



FARMINGTON CITY

SCOTT C. HARBERTSON
MAYOR

JOHN BILTON
RICK DUTSON
CORY R. RITZ
JIM TALBOT
SID YOUNG
CITY COUNCIL

DAVE MILLHEIM
CITY MANAGER

November 8, 2011

Honorable Mayor and Members of the City Council
and Citizens of Farmington City
Farmington City Corporation
160 S Main
Farmington UT 84025

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Farmington City, Utah, for the fiscal year ended June 30, 2011. This report is in compliance with state law that requires local government to publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement.

This report is published to provide to the City's Governing Body, staff, citizens, the State of Utah, representatives of financial institutions, and other interested persons, detailed information concerning the financial condition of Farmington City. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. The City's accounting records for utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that;
 - (a) the cost of a control should not exceed the benefits likely to be derived; and
 - (b) the evaluation of costs and benefits requires estimates and judgements by management.

We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Section 10-6-150 of the Utah Code Unannotated, and section III.D.01 of the State of Utah Uniform Accounting Manual require fourth class cities to prepare an annual financial report, and that an annual audit be conducted by an independent certified public accountant. The City has contracted with Ulrich and Associates, P.C., Certified Public Accountants to do the audit. The independent audit report is included in this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of Farmington City

Farmington City is a fourth class city (population between 10,000 and 30,000), operating under the Council-Mayor form of government, while delegating administrative functions and duties to a City Manager by ordinance. The City Council is comprised of five Council Members plus the Mayor. The City Council establishes policy and procedures pertaining to the overall governance of the City including general direction for the efficient administration, organization, operation, conduct, and business of the City. The City Council approves, adopts, and amends the budget. The City Manager is appointed by the Mayor and the City Council. The City Manager is responsible for the daily management of the City.

The Mayor and Council members are elected to four-year terms. Every two years elections are held with terms overlapping which helps to facilitate the continuity of the City Council.

The Combined Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria no other governmental organizations are included or excluded in this report.

Major services provided by the City under General Government include the following,

General Government

- General Administration**
- Policy Implementation**
- Budgeting**
- Accounting**
- Investments**
- Records Management**
- Equipment and Vehicle Maintenance**
- Buildings and Grounds Maintenance**
- Purchasing**

Community Development
 Planning and Zoning
 Protective Inspection

Public Safety
 Fire and Police Protection

Highways and Streets
 Street Improvements and Maintenance
 Storm Water Control & Maintenance
 Public Sidewalk

Parks and Cemetery
 Park and Cemetery Maintenance

The City maintains fourteen parks, which include fourteen picnic boweries, eight tennis courts, soccer and baseball fields and state of the art playground equipment. These are all available for family gatherings, parties and events. The City maintains a trail system in the city and continues to acquire and develop more trails over time.

Major services provided under the Enterprise Fund include culinary water, sanitary sewer, storm drainage, waste collections and recycling services, ambulance service, and parks & recreation activities including youth sports and recreational activities and swimming pool activities.

"Historic Beginnings", as stated on the logo of Farmington City, refers to the early beginnings of the area which began in 1847 when the first settlers arrived. Just one month after the first Mormon pioneer settlers entered the Salt Lake Valley, a few families moved further north a short distance to settle the area now known as Farmington City. The settlement was originally called North Cottonwood.

Farmington City is located approximately 16 miles north of Salt Lake City and 20 miles south of Ogden along the western front of the Wasatch Mountains with the Great Salt Lake directly to the west. The City encompasses about 7.11 square miles.

As was the practice in other areas of the valley, the early settlers immediately put the many mountain streams to use by forming systems of irrigation (dams and canals) to water the fertile soil. Farming was the major livelihood of the community for many years with particular emphasis on orchards of apricot, cherry and peach trees.

The area of Farmington was eventually incorporated as a municipality on November 16, 1892, with a population of 1,180 and has grown to 18,275 by the 2010 census data. Most of the growth has come in the last three decades. In 1970 the population of Farmington was 2,500. Although most of the residents commute to work to Salt Lake City, Ogden, or nearby Hill Air Force Base, the community still enjoys a "rural atmosphere" and places significant emphasis on maintaining this element as part of its general plan goals.

Farmington is a regional center for local government. Farmington is the County seat of Davis County with the first courthouse being built in 1855. The Davis County School District is also headquartered here, which occupies most of block 10 in the City's downtown center.

The City has always tried to be progressive in implementing the newest conveniences for its residents. The first telephone was installed in 1896, the City's culinary water system in 1906 and electricity in 1908. The City continues to be progressive today by striving to be on the cutting edge of open space conservation and trail development.

Farmington City is easily accessed by Interstate 15, US Highway 89, and Legacy Highway, that transverse through the City North to South, with a major junction between all three major highways in the City. The Salt Lake International Airport can be reached in 20 minutes and Utah Transit Authority (UTA) provides daily mass transit service throughout the City and along the Wasatch Front. Commuter rail from Ogden to Salt Lake was completed in April of 2008, with a station here in Farmington, it has greatly enhance commuter travel and makes Farmington a destination point with Lagoon and new commercial development being completed.

The City operates an integrated budgetary and accounting system which incorporates the adoption of a formal legal budget. The City Council adopts the annual budget prepared by the Department Heads, City Manager, and Finance Director. This is done by June 22 of each year. State statutes define the legal level of budgetary control at the department level. Expenditures should not exceed appropriations at that level. Financial reports are produced showing budget and actual expenditures, and are distributed monthly to each department head. If needed, the budget is reopened as required to consider necessary adjustments.

