89.7%, 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 \$1.45 million in Fiscal Year 2023. 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 \$1.80 million (20.0%) during the fiscal year. This decrease was the result of the net effect of a reduction in principal due to debt service payments and an increase due to one new issue.
- 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 23 and 24.

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 25 to 31.

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 32 to 60.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide 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, sewer services, electric services, and water 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 Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund, Capital Projects Tax Fund, and Transient Tax Fund as major governmental funds. The Debt Service Fund, 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, electric, water, and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of

Unaudited

**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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, 2023, and September 30, 2022.

City of Farmington's Statement of Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022 As restated	2023	2022 As restated	2023	2022 As restated
Current Assets	\$ 13,735,713	\$ 12,769,870	\$ 18,502,825	\$ 17,450,594	\$ 32,238,538	\$ 30,220,464
Restricted Assets	8,351,525	6,311,001	658,044	798,613	9,009,569	7,109,614
Investments	1,532,276	0	0	0	1,532,276	0
Lease Receivables	442,282	0	142,600	0	584,882	0
Capital Assets (Net)	49,979,918	39,236,108	39,054,656	49,620,625	89,034,574	88,856,733
SBITA (Net)	130,653	174,204	391,956	522,612	522,609	696,816
Net Pension Asset	3,142,591	3,995,606	1,368,178	2,040,362	4,510,769	6,035,968
Total Assets	<u>77,314,958</u>	<u>62,486,789</u>	<u>60,118,259</u>	<u>70,432,806</u>	<u>137,433,217</u>	<u>132,919,595</u>
Deferred Outflows	1,320,819	516,589	755,379	554,989	2,076,198	1,071,578
Current Liabilities	5,692,107	5,727,743	5,708,576	4,033,660	11,400,683	9,761,403
Noncurrent Liabilities	1,630,248	2,778,643	1,972,021	4,524,632	3,602,269	7,303,275
Total Liabilities	<u>7,322,355</u>	<u>8,506,386</u>	<u>7,680,597</u>	<u>8,558,292</u>	<u>15,002,952</u>	<u>17,064,678</u>
Deferred Inflows	1,715,544	1,534,609	542,290	1,008,388	2,257,834	2,542,997
Net Position:						
Net Investment in Capital Assets	47,740,038	34,941,824	36,460,934	46,350,957	84,200,972	81,292,781
Restricted	13,146,440	9,375,119	2,119,543	2,122,062	15,265,983	11,497,181
Unrestricted	8,711,400	8,645,440	14,070,274	12,771,144	22,781,674	21,416,584
Total Net Position	<u>\$ 69,597,878</u>	<u>\$ 52,962,383</u>	<u>\$ 52,650,751</u>	<u>\$ 61,244,163</u>	<u>\$ 122,248,629</u>	<u>\$ 114,206,546</u>

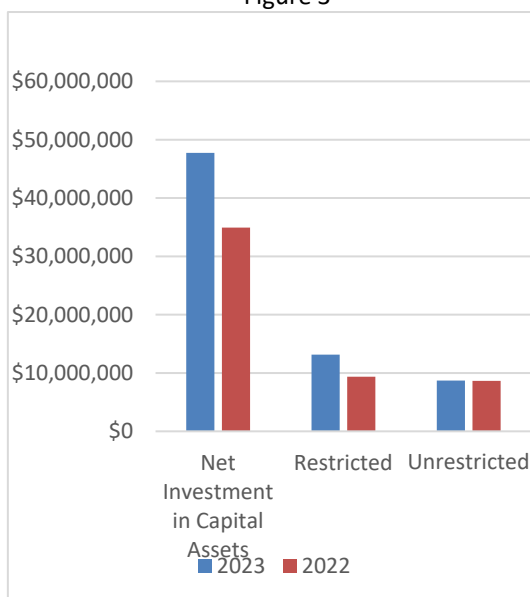
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As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. A review of the government-wide financial statement of net position reveals the following:

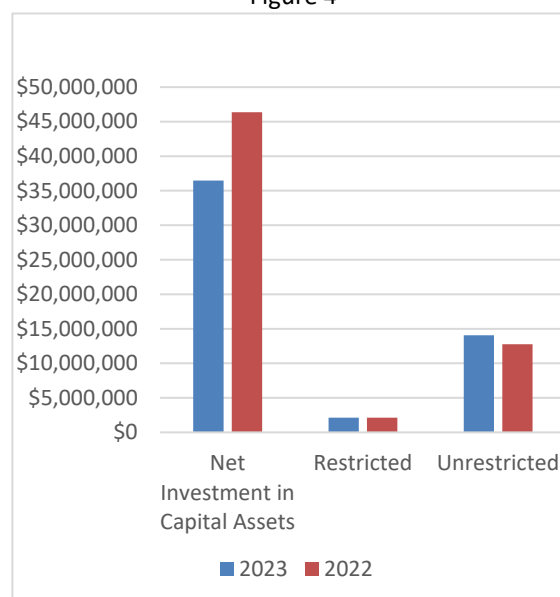
- At September 30, 2023, the combined assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$122,248,629. This equates to a 7.0%, or \$8,042,083, increase in combined net position as compared to September 30, 2022. This increase was the combination of an increase in governmental activities of \$16,635,495, 31.4%, and a decrease in business-type activities of \$8,593,412, 14.0%, due to the closing of the Civic Complex Fund into the General Fund.
- Comparatively, the City's net investment in capital assets was approximately 68.9% of the total net position, down from 71.2% in 2022. 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 \$2,908,191, or 3.6%. The City's governmental activities increased by \$12,798,214 while business-type activities decreased by \$9,890,023. These significant changes were largely related to the transfer of capital assets upon the closing of the Civic Complex Fund.
- An additional portion of the City's net position 12.5%, \$15,265,983, represented resources that were subject to external restrictions on how they may be used. This consisted of \$13,146,440 for governmental activities and \$2,119,543 for business activities. The restricted amounts were for debt service, capital projects, tax increment finance districts, and pensions.
- The remaining balance of \$22,781,674, 18.6%, of the City's net position was unrestricted. This compared to \$21,416,584, or 18.8%, in the prior year. Of the unrestricted net position, approximately 38.2% was attributable to governmental type activities, and 61.8% 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, 2023, and September 30, 2022. (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, 2023

Figure 5 shown below reflects the changes to the net position resulting from the City's activities for the years ended September 30, 2023, and September 30, 2022.

City of Farmington's Statement of Activities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for goods and services	\$ 2,017,736	\$ 501,153	\$ 0	\$ 0	\$ 2,017,736	\$ 501,153
Civic Complex	0	0	0	1,406,639	0	1,406,639
Airport Charges	0	0	417,664	434,949	417,664	434,949
Sewer Charges	0	0	3,454,132	3,265,158	3,454,132	3,265,158
Electric Charges	0	0	22,122,009	21,356,533	22,122,009	21,356,533
Water Charges	0	0	3,458,744	3,254,607	3,458,744	3,254,607
Operating grants and contributions	2,008,952	995,763	0	500	2,008,952	996,263
Capital grants and contributions	99,532	571,449	647,079	1,807,264	746,611	2,378,713
General revenues:						
Sales Taxes	13,738,981	12,300,989	0	0	13,738,981	12,300,989
Use Taxes	1,138,481	555,091	0	0	1,138,481	555,091
Property Taxes	1,116,981	1,033,516	0	0	1,116,981	1,033,516
Gross Receipts, Utility, and Other Taxes	992,023	472,188	0	0	992,023	472,188
Transient Guest Tax (Hotel/Motel)	365,869	365,687	0	0	365,869	365,687
TIF Proceeds	1,370,109	1,377,695	0	0	1,370,109	1,377,695
Interest Income	574,322	115,234	453,113	106,095	1,027,435	221,329
Insurance Proceeds	1,606	64,319	0	11,122	1,606	75,441
Other Income	43,687	34,921	9,400	7,854	53,087	42,775
Operating Lease	102,300	0	0	0	102,300	0
Gain on Sale of Capital Assets	13,655	61,715	26,304	0	39,959	61,715
Total Revenues	23,584,234	18,449,720	30,588,445	31,650,721	54,172,679	50,100,441
Expenses:						
General government	3,797,007	2,622,731	0	0	3,797,007	2,622,731
Public safety	6,612,636	5,390,473	0	0	6,612,636	5,390,473
Streets and Public Works	3,432,506	3,325,462	0	0	3,432,506	3,325,462
Cultural and recreation	4,360,229	1,723,641	0	0	4,360,229	1,723,641
Governmental Activities - Interest Expense	151,618	155,280	0	0	151,618	155,280
Civic Complex	0	0	0	2,296,509	0	2,296,509
Airport	0	0	779,834	771,778	779,834	771,778
Sewer	0	0	3,640,749	3,217,495	3,640,749	3,217,495
Electric	0	0	20,138,701	19,290,895	20,138,701	19,290,895
Water	0	0	3,217,316	2,778,139	3,217,316	2,778,139
Total Expenses	18,353,996	13,217,587	27,776,600	28,354,816	46,130,596	41,572,403
Change in net position before transfers	5,230,238	5,232,133	2,811,845	3,295,905	8,042,083	8,528,038
Transfers	11,405,257	742,181	(11,405,257)	(742,181)	0	0
Change in net position	16,635,495	5,974,314	(8,593,412)	2,553,724	8,042,083	8,528,038
Net Position, October 1	52,962,383	46,988,069	61,244,163	58,690,439	114,206,546	105,678,508
Net Position, September 30	<u>\$ 69,597,878</u>	<u>\$ 52,962,383</u>	<u>\$ 52,650,751</u>	<u>\$ 61,244,163</u>	<u>\$ 122,248,629</u>	<u>\$ 114,206,546</u>

Unaudited

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 were 8.1%, or \$4,072,238 over the prior year. Governmental-type activities revenue was \$5,134,514 above the prior year with \$1,406,639 being the result of revenues previously reported in business-type activities. Business-type activities were down by \$1,062,276 which was the net effect of an increase in revenues of \$344,363 and the decrease due to the revenues no longer reported as business-type activities.
- Total expenses increased by 11.0%, or \$4,558,193. This increase is the net result of an increase in governmental-type activities of \$5,136,409 of which \$2,296,509 was the result of expenses previously reported as business-type activities. Expenses in the business-type activities decreased by \$578,216 which was the net effective of an increase of in expenses of \$1,718,293 and the decrease due to the revenues no longer reported as business-type activities.

Governmental Activities

Governmental activities increased the City's net position by \$5,230,238 before transfers. Key elements of this change are as follows:

Revenue

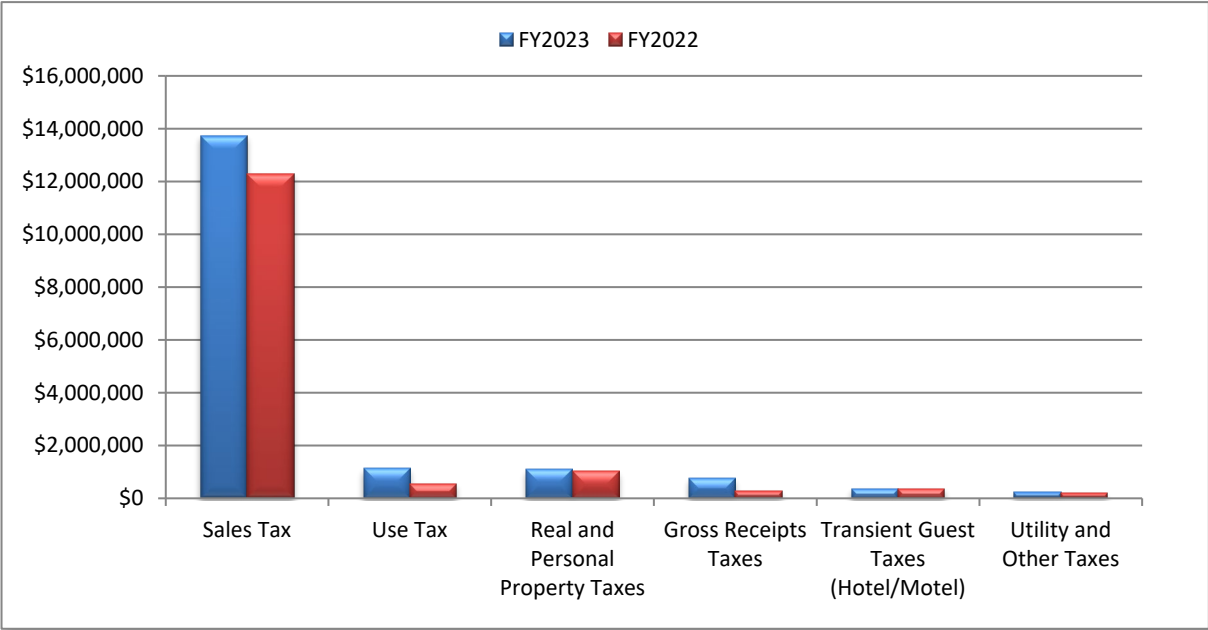
- Sales tax revenues grew with an increase of \$1,437,992, 11.7%. The Fiscal Year 2023 increase marked ten consecutive years of increased sales tax for the City (11.7%, 20.0%, 10.7%, 7.4%, 0.1%, 5.7%, 2.5%, 6.2%, 8.4%, and 6.6%). The City anticipates increases to continue as the economy grows.
- This was the first full year of use tax collections. The City collected \$1,138,481 which was \$583,390 higher than the prior year collections which were only for a part of the fiscal year.
- Other tax revenue changes for the City included:
 - An 8.1%, \$83,465, increase in property taxes, driven primarily by the allowable cost price index increase and new construction, (Prior year change: +3.6%, \$36,136); and
 - A 110.1%, \$519,835, increase in gross receipts, utility, and other taxes due primarily to a settlement on some gross receipts protested taxes.
- Interest income increased \$459,088 due to increased interest rates, increased cash balances, and investment in certificates of deposit.
- Operating contributions and grants increased by \$1,012,689, 101.6%, from the prior year to a total of \$2,008,952. This increase was largely due to the addition of a pass-thru operating grant to a drug task force. General governmental activities recorded private donations and cost-sharing reimbursements in the amount of \$39,455. Operating grants were received in the public safety area in the amount of \$1,070,672. This consisted of \$830,260 for a pass-thru grant to Mineral Area Drug Task Force, \$118,499 from the Farmington R-7 School District as a cost-sharing contribution in support of the school resource officer program, \$36,794 from the Mineral Area Drug Task Force and Homeland Security under a cost reimbursement agreement, and other private contributions. Culture and recreation contributions in the amount of \$31,613 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 \$927,212.
- Capital grants and contributions decreased \$471,917 to \$99,532. General governmental activities recorded state and local relief funds from the American Recovery Act in the amount of \$67,864 for software improvements. Culture and recreation revenues included \$3,000 in capital contributions and grants which was made up of private contributions and a grant from Missouri Department of Natural Resources for an all-inclusive playground. Street and public works capital grant was \$28,669 for

transportation purposes.