Economic Condition and Outlook

Farmington City has experienced significant growth in population during the past several years. The population has risen from 9,028 in 1990 to 12,081 in 2000 and to 18,275 in 2010. The population has doubled in the past 20 years, which is significant growth for the City. Large residential developments have been constructed in the west area of Farmington, which have added about another 1,500 new building lots to the city. Some of these lots are still being developed, but many have been completed. In this past fiscal year the City issued 133 new residential building permits. This is down from the 284 that were issued previous year. Revenue from building permits did increase though from the previous year and was the highest that the City has ever had due to the commercial permits issued for the development of Station Park and issuing permits for a large apartment complex, Park Lane Village, with 324 units which was started in June. This has been a great benefit as the economy continues to be sluggish and other revenues continue to grow slowly. The rest of the State is still not experiencing the growth in the housing market or commercial market as what the City is seeing. It looks as if building permits for residential housing will continue to slow as the housing market is still struggling and will continue until the economy does turn around. New residential developments have not started to come back, as developers are trying to clear the inventory of lots that are already out there to be built upon. The amount of permit and development charges that the City received increased as Station Park commercial development started to develop this past year.

The economic conditions started to turn around this past year, with sales tax increasing by around 9.3% mainly due to the opening of some of the stores in the Station Park development. Property taxes increased by about 2.0%, and all other taxes stayed level. This increase in property tax did not come from a tax increase, as the City did not raise property taxes, but from the increase of homes being finished. The fund balance in the General Fund did increase, which was not planned for. Revenues overall increased from the previous year, which was not budgeted. This was mainly due to the increase in commercial building permits, development fees and in sales taxes. Expenditures increased as more review fees for commercial permits, another full time employee was added in parks and more capital projects were financed from the General Fund. Again even with the increase in expenditures, the General Fund balance increased. This unrestricted fund balance will be used to meet ongoing expenses, equipment, capital and personnel to keep the City services at expected levels for the future.

The retail tax base continues to be a major source of funding for the City. Sales tax revenues during last year increased. This is due to the Station Park development opening several stores in the commuter rail area and will continue to open more stores and theaters in the next few months. The City has established a Redevelopment Agency in this area, with this mixed use development around the commuter rail station and just west of the Legacy Highway, U.S. 89, and I-15 interchange. Station Park will finish phase I of the development later this year and then start phase II, which will be an additional 500,000 square feet of commercial / retail space in this next year. A total of around 950,000 square feet of commercial, retail and office space is planned when the project is finished in the next year or so. Lagoon Corporation, the largest amusement park in the State had some increase in sales over the last couple of years. The City also built a road that will service more area from the Station Park development that has been set aside to be used for more mixed use commercial development. This will open up future commercial growth for the City in the years to come. The long-term financial planning of the City has been to look for other sources of revenue other than just residential development. That is why this new commercial area by the commuter rail station is so important the City.

Awards and Acknowledgments

The City has received the Certificate of Achievement for Excellence in Financial Reporting for the past 10 years.

The preparation of the comprehensive annual financial report was made possible with the dedicated service of the staff of Farmington City. I convey my thanks and sincere appreciation to each of them. I also wish to express appreciation to Charles and Mike Ulrich, the City's auditor's and their staff, for conducting the independent audit and providing assistance in a very professional manner.

In closing, I express appreciation to Mayor Harbertson and members of the City Council for their sincere interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner. I also thank Max Forbush, who retired this past December, and Dave Millheim as City Managers, and capable city staff who are dedicated and go the extra mile in providing quality and conscientious service to this community. Farmington's elected, appointed and

employed City officials are confident, optimistic and excited about the future of their community, and will continue to devote whatever time and effort is needed to keep Farmington a choice place in which to live.

Sincerely,



Keith Johnson,
Finance Director

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
Farmington City Corporation
Farmington, Utah

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 Farmington City Corporation as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Farmington City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011 on our consideration of Farmington City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Farmington City Corporation's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, individual fund budgetary comparison schedules, capital assets schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, individual fund budgetary schedules, capital assets schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Ulrich & Associates, P.C.

November 8, 2011

Management's Discussion and Analysis

This report offers readers of Farmington City's financial statements a narrative overview and analysis from managements perspective of the financial activities of Farmington City for the fiscal year ended June 30, 2011. Readers should consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

The assets of Farmington City exceeded its liabilities at the close of the most recent fiscal year by \$80,131,561. This is an increase of 5,044,211. The increase was mainly due to an increase in invested capital. The amount of unrestricted assets increased from \$3,728,261 to 4,591,165 or by \$862,904. The unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors. The Governmental activities increased by \$335,385, whereas the Business-type activities had an increase in unrestricted assets of \$527,519.

As of the close of the current fiscal year, Farmington City's governmental funds reported combined ending fund balance of \$5,123,808. This is a decrease in fund balance from the previous year of \$668,132. This decrease came mainly from the RDA fund, street improvement, and government buildings improvement funds. The decrease came as bond proceeds were used to pay for construction of a new road in the RDA fund and the purchase of property for a street in street improvement and the finishing of the City Hall in the building fund. Of the total fund balance \$1,670,962 is unassigned in the General Fund for spending at the City's discretion.

The City's total debt is \$9,326,256. It decreased by \$1,468,872 during the current fiscal year, with debt for both the business-type activities and governmental activities decreasing. The City did not issue any new debt during this fiscal year.

Overview of Financial Statements

This discussion and analysis portion of the audit report serves as an introduction to Farmington City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Farmington City's finances, in a format similar to what is provided by private-sector businesses.

The statement of net assets presents information pertaining to all of Farmington City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may be useful by indicating whether the financial position of Farmington City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for events that may result in cash flows in future fiscal periods.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of Farmington City include general government, public safety, highways and public works, community development, parks and cemetery. The business-type activities of the City include providing water, sewer, storm water, garbage, ambulance, and recreational services.

Fund financial statements. A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. Farmington City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of Farmington City are divided into three categories: governmental funds, propriety funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Farmington City maintains eighteen (18) individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, RDA funds, MBA fund, street, park and building improvement funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Farmington City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Farmington City uses enterprise funds to account for water, sewer, garbage collection, storm water, ambulance and recreation. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, which are shown as major funds of the City.

Permanent funds. Permanent funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes to support the City programs. The City has a cemetery perpetual care fund that falls into this category.

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

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of Farmington City, this fiscal year net assets improved. Total net assets increased by \$5,044,211 from the prior year. The main increase was in the capital assets in the governmental activities, and some increase in the business-type activities. The unrestricted portion of total assets increased some by \$862,904, that was from both from the governmental and the business-type activities. The water utility rate increase helped with the increase in unrestricted net assets under the business-type activities. With net assets increasing, the City did improve overall in its financial condition and continues to be able to meet city services for its constituents.

By far the largest portion of the Farmington City's net assets is \$71,319,056 in capital assets net of related debt. This reflects its investment in land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. Farmington City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although Farmington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. As noted above the overall condition of the City is good, as unrestricted net assets are able to meet the ongoing obligations and liabilities that the City might have.

Governmental activities. Governmental activities are reflected in the government-wide activities statement. The governmental activities had an increase in net assets of \$3,004,702 with liabilities decreasing and assets increasing.

Net Assets
June 30, 2011

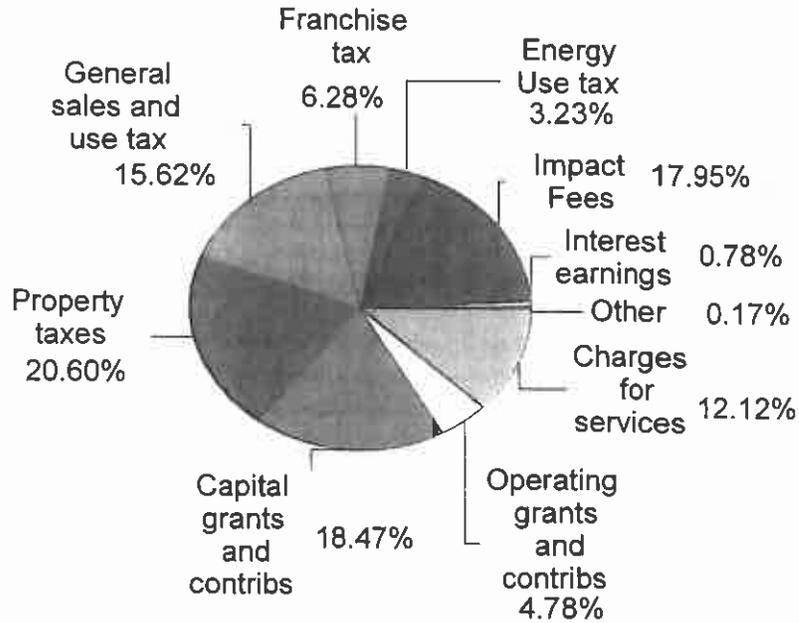
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	8,422,868	9,677,683	5,255,115	3,951,954	13,677,983	13,629,637
Capital assets	59,965,649	57,172,362	20,367,496	19,110,076	80,333,145	76,282,438
Total assets	68,388,517	66,850,045	25,622,611	23,062,030	94,011,128	89,912,075
Other liabilities	3,112,124	3,274,064	1,309,576	612,268	4,421,700	3,886,332
Long-term liabilities outstanding	8,838,106	10,142,396	619,761	796,003	9,457,867	10,938,399
Total liabilities	11,950,230	13,416,460	1,929,337	1,408,271	13,879,567	14,824,731
Net assets:						
Invested in capital assets, net of related debt	51,571,321	48,562,443	19,747,735	18,314,073	71,319,056	66,876,516
Restricted	2,708,105	3,049,279	1,513,235	1,434,901	4,221,340	4,484,180
Unrestricted	2,158,861	1,823,476	2,432,304	1,904,785	4,591,165	3,728,261
Total net assets	56,438,287	53,433,585	23,693,274	21,653,759	80,131,561	75,087,344

Overall revenues in governmental activities decreased by over 26% from the previous year. This was due mainly to the capital contributions from developers for the streets, sidewalks and right of ways in subdivisions to the City. These contributions have dropped off as less development has been done the past couple of years with the downturn in the economy. This capital contribution was \$4,919,053 less than the year before. Capital contributions are not a revenue source that can be used to pay for ongoing operating needs of the City, as these contributions are capital assets. Revenue actually increased if capital contributions are not included. Taxes remain the main source of non capital revenues, and account for almost 53% of the total revenues excluding the capital contributions. Property taxes account for over 45% of the total taxes. Property taxes increased by about 1.8% from last year. The City did not raise the property tax rate, but new growth caused the increase in property taxes. The significant change in taxes was sales tax increased by 9.3%. The station Park development that the City has been waiting for, started to open stores in the area in May of this year. Also the economy has started to grow a little bit which helped with the increase. Sales tax had decreased the last two years 6% and 7% respectively. Franchise tax saw a small decrease and energy tax had a small increase. Impact fees increased as the Station Park development paid for the fees on their development and also the large apartment complex paid for their fees.

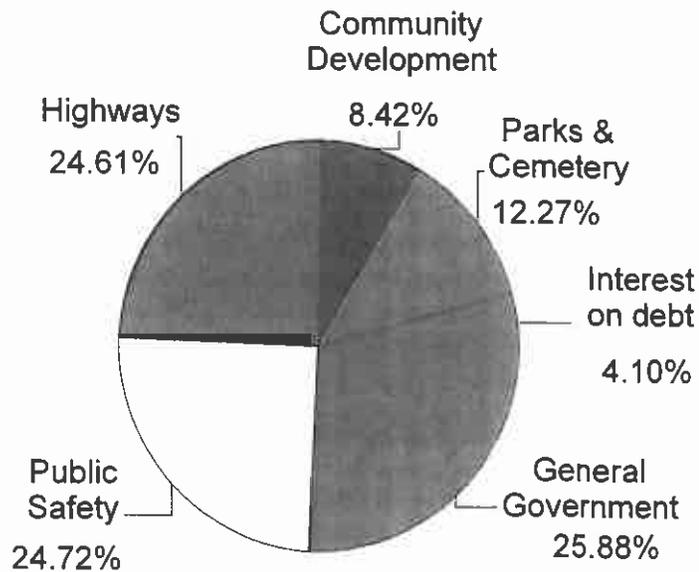
Expenditures overall increased by over 14%. This is the first increase for a couple of years as the City has trimmed expenses the last couple of years due to the recession. The most significant increase was in the general government activity. This was due to developer reimbursements for capital projects that the City had agreed to pay for when the development was done. The Highways and public works expenses increased due to the capitalization of capital assets that the City obtained from the developers the year before. The parks and cemetery also increase as park

and trail improvements were done this past year and a new maintenance worker was hired to keep up with the demand in the parks. The community development increased some as professional services were needed in the review and plan checking of the development of Station Park commercial development. The public safety decreased some as personnel changes were made in both the police and fire departments which resulted in lower costs in salaries.