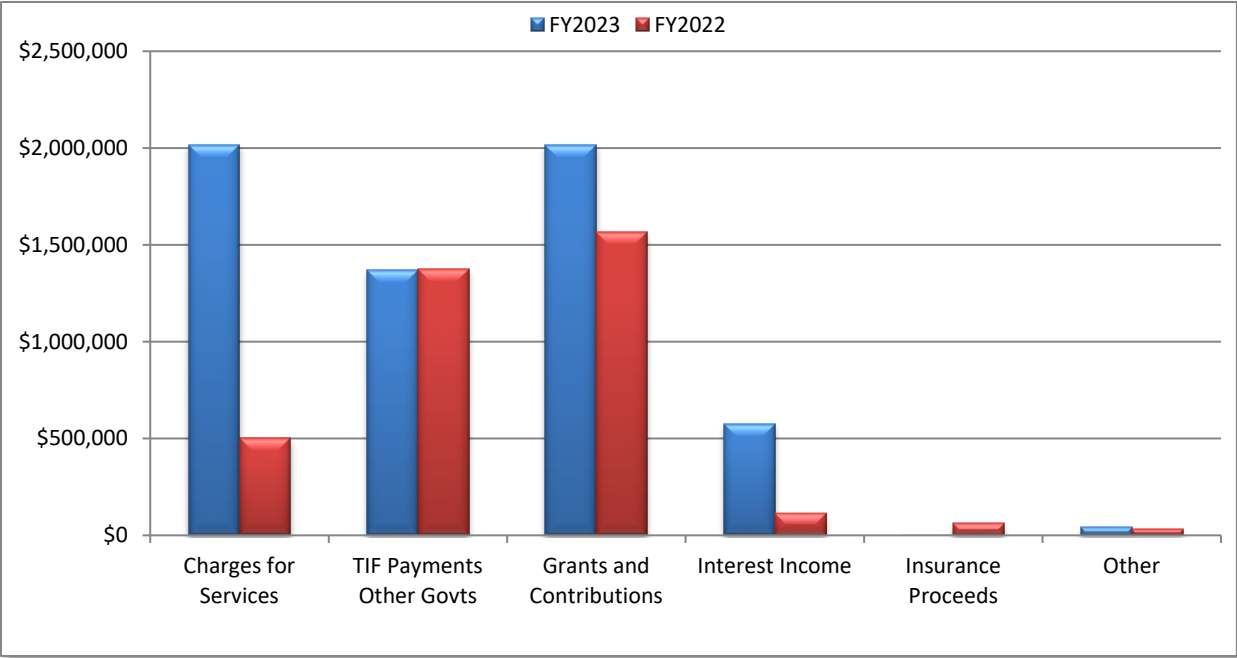
- Changes in revenue from charges for services increased \$1,516,583, of which \$1,492,967 was due to revenue from the civic center, water park, and performing arts center that were previously recorded in a separate enterprise fund of \$1,406,639 the prior year. The remaining increase was primarily attributable to other culture and recreation increases.

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 \$5,136,409, or 38.9%, in governmental activities operating expenses (debt service principal and capital outlay not included).
- Changes by program area were:
 - A 44.8%, \$1,174,276, increase in general government, (Prior year change: +13.0%, \$301,898);
 - A 22.7%, \$1,222,163, increase in public safety, (Prior year change: +14.9%, \$699,405);
 - A 3.2%, \$107,044, increase in streets and public works, (Prior year change: +5.7%, \$179,668);
 - A 153.0%, \$2,636,588, increase in culture and recreation, (Prior year change: +1.1%, \$18,961); and
 - A 2.4%, \$3,662, decrease in interest expense related to debt (Prior year change: -15.6%, \$(28,656)).
- Personnel related expenses as a whole for the governmental activities had a 33.6% increase, \$2,200,645, compared to an 8.2% increase in the prior year. Salaries and wages increased in the amount of \$1,491,536, 29.2%, of which \$687,872 was due to the addition of the civic center, water park, and performing arts center in the governmental funds. An additional increase in the amount of \$709,110, 49.4%, was related to payroll taxes, benefits, and other related employee expenses such as uniforms, training, contracted labor costs, etc. of which \$230,278 was related to the addition of the civic center, water park, and performing arts center in the governmental funds.
- Pension plan related expenses were \$549,188. 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.

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

Expenses by Function
Figure 8

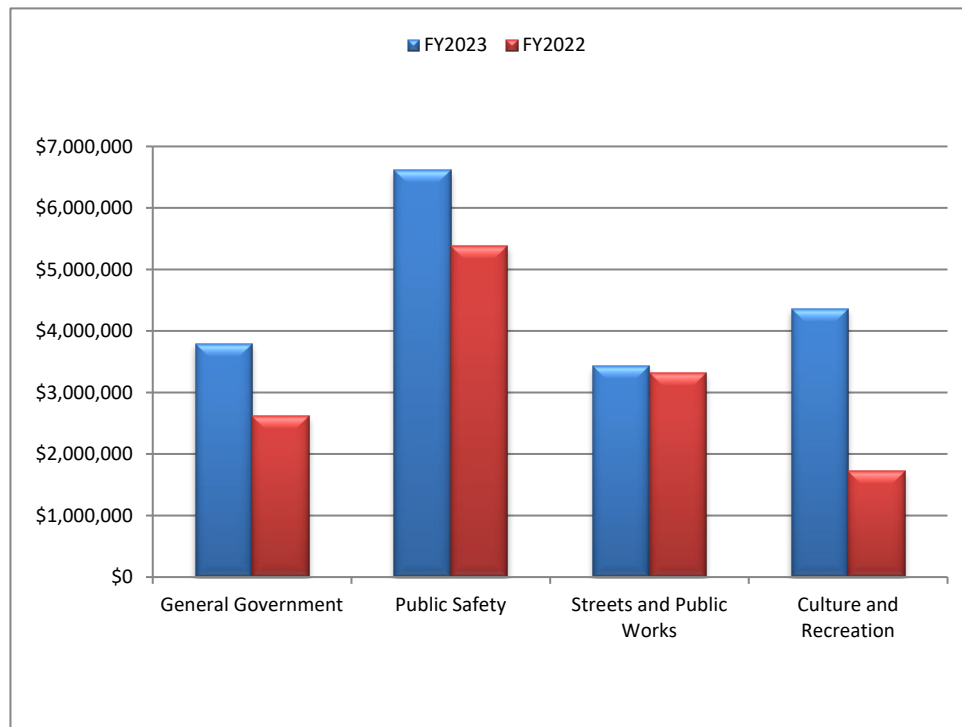
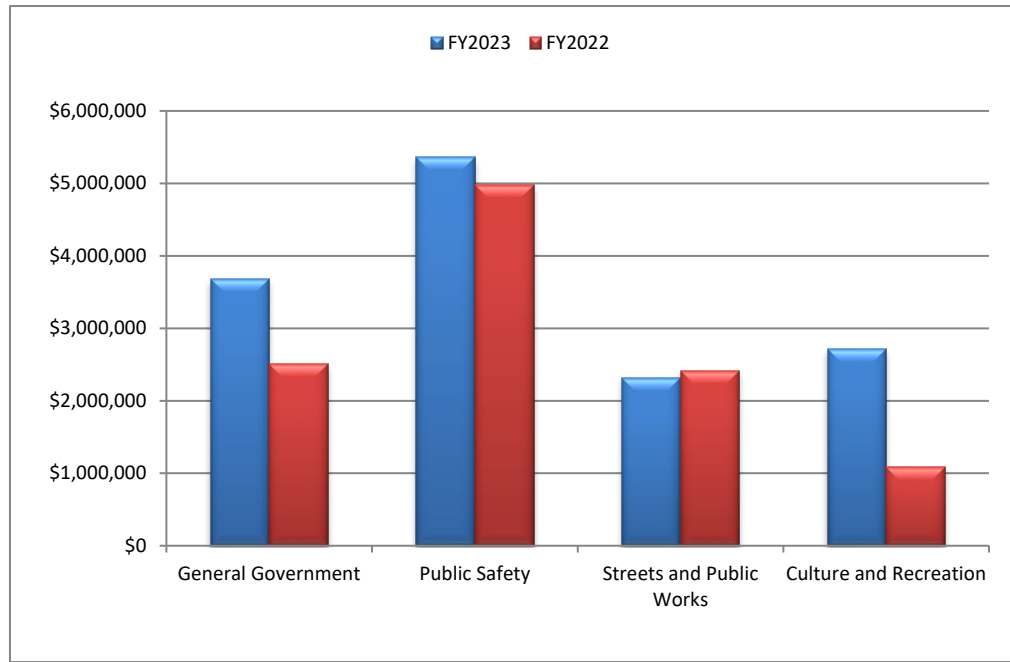


Figure 9 depicts the net cost of service for each activity area (*expenses - charges for service – operating grants and contributions*) for Fiscal Years ending September 30, 2023, and September 30, 2022.

Net Cost of Service Comparison
Figure 9



Business-type Activities

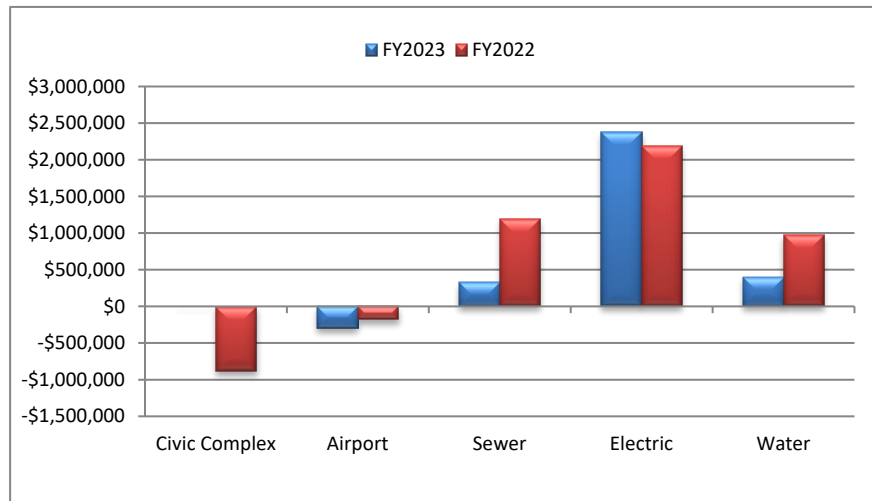
Business-type activities increased the City of Farmington's net position by \$2,811,845 before transfers. Key elements of the changes were as follows:

- The Airport Fund recorded a net loss of \$301,902 which was the net effect of depreciation expenses and grant income for capital improvements. Charges for goods and services had a decrease of \$17,285, or 4.0% due to decreases in fuel sales revenue. Expenses net of depreciation increased \$6,206, or 1.4%. This increase is primarily due to increased engineering costs.
- The Sewer Fund had a net gain of \$330,405 before transfers. Sewer charges for services increased \$188,974, 5.8% primarily due to usage fluctuations from year to year and a rate increase effective April 1, 2023. Sewer expenses net of depreciation showed an increase of \$417,138, or 21.1%. Key components of this net increase included personnel cost increases of \$34,134, an increase of \$74,759 in equipment repair and maintenance costs, an increase of \$29,433 of chemical and lab supplies for the treatment plants, \$195,600 increased meter and mxu costs, \$47,754 increased software costs and services, and a combination of increases and decreases in other various categories.
- The Electric Fund had a net loss of \$2,379,066 before transfers. The electric utility charges for goods and services increased by \$765,476, 3.6%, primarily due to normal usage fluctuations and a rate increase effective April 1, 2023. The electric utility expenses increased \$838,118, 4.5%, which consisted primarily of an increase of \$532,036, 3.3%, in power purchased costs, \$178,992, 12.9%, increase in personnel related costs, \$47,754 increased software costs and services, and a combination of increases and decreases in other various categories.
- The Water Fund had a net gain of \$404,276 before transfers. The water utility charges for goods and services increased \$204,137, 6.3%, due to usage fluctuations from the prior year and a rate increase effective April 1, 2023. Water utility expenses net of depreciation increased \$427,881, 18.9%. This was

the net effect of an increase in personnel related costs of \$152,121, \$113,337 system maintenance and material costs, \$97,320 increased meter and mxu costs, \$62,145 increased radionuclide operating costs, and a combination of increases and decreases in other various categories.

Figure 10 depicts the change in net position before capital contributions and transfers for each enterprise activity for Fiscal Years ending September 30, 2023, and September 30, 2022.

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, 2023, was \$18,716,940, compared to \$14,418,061 in the prior year, a 29.8% increase. The City reports the General Fund, Storm Water & Parks Tax Fund, Transportation Tax Fund, Capital Projects Fund, Transient Guest Tax Fund, and Special Allocation Fund as major funds. All other governmental funds are combined and reported as 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, 2023, the General Fund had a balance of \$10,418,486, of which \$7,436,674 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 45% of total General Fund expenditures (capital and debt payments included) which was well over the range of 17% to 34% as established by the City's Reserve Policy. The General Fund has an additional \$1,395,000 assigned to contingency reserves to be utilized as defined in the reserve policy.

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, 2023, was \$2,034,758. 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, 2023, 20% of the tax was budgeted to be transferred to the General Fund for the operations of the parks department with an additional \$356,100 to be transferred for culture and recreation capital. The fund balance is restricted, and 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, 2023, was \$2,024,133. The fund balance is restricted, and per policy, no minimum reserve balance policy exists for this fund.

Capital Projects Fund

The Capital Projects Fund is used to account for resources designated to and expenses related to the acquisition of major capital assets or facilities. The balance of the Capital Projects Fund at September 30, 2023, was \$2,932,964. 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, 2023, the balance of the Transient Guest Tax Fund was \$0. Per policy, no minimum reserve balance policy exists for this fund.

Special Allocation Fund

The Special Allocation Fund is used by the City to account for those tax revenues transferred and revenues received under tax increment financing districts. Expenses of this fund consists of district related improvements and disbursements to developers under tax sharing agreements. At September 30, 2023, the balance of the fund was \$1,306,599, all restricted to the Karsch-Downtown Tax Increment Financing District. Due to the nature of the fund, there is no minimum reserve policy for this fund.

The non-major funds had a total fund balance amount of \$0 at September 30, 2023. This was made up of the following:

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, 2023, was \$0. Per policy, no minimum reserve balance exists for this fund.

District Municipal Fund

The District Municipal Fund is used by the City to account for those tax revenues transferred for and disbursed to developers under tax sharing agreements. All monies transferred to this fund are due to developers, therefore, at September 30, 2023, the balance of the fund was \$0. Due to the nature of the fund, there is no minimum reserve policy 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, 2023, was \$52,650,751. The unrestricted portion of the total net position equaled \$14,070,274, a 10.2% increase from September 30, 2022. Changes in individual funds were as follows:

Civic Complex Fund

The Civic Complex Fund, which consisted of the Civic Center, Centene Center, and Water Park was closed into the General Fund.

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, 2023, was \$6,046,188. The amount that was unrestricted was \$292,943.

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, 2023, was \$19,101,898. There was \$1,227,346 unrestricted net position in the Sewer Fund. The unrestricted amount, which is available for sewer operations, equates to 50% of operating expenditures (depreciation, capital outlay, and debt principal payments not included).

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, 2023, was \$16,471,347. Of this amount, \$9,091,977 was unrestricted. The unrestricted amount equals 46% of operating expenditures (depreciation, capital outlay, and debt principal payments not included).

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, 2023, was \$11,031,318. Of this amount, \$3,458,008 was unrestricted. The unrestricted amount equals 128% of operating expenditures (depreciation, capital outlay, and debt principal payments not included).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the City revised the budget on multiple 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 increased by \$2,060,500. Primary components of this increase included:
 - An increase of \$200,000 to account for the additional use tax representative of the first full year of the tax;
 - An increase in grants and donations of \$745,000 to account for American Rescue Plan Act funds to be spent;
 - An increase of \$180,000 for motor fuel and vehicle taxes;
 - An increase of \$474,500 in utility, gross receipts, and other taxes due primarily to a settlement related to protested taxes and receipt of judgement payments;
 - An \$80,000 increase in municipal court fines and fees revenue;
 - An increase of \$140,000 for interest income;
 - An increase of \$93,000 for charges and services; and
 - Other various smaller adjustments in response to actual revenue trends at the time of the amendment.
- The General Fund expenditures budget was increased by \$4,165,436. Primary components of this increase included:

- A \$790,600 increase in general administration activities;
- A \$241,200 increase in public safety expenses combined primarily of personnel cost increases, maintenance cost increases, and fuel and oil increases;
- A \$9,364 decrease in streets and public works budgets; and
- A \$177,100 increase in culture and recreation expenditures.

Capital outlay budget was increased by \$2,791,300 for additional capital projects such as the Ragsdale Field Improvements and other smaller projects.

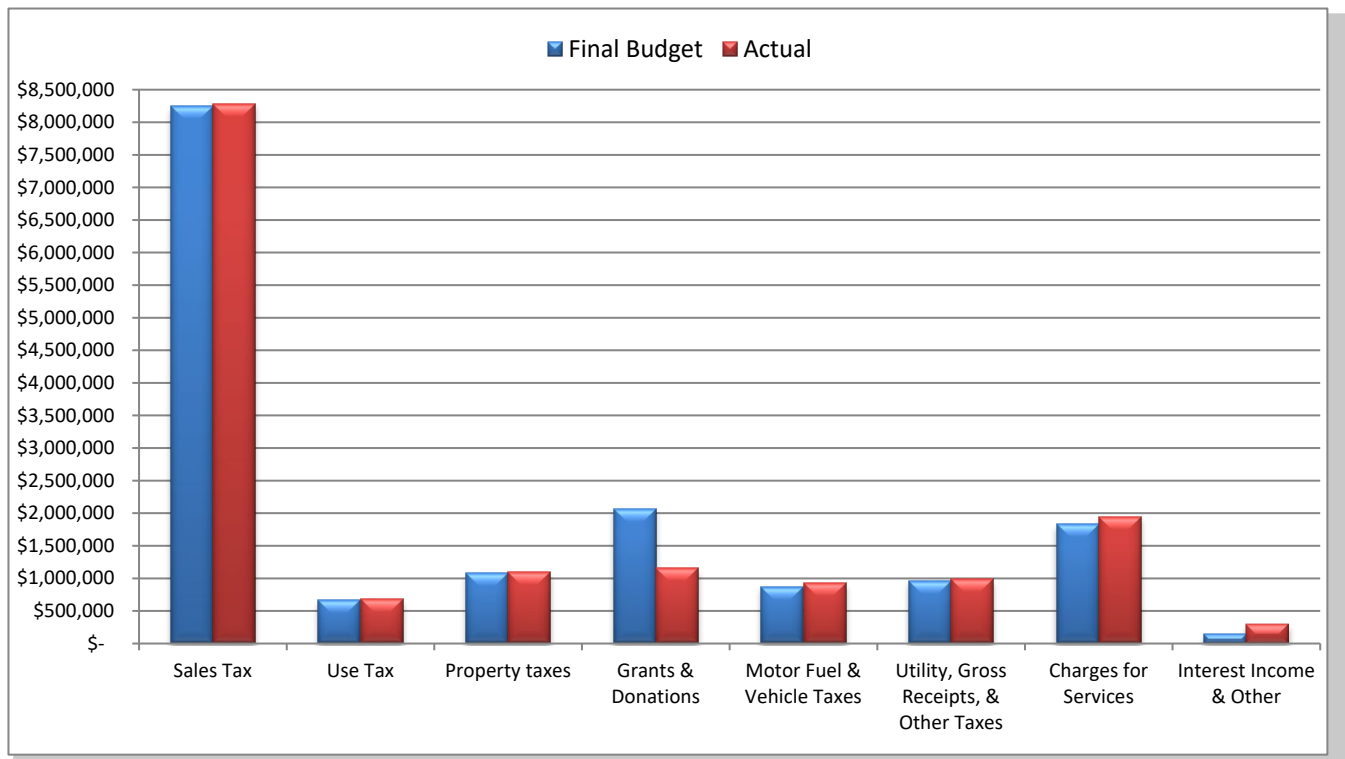
- General Fund transfers in from other funds had an \$83,800 decrease while transfers out had a \$30,000 decrease.
- An increase of \$1,120,200 lease proceeds for a borrowing for the Ragsdale Field Improvements project.

PERFORMANCE TO BUDGET - GENERAL FUND

Revenues

Actual revenues in the General Fund were \$482,783, or 3% less than budgeted. This is due to grants and donations less than budget.

General Fund Revenues
Final Budget versus Actual
Figure 11



Expenditures

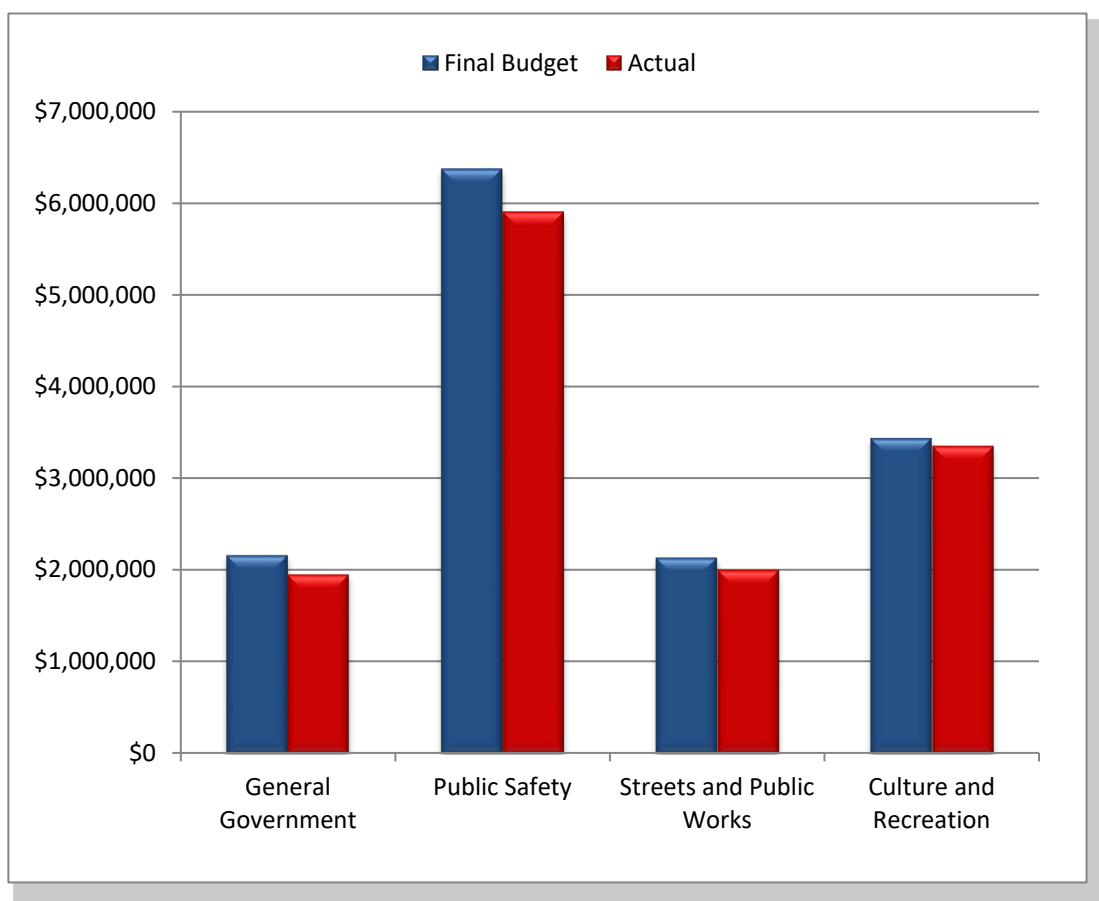
Actual expenditures of the General Fund were \$3,076,787, or approximately 15.7%, below budget. This variance consisted of the following by program area.

- The general government had a variance of \$207,191 below budget.
- The public safety function was \$465,953 below budgeted amounts.
- The streets and public works activities were \$129,455 below budget.
- The culture and recreation activity expenses were \$81,472 below budget.

- Capital and debt service expenditures were \$2,192,716 below budget.

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, 2023**

CAPITAL ASSET ACTIVITY

The City's capital assets less accumulated depreciation as of September 30, 2023, totaled \$89,034,574. These assets included buildings, roads and bridges, land, machinery and equipment, park facilities, library collections, easements, and vehicles. This was a \$177,841, or 0.2%, 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	
	2023	2022	2023	2022	2023	2022
Land and Land Improvements	\$ 2,909,562	\$ 2,909,562	\$ 1,492,181	\$ 1,492,181	\$ 4,401,743	\$ 4,401,743
Buildings and System Equipment, Furniture, Collections, and Vehicles	34,881,146	14,981,408	3,109,581	22,497,527	37,990,727	37,478,935
Infrastructure	13,277,503	11,882,886	4,549,527	4,827,356	17,827,030	16,710,242
Intangible Assets	43,264,499	40,539,454	72,456,282	70,030,587	115,720,781	110,570,041
Construction in Progress	0	0	207,312	207,312	207,312	207,312
Total	51,069	0	76,603	1,068,973	127,672	1,068,973
Less - Accumulated Depreciation	94,383,779	70,313,310	81,891,486	100,123,936	176,275,265	170,437,246
Total	44,403,861	31,077,202	42,836,830	50,503,311	87,240,691	81,580,513
	<u>\$ 49,979,918</u>	<u>\$ 39,236,108</u>	<u>\$ 39,054,656</u>	<u>\$ 49,620,625</u>	<u>\$ 89,034,574</u>	<u>\$ 88,856,733</u>

Major capital asset transactions during the year included the following:

Governmental Funds

In the governmental funds, in addition to the assets transferred from the Civic Complex Fund, a total of \$4,276,684 in new assets was added and no assets were disposed for the year ended September 30, 2023. These changes were comprised of:

- General government additions in the amount of \$875,075 consisting of a new facility at 101 S Jefferson Street, IT equipment, new enterprise software and related implementation cost, and a generator;
- Public safety asset additions in the amount of \$412,862 consisting of storm warning system equipment, a hazmat response trailer, fire vehicles and equipment, police vehicles, and an animal control truck;
- Streets and public works asset increases in the amount of \$1,069,726 which included a truck bed with snow plow hookup, drainage improvements, sidewalk improvements, and transportation infrastructure improvements; and
- Culture and Recreation asset increases in the amount of \$1,919,021 consisting of carpet in the performing arts center, pool tank and filter improvements and new exercise equipment at the civic center, parks utility tractor and 4x4, initial planning for future park projects, and improvements to Engler Park, Ragsdale Field, Long House, and the Sports Complex.

Proprietary Funds

In the proprietary funds, a total of \$2,865,552 in assets was added and \$235,245 in assets were disposed during the year ended September 30, 2023. These changes to the proprietary capital assets were comprised of:

- Airport asset additions of \$152,997 for airport improvements and a disposal of \$150,988 in buildings;
- Sewer Fund asset additions in the amount of \$1,464,277 consisting of a service line camera, enterprise software and related implementation costs; building remodel for utility office, treatment plant improvements, and sewer main improvements, and disposals in the amount of \$84,257 for sewer cameras;
- Electric Fund asset additions in the amount of \$473,374 consisting of enterprise software and related implementation costs, building remodel for the utility office, vehicles, and infrastructure work; and

Unaudited

**CITY OF FARMINGTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

- Water Fund asset additions in the amount of \$774,904 consisting of enterprise software and related implementation costs; a building remodel for the utility office, a vehicle, and infrastructure work.

Additional information on the City's capital assets can be found in Note 6 of the Basic Financial Statements.

LONG-TERM DEBT

The City of Farmington's total debt decreased by \$1,803,773, 20.0%, during the fiscal year. An overview of the debt held by the City is shown below.

Notes Payable, Certificates of Participation, and Capital Leases
Figure 14

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Note Payable - MoPEP	\$ 0	\$ 0	\$ 1,246,115	\$ 1,699,247	\$ 1,246,115	\$ 1,699,247
Certificates of Participation	960,000	1,890,000	2,600,000	3,220,000	3,560,000	5,110,000
Capital Leases	2,415,313	2,215,954	0	0	2,415,313	2,215,954
Total	<u>\$ 3,375,313</u>	<u>\$ 4,105,954</u>	<u>\$ 3,846,115</u>	<u>\$ 4,919,247</u>	<u>\$ 7,221,428</u>	<u>\$ 9,025,201</u>

The City issued new debt in the amount of \$1,120,120 for the installation of new turf on Ragsdale Field ball field.

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 2022 was \$274,152,662, resulting in a legal general obligation debt margin for the City of Farmington of \$54,830,532, 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 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 9 in the Notes to Financial Statements.

ECONOMIC FACTORS

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

Sales Tax. Retail growth in Farmington continues to be stable-growing at a moderate pace with retail development and retention similar to prior years. Sales tax revenues from the local option use tax exceeded initial expectations and provided substantial offset of prior year losses due to the increase of online purchases versus local purchases. In 2023, the City imposed a 3% sales tax on recreational marijuana with an effective date of October 1, 2023. The sales tax is forecast to generate approximately \$300,000 annually, further diversifying revenue. Inflation is expected to increase sales tax revenues for the food product and general merchandise sectors and sales tax growth from restaurant services should remain strong.

Property Tax. Property tax rate for fiscal year 2023 increased from \$0.4075 to \$0.4095 per \$100 of assessed valuation. Assessed valuation in July 2023, was \$276,179,236. Included in the valuation is \$3,582,240 of real property new construction and \$5,291,050 of new personal property.

Unemployment. The December 2023 unemployment rate was reported as 3.6% by the U. S. Census Bureau, U. S. Bureau of Labor Statistics. The long term unemployment rate is generally higher in St. Francois County than the reported rate for Missouri in general. New employers are continuing to express interest in locating in Farmington and existing businesses are unable to fully meet employment needs. It is anticipated that low unemployment rates will continue into the foreseeable future based on consistent employment levels in local retail, industrial and medical services.

Funding. The city continues to receive funding for capital projects through its traditional grant sources for public safety, airport and other uses. The city was awarded \$3.857 million in State and Local Fiscal Recovery Funds which must be expended by 2026. One half or \$1.9284 million was received during fiscal year 2021 and the remainder was awarded in August 2022. The city will receive grant funding from the Federal Aviation Administration through the Missouri Department of Transportation for engineering services and improvements to the Farmington Regional Airport. The City was awarded two separate grants from the Missouri Department of Transportation – Transportation Alternatives Program for construction of sidewalks on H Highway and Liberty Street.

Utility Rates. The city purchases power from the Missouri Public Utility Alliance - Public Energy Pool #1 (MoPEP). The Pool expects wholesale electric costs to remain stable in 2024. Increases in the cost of goods and materials for the electric utility are exceptional. Toth & Associates completed a cost-of-service analysis in 2022 and the report recommended a 15% increase in utility revenue to meet system requirements. The City Council approved and implemented an increase beginning in April 2023 with three incremental increases through April 2024. Wholesale energy costs are lower than initially projected when the rate increase was implemented which may result in a budget surplus for the electric fund.

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 city provides water and sanitary sewer services to commercial and residential customers. Water is billed monthly based on 100 CF of consumption and sewer is charged based on water consumption for the service location. Current water and sewer utility rates are scheduled to increase approximately 8% in 2023 to meet operating and capital funding requirements.

The City entered into an agreement with the State of Missouri Office of Administration to resolve a deed reversion for the Farmington Industrial Park. The City agreed to discount the water and sewer utility bill for the Farmington Correctional Center in the amount of twenty thousand dollars (\$20,000) each year for five years to resolve the disputed deed. The first credit was applied in October 2022.

Business Environment. The local economy is expected to remain stable – growing. Employment levels are expected to remain stable with many local businesses reporting difficulty fully staffing their work requirements. New commercial developers

have recently expressed interest in opening additional retail space on the west side of US 67 and new housing developments are planned along the west outer road. Several local industries are experiencing growth and are planning to add to their workforce. Farmington is expected to retain its position as a regional center for medical services, retail, and entertainment.

Higher mortgage interest rates and cost for materials has increased the price for new housing beyond the affordability level for the median household income of \$49,317 (2022 adjusted) compared to \$65,920 for Missouri (U.S. Census Bureau). Multi-family housing unit development has surpassed single-family housing in new units permitted resulting in an owner-occupied housing unit rate of 53.4% compared to 67.6% for Missouri. New housing starts are expected to remain below historical averages for 2024.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2024

The Fiscal Year 2024 budget is structured to maintain and support municipal operations at a service level consistent with current and past operations.

The budget includes a general increase of approximately 5% of wages and an adjustment to the pay plan that focuses on increasing the starting wages for most positions and to provide for end of probationary period step increases. The top-of-scale rate for most positions was also increased. Most part-time position wage rates remained at \$12.00 and were not adjusted to the 2024 Missouri rate of \$12.30. The City anticipates adjusting the part-time pay scale in October 2024.