Revenue By Source Governmental Activities

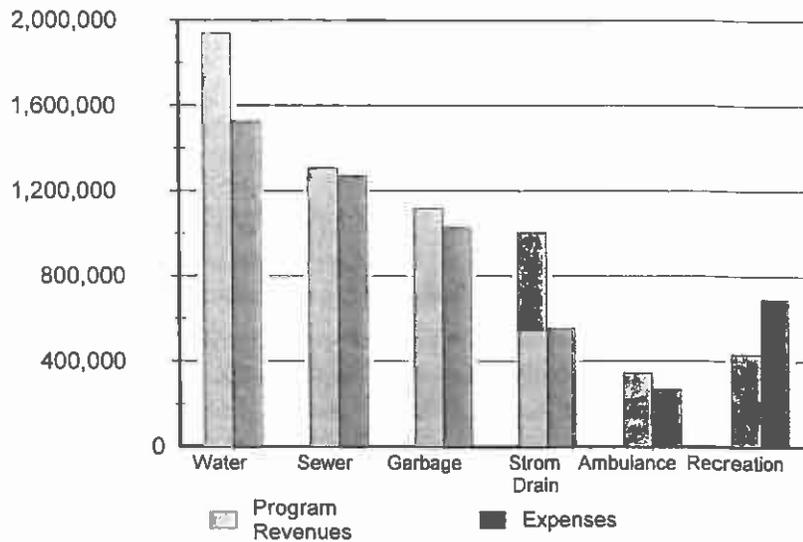


Expenses by Governmental Activities

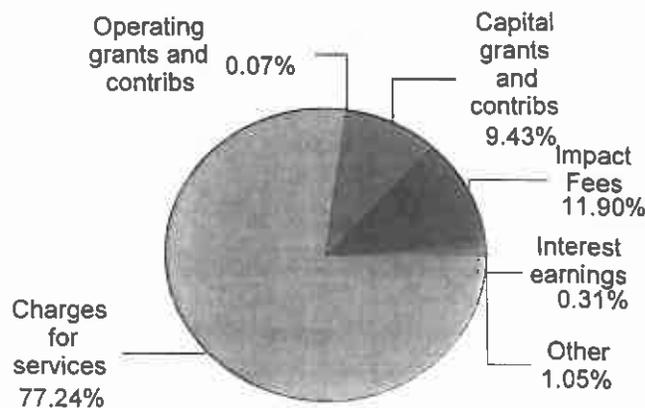


Business-type activities. Business-type activities increased the City's net assets by \$2,039,509 which is about an 9.5% growth in net assets. \$527,519 in unrestricted and the rest in capital assets. Total revenues increased from the prior year, which was mainly from charges of service and from impact fees. Capital grants and contributions decreased due to less capital grants and contributions being made. The decline was that less projects were done this past year and less amounts of contributions for water lines, storm sewer facilities from developers to the City. Charges for services increased though, which was mainly from the increase in water rates that were implemented this past year and also recycling had a full year of billings which increased the garbage revenue by \$90,000. Also impact fees from development increased as the Station Park and the large apartment complex started their developments. The majority of revenues in business-type activities is in charges for services, which is mainly from the utility payments for water, sewer, garbage, recycling and storm sewer services.

Expenses and Program Revenues Business-Type Activities



Revenues By Source Business-Type Activities



Expenditures increased by around 3.7% overall. The cost to run and maintain these business-type activities continues to put pressure on increases in costs in order to provide these essential services to the residents. The water utility was the only one that actually had a decrease in expenses as fewer repairs were needed and costs were held steady during this past year. The water fund was able to cover expenses with the charges for services, which is what the City needed to happen in order to keep the water fund solvent and to cover ongoing repairs and replacement of old water lines. Charges for services did cover for the expenditures in all the other business-type activities except for recreation in which the general fund transfers into that fund to cover for overhead costs associated with the operation of that activity. This transfer is done every year. The program revenues from the recreation programs are just to cover the costs of running those programs without the overhead and personnel. The garbage fund saw an increase in both revenues and expenses as the recycling program was in full swing for the whole year as it was started part way through the previous year.

Changes in Net Assets

June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	1,528,351	2,319,501	5,473,539	5,104,710	7,001,890	7,424,211
Operating grants and contribs	603,123	582,897	4,892	-	608,015	582,897
Capital grants and contribs	2,329,453	6,933,011	668,261	1,786,973	2,997,714	8,719,984
General revenues:						
Property taxes	2,597,720	2,552,025	-	-	2,597,720	2,552,025
General sales and use tax	1,970,478	1,802,477	-	-	1,970,478	1,802,477
Franchise tax	792,347	834,926	-	-	792,347	834,926
Energy & use tax	407,383	371,763	-	-	407,383	371,763
Interest earnings	97,841	98,377	18,468	22,146	116,309	120,523
Impact Fees	2,264,262	-	843,222	-	3,107,484	-
Gain / (loss) sale of assets	(19,318)	983,033	74,500	-	55,182	983,033
Other	40,207	65,578	-	-	40,207	68,578
Total revenues	12,611,847	16,546,588	7,082,882	6,913,829	19,694,729	23,460,417
Expenses:						
General government	2,406,573	1,506,018	-	-	2,406,573	1,506,018
Public safety	2,299,079	2,349,593	-	-	2,299,079	2,349,593
Highways and public works	2,288,759	2,166,407	-	-	2,288,759	2,166,407
Community Development	783,092	738,284	-	-	783,092	738,284
Parks and recreation	1,140,691	1,019,920	-	-	1,140,691	1,019,920
Interest on long-term debt	381,702	335,986	-	-	381,702	335,986
Water Utility	-	-	1,528,688	1,591,333	1,528,688	1,591,333
Sewer Utility	-	-	1,272,821	1,196,500	1,272,821	1,196,500
Garbage Utility	-	-	1,033,107	948,602	1,033,107	948,602
Storm Water Utility	-	-	556,200	503,201	556,200	503,201
Ambulance Service	-	-	269,106	232,841	269,106	232,841
Recreation	-	-	690,701	689,745	690,701	689,745
Total expenses	9,299,896	8,116,208	5,350,623	5,162,222	14,650,519	13,278,430
Increase in net assets before transfers	3,311,951	8,430,380	1,732,259	1,751,607	5,044,210	10,181,987
Transfers	(307,249)	59,347	307,249	(59,347)	-	-
Increase in net assets	3,004,702	8,489,727	2,039,508	1,692,260	5,044,210	10,181,987
Net assets - beginning	53,433,585	44,943,858	21,653,765	19,961,499	64,905,357	64,905,357
Net assets - ending	56,438,287	53,433,585	23,693,273	21,653,759	80,131,560	75,087,344

Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2011 the City's governmental funds reported combined ending fund balance of \$5,123,808. This is a decrease of \$668,132 from last year. The decrease came as the RDA, street improvement, government buildings and other governmental funds all had significant decreases in fund balance as projects were done in each of these funds which drew down on the fund balances. The General Fund and the park improvement funds increased in fund balance. The General Fund is the main fund of the City that is reported under Governmental Activities, and is the chief operating fund of the City. The general fund ended with a fund balance of \$1,839,830. This is an increase of \$565,421 from 2010. It was budgeted in the beginning to reduce the fund balance by nearly \$500,000. Building permits came in much higher than anticipated, as with sales tax increasing more than expected, and development fees were also higher, which lead to an increase of around \$480,000 more than what was originally budgeted. Expenditures were more than \$300,000 under the original budget which lead to the increase in the fund balance by the \$565,421. With the development of the Station Park development, it has really been a boost to the City in building permit fees and impact fees. It has also increased the sales tax that the City received and the stores only started to open in May of 2011. The economy is still moving slow, but with this development it will offset the slow trends that are happening. Most all other revenues stayed steady for this past year. The City did increase the amount that was transferred to capital funds by about \$78,000 to pay for needed capital projects throughout the City.

In looking at the General Fund, taxes continue to be the largest source of revenue and represents about 70% of the total general fund revenues. The largest element of taxes is sales tax in the General Fund, even though it had decreased during this economic down turn. It makes up for around 41% of total taxes collected for the general fund. The amount increased by nearly \$170,000 or over 9% from a year ago. This was a surprise to the City as only a 3 to 4% increase was anticipated. Overall taxes increased by \$151,276 from the prior year. Building permits was the biggest difference from a year ago as the City only had 133 new residential permits, but with the commercial permits and the permits from the large apartment complex, the City collected the most it had ever had in building permit fees. This was an increase of over \$187,000 in revenue. All other revenues seemed to stay steady.

As far as expenditures in the general fund, the overall increase was around 2.8%. The largest increase was in the parks and cemetery as a full time employee was added and increase in maintenance costs. Community development seen increases for professional fees with the review and plan check of all the commercial permits that had to be done with outside consultants. General government buildings increased as expenses increased for the new City Hall that was finished in July of 2010. Transfers out to other funds as mentioned before were increased for capital expenditures. As mentioned before, the expenditures were held under budget as every department continued to hold costs down as much as possible during this slow economy. The Department heads should all be commended for the fine effort they have done for keeping costs down and stretching every dollar to the maximum.

In the other major funds, the capital building fund balance decreased as the building of the new city hall was finished and final payments were made. In the RDA funds, a bond was issued the previous year and the building of a new road for economic and commercial growth was finished this past year and the proceeds were used for the construction of the road. This will help to spur on more economic growth in the future for the City. In the park improvement fund impact fees were received from the developments going on which increased the fund balance. In the street improvement fund, the City purchased some land for over \$550,000 for a new street that will be developed in a couple of years.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains several enterprise funds which account for proprietary funds.

As reported on the Statement of Activities, all of the proprietary funds, except for the Recreation, had charges for services sufficient to cover expenses. This is a good sign that charges for services are covering the cost of providing these services to the residents. Recreation receives a transfer from the General Fund to cover for the overhead costs to run the recreation department, but the individual programs do cover their own expenses. The water fund the past few years had not been covering the operation expenses with charges for services. The City increased water rates in July of 2010, which has started bringing that fund back to where it should be. The water fund cannot always be using all of the depreciation each year to fund operating costs. The City needs the depreciation in the water fund to fund future repairs, improvements and replacements of the system. Expenditures actually decreased as repairs were less and costs for maintenance and supplies were down from the previous year. The garbage utility fund also had changes in revenues and expenditures as the recycling program that was implemented in the previous year now had a full year to be in operation. This has been a very good program for the City and its residents.

General Fund Budgetary Highlights

Budgeted revenues were increased by almost \$504,000 as building permits and sales taxes were coming in a lot higher than anticipated. Also charges for services was raised as development fees were higher than expected with the commercial development starting.

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$5,580,916 to the final budget of \$5,528,557. This was a slight decrease as expenses were steady though out the year with not much of a change in any of the departments. The planning department budget was decreased with residential development staying slow and less professional consultants needed. The government buildings was increased as the new city hall was finished and the increase was for utility costs. Police was decreased because of some personnel changes that occurred which lowered salary expenses. The inspection department increased in costs as more professional fees were paid out with the plan review fees for outside consultants. In the end all the Department Heads did a great job by staying under budget for the year and making cuts to keep costs down during this slow economy. The City also increased transfers to capital projects to pay for added projects in parks, and streets.

Capital Assets and Debt Administration.