Health, dental and life insurance is provided to all full-time employees. New rates for the policy year beginning on October 1, 2023 were higher than historical increases due to several high-cost claimants during the prior policy year. Due to the high-cost claims most insurance providers declined to offer coverage and the City continued its relationship with Anthem. The City absorbed the increases as an additional benefit cost for its employees.

Property & Casualty and Liability insurance increased at a rate higher than normal trends due in part to the expected cost of replacement or damage.

Supply chain interruptions in 2022 – 2023 limited the delivery of vehicles, equipment, and utility materials resulting in a delayed replacement of operating equipment. Notably, the City has placed orders for two fire apparatuses that are not expected for delivery until Fiscal Year 2027.

The City will make significant investment in water and sewer infrastructure utilizing both available enterprise revenue and SLFRF funds and will continue street improvement projects throughout the community. The existing Simple City software used for general ledger, payroll, inventory control, utility billing, permitting, and other business functions is being replaced with Tyler Technologies. Implementation is expected to be completed in December 2024.

Governmental Activities. Revenues in the governmental funds (net of transfers and lease proceeds) are budgeted to increase in 2024 versus 2023 due to increasing revenue from online sales, higher utility rates contributing to higher PILOT payments to the general fund, imposition of the recreational marijuana sales tax, and generally higher retail prices for consumers. Major revenue components also 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.

Business-type Activities. Overall revenues in the proprietary funds are budgeted to be approximately \$34.5 million. Utility revenue (water, sewer, electric) comprise 90% of enterprise activity revenue and are planned to continue a stable growing trend due to system load growth. Utility rate increases were implemented in April 2023 which will increase the overall revenue; however, there will be offsetting increases in costs of materials, services and labor.

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 City Clerk, City of Farmington, 110 West Columbia Street, Farmington, Missouri 63640.

Unaudited

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
September 30, 2023

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 9,791,822	\$ 7,470,439	\$ 17,262,261
Investments	0	4,571,438	4,571,438
Receivables (Net of allowance for uncollectibles)	3,499,603	3,567,116	7,066,719
Lease Receivable	197,479	8,902	206,381
Interest Receivable	4,659	2,694	7,353
Prepaid Items	242,150	110,511	352,661
Inventory	0	2,771,725	2,771,725
Total Current Assets	13,735,713	18,502,825	32,238,538
Non-current Assets:			
Restricted Cash and Cash Equivalents	8,351,525	658,044	9,009,569
Investments	1,532,276	0	1,532,276
Lease Receivable, non-current	442,282	142,600	584,882
Capital Assets (Net):			
Non Depreciable	2,510,727	1,776,096	4,286,823
Depreciable	47,469,191	37,278,560	84,747,751
Subscription Based Intangible Assets (Net)	130,653	391,956	522,609
Net Pension Asset	3,142,591	1,368,178	4,510,769
Total Non-current Assets	63,579,245	41,615,434	105,194,679
Total Assets	77,314,958	60,118,259	137,433,217
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension Related	1,320,819	491,483	1,812,302
Asset Retirement Obligations	0	263,896	263,896
Total Deferred Outflow of Resources	1,320,819	755,379	2,076,198
<u>LIABILITIES</u>			
Accounts Payable	1,593,079	1,888,246	3,481,325
Accrued Salaries	262,323	85,948	348,271
Accrued Interest	16,912	34,140	51,052
Taxes Payable	38,787	100,803	139,590
Builder's Deposits	0	128,708	128,708
Customer Deposits	4,277	519,444	523,721
Other Payable	1,727,153	336,530	2,063,683
Long-term Liabilities:			
Due within one year	2,049,576	2,614,757	4,664,333
Due within more than one year	1,630,248	1,972,021	3,602,269
Total Liabilities	7,322,355	7,680,597	15,002,952
<u>DEFERRED INFLOW OF RESOURCES</u>			
Leases Related	980,120	144,128	1,124,248
Pension Related	735,424	398,162	1,133,586
Total Deferred Inflow of Resources	1,715,544	542,290	2,257,834
<u>NET POSITION</u>			
Net Investment in Capital Assets	47,740,038	36,460,934	84,200,972
Restricted for:			
Debt Service	0	658,044	658,044
Capital Projects	8,111,855	0	8,111,855
Tax Increment Finance District Projects	1,306,599	0	1,306,599
Pension	3,727,986	1,461,499	5,189,485
Unrestricted	8,711,400	14,070,274	22,781,674
TOTAL NET POSITION	\$ 69,597,878	\$ 52,650,751	\$ 122,248,629

The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

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	\$ 3,797,007	\$ 10,150	\$ 67,863	\$ 39,455	\$ (3,679,539)	\$ 0	\$ (3,679,539)
Public Safety	6,612,636	238,612	0	1,010,672	(5,363,352)	0	(5,363,352)
Streets and Public Works	3,432,506	154,586	28,669	927,212	(2,322,039)	0	(2,322,039)
Culture and Recreation	4,360,229	1,614,388	3,000	31,613	(2,711,228)	0	(2,711,228)
Interest on Long-term Debt	151,618	0	0	0	(151,618)	0	(151,618)
Total Governmental Activities	18,353,996	2,017,736	99,532	2,008,952	(14,227,776)	0	(14,227,776)
Business-type Activities:							
Civic Complex	0	0	0	0	0	0	0
Airport	779,834	417,664	38,013	0	0	(324,157)	(324,157)
Sewer	3,640,749	3,454,132	464,627	0	0	278,010	278,010
Electric	20,138,701	22,122,009	66,665	0	0	2,049,973	2,049,973
Water	3,217,316	3,458,744	77,774	0	0	319,202	319,202
Total Business-type Activities	27,776,600	29,452,549	647,079	0	0	2,323,028	2,323,028
Total City Functions/Programs	\$ 46,130,596	\$ 31,470,285	\$ 746,611	\$ 2,008,952	(14,227,776)	2,323,028	(11,904,748)
General Revenues:							
Taxes							
Sales Taxes					13,738,981	0	13,738,981
Use Taxes					1,138,481	0	1,138,481
Real and Personal Property Taxes					1,116,981	0	1,116,981
Gross Receipts Taxes					762,596	0	762,596
Transient Guest Tax (Hotel/Motel)					365,869	0	365,869
Utility and Other Taxes					229,427	0	229,427
TIF Proceeds					1,370,109	0	1,370,109
Interest Income					574,322	453,113	1,027,435
Insurance Proceeds					1,606	0	1,606
Other					43,687	9,400	53,087
Operating Lease					102,300	0	102,300
Gain on Sale of Capital Assets					13,655	26,304	39,959
Transfers					1,446,577	(1,446,577)	0
Extraordinary Items - Transfers to Close Fund					9,958,680	(9,958,680)	0
Total General Revenues and Transfers					30,863,271	(10,916,440)	19,946,831
Change in Net Position for the Year					16,635,495	(8,593,412)	8,042,083
Net Position - September 30, 2022					52,962,383	61,244,163	114,206,546
Net Position - September 30, 2023					\$ 69,597,878	\$ 52,650,751	\$ 122,248,629

The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2023

	Major Funds							
	General Fund	Storm Water & Parks Tax Fund	Transportation Tax Fund	Capital Projects Fund	Transient Guest Tax Fund	Special Allocation Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 9,791,822	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,791,822
Accounts Receivable (net)	1,940,665	231,378	254,208	462,758	61,018	549,576	0	3,499,603
Lease Receivable	639,761	0	0	0	0	0	0	639,761
Interest Receivable	4,659	0	0	0	0	0	0	4,659
Prepaid Items	242,150	0	0	0	0	0	0	242,150
Due From Other Funds	0	0	0	0	0	227,714	68,821	296,535
Restricted Assets								
Cash and Cash Equivalents	0	1,832,408	1,818,554	2,561,777	1,001,982	1,134,999	1,805	8,351,525
Investments	1,532,276	0	0	0	0	0	0	1,532,276
TOTAL ASSETS	\$ 14,151,333	\$ 2,063,786	\$ 2,072,762	\$ 3,024,535	\$ 1,063,000	\$ 1,912,289	\$ 70,626	\$ 24,358,331
<u>LIABILITIES</u>								
Accounts Payable	\$ 339,802	\$ 568	\$ 20,169	\$ 11,710	\$ 1,063,000	\$ 87,204	\$ 70,626	\$ 1,593,079
Accrued Salaries	262,323	0	0	0	0	0	0	262,323
Taxes Payable	38,787	0	0	0	0	0	0	38,787
Due to Other Funds	159,755	28,460	28,460	79,861	0	0	0	296,536
Customer Deposits	4,277	0	0	0	0	0	0	4,277
Other Liabilities	1,727,153	0	0	0	0	0	0	1,727,153
Total Liabilities	<u>2,532,097</u>	<u>29,028</u>	<u>48,629</u>	<u>91,571</u>	<u>1,063,000</u>	<u>87,204</u>	<u>70,626</u>	<u>3,922,155</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable Revenue - Lease	980,120	0	0	0	0	0	0	980,120
Unavailable Revenue - Court and Property Taxes	220,630	0	0	0	0	0	0	220,630
Unavailable Revenue - Tax Increment District Payments	0	0	0	0	0	518,486	0	518,486
Total Deferred Inflows of Resources	<u>1,200,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>518,486</u>	<u>0</u>	<u>1,719,236</u>
<u>FUND BALANCE</u>								
Nonspendable								
Prepays	242,150	0	0	0	0	0	0	242,150
Restricted								
Capital Projects	1,120,000	2,034,758	2,024,133	2,932,964	0	0	0	8,111,855
Karsch - Downtown TIF District	0	0	0	0	0	1,306,599	0	1,306,599
Committed								
Acquisition/Improvement of Public Spaces	53,022	0	0	0	0	0	0	53,022
Assigned								
Contingency Reserves	1,395,000	0	0	0	0	0	0	1,395,000
Other Purposes	19,426	0	0	0	0	0	0	19,426
Storm Water Improvements	99,147	0	0	0	0	0	0	99,147
Wilson Rozier Ballpark	53,067	0	0	0	0	0	0	53,067
Unassigned	<u>7,436,674</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,436,674</u>
Total Fund Balances	<u>10,418,486</u>	<u>2,034,758</u>	<u>2,024,133</u>	<u>2,932,964</u>	<u>0</u>	<u>1,306,599</u>	<u>0</u>	<u>18,716,940</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 14,151,333	\$ 2,063,786	\$ 2,072,762	\$ 3,024,535	\$ 1,063,000	\$ 1,912,289	\$ 70,626	\$ 24,358,331

The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
Year Ended September 30, 2023

Total Fund Balances - Governmental Funds	\$	18,716,940
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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	\$ 3,142,591	
Deferred Outflows	1,320,819	
Deferred Inflows	<u>(735,424)</u>	
		3,727,986

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

Governmental capital assets	94,383,778	
Less - Accumulated depreciation	<u>(44,403,860)</u>	
		49,979,918

Intangible assets are not current financial resources, and therefore, are not reported in the governmental funds.

Subscription Based Information Technology Agreements	130,653	130,653
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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	(189,291)	
Leases Payable	(2,415,312)	
Certificates of Participation	(960,000)	
Subscription Based Information Technology Agreements	(115,221)	
Accrued Interest Payable	<u>(16,912)</u>	
		(3,696,736)

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>739,117</u>
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Net Position of Governmental Activities

	\$	<u><u>69,597,878</u></u>
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The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended September 30, 2023

	Major Funds							Total
	General Fund	Storm Water & Parks Tax Fund	Transportation Tax Fund	Capital Projects Fund	Transient Guest Tax Fund	Special Allocation Fund	Nonmajor Funds	Governmental Funds
REVENUES								
Sales Tax	\$ 8,288,733	\$ 1,362,473	\$ 1,362,473	\$ 2,725,302	\$ 0	\$ 0	\$ 0	\$ 13,738,981
Use Tax	683,089	113,848	113,848	227,696	0	0	0	1,138,481
Real and Personal Property Tax	1,099,207	0	0	0	0	0	0	1,099,207
Grants and Donations	1,158,443	0	22,829	0	0	0	0	1,181,272
Motor Fuel and Vehicle Tax	927,212	0	0	0	0	0	0	927,212
Utility, Gross Receipts and Other Taxes	992,023	0	0	0	0	0	0	992,023
Charges for Services	1,780,528	0	0	0	0	0	0	1,780,528
Municipal Court Fines and Fees	169,954	0	0	0	0	0	0	169,954
Transient Guest (Hotel/Motel) Tax	0	0	0	0	365,869	0	0	365,869
Interest Income	300,841	31,494	35,850	128,805	17,920	34,278	25,134	574,322
TIF Proceeds From Other Governments	0	0	0	0	0	1,369,297	0	1,369,297
Other	43,687	0	0	0	0	0	0	43,687
Total Operating Revenues	15,443,717	1,507,815	1,535,000	3,081,803	383,789	1,403,575	25,134	23,380,833
EXPENDITURES								
General Government								
Administration	1,954,609	0	0	0	0	1,520,944	422,847	3,898,400
Tourism	0	0	0	0	383,789	0	0	383,789
Public Safety								
Police	3,474,923	0	0	0	0	0	0	3,474,923
Municipal Court	96,172	0	0	0	0	0	0	96,172
Fire	2,334,752	0	0	0	0	0	0	2,334,752
Streets and Public Works								
Street	926,261	0	0	0	0	0	0	926,261
Public Works	430,682	44,871	50,751	0	0	0	0	526,304
Maintenance	648,638	0	0	0	0	0	0	648,638
Culture and Recreation								
Parks, Civic Center, and Water Park	2,819,484	0	0	0	0	0	0	2,819,484
Library	535,544	0	0	0	0	0	0	535,544
Capital Outlay	2,669,317	91,537	936,342	19,194	0	560,295	0	4,276,685
Debt Service - Interest	40,304	0	0	0	0	0	111,314	151,618
Debt Service - Principal	570,763	0	0	0	0	0	1,280,000	1,850,763
Total Expenditures	16,501,449	136,408	987,093	19,194	383,789	2,081,239	1,814,161	21,923,333
EXCESS (DEFICIENCY) OF REVENUES								
OVER EXPENDITURES	(1,057,732)	1,371,407	547,907	3,062,609	0	(677,664)	(1,789,027)	1,457,500
OTHER FINANCING SOURCES (USES)								
Transfer In	1,536,547	0	0	0	0	1,021,257	1,789,027	4,346,831
Administrative Pilot Transfer from Utilities	1,446,577	0	0	0	0	0	0	1,446,577
Transfer Out	(765,115)	(757,880)	(147,443)	(2,138,687)	0	(380,585)	0	(4,189,710)
Operating Lease	102,300	0	0	0	0	0	0	102,300
Sale of Capital Asset	13,655	0	0	0	0	0	0	13,655
Lease Proceeds	1,120,120	0	0	0	0	0	0	1,120,120
Insurance Proceeds	1,606	0	0	0	0	0	0	1,606
Total Other Financing Sources and Uses	3,455,690	(757,880)	(147,443)	(2,138,687)	0	640,672	1,789,027	2,841,379
NET CHANGE IN FUND BALANCES	2,397,958	613,527	400,464	923,922	0	(36,992)	0	4,298,879
FUND BALANCES - SEPTEMBER 30, 2022	8,020,528	1,421,231	1,623,669	2,009,042	0	1,343,591	0	14,418,061
FUND BALANCES - SEPTEMBER 30, 2023	\$ 10,418,486	\$ 2,034,758	\$ 2,024,133	\$ 2,932,964	\$ 0	\$ 1,306,599	\$ -	\$ 18,716,940

The notes to financial statements are an integral part of this statement.

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, 2023

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	\$ 4,298,879
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)	4,276,685
Depreciation	(3,133,222)
Transfers of assets, deferred inflows, liabilities, and deferred outflows from business-type activities to governmental activities are not reported in the governmental funds but are reported as interfund transfers on the Government-wide Statement of Activities.	9,801,559
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	85,839
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	1,850,763
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.	(1,120,120)
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	(962)
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 payable	11,453
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	549,188
Governmental funds report payments on subscription based information technology agreements as expenditures. However, in the Government-wide Statement of Activities, the subscription is amortized over the life of the subscription.	
Change in subscription asset (net of subscription liability)	15,433
Change in Net Position of Governmental Activities as Reported on the Statement of Activities	\$ 16,635,495

The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2023

	Civic Complex Fund	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 0	\$ 142,102	\$ 569,983	\$ 4,645,694	\$ 2,112,660	\$ 7,470,439
Investments	0	50,649	202,599	3,862,343	455,847	4,571,438
Accounts Receivable	0	22,487	471,464	2,615,248	457,917	3,567,116
Lease Receivable	0	1,892	0	0	7,010	8,902
Interest Receivable	0	657	0	0	2,037	2,694
Prepays	0	2,160	19,859	56,099	32,393	110,511
Inventory	0	81,734	166,915	1,931,386	591,690	2,771,725
Total Current	0	301,681	1,430,820	13,110,770	3,659,554	18,502,825
Noncurrent Assets:						
Restricted Assets:						
Cash and Investments	0	0	658,044	0	0	658,044
Lease Receivable (non-current)	0	96,204	0	0	46,396	142,600
Capital Assets (Net of Accumulated Depreciation)						
Non-Depreciable	0	1,402,496	50,364	291,252	31,984	1,776,096
Depreciable	0	4,313,450	19,335,701	6,424,935	7,204,474	37,278,560
Subscription Based Intangible Assets (Net of Amortization)	0	0	130,652	130,652	130,652	391,956
Net Pension Asset	0	36,294	475,135	583,467	273,282	1,368,178
Total Noncurrent Assets	0	5,848,444	20,649,896	7,430,306	7,686,788	41,615,434
Total Assets	0	6,150,125	22,080,716	20,541,076	11,346,342	60,118,259
DEFERRED OUTFLOW OF RESOURCES						
Pension Related	0	11,305	149,769	225,447	104,962	491,483
Asset Retirement Obligations	0	0	0	0	263,896	263,896
Total Deferred Outflow of Resources	0	11,305	149,769	225,447	368,858	755,379
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	0	6,161,430	22,230,485	20,766,523	11,715,200	60,873,638
LIABILITIES						
Current Liabilities:						
Accounts Payable	0	2,743	109,575	1,651,479	124,449	1,888,246
Accrued Salaries	0	1,028	26,087	41,465	17,368	85,948
Accrued Interest	0	0	30,076	2,032	2,032	34,140
Taxes Payable	0	261	3,914	83,767	12,861	100,803
Builder's Deposits	0	0	0	128,708	0	128,708
Other Liabilities	0	3,617	13,146	310,372	9,395	336,530
Current Portion of Long-term Debt	0	680	687,932	525,800	55,474	1,269,886
Total	0	8,329	870,730	2,743,623	221,579	3,844,261
Noncurrent Liabilities:						
Customer Deposits Payable	0	0	0	519,444	0	519,444
Compensated Absences	0	680	20,676	35,411	18,218	74,985
Asset Retirement Obligation	0	0	0	0	280,000	280,000
Capital Leases Payable	0	0	2,640,018	0	0	2,640,018
Notes Payable	0	0	0	1,246,115	0	1,246,115
Subscription Based IT Agreements Payable	0	0	115,220	115,220	115,220	345,660
Less - Current Maturities	0	(680)	(687,932)	(525,800)	(55,474)	(1,269,886)
Total Noncurrent Liabilities	0	0	2,087,982	1,390,390	357,964	3,836,336
Total Liabilities	0	8,329	2,958,712	4,134,013	579,543	7,680,597
DEFERRED INFLOW OF RESOURCES						
Lease Related	0	96,613	0	0	47,515	144,128
Pension Related	0	10,300	169,875	161,163	56,824	398,162
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	0	115,242	3,128,587	4,295,176	683,882	8,222,887
NET POSITION						
Net Investment in Capital Assets	0	5,715,946	16,761,479	6,731,619	7,251,890	36,460,934
Restricted	0	37,299	1,113,073	647,751	321,420	2,119,543
Unrestricted	0	292,943	1,227,346	9,091,977	3,458,008	14,070,274
TOTAL NET POSITION	\$ 0	\$ 6,046,188	\$ 19,101,898	\$ 16,471,347	\$ 11,031,318	\$ 52,650,751

The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended September 30, 2023

	Civic Complex Fund	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
<u>OPERATING REVENUES</u>						
Charges for Services:						
Civic Complex Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Airport Charges	0	417,664	0	0	0	417,664
Sewer Charges	0	0	3,454,132	0	0	3,454,132
Electric Charges	0	0	0	22,122,009	0	22,122,009
Water Charges	0	0	0	0	3,458,744	3,458,744
Total Operating Revenues	0	417,664	3,454,132	22,122,009	3,458,744	29,452,549
<u>OPERATING EXPENSES</u>						
Civic Complex Expenses	0	0	0	0	0	0
Airport Expenses	0	447,805	0	0	0	447,805
Sewer Expenses	0	0	2,394,633	0	0	2,394,633
Electric Expenses	0	0	0	19,552,794	0	19,552,794
Water Expenses	0	0	0	0	2,690,852	2,690,852
Depreciation	0	332,029	1,189,462	585,907	526,464	2,633,862
Total Operating Expenses	0	779,834	3,584,095	20,138,701	3,217,316	27,719,946
OPERATING INCOME (LOSS)	0	(362,170)	(129,963)	1,983,308	241,428	1,732,603
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Grant Income	0	38,013	464,627	66,665	77,774	647,079
Interest and Investment Income	0	4,378	48,845	322,193	77,697	453,113
Lease Revenue	0	5,573	0	0	3,827	9,400
Bond Fees	0	0	(567)	0	0	(567)
Interest Expense	0	0	(56,087)	0	0	(56,087)
Gain (Loss) on Disposal of Assets	0	12,304	3,550	6,900	3,550	26,304
Total Non-operating Revenues (Expenses)	0	60,268	460,368	395,758	162,848	1,079,242
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	0	(301,902)	330,405	2,379,066	404,276	2,811,845
Transfers In	0	0	0	0	0	0
Transfers Out Utility Pilot to General Fund	0	0	(173,425)	(1,102,637)	(170,515)	(1,446,577)
Transfers Out to Close Fund into General Fund	(9,958,680)	0	0	0	0	(9,958,680)
CHANGE IN NET POSITION	(9,958,680)	(301,902)	156,980	1,276,429	233,761	(8,593,412)
NET POSITION - SEPTEMBER 30, 2022	9,958,680	6,348,090	18,944,918	15,194,918	10,797,557	61,244,163
NET POSITION - SEPTEMBER 30, 2023	\$ 0	\$ 6,046,188	\$ 19,101,898	\$ 16,471,347	\$ 11,031,318	\$ 52,650,751

The notes to financial statements are an integral part of this statement.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended September 30, 2023

	Civic Complex Fund	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 0	\$ 419,112	\$ 3,397,278	\$ 22,095,575	\$ 3,397,078	\$ 29,309,043
Payments to Suppliers	0	(418,599)	(1,616,825)	(18,177,526)	(2,444,257)	(22,657,207)
Payments to or on Behalf of Employees	0	(53,863)	(829,890)	(1,252,032)	(528,739)	(2,664,524)
Net Cash Provided By (Used In) Operating Activities	0	(53,350)	950,563	2,666,017	424,082	3,987,312
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Transfers In (Out)	(187,213)	0	(173,425)	(1,102,637)	(170,515)	(1,633,790)
Net Cash Provided By (Used In) For Noncapital Financing Activities	(187,213)	0	(173,425)	(1,102,637)	(170,515)	(1,633,790)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Capital Contributions and Grant Receipts	0	38,013	464,627	66,666	77,774	647,080
Principal Payments on Long-term Debt Net of Applied Reserves	0	0	(633,339)	(580,843)	0	(1,214,182)
Interest Paid	0	0	(60,255)	2,032	2,032	(56,191)
Bond Fees	0	0	(567)	0	0	(567)
Capital Assets - Leased	0	4,743	0	0	0	4,743
Capital Assets - Acquisition, Sale and Disposal	9,600,348	(12,353)	(879,925)	(336,557)	(413,100)	7,958,413
Capital Assets - Transfers Out	(9,600,348)	0	0	0	0	(9,600,348)
Intangible Assets - Subscription Based IT Agreements	0	0	(15,432)	(15,432)	(15,432)	(46,296)
Net Cash Used For Capital and Related Financing Activities	0	30,403	(1,124,891)	(864,134)	(348,726)	(2,307,348)
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u>						
Investment Earnings (Loss)	0	(46,272)	(157,554)	(3,540,151)	(378,151)	(4,122,128)
Net Change in Cash and Cash Equivalents	(187,213)	(69,219)	(505,307)	(2,840,905)	(473,310)	(4,075,954)
Cash and Cash Equivalent Balances at October 1, 2022	187,213	211,321	1,075,290	7,486,599	2,585,970	11,546,393
Cash and Cash Equivalent Balances at September 30, 2023	\$ 0	\$ 142,102	\$ 569,983	\$ 4,645,694	\$ 2,112,660	\$ 7,470,439
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities						
Operating Income (Loss)	\$ 0	\$ (362,170)	\$ (129,963)	\$ 1,983,308	\$ 241,428	\$ 1,732,603
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation Expense	0	332,029	1,189,462	585,907	526,464	2,633,862
Pension Expense	0	(4,395)	(62,085)	(92,420)	(35,993)	(194,893)
Asset Retirement Obligation Expense	0	0	0	0	5,453	5,453
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows						
Accounts Receivable	0	1,449	(56,854)	(162,684)	(61,666)	(279,755)
Prepays	0	2,979	19,017	216,389	32,571	270,956
Inventory	0	(22,431)	(45,982)	(281,771)	(221,436)	(571,620)
Accounts Payable and Other Payables	0	1,154	33,990	274,667	(72,025)	237,786
Customer and Builder Deposits Payable	0	0	0	136,250	0	136,250
Accrued Salaries and Compensated Absences	0	(1,965)	2,978	6,371	9,286	16,670
Net Cash Provided By (Used In) Operating Activities	\$ 0	\$ (53,350)	\$ 950,563	\$ 2,666,017	\$ 424,082	\$ 3,987,312

The notes to financial statements are an integral part of this statement.

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:

The City reports four major governmental funds, the General Fund, Transient Guest Tax Fund, Capital Projects Fund, and Special Allocation Fund. The Storm Water Tax Fund and Transportation Tax Fund, although not quantitatively major, are shown independently on the financial statements for transparency and accountability to tax payers.

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.

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.

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.

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.

The City reports two funds in aggregate under non-major funds, the Debt Service Fund and District Municipal 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.

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. The Civic Complex Fund was closed during the fiscal year and transferred to the General Fund with the operations of the complex reported in the parks department.

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.

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.

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, 2023.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 \$0.4100 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. The City's aggregate assessed valuation for 2022 used for the Fiscal Year 2023 tax bills was \$274,152,662.

4. Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording for the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

4. Prepaid Items

Payments made for services that will benefit periods beyond September 30, 2023, 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. The City prepaid items consists of insurance and software maintenance agreements.

6. 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 expense as used based off of the annual count for utility systems inventory and monthly for aviation fuel. The average cost basis is applied for valuation.

7. Restricted Assets

Certain proceeds of the City's 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.

8. 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. Additionally reported in Capital Assets are items related to leases with the adoption of GASB Statement No. 87 and subscription based information technology software agreements with the adoption of GASB Statement No. 96.

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 value as follows:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

9. 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

Subscription based information technology software is amortized over the life of the subscription.

10. 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, 2023, 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, 2023.

11. 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) within sixty days are recorded in the governmental fund financial statements.

12. 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.

13. 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.

14. 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

15. 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, the unamortized 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 of the total pension liability, and future payments to be received under capital leases. 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's governmental funds, which include the General Fund, Transient Guest Tax Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund, Special Allocation Fund, Capital Projects Fund, and non-major governmental funds (Debt Service Fund, and Municipal District 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.

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, leases of capital assets net of deferred inflows, and subscription based information technology agreements net of amortization. As of September 30, 2023, the City had a total of \$84,200,972 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, 2023, the City's restricted net position of \$15,265,983 was comprised of debt service, capital projects, tax increment financing, and pensions. Governmental activities restricted net position at September 30, 2023, is \$13,146,440. Restricted net position of the business-type activities totals \$2,119,543.
- ***Unrestricted net position*** is the residual and represents amounts available for future operations or distribution. Government-wide unrestricted net position at September 30, 2023, is \$22,781,674.

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, 2023, 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 Transient Guest Tax Fund exceeded budgeted expenditures by \$9,789. All revenue in this fund is payable to the Farmington Tourism Commission for the purposes of promoting Farmington as a tourist and visitor center. The excess expenditures are due to interest income received higher than budgeted.
- Actual expenditures of the Debt Service Fund exceeded budgeted expenditures by \$19,314, or approximately 1.4%, over budget. Interest rebates earned in relation to this debt are utilized to make additional payments on the debt, and thus increase expenditures over the budgeted debt service payments per the debt schedules.

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 typically charged to an outside utility on gross receipts for the use of easements. The percentage remitted for the year ending September 30, 2023, is 5%. Additionally, the city utilities transfer to reimburse the general fund a pro-rata share of administration costs for management and administration services and information technology related expenses.

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. 100, *Accounting Changes and Error Corrections - an Amendment of GASB 62*; GASB Statement No. 101, *Compensated Absences*; GASB Statement No. 102, *Certain Risk Disclosures*. 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 GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; certain sections of GASB Statement No. 99, *Omnibus 2022*. The incorporation of these statements resulted in the addition of capital assets and liabilities related to subscription based information technology agreements in which the City is the lessee.

I. Prior Period Adjustments

Prior period adjustments included the addition of assets in the amount of \$696,814 and an equivalent liability resulting in no change in net position. This adjustment was the result of the adoption of GASB Statement No. 96.

J. Special and Extraordinary Items

The City had one special or extraordinary items for the fiscal year ending September 30, 2023. The Civic Complex Fund was originally set up as a subsidized enterprise fund. The decision was made to roll this fund into the General Fund and account for the operations of the Civic Center, Centene Performing Arts Center, and Water Park within the parks and recreation department.

K. Municipal Court Traffic Violations Fines and Costs

Missouri Revised Statute 479.359.1 requires that municipalities annually calculate the percentage of annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations, including amended charges for any minor traffic violations. Any funds generated from fines and court costs for traffic violations, including amended charges, which are in excess of 20% of the annual general operating revenue of a City, must be sent to the director of the department of revenue for distribution to the schools within the county.

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

The City's general operating revenue, as calculated on the next page, for the year ending September 30, 2023, is \$13,057,221, of which \$169,954, 1.3%, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Source	Amount
General Sales Tax	\$ 8,288,733
General Use Tax	683,089
Real and Personal Property Tax	1,099,207
Utility, Gross Receipts, and Other Taxes	992,023
Charges for Services	1,780,528
Municipal Court Fines and Fees	169,954
Other	43,687
Total	<u>\$ 13,057,221</u>

L. Stewardship, Compliance and Accountability

1. Excess of expenditures over appropriations

For the year ended September 30, expenditures did not exceed appropriations in any fund except for the Transient Guest Tax Fund due to increased tax revenue and Debt Service Fund due to the application of increased interest earnings to principal on the debt.

2. Bond Reserve Compliance

The City had no required compliance related to bonded debt reserves for the year.

3. Debt restrictions

General obligation debt Article VI, Sections 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of authorized general obligation debt of a City to 20 percent of the assessed valuation of taxable tangible property as shown by the last completed assessment for state or county purposes. Authorization for debt issuance requires four-sevenths at the general municipal election day, primary or general elections and two-thirds at all other elections, vote of the qualified electors thereof. The City on September 30, 2023, had no outstanding general obligation debt.