The governmental activities capital assets increased from the previous year, as developers contributed the land for the streets and the streets themselves and infrastructure included therein. The business-type activities also had increases due to the same reason as developments were finished and contributed to the City. Please refer to the notes on pages 57 and 58 for more detailed information for capital asset activity and pages 61 to 65 for details on long-term debt activity.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	20,245,100	18,663,174	131,662	131,662	20,376,762	18,794,836
Construction in Progress	-	4,774,909	-	-	-	4,774,909
Water rights & easements	-	-	25,717	25,717	25,717	25,717
Buildings	12,962,026	9,094,637	-	-	12,962,026	9,094,637
Improvements	5,088,519	3,995,574	10,112,094	9,352,250	15,200,613	13,347,824
Machinery & Equipment	1,166,412	1,212,469	780,596	563,005	1,947,008	1,775,474
Infrastructure	20,503,592	19,431,599	9,317,427	9,037,442	29,821,019	28,469,041
Total	59,965,649	57,172,362	20,367,496	19,110,076	80,333,145	76,282,438

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	4,435,000	4,830,000	-	-	4,435,000	4,830,000
Revenue Bonds	3,441,430	4,204,680	490,570	632,320	3,932,000	4,837,000
Short Term Notes	-	-	-	-	-	-
Special Assessment Bonds	206,000	268,000	-	-	206,000	268,000
Capital Leases	624,065	696,445	129,191	163,683	753,256	860,128
Total	8,706,495	9,999,125	619,761	796,003	9,326,256	10,795,128

The City did not issue any debt in this fiscal year. The City only paid the scheduled bond payments during the year which resulted in lowering the outstanding amounts of each bond.

Economic Factors and Next Year's Budgets and Rates

The major economic factors that have affected Farmington City this past year has been the significant increase in building permit fees associated with the commercial development of Station Park and the increase in sales tax because of this development starting to open stores. The City is

anticipating about the same in building permits for residential as last year. Station Park is continuing to finish new stores and theaters in the area and will continue to pay for building permits for the next year or so. With more stores opening up this next year, sales tax is projected to grow even more and the City will see even a higher increase in sales tax than last year. Property taxes are leveled off and seem to be staying steady for the next couple of years. All the other revenues will most likely stay fairly steady. The General Fund balance was planned to decrease by over \$499,000, but with the increase in revenues and the decreases in expenditures the balance increased by \$565,421. The General Fund balance is the most that the City has had and looks to use some of the fund balance to do some capital projects in maintaining streets in the City and also other capital projects in the parks. The Station Park development will finish with phase I later this year and will start phase II thereafter. Phase II will be around 500,000 square feet of retail, commercial, office, and hotel use. Phase I was about the same in retail use. It is anticipated that between building permits and growth in sales taxes, the City should be in good financial state for the next couple of years. The City is working hard to ensure this area is developed into an attractive and top quality development that will not have any negative impact on Farmington as a nice and beautiful area to live. Along with that development there are a couple hundred acres to the north that are not in the RDA which will be opened up for development. The City has built a road to service this area. This area is planned on having mixed use of office, residential and commercial. This will help in opening up jobs and commercial tax base here in the community, which will greatly enhance the tax base for the City.

It appears that next year the residential building in the City will be the same as this year. Commercial developments are anticipated to continue throughout the year which will help offset the residential development. The City has anticipated this in the budgets that was passed in June for fiscal year 2012.

The new city hall was finished in July of 2010 and has been great for the City to have a new building with the room to grow for total build out of the City and to have such a nice facility to hold City Council meetings and for other public functions. This new building will greatly enhance the ability of the City to provide the appropriate level of services to the community and for the future needs of the City.

Request for information

This financial report is designed to provide a general overview of Farmington City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Farmington City, Finance Director, P.O. Box 160, Farmington UT 84025.

FARMINGTON CITY CORPORATION

Statement of Net Assets

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,496,979	2,506,276	7,003,255
Cash with fiscal agents	368,105	529,361	897,466
Accounts receivable - net	-	702,153	702,153
Property, sales, & franchise taxes receivable	2,805,818	-	2,805,818
Other receivables	21,519	4,090	25,609
Special assessments receivable	115,742	-	115,742
Deferred bond financing cost - net	136,647	-	136,647
Restricted cash and cash equivalents	478,058	1,513,235	1,991,293
Capital assets not being depreciated:			
Land	20,245,100	131,662	20,376,762
Water stock and rights	-	25,717	25,717
Capital assets (net of accumulated depreciation):			
Buildings	12,962,026	-	12,962,026
Improvements	5,088,519	10,112,094	15,200,613
Machinery and equipment	1,166,412	780,596	1,947,008
Infrastructure	20,503,592	9,317,427	29,821,019
Total assets	68,388,517	25,622,611	94,011,128
LIABILITIES			
Accounts payable and accrued liabilities	457,897	1,190,722	1,648,619
Construction bonds held	479,748	106,450	586,198
Due to subdividers and landowners	-	9,134	9,134
Accrued interest payable	80,884	3,270	84,154
Deferred revenue	2,093,595	-	2,093,595
Noncurrent liabilities			
Due within one year	1,252,037	182,806	1,434,843
Due in more than one year	7,586,069	436,955	8,023,024
Total liabilities	11,950,230	1,929,337	13,879,567
NET ASSETS			
Invested in capital assets, net of related debt	51,571,321	19,747,735	71,319,056
Restricted for:			
Class C road	75,731	-	75,731
Liquor law	12,146	-	12,146
Perpetual care:			
Expendable	231,423	-	231,423
Debt service	598,448		598,448
Impact fees	1,253,228	1,513,235	2,766,463
Redevelopment	537,129		537,129
Unrestricted	2,158,861	2,432,304	4,591,165
Total net assets	\$ 56,438,287	23,693,274	80,131,561