NOTE 2 - CASH AND INVESTMENTS

Deposits include all funds held in checking accounts, money market accounts, and cash on hand. Cash equivalents include certificates of deposit with original maturities of not greater than three months. 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, 2023, the bank balances in the City's checking accounts totaled \$30,784,637. These funds were secured by a combination of pledged securities held by the bank in the City's name with a market value of \$8,274,515, Federal Home Loan Bank lines of credit in the amount of \$15,000,000, and a total of FDIC insurance coverage at the local bank and under an insured sweep deposit placement agreement totaling \$9,348,895.

NOTE 2 - CASH AND INVESTMENTS - continued

A reconciliation of cash and cash equivalents as shown on the government-wide financial statement of net position at September 30, 2023, consists of the following:

Type	Amount	Reconciliation to the Statement of Net Position	Amount
Cash on Hand	\$ 1,684	Cash and Cash Equivalents	\$ 17,262,261
Deposits	19,014,534	Investments	4,571,438
Money Market Accounts (Demand)	7,255,611	Restricted Cash and Cash Equivalents	9,009,569
Certificates of Deposit	6,103,715	Restricted Investments	1,532,276
Total Deposits and Investments	<u>\$ 32,375,544</u>	Total	<u>\$ 32,375,544</u>

Fair Value Measurement

The City measures and records any 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.

As of September 30, 2023, the City had no investments under fair value measurement.

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 Cash Equivalents

Certain proceeds of the City's bonds (when applicable), 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, 2023, the balance of the restricted cash and cash equivalents is \$9,009,569.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts Receivable

In the governmental funds, the majority of the accounts receivable balance consists of sales tax revenues due from the state and economic activity taxes due to the Tax Increment Finance Districts from outside entities. Other receivables due include cost-sharing payments due from Farmington R-7 School District, property taxes, gross receipts taxes, municipal court receivables, Civic Center memberships, transient taxes, grant receivables, and costs reimbursements. These receivables are recorded when they are both measurable and available.

In the proprietary funds, the accounts receivable balances consist 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 cost reimbursements, payments for airport fuel purchases, and airport rentals.

The City considers these accounts receivable fully collectible, except for the municipal court and property tax receivables. Therefore, an allowance of \$292,268 is recorded for uncollectible balances (municipal court receivables uncollectible allowance of \$201,737; property tax receivables uncollectible allowance balance of \$90,531).

Accounts receivable balances at September 30, 2023, are as follows:

	Accounts Receivable	Grants Receivable	Taxes Receivable	Total Receivable	Bad Debt Allowance	Net Receivable
Governmental Activities:						
General	\$ 484,624	\$ 8,412	\$ 1,739,897	\$ 2,232,933	\$ 292,268	\$ 1,940,665
Capital Projects	0	0	462,758	462,758	0	462,758
TIF and Tax Sharing Agreements	549,576	0	0	549,576	0	549,576
Transient Guest Tax	0	0	61,018	61,018	0	61,018
Stormwater and Parks Tax	0	0	231,378	231,378	0	231,378
Transportation Tax	0	22,830	231,378	254,208	0	254,208
Total Governmental Activities	<u>\$ 1,034,200</u>	<u>\$ 31,242</u>	<u>\$ 2,726,429</u>	<u>\$ 3,791,871</u>	<u>\$ 292,268</u>	<u>\$ 3,499,603</u>
Business-type Activities:						
Airport	22,487	0	0	22,487	0	22,487
Sewer Utility	471,464	0	0	471,464	0	471,464
Electric Utility	2,615,248	0	0	2,615,248	0	2,615,248
Water Utility	457,917	0	0	457,917	0	457,917
Total Business-type Activities	<u>\$ 3,567,116</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,567,116</u>	<u>\$ 0</u>	<u>\$ 3,567,116</u>

Concentration of Revenue

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

NOTE 4 - LEASES

Lease Receivables and Related Deferred Inflows

The City entered into an operating lease with Farmington R7 School District in November 2022 for a term of ten years with no extensions. The lease includes an initial rent payment of \$300,000 due on execution with \$17,250 monthly rent beginning January 1, 2023, and lasting for 48 months with an interest rate of 4.48%. In the year ended September 30, 2023, one monthly rent payments was not received. The City recognized revenues of \$79,469 for the lease and \$22,831 related to the lease interest.

The City has seven ground leases related to private hangars at the airport. The leases were entered into between 2007 and 2016 each having an initial term of thirty years with two five year extension options. The leases include annual payments ranging from \$252 to \$1,440 and are recorded with an imputed rate of 2%. In the year ending September 30, 2023, the City recognized \$6,402 of lease revenue and \$2,999 of interest revenue related to leases.

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 4 - LEASES— continued

Future minimum lease receipts (including interest payments) and the net present value of these minimum lease receipts as of September 30, 2023, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2024	\$ 224,250	\$ 14,251	\$ 238,501
2025	207,000	7,946	214,946
2026	207,000	7,946	214,946
2027	51,750	8,001	59,751
2028	0	8,001	8,001
Thereafter	0	150,104	150,104
Total Minimum Lease Payments	690,000	196,249	886,249
Less Amount Representing Interest	50,239	44,747	94,986
Present Value of Minimum Lease Payments	<u>\$ 639,761</u>	<u>\$ 151,502</u>	<u>\$ 791,263</u>

Amounts reported as deferred inflows of resources related to leases will be recognized as lease and interest revenues as follows:

Net Deferred Inflows of Resources

Year Ended	Governmental Activities	Business-type Activities
2024	\$ 105,959	\$ 6,388
2025	105,959	6,388
2026	105,959	6,388
2027	105,959	6,388
2028	105,959	6,388
Thereafter	450,325	112,188
Total	<u>\$ 980,120</u>	<u>\$ 144,128</u>

NOTE 5 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS AND RELATED LIABILITIES

As of October 1, 2021, the city entered into a subscription-based information technology agreement (SBITA) with a vendor for an enterprise resource planning software to manage day-to-day operations of the City including finance, human resources, procurement, utility billings and collections, licensing, permitting, etc. The financial system went live October 1, 2022, and is discounted at a rate of 3.95%. For the year ended September 30, 2023, a net SBITA right-to-use intangible asset was reported in the amount of \$522,609 (governmental activities \$130,653, business-type activities \$391,956). The City reported a corresponding SBITA liability in the amount of \$460,880 (governmental activities \$115,220, business-type activities \$345,660).

Future minimum payments (including interest) and the net present value of these payments as of September 30, 2023, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2024	\$ 40,770	\$ 122,309	\$ 163,079
2025	40,770	122,309	163,079
2026	40,770	122,309	163,079
Total Minimum SBITA Payments	122,310	366,927	489,237
Less Amount Representing Interest	7,090	21,267	28,357
Present Value of Minimum SBITA Payments	<u>\$ 115,220</u>	<u>\$ 345,660</u>	<u>\$ 460,880</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 6 - CAPITAL ASSETS

Changes in fixed assets for the fiscal year are as follows:

	Balance, September 30, 2022	Increases - Acquisitions and Transfers	Decreases - Disposals and Transfers	Balance, September 30, 2023
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 2,459,658	\$ 0	\$ 0	\$ 2,459,658
Construction in Progress	0	51,069	0	51,069
Total Capital Assets, Not Depreciated	2,459,658	51,069	0	2,510,727
Capital Assets, depreciated:				
Buildings	14,981,408	19,899,738	0	34,881,146
Land Improvements	449,904	0	0	449,904
Infrastructure	40,539,454	2,725,045	0	43,264,499
Furniture, Equipment & Collections	6,760,778	1,061,147	0	7,821,925
Vehicles	5,122,108	333,470	0	5,455,578
Total Capital Assets, Depreciated	67,853,652	24,019,400	0	91,873,052
Less - Accumulated Depreciation:				
Buildings	4,844,499	10,871,272	0	15,715,771
Land Improvements	396,435	11,715	0	408,150
Infrastructure	18,648,772	1,291,513	0	19,940,285
Furniture, Equipment & Collections	3,664,297	803,249	0	4,467,546
Vehicles	3,523,199	348,910	0	3,872,109
Total Accumulated Depreciation	31,077,202	13,326,659	0	44,403,861
Total Capital Assets, Depreciated	36,776,450	10,692,741	0	47,469,191
Capital Assets, Net	\$ 39,236,108	\$ 10,743,810	\$ 0	\$ 49,979,918
Proprietary Activities:				
Capital Assets, not depreciated:				
Land	\$ 1,492,181	\$ 0	\$ 0	\$ 1,492,181
Intangible Assets	207,312	0	0	207,312
Construction in Progress	1,068,973	76,603	1,068,973	76,603
Total Capital Assets, Not depreciated	2,768,466	76,603	1,068,973	1,776,096
Capital Assets, depreciated:				
Buildings	22,497,527	0	19,387,946	3,109,581
Infrastructure	70,030,587	2,425,695	0	72,456,282
Furniture, Machinery and Equipment	2,703,245	182,174	584,788	2,300,631
Vehicles	2,124,111	181,080	56,295	2,248,896
Total Capital Assets, Depreciated	97,355,470	2,788,949	20,029,029	80,115,390
Less - Accumulated Depreciation:				
Buildings	11,106,030	85,878	9,882,310	1,309,598
Infrastructure	36,043,298	2,320,714	0	38,364,012
Furniture, Machinery and Equipment	1,656,972	147,293	395,520	1,408,745
Vehicles	1,697,011	79,977	22,513	1,754,475
Total Accumulated Depreciation	50,503,311	2,633,862	10,300,343	42,836,830
Total Capital Assets, Depreciated	46,852,159	155,087	9,728,686	37,278,560
Capital Assets, Net	\$ 49,620,625	\$ 231,690	\$ 10,797,659	\$ 39,054,656

NOTE 6 - CAPITAL ASSETS - continued

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 \$5,767,084. Depreciation is charged to the City functions as follows:

Function/Program	Current Depreciation	
	Governmental Activities	Business-type Activities
General Government	\$ 67,904	\$ 0
Public Safety	722,794	0
Streets and Public Works	1,324,550	0
Culture and Recreation	1,017,974	0
Airport	0	332,029
Sewer	0	1,189,462
Electric	0	585,907
Water	0	526,464
Total	<u>\$ 3,133,222</u>	<u>\$ 2,633,862</u>

NOTE 7 – CURRENT PAYABLES

Current Payables

Current payable balances consist of amounts due and expected to be paid within one year.

Payable balances at September 30, 2023, as reported on the government-wide financial statements, were as follows:

	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Governmental Activities</u>					
General	\$ 339,802	\$ 262,323	\$ 16,912	\$ 38,787	\$ 657,824
Transient Tax	1,063,000	0	0	0	1,063,000
TIF and Tax Sharing Agreements	87,204	0	0	0	87,204
Stormwater and Parks Tax	568	0	0	0	568
Transportation Tax	20,169	0	0	0	20,169
Capital Projects	11,710	0	0	0	11,710
District Municipal Fund	70,626	0	0	0	70,626
Total Governmental Activities	<u>\$ 1,593,079</u>	<u>\$ 262,323</u>	<u>\$ 16,912</u>	<u>\$ 38,787</u>	<u>\$ 1,828,765</u>

Governmental other payables include \$1,501,331 in American Rescue Plan Act funds for which eligibility requirements have not yet been met.

	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Business-type Activities</u>					
Airport	\$ 2,743	\$ 1,708	\$ 0	\$ 261	\$ 4,712
Sewer Utility	109,575	46,763	30,076	3,914	190,328
Electric Utility	1,651,479	76,876	2,032	83,767	1,814,154
Water Utility	124,449	35,586	2,032	12,861	174,928
Total Business-type Activities	<u>\$ 1,888,246</u>	<u>\$ 160,933</u>	<u>\$ 34,140</u>	<u>\$ 100,803</u>	<u>\$ 2,184,122</u>

NOTE 8 - 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.

B. Commitments

1. Construction and System Improvement Commitments

The contract commitments including retainage and source of funding at September 30, 2023, were as follows:

	Amount	Source of Funding
<u>Governmental Activities</u>		
General Fund	\$ 2,027,775	General Revenues and ARPA Funding
Special Allocation Fund	68,340	TIF Proceeds
Transportation Tax Fund	21,371	Transportation Tax
Total Governmental Activities	<u>2,117,486</u>	
<u>Business-type Activities</u>		
Airport Fund	\$ 944,431	Capital Projects Tax and Grant Funding
Sewer Fund	470,119	Sewer Revenues and ARPA Funding
Electric Fund	1,673,473	Electric Revenues and ARPA Funding
Water Fund	671,608	Water Revenues and ARPA Funding
Total Business-type Activities	<u>3,759,631</u>	
Total	<u>\$ 5,877,117</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.

NOTE87 - CONTINGENCIES AND COMMITMENTS – continued

MoPEP operations are governed by a committee ("Pool Committee") consisting of one representative from each MoPEP member and is comprised of 35 members as of September 30, 2023. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC's costs (the "Direct Costs") incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee. The rates are established so as to charge each MoPEP member (including the City) its proportionate share of all costs associated with MJMEUC's performance under the MoPEP Agreement. Charges based on such rates are assessed and billed monthly. Rates are required to be established at least annually and adjusted to recognize variances between budgeted and actual costs at least every six months.

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

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

NOTE 9 - CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Balance September 30, 2022	Additions	Deductions	Balance September 30, 2023	Current Portion
<u>Direct Borrowings and Placements</u>					
<u>Governmental Activities</u>					
Capital Leases:					
Firestation Lease	\$ 1,288,000	\$ 0	\$ (350,000)	\$ 938,000	\$ 248,000
Fire Aerial Truck	812,584	0	(309,880)	502,704	315,510
Street Sweeper	115,370	0	(86,356)	29,014	29,014
Ragsdale Field Turf	0	1,120,120	(174,525)	945,595	270,505
Total Governmental Activities	<u>\$ 2,215,954</u>	<u>\$ 1,120,120</u>	<u>\$ (920,761)</u>	<u>\$ 2,415,313</u>	<u>\$ 863,029</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 9 - CHANGES IN LONG-TERM LIABILITIES – continued

	Balance September 30, 2022	Additions	Deductions	Balance September 30, 2023	Current Portion
Other Debt					
<u>Governmental Activities</u>					
Certificates of Participation:					
Series 2014-Library, Police Station & Water Park Improvements	\$ 1,890,000	\$ 0	\$ (930,000)	\$ 960,000	\$ 960,000
Subscription-based IT Liability	174,204	0	(58,984)	115,220	37,256
Compensated Absences	188,329	189,291	(188,329)	189,291	189,291
Total Governmental Activities	<u>\$ 2,252,533</u>	<u>\$ 189,291</u>	<u>\$ (1,177,313)</u>	<u>\$ 1,264,511</u>	<u>\$ 1,186,547</u>
<u>Business-type Activities</u>					
Capital Leases:					
COP Sr2016 -Sewer System	\$ 3,220,000	\$ 0	\$ (620,000)	\$ 2,600,000	\$ 630,000
Premium	53,358	0	(13,339)	40,019	0
MOPEP 2021 Winter Storm Relief	1,699,247	0	(453,133)	1,246,114	453,133
Subscription-based IT Liability	522,612	0	(176,952)	345,660	111,768
Compensated Absences	77,054	74,985	(77,054)	74,985	74,985
Asset Retirement Obligations	280,000	0	0	280,000	0
Total Business-type Activities	<u>\$ 5,852,271</u>	<u>\$ 74,985</u>	<u>\$ (1,340,478)</u>	<u>\$ 4,586,778</u>	<u>\$ 1,269,886</u>

Note: The right-to-use subscription-based information technology arrangements were not previously reported. The September 30, 2022, balances have been restated as part of the implementation of GASB 96.

Governmental activities Series 2014 debt is paid from the Capital Projects Fund; compensated absences and subscription-based information technology lease liabilities are paid from the General Fund.

NOTE 10 – CAPITAL LEASES

Governmental Activities:

The City entered into leases for the financing of various equipment and facility construction and improvements. A description of the properties leased, and details of the leases are described below. Obligations under these 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 lease with US Bank National Association to finance the construction of a new municipal library, renovations to the existing 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 on 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, 2023, there was an unpaid balance of \$960,000.

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

NOTE 10 – CAPITAL LEASES - *continued*

an application of surplus funds to accelerate the reduction in principal. This has resulted in a revised final payment date of April 20, 2027. In the year ending September 30, 2023, the City used TIF Funds on hand to make an additional principal payment on this debt. 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, 2023, was \$938,000.

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, 2023, there was an unpaid balance of \$502,704.

In March 2021, the City added Property Schedule 5 in the amount of \$257,289 to the Master lease with US Bancorp dated February 24, 2014. The added schedule provided for the purchase of a Street Sweeper. Lease payments are due in monthly installments of \$7,272, which include interest at an interest rate of 1.663%. The sweeper constitutes collateral for the lease obligation. The debt payment schedule included an initial payment due March 12, 2021, with final payment and retirement of the debt February 12, 2024. At September 30, 2023, there was an unpaid balance of \$29,014.

In January 2023, the City entered into a capital lease with First State Community Bank in the amount of \$1,120,120 for capital improvements related to a Synthetic Turf Field. Lease payments are due in monthly installments of \$25,293, which include interest at an interest rate of 3.95% and to be paid from available general and capital revenue budgeted and appropriated during the fiscal year. The debt payment schedule anticipates final payment and retirement of the debt January 20, 2027. However, the payments required do not constitute an obligation of the city in any fiscal year subsequent to a fiscal year in which the city has appropriated funds for debt service. As of September 30, 2023, there remains an unpaid balance of \$945,594.

Business-type Activities:

The City entered into a lease to finance improvements for the wastewater treatment system equipment and infrastructure. A description of the property leased, and the details of the lease arrangement 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 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, 2023, was \$2,600,000.

NOTE 10 – CAPITAL LEASES - *continued*

Future minimum lease obligations (including interest payments) and the net present value of these minimum lease payments as of September 30, 2023, were as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2024	\$ 1,934,388	\$ 665,847	\$ 2,600,235
2025	780,679	667,034	1,447,713
2026	591,551	662,538	1,254,089
2027	267,645	670,000	937,645
Total Minimum Lease Payments	3,574,263	2,665,419	6,239,682
Less - Amount Representing Interest	198,381	65,419	263,800
Present Value of Minimum Lease Payments	<u>\$ 3,375,882</u>	<u>\$ 2,600,000</u>	<u>\$ 5,975,882</u>

Assets under these leases at September 30, 2023, included:

Asset Type	Asset Cost	Accumulated Depreciation	Book Value
Land and Buildings	\$ 13,552,761	\$ 3,594,383	\$ 9,958,378
Infrastructure	7,816,708	1,692,465	6,124,243
Machinery and Equipment	1,836,943	382,921	1,454,022
Total Assets Under Capital Lease	<u>\$ 23,206,412</u>	<u>\$ 5,669,769</u>	<u>\$ 17,536,643</u>

NOTE 11 - LONG-TERM DEBT

Based off the October 2022 assessed valuation report from the St. Francois County Assessor, the City's assessed value supports a general obligation bond limit of \$54,830,532. The City did not have any general obligation bonds or any revenue bonds outstanding as of September 30, 2023.

NOTE 12 - INTER-FUND TRANSACTIONS

Inter-Fund Receivables and Payables

Inter-fund receivables and payables are current amounts owed between funds within the City. The following details the amounts and purpose of the inter-fund receivables and payables at September 30, 2022.

- The District Municipal Fund and Special Allocation Fund were owed a total of \$296,536 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, 2023. The amounts owed by fund were: General Fund \$159,755, Storm Water and Parks Tax Fund \$28,460, Transportation Fund \$28,460, and Capital Projects Fund \$79,861.

NOTE 12 - INTER-FUND TRANSACTIONS – *continued*

Inter-fund Transfers

During the year ended September 30, 2023, the following inter-fund transfers took place between the various City funds:

Fund Transferred To	Fund Transferred From	Amount	Purpose of Transfer
General	Storm Water and Parks	\$ 610,437	Parks operating costs transfer
General	Capital Projects	768,989	Fire truck & Street Sweeper Debt Payments and capital projects
General	Civic Complex	9,958,659	Closing of Civic Complex fund into General Fund
Debt Service	Special Allocation	380,585	Firestation Debt Payments
Debt Service	Capital Projects	987,397	Certificates of Participation payments
District Municipal	General	280,697	Tax sharing agreement transfers
District Municipal	Capital Projects	140,348	Tax sharing agreement transfers
Special Allocation	General	484,418	Tax increment finance districts incremental EATS tax
Special Allocation	Storm Water and Parks	147,443	Tax increment finance districts incremental EATS tax
Special Allocation	Transportation	147,443	Tax increment finance districts incremental EATS tax
Special Allocation	Capital Projects	241,953	Tax increment finance districts incremental EATS tax

NOTE 13 - 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.

There were no settlements in excess of the insurance coverage in any of the three prior years.

NOTE 14 - 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.

NOTE 14 - RETIREMENT PLAN – *continued*

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.

2023 Valuation

Benefit Multiplier	1.5% for life, plus 0.5% to age 65
Final Average Salary	3 Years
Member Contributions	0 %

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

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	70
Active employees	<u>139</u>
Total	<u>282</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, 2023, were 8.7% (General), 6.4% (Police) and 12.9% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2023.

Actuarial Assumptions

The total pension liability in the February 28, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary Increase	2.75% to 6.75% including wage inflation for General 2.75% to 6.55% including wage inflation for Police 2.75% to 7.15% including wage inflation for Fire
Investment rate of return	7.00%, net of investment expenses

NOTE 14 - RETIREMENT PLAN – *continued*

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and public Safety groups.

Mortality rates for particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2023, valuation were based on the results of an actuarial experience study for the period March 1, 2018, through February 28, 2023.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and a weighted average of the geometric real rates for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Long-term Expected Real Rate of Return</u>
Equity	42.00 %	4.19 %
Fixed income	28.00	1.06
Real Assets	30.00	2.36

Discount Rate

The discount rate used to measure the total pension liability is 7% 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.

NOTE 14 - RETIREMENT PLAN – *continued*

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances at 6/30/2022	\$ 30,193,753	\$ 36,229,721	\$ (6,035,968)
Changes for the year:			
Service Cost	679,528	0	679,528
Interest	2,096,241	0	2,096,241
Difference between expected and actual experience	1,037,139	0	1,037,139
Changes in assumptions	0	0	0
Contributions - City	0	670,661	(670,661)
Net investment income	0	1,360,273	(1,360,273)
Benefit payments, including refunds	(1,182,947)	(1,182,947)	0
Administrative expense	0	(37,606)	37,606
Other changes	0	294,381	(294,381)
Net changes	2,629,961	1,104,762	1,525,199
Balances at 6/30/2023	\$ 32,823,714	\$ 37,334,483	\$ (4,510,769)

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 7.00%, as well as what the City's Net Pension Liability (Asset) would be using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability (TPL)	\$ 37,595,508	\$ 32,823,714	\$ 28,893,176
Plan Fiduciary Net Position	37,334,483	37,334,483	37,334,483
Net Pension Liability (Asset) (NPL)	\$ 261,025	\$ (4,510,769)	\$ (8,441,307)

NOTE 14 - RETIREMENT PLAN – *continued*

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

For the year ended September 30, 2023, the City recognized pension expense of \$(100,849). 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	\$ 1,239,344	\$ (924,334)
Changes in Assumptions	0	(209,252)
Net Difference between projected and actual earnings on pension plan investments	425,728	0
Employer contributions subsequent to the measurement date	147,230	0
Total	<u>\$ 1,812,302</u>	<u>\$ (1,133,586)</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, 2024.

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

Year Ended	Net Deferred Outflows of Resources
2024	\$ (141,360)
2025	(550,221)
2026	822,458
2027	305,544
2028	95,065
Thereafter	0
Total	<u>\$ 531,486</u>

Payable to the Pension Plan

At September 30, 2023, the City reported a payable of less than \$1 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2023.

NOTE 15 - TAX ABATEMENTS

A. Tax Increment Financing Districts

Karsch Boulevard-Downtown TIF District

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

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

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

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

It is anticipated that the redevelopment will support the issuance of \$14,800,000 of TIF Debt. However, it is the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTS as surplus on an annual basis and pass through that amount to the individual taxing entities. This plan anticipates a total of \$14,708,580 of PILOTS. The actual PILOTS over the 23 year projected life of the TIF District will depend on the amount of actual development that occurs and may be more than the projected \$20,000,000 but will be limited to the amount of actual PILOTS collected.

Open architectural preservation grant agreements for development at September 30, 2023, included:

Location	Party	Approved	Total Commitment	Remaining
12 W Columbia Street	Brian Hurst LLC	R32-2022	\$ 50,000	\$ 31,000
104 & 106 W Columbia Street	Robert & Nancy Gierse	R13-2022	30,000	7,340
208 W Harrison St	Christopher & Jennifer Morrison	R16-2023	25,000	11,530
			\$ 105,000	\$ 49,870

As of September 30, 2023, no TIF bonds have been issued by the City of Farmington for the Karsch-Downtown TIF District projects.

NOTE 15 - TAX ABATEMENTS - *continued*

Highway 67 TIF District

In October 2005, the City adopted an ordinance approving the redevelopment plan for the Highway 67 tax increment financing district with subsequent amendments to the plan made in 2006, 2008, and 2015. The plan included two redevelopment projects with 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.

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, 2023, a total of \$4,310,446 had been paid under 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.

NOTE 15 - TAX ABATEMENTS - *continued*

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, 2023, additional retail stores have opened in the development, and there remains a reimbursable balance of \$1,159,032.

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. To date, a total of \$2,378,832 has been approved for reimbursement. As of September 30, 2023, a reimbursable balance of \$663,279 remains.

Mineral Area Community Improvement District

On December 11, 2014, the City Council adopted an ordinance establishing the Mineral Area Community Improvement District (CID) for the purpose of providing public assistance to eliminate blighted conditions including the redevelopment of streets and storm water to improve safety and traffic control. The district includes approximately 18.5 acres encompassing the Mineral Area Shopping Center and adjacent out lots. At that same meeting, the City Council approved a development agreement between the CID, Jones Farmington Properties LLC and the City. The CID agreement authorizes the District to impose a maximum one percent (1%) sales tax and a maximum real property tax of \$1.00 per \$100 of assessed valuation, as well as a special assessment of twenty-five cents (\$0.25) per square foot of land in a given tax year. Proceeds from the imposed taxes and assessment will be used to reimburse eligible costs as defined by the agreement. The developer failed to convene the Community Improvement District Board of Directors to ratify the original redevelopment agreement within ninety (90) days as stipulated which triggered an automatic termination of the Community Improvement District. On June 22, 2015, the City Council re-authorized the Community Improvement District first approved on December 11, 2014, and the development agreement. This agreement has no direct financial impact on the City.

NOTE 15 - TAX ABATEMENTS - *continued*

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, 2023, was \$450,000. 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, 2023, were as follows:

Tax Abatement Program	Tax Type	Amount of Taxes Abated during the Fiscal Year
Tax Increment Finance Districts Developer Agreements	Sales Tax	\$ 519,032
Community Improvement Districts Agreements	Sales Tax	421,045
Industrial Revenue Bonds	Property Tax	<u>17,037</u>
Total		<u><u>\$ 957,114</u></u>

NOTE 16 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The amount of net position restricted by enabling legislation at September 30, 2023, is as follows:

Fund	Net Position
General	1,120,000
Capital Projects	2,932,964
Storm Water and Parks	2,034,758
Transportation	2,024,133
Special Allocation - Downtown TIF	<u>1,306,599</u>
Total	<u><u>\$ 9,418,454</u></u>

NOTE 17 - SUBSEQUENT EVENTS

The City had no material events subsequent to the end of the fiscal year and has evaluated subsequent events through March 13, 2014.

NOTE 18 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2023, the City leased rental property to City employees. The properties were purchased for future expansions and were leased short-term. The rental income totaled \$14,700 for the year ended September 30, 2023. As of September 30, 2023, there were no outstanding rental payments due.

NOTE 19 – UNEARNED REVENUE

Unearned revenue is money received for which the rights to the money have not yet been earned. These funds are recorded as other payables on the balance sheet. The general fund unearned revenue of \$1,501,331 represents American Recovery plan Act funding which was received but is not considered earned until eligibility requirements for the expenditures are met. These funds are reported in Other Liabilities on the government wide statement of net position and governmental funds balance sheet.

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, 2023

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
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2023

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
<u>REVENUES</u>				
Sales Tax	\$ 8,250,000	\$ 8,250,000	\$ 8,288,733	\$ 38,733
Use Tax	360,000	674,000	683,089	9,089
Real and Personal Property Tax	1,048,000	1,082,000	1,099,207	17,207
Grants and Donations	1,325,100	2,070,100	1,158,443	(911,657)
Motor Fuel and Vehicle Tax	695,000	875,000	927,212	52,212
Utility, Gross Receipts, and Other Taxes	490,000	964,500	992,023	27,523
Municipal Court Fines and Fees	71,800	151,800	169,954	18,154
Charges for Services	1,587,300	1,680,300	1,780,528	100,228
Interest Income	10,500	150,500	300,841	150,341
Other	28,300	28,300	43,687	15,387
Total Revenue	<u>13,866,000</u>	<u>15,926,500</u>	<u>15,443,717</u>	<u>(482,783)</u>
<u>EXPENDITURES</u>				
General Government				
Administration	1,371,200	2,161,800	1,954,609	207,191
Public Safety				
Police	3,646,200	3,798,300	3,474,923	323,377
Municipal Court	117,900	118,300	96,172	22,128
Fire	2,366,500	2,455,200	2,334,752	120,448
Streets and Public Works				
Street	1,000,200	1,000,400	926,261	74,139
Public Works	464,600	454,236	430,682	23,554
Maintenance	679,600	680,400	648,638	31,762
Culture and Recreation				
Parks, Civic Center, and Water Park	2,723,400	2,885,500	2,819,484	66,016
Library	536,000	551,000	535,544	15,456
Capital Outlay	2,098,400	4,889,700	2,669,317	2,220,383
Debt Service - Interest and Fees	12,100	12,100	40,304	(28,204)
Debt Service - Principal	396,700	571,300	570,763	537
Total Expenses	<u>15,412,800</u>	<u>19,578,236</u>	<u>16,501,449</u>	<u>3,076,787</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,546,800)</u>	<u>(3,651,736)</u>	<u>(1,057,732)</u>	<u>2,594,004</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,638,800	1,564,700	1,536,547	(28,153)
Administrative Pilot Transfer from Utilities	1,440,600	1,430,900	1,446,577	15,677
Transfers Out	(816,000)	(846,000)	(765,115)	80,885
Operating Lease	0	564,600	102,300	(462,300)
Sale of Capital Assets	0	3,200	13,655	10,455
Lease Proceeds	0	1,120,200	1,120,120	(80)
Insurance Proceeds	10,000	10,000	1,606	(8,394)
Total Other Financing Sources (Uses)	<u>2,273,400</u>	<u>3,847,600</u>	<u>3,455,690</u>	<u>(391,910)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 726,600</u>	<u>\$ 195,864</u>	<u>2,397,958</u>	<u>\$ 2,202,094</u>
FUND BALANCE, OCTOBER 1, 2022			<u>8,020,528</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 10,418,486</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, 2023

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
<u>REVENUES</u>				
Transient Tax Income	\$ 371,000	\$ 371,000	\$ 365,869	\$ (5,131)
Interest Income	3,000	3,000	17,920	14,920
Total Revenue	<u>374,000</u>	<u>374,000</u>	<u>383,789</u>	<u>9,789</u>
<u>EXPENDITURES</u>				
General Government	<u>374,000</u>	<u>374,000</u>	<u>383,789</u>	<u>(9,789)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
FUND BALANCE, OCTOBER 1, 2022			<u>0</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 0</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, 2023