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

FARMINGTON CITY CORPORATION

Statement of Activities

For the Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
				Total			
Primary government:							
Governmental activities:							
General government	\$ 2,406,573	936,588	8,549	2,700	\$ (1,458,736)		(1,458,736)
Public safety	2,299,079	330,558	34,149	-	(1,934,372)		(1,934,372)
Highways and public works	2,288,759	-	560,425	1,374,178	(354,156)		(354,156)
Community development	783,092	184,713	-	228,907	(369,472)		(369,472)
Parks and cemetery	1,140,691	76,492	-	723,668	(340,531)		(340,531)
Interest on long-term debt	381,702	-	-	-	(381,702)		(381,702)
Total governmental activities	<u>9,299,896</u>	<u>1,528,351</u>	<u>603,123</u>	<u>2,329,453</u>	<u>(4,838,969)</u>		<u>(4,838,969)</u>
Business-type activities:							
Water utility	1,528,688	1,653,143	-	287,468	-	411,923	411,923
Sewer utility	1,272,821	1,304,093	-	-	-	31,272	31,272
Garbage utility	1,033,108	1,122,016	-	-	-	88,908	88,908
Storm water utility	556,200	621,326	-	380,793	-	445,919	445,919
Ambulance service	269,106	339,690	4,892	-	-	75,476	75,476
Recreation	690,701	433,271	-	-	-	(257,430)	(257,430)
Total business-type activities	<u>5,350,624</u>	<u>5,473,539</u>	<u>4,892</u>	<u>668,261</u>	<u>-</u>	<u>796,068</u>	<u>796,068</u>
Total primary government	<u>\$ 14,650,520</u>	<u>7,001,890</u>	<u>608,015</u>	<u>2,997,714</u>	<u>(4,838,969)</u>	<u>796,068</u>	<u>(4,042,901)</u>
General revenues:							
Property taxes		2,597,720			-	-	2,597,720
General sales and use tax		1,970,478			-	-	1,970,478
Franchise tax		792,347			-	-	792,347
Energy use tax		407,383			-	-	407,383
Impact fees		2,264,262			843,222	-	3,107,484
Interest earnings		97,841			18,470	-	116,311
Gain/(loss) on sale of assets		(19,318)			74,500	-	55,182
Miscellaneous		40,207			-	-	40,207
Transfers in(out)		(307,249)			307,249	-	-
Total general revenues		<u>7,843,671</u>			<u>1,243,441</u>	<u>1,243,441</u>	<u>9,087,112</u>
Change in net assets		<u>3,004,702</u>			<u>2,039,509</u>	<u>2,039,509</u>	<u>5,044,211</u>
Net assets - beginning		<u>53,433,585</u>			<u>21,653,765</u>	<u>21,653,765</u>	<u>75,087,350</u>
Net assets - ending		<u>\$ 56,438,287</u>			<u>23,693,274</u>	<u>23,693,274</u>	<u>80,131,561</u>

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

FARMINGTON CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2011

	Special Revenue			Capital Projects			Other Governmental Funds	Total Governmental Funds
	General Fund	US-89 RDA	Station Park RDA	Municipal Building Authority	Street Improvement	Government Buildings Improvement		
ASSETS								
Cash and cash equivalents	\$ 1,649,504	445,676	29,762	-	456,381	127,926	726,151	4,496,979
Cash with fiscal agents	-	-	317,649	-	-	-	-	368,105
Receivables (net):								
Sales, property, & franchise taxes	2,241,093	-	-	-	-	-	564,725	2,805,818
Accounts	21,482	10	-	-	-	-	27	21,519
Special assessments	-	-	-	-	-	-	-	-
Due from other funds	255,900	-	-	-	-	-	115,742	115,742
Restricted cash and cash equivalents	-	-	-	430,012	-	48,046	-	255,900
Total assets	<u>4,167,979</u>	<u>445,686</u>	<u>347,411</u>	<u>430,012</u>	<u>456,381</u>	<u>175,972</u>	<u>726,151</u>	<u>8,542,121</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable & accrued liabilities	294,881	68	-	-	107,565	30,644	10,906	457,897
Construction bonds held	479,748	-	-	-	-	-	-	479,748
Due to other funds	-	-	255,900	-	-	-	-	255,900
Deferred revenue	1,553,520	-	-	-	-	-	671,248	2,224,768
Total liabilities	<u>2,328,149</u>	<u>68</u>	<u>255,900</u>	<u>-</u>	<u>107,565</u>	<u>30,644</u>	<u>10,906</u>	<u>3,418,313</u>
Fund Balances:								
Restricted:								
Class C road	75,731	-	-	-	-	-	-	75,731
Liquor law	12,146	-	-	-	-	-	-	12,146
Perpetual care	-	-	-	-	-	-	-	-
Debt service	-	-	-	430,012	-	-	231,423	231,423
Impact fee	-	-	-	-	218,205	48,046	168,436	598,448
Redevelopment	-	445,618	91,511	-	-	555,964	431,013	1,253,228
Assigned, reported in.								
General fund - self insurance	80,000	-	-	-	-	-	-	80,000
General fund - trails	991	-	-	-	-	-	-	991
Debt service funds	-	-	-	-	-	-	124,429	124,429
Capital projects funds	-	-	-	-	130,611	97,282	152,147	539,321
Unassigned, reported in								
General fund	1,670,962	-	-	-	-	-	-	1,670,962
Total fund balances	<u>1,839,830</u>	<u>445,618</u>	<u>91,511</u>	<u>430,012</u>	<u>348,816</u>	<u>145,328</u>	<u>715,245</u>	<u>5,123,808</u>
Total liabilities and fund balances	<u>\$ 4,167,979</u>	<u>445,686</u>	<u>347,411</u>	<u>430,012</u>	<u>456,381</u>	<u>175,972</u>	<u>726,151</u>	<u>8,542,121</u>