	<u>Appropriated Budget Amounts</u>			Positive (Negative) Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Sales Tax	\$ 1,375,000	\$ 1,375,000	\$ 1,362,473	\$ (12,527)
Use Tax	120,000	112,500	113,848	1,348
Interest Income	2,000	12,000	31,494	19,494
Total Revenues	<u>1,497,000</u>	<u>1,499,500</u>	<u>1,507,815</u>	<u>8,315</u>
<u>EXPENDITURES</u>				
Public Works	42,000	42,000	44,871	2,871
Capital Outlay	100,000	100,000	91,537	8,463
	<u>142,000</u>	<u>142,000</u>	<u>136,408</u>	<u>11,334</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,355,000</u>	<u>1,357,500</u>	<u>1,371,407</u>	<u>(3,019)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In / (Out)	<u>(1,110,000)</u>	<u>(779,300)</u>	<u>(757,880)</u>	<u>21,420</u>
Total Other Financing Sources (Uses)	<u>(1,110,000)</u>	<u>(779,300)</u>	<u>(757,880)</u>	<u>21,420</u>
NET CHANGE IN FUND BALANCE	<u>\$ 245,000</u>	<u>\$ 578,200</u>	613,527	<u>\$ 18,401</u>
FUND BALANCE, OCTOBER 1, 2022			<u>1,421,231</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 2,034,758</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, 2023

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 1,375,000	\$ 1,375,000	\$ 1,362,473	\$ (12,527)
Use Tax	120,000	112,500	113,848	1,348
Grants and Donations	500,000	500,000	22,829	(477,171)
Interest Income	500	13,000	35,850	22,850
Total Revenues	<u>1,995,500</u>	<u>2,000,500</u>	<u>1,535,000</u>	<u>(465,500)</u>
<u>EXPENDITURES</u>				
Public Works	115,000	115,000	50,751	64,249
Capital Outlay	<u>1,525,000</u>	<u>1,525,000</u>	<u>936,342</u>	<u>588,658</u>
	<u>1,640,000</u>	<u>1,640,000</u>	<u>987,093</u>	<u>652,907</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>355,500</u>	<u>360,500</u>	<u>547,907</u>	<u>187,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	125,000	125,000	0	(125,000)
Transfers Out	<u>(305,000)</u>	<u>(305,000)</u>	<u>(147,443)</u>	<u>157,557</u>
Total Other Financing Sources (Uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(147,443)</u>	<u>32,557</u>
NET CHANGE IN FUND BALANCE	<u>\$ 175,500</u>	<u>\$ 180,500</u>	<u>400,464</u>	<u>\$ 219,964</u>
FUND BALANCE, OCTOBER 1, 2022			<u>1,623,669</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 2,024,133</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

Plan Fiscal year ending June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service Cost	\$ 679,528	\$ 627,436	\$ 659,779	\$ 626,158	\$ 579,558	\$ 537,322	\$ 507,515	\$ 494,790	\$ 500,396
Interest on Total Pension Liability	2,096,241	1,999,485	2,077,085	1,881,766	1,755,151	1,657,392	1,579,628	1,469,673	1,411,366
Difference Between Expected and Actual Experience	1,037,139	(254,133)	(1,454,040)	1,012,258	152,005	(126,773)	(318,318)	(297,274)	(368,584)
Changes of Assumptions	0	0	(469,664.0)	0	0	0	(33,588.0)	606,327.0	0
Benefit Payments, Including Refunds	(1,182,947)	(854,931)	(909,290)	(778,275)	(748,627)	(732,260)	(681,729)	(784,185)	(689,879)
Net Change in Total Pension Liability	2,629,961	1,517,857	(96,130)	2,741,907	1,738,087	1,335,681	1,053,508	1,489,331	853,299
Total Pension Liability Beginning	30,193,753	28,675,896	28,772,026	26,030,119	24,292,032	22,956,351	21,902,843	20,413,512	19,560,213
Total Pension Liability Ending (a)	\$ 32,823,714	\$ 30,193,753	\$ 28,675,896	\$ 28,772,026	\$ 26,030,119	\$ 24,292,032	\$ 22,956,351	\$ 21,902,843	\$ 20,413,512
Plan Fiduciary Net Position									
Contributions - Employer	\$ 670,661	\$ 589,835	\$ 516,832	\$ 495,661	\$ 471,890	\$ 475,254	\$ 483,484	\$ 503,863	\$ 589,380
Net Investment Income	1,360,273	22,837	8,037,335	374,851	1,840,384	3,037,712	2,668,442	(73,051)	468,062
Pension Plan Benefit Payments, Including Refunds	(1,182,947)	(854,931)	(909,290)	(778,275)	(748,627)	(732,260)	(681,729)	(784,185)	(689,879)
Administrative Expense	(37,606)	(25,418)	(22,813)	(29,858)	(26,695)	(18,186)	(18,123)	(17,418)	(18,828)
Other (Net Transfer)	294,381	(336,734)	9,128	(30,876)	5,625	(324,075)	16,218	(373,803)	247,462
Net Change in Plan Fiduciary Net Position	1,104,762	(604,411)	7,631,192	31,503	1,542,577	2,438,445	2,468,292	(744,594)	596,197
Plan Fiduciary Net Position Beginning	36,229,721	36,834,132	29,202,940	29,171,437	27,628,860	25,190,415	22,722,123	23,466,717	22,870,520
Plan Fiduciary Net Position Ending (b)	\$ 37,334,483	\$ 36,229,721	\$ 36,834,132	\$ 29,202,940	\$ 29,171,437	\$ 27,628,860	\$ 25,190,415	\$ 22,722,123	\$ 23,466,717
Net Pension Liability (Asset) Ending (a)-(b)	\$ (4,510,769)	\$ (6,035,968)	\$ (8,158,236)	\$ (430,914)	\$ (3,141,318)	\$ (3,336,828)	\$ (2,234,064)	\$ (819,280)	\$ (3,053,205)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.74 %	119.99 %	128.45 %	101.50 %	112.07 %	113.74 %	109.73 %	103.74 %	114.96 %
Covered-employee Payroll	\$ 7,091,614	\$ 6,254,011	\$ 5,942,655	\$ 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	(63.61) %	(96.51) %	(137.28) %	(6.58) %	(53.83) %	(60.09) %	(43.55) %	(16.81) %	(63.71) %

Notes to Schedule:

GASB Statement No. 68 requires ten years of information to be presented in this table. However until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
LAST TEN 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>
2014	617,850	617,850	0	5,000,672	12.36
2015	581,234	581,234	0	4,908,089	11.84
2016	502,513	502,514	(1.00)	5,172,485	9.72
2017	487,341	482,093	5,248.00	5,401,563	8.93
2018	467,138	467,138	0	5,633,259	8.29
2019	477,165	477,165	0	6,110,879	7.81
2020	496,397	495,644	752.00	6,216,706	7.97
2021	533,986	526,110	7,876.05	6,200,592	8.48
2022	701,229	625,932	75,296.34	6,586,369	9.50
2023	643,233	643,233	(0.31)	7,305,386	8.80

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2023

Notes: The roll-forward of total pension liability from February 28, 2023, to June 30, 2023, 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: 15 years

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

Inflation: 2.75% wage inflation; 2.25% price inflation

Salary Increases: 2.75% to 6.75% including wage inflation for General; 2.75% to 6.55% including wage inflation for Police; and 2.75% to 7.15% including wage inflation for Fire

Investment Rate of Return: 7.00%, 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, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The preretirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups. Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

Other Information: None

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

	Debt Service Fund	District Municipal Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Accounts Receivable (net)	0	0	0
Due From Other Funds	0	68,821	68,821
Restricted Assets - Cash & Cash Equivalents	0	1,805	1,805
	<u>0</u>	<u>1,805</u>	<u>1,805</u>
TOTAL ASSETS	<u>0</u>	<u>70,626</u>	<u>70,626</u>
<u>LIABILITIES</u>			
Accounts Payable	0	70,626	70,626
Due to Other Funds	0	0	0
Other Liabilities	0	0	0
Total Liabilities	<u>0</u>	<u>70,626</u>	<u>70,626</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Tax Increment District Payments	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND BALANCE</u>			
Nonspendable	0	0	0
Restricted	0	0	0
Committed	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 70,626</u>	<u>\$ 70,626</u>

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2023

	Debt Service Fund	District Municipal Fund	Total Nonmajor Funds
<u>REVENUES</u>			
Interest Income	\$ 23,332	\$ 1,802	\$ 25,134
Total Operating Revenues	23,332	1,802	25,134
<u>EXPENDITURES</u>			
General Government			
Administration	0	422,847	422,847
Debt Service - Interest	111,314	0	111,314
Debt Service - Principal	1,280,000	0	1,280,000
Total Expenditures	1,391,314	422,847	1,814,161
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,367,982)	(421,045)	(1,789,027)
OTHER FINANCING SOURCES (USES)			
Transfer In / (Out)	1,367,982	421,045	1,789,027
Total Other Financing Sources and Uses	1,367,982	421,045	1,789,027
NET CHANGE IN FUND BALANCES	0	0	0
FUND BALANCES - SEPTEMBER 30, 2022	0	0	0
FUND BALANCES - SEPTEMBER 30, 2023	\$ 0	\$ 0	\$ 0

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended September 30, 2023

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ 0	\$ 0	\$ 23,332	\$ 23,332
<u>EXPENDITURES</u>				
Debt Service Interest and Fees	106,300	115,000	111,314	3,686
Debt Service Principal	<u>1,257,000</u>	<u>1,257,000</u>	<u>1,280,000</u>	<u>(23,000)</u>
Total Expenditures	<u>1,363,300</u>	<u>1,372,000</u>	<u>1,391,314</u>	<u>(19,314)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,363,300)	(1,372,000)	(1,367,982)	4,018
OTHER FINANCING SOURCES				
Transfers In / (Out)	<u>1,363,300</u>	<u>1,372,000</u>	<u>1,367,982</u>	<u>(4,018)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
FUND BALANCE, OCTOBER 1, 2022			0	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 0</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, 2023

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ 0	\$ 0	\$ 1,802	\$ 1,802
<u>EXPENDITURES</u>				
General Government	<u>474,000</u>	<u>474,000</u>	<u>422,847</u>	<u>51,153</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(474,000)	(474,000)	(421,045)	52,955
<u>OTHER FINANCING SOURCES</u>				
Transfers In / (Out)	<u>474,000</u>	<u>474,000</u>	<u>421,045</u>	<u>(52,955)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
FUND BALANCE, OCTOBER 1, 2022			<u>0</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 0</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, 2023

	<u>Appropriated Budget Amounts</u>			<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
TIF Proceeds From Other Governments	\$ 1,256,000	\$ 1,369,500	\$ 1,369,297	\$ (203)
Interest Income	600	18,400	34,278	15,878
Total Revenues	<u>1,256,600</u>	<u>1,387,900</u>	<u>1,403,575</u>	<u>15,675</u>
<u>EXPENDITURES</u>				
General Government	1,497,300	1,626,600	1,520,944	105,656
Capital Outlay	100,000	600,000	560,295	39,705
Total Expenditures	<u>1,597,300</u>	<u>2,226,600</u>	<u>2,081,239</u>	<u>145,361</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(340,700)</u>	<u>(838,700)</u>	<u>(677,664)</u>	<u>161,036</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	925,000	1,135,000	1,021,257	(113,743)
Transfers Out	(373,800)	(376,600)	(380,585)	(3,985)
Total Other Financing Sources (Uses)	<u>551,200</u>	<u>758,400</u>	<u>640,672</u>	<u>(117,728)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 210,500</u>	<u>\$ (80,300)</u>	<u>(36,992)</u>	<u>\$ 43,308</u>
FUND BALANCE, OCTOBER 1, 2022			<u>1,343,591</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 1,306,599</u>	

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
Year Ended September 30, 2023

	Appropriated Budget Amounts			Positive (Negative) Variance
	Original	Final	Actual	
<u>REVENUES</u>				
Sales Tax	\$ 2,750,000	\$ 2,750,000	\$ 2,725,302	\$ (24,698)
Use Tax	120,000	225,000	227,696	2,696
Interest Income	5,000	110,000	128,805	18,805
Total Revenue	2,875,000	3,085,000	3,081,803	(3,197)
<u>EXPENDITURES</u>				
Capital Outlay	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,875,000	3,085,000	3,081,803	(3,197)
OTHER FINANCING USES				
Transfers Out	(2,218,500)	(2,333,100)	(2,138,687)	194,413
NET CHANGE IN FUND BALANCE	<u>\$ 656,500</u>	<u>\$ 751,900</u>	943,116	<u>\$ 191,216</u>
FUND BALANCE, OCTOBER 1, 2022			<u>1,536,424</u>	
FUND BALANCE, SEPTEMBER 30, 2023			<u>\$ 2,479,540</u>	

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Farmington, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Farmington, Missouri, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Farmington, Missouri's basic financial statements, and have issued our report thereon dated March 13, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Farmington, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Decker & DeGood, PC

Springfield, Missouri
March 13, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Farmington, Missouri

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Farmington, Missouri's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Farmington, Missouri's major federal programs for the year ended September 30, 2023. City of Farmington, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Farmington, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Farmington, Missouri and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Farmington, Missouri's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Farmington, Missouri's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Farmington, Missouri's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered

material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Farmington, Missouri's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Farmington, Missouri's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Farmington, Missouri's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Farmington, Missouri's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

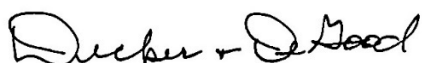
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Decker & DeGood, PC

Springfield, Missouri
March 13, 2024

CITY OF FARMINGTON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Account Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Disbursements Expenditures</u>
<u>Department of Transportation</u>			
Passed-through programs from:			
Missouri Department of Transportation			
Air Entitlement Funds	20.106	11-061C-1	\$ 5,257
Air Entitlement Funds	20.106	22-061C-1	17,951
Air Entitlement Funds	20.106	22-061C- 2	14,805
			<u>38,013</u>
Transportation Alternatives Program	20.205	TAP-2500(008)	22,830
State & Community Highway Safety Programs	20.600	H22PT-	5,304
State & Community Highway Safety Programs	20.600	H23-PT-02-84	8,616
			<u>13,920</u>
Subtotal Department of Transportation			<u>74,763</u>
<u>Department of Homeland Security</u>			
Passed-through programs from:			
State of Missouri			
Drug Task Force Officer Overtime Reimbursement	97.067		12,463
Subtotal Department of Homeland Security			<u>12,463</u>
<u>Department of Justice</u>			
Passed-through programs from:			
State of Missouri			
Edward Byrne Memorial Justice Assistance Grant	16.738	MUMU-05-F	90,669
15-PBJA-21-GG-00249	16.738	MUMU-05-5	55,885
			<u>146,554</u>
Subtotal Department of Justice			<u>146,554</u>
<u>Department of Treasury</u>			
Passed-through programs from:			
State of Missouri			
American Recovery Plan Act (NEU)	21.027		676,930
Subtotal Department of Treasury			<u>676,930</u>
Total Expenditures of Federal Awards			<u>\$ 910,710</u>

**NOTE TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of the City of Farmington, Missouri, under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Farmington, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Farmington, Missouri.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

City of Farmington, Missouri, has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF FARMINGTON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|----------|---------------|
| • Material weakness(es) identified? | _____ | yes | <u>✓</u> | no |
| • Significant deficiency(ies) identified? | _____ | yes | <u>✓</u> | none reported |
| • Noncompliance material to financial statements noted? | _____ | yes | <u>✓</u> | no |

Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------|-----|----------|---------------|
| • Material weakness(es) identified? | _____ | yes | <u>✓</u> | no |
| • Significant deficiency(ies) identified? | _____ | yes | <u>✓</u> | none reported |

Type of auditor's report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes ✓ no

The programs tested as major programs were:

CFDA Number: 21.027 American Recovery Plan Act (NEU)

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes ✓ no

B. FINANCIAL STATEMENTS FINDINGS-

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS-

None

CITY OF FARMINGTON, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Reference Number	Finding	Questioned Costs
N/A	The City of Farmington, Missouri had no federal grants in the prior year that had any findings to correct or report.	