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

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue			Capital Projects			Other Governmental Funds	Total Governmental Funds
	General Fund	US-89 RDA	Station Park RDA	Municipal Building Authority	Street Improvement	Government Buildings Improvement		
REVENUES								
Taxes	\$ 4,849,462	351,481	-	-	-	-	566,985	5,767,928
Special assessments	-	-	-	-	-	-	36,552	36,552
Leases	-	-	-	435,950	-	-	-	435,950
Licenses and permits	818,217	-	-	-	-	-	-	818,217
Intergovernmental	595,623	-	-	-	-	2,700	115,385	721,208
Charges for services	323,291	-	-	-	-	-	-	323,291
Impact fees	-	-	-	-	912,908	192,916	804,000	2,264,262
Fines and forfeitures	259,093	-	-	-	-	-	-	259,093
Interest	5,227	2,241	3,817	16	2,646	2,050	1,707	45,909
Miscellaneous revenue	83,965	-	-	-	-	30,864	4,000	167,957
Contributions	-	-	228,907	-	103,987	789	291,867	625,550
Total revenues	6,934,878	353,722	232,724	435,966	1,019,541	229,319	1,216,959	11,465,917
EXPENDITURES								
Current								
General government	966,249	47,149	8,955	-	-	-	-	1,022,353
Public safety	2,124,323	-	-	-	-	-	-	2,124,323
Highways and public works	689,689	-	-	-	-	-	-	689,689
Community development	778,635	-	-	-	-	-	-	778,635
Parks and cemetery	680,522	-	-	-	-	-	-	680,522
Capital outlay	-	131,351	1,408,134	-	1,822,801	613,552	716,401	4,862,462
Debt service								
Principal retirement	-	57,000	59,000	400,000	-	-	-	1,272,630
Interest	-	2,907	84,948	35,956	-	-	-	413,831
Total expenditures	5,239,418	238,407	1,561,037	435,956	1,822,801	613,552	716,401	11,844,445
Excess revenues over (under) expenditures	1,695,460	115,315	(1,328,313)	10	(803,260)	(384,233)	500,558	(378,528)
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	14,679	-	-	-	-	2,966	-	17,645
Transfers in	1,000	-	240,541	-	375,325	32,781	69,519	1,396,560
Transfers (out)	(1,145,718)	(194,719)	-	-	(145,754)	(165,000)	(9,736)	(1,703,809)
Total other financing sources and (uses)	(1,130,039)	(194,719)	240,541	-	229,571	(129,253)	59,783	(289,604)
Net change in fund balances	565,421	(79,404)	(1,087,772)	10	(573,689)	(513,486)	560,341	(668,132)
Fund balances - beginning of year	1,274,409	525,022	1,179,283	430,002	922,505	658,814	154,904	5,791,940
Fund balances - end of year	\$ 1,839,830	445,618	91,511	430,012	348,816	145,328	715,245	5,123,808

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

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,624,500	4,756,000	4,849,462	93,462
Licenses and permits	542,000	737,500	818,217	80,717
Intergovernmental	549,049	585,349	595,623	10,274
Charges for services	182,510	312,386	323,291	10,905
Fines and forfeitures	290,000	270,000	259,093	(10,907)
Interest	20	3,830	5,227	1,397
Miscellaneous revenue	65,500	74,125	83,965	9,840
Total revenues	6,253,579	6,739,190	6,934,878	195,688
EXPENDITURES:				
Current:				
General government:				
Legislative	133,150	133,790	104,509	29,281
Administrative	548,540	559,683	519,981	39,702
Government buildings	351,393	373,353	341,759	31,594
Total general government	1,033,083	1,066,826	966,249	100,577
Public safety:				
Police	1,733,154	1,701,376	1,665,976	35,400
Fire	472,509	474,971	458,347	16,624
Total public safety	2,205,663	2,176,347	2,124,323	52,024
Highways and public works	769,096	754,570	689,689	64,881
Community development:				
Planning and zoning	532,279	467,245	454,279	12,966
Inspection	337,169	359,420	324,356	35,064
Total community development	869,448	826,665	778,635	48,030
Parks and cemetery	703,626	704,149	680,522	23,627
Total expenditures	5,580,916	5,528,557	5,239,418	289,139
Excess revenues over (under) expenditures	672,663	1,210,633	1,695,460	484,827
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	6,000	14,680	14,679	(1)
Loan to RDA	(17,800)	(17,800)	-	17,800
Transfers in	1,000	1,000	1,000	-
Transfers (out)	(1,151,869)	(1,249,973)	(1,145,718)	104,255
Total other financing sources and (uses)	(1,162,669)	(1,252,093)	(1,130,039)	122,054
Net change in fund balances	(490,006)	(41,460)	565,421	606,881
Fund balances - beginning of year	1,274,409	1,274,409	1,274,409	-
Fund balances - end of year	\$ 784,403	1,232,949	1,839,830	606,881

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

FARMINGTON CITY CORPORATION

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Business-Type Activities - Enterprise						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 525,872	1,036,267	417,883	616,823	198,968	239,824	3,035,637
Accounts receivable	474,545	-	-	-	308,822	65	783,432
Allowance for doubtful accounts	-	-	-	-	(81,279)	-	(81,279)
Other receivables	4,090	-	-	-	-	-	4,090
Restricted cash and cash equivalents	983,874	-	-	529,361	-	-	1,513,235
Total current assets	1,988,381	1,036,267	417,883	1,146,184	426,511	239,889	5,255,115
Noncurrent assets:							
Capital assets:							
Water stock & rights	25,717	-	-	-	-	-	25,717
Land, equipment, buildings and improvements	18,329,594	9,582	642,102	8,628,993	516,790	58,724	28,185,785
Less: accumulated depreciation	(4,980,958)	(8,811)	(327,302)	(2,191,364)	(287,827)	(47,744)	(7,844,006)
Total noncurrent assets	13,374,353	771	314,800	6,437,629	228,963	10,980	20,367,496
Total assets	15,362,734	1,037,038	732,683	7,583,813	655,474	250,869	25,622,611
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	95,597	905,606	116,611	24,632	7,751	40,525	1,190,722
Accrued capital lease interest	377	-	841	76	-	-	1,294
Accrued revenue bond interest	454	-	-	1,522	-	-	1,976
Capital lease - current	3,140	-	32,026	629	-	-	35,795
Revenue bonds - current	25,011	-	-	122,000	-	-	147,011
Total current liabilities	124,579	905,606	149,478	148,859	7,751	40,525	1,376,798
Noncurrent liabilities:							
Due to subdividers and landowners	-	-	-	9,134	-	-	9,134
Developer construction bonds	-	-	-	106,450	-	-	106,450
Capital lease (net current portion)	6,680	-	85,381	1,335	-	-	93,396
Revenue bonds (Net current portion)	81,559	-	-	262,000	-	-	343,559
Total noncurrent liabilities	88,239	-	85,381	378,919	-	-	552,539
Total liabilities	212,818	905,606	234,859	527,778	7,751	40,525	1,929,337
NET ASSETS							
Invested in capital assets, net of related debt	13,257,963	771	197,393	6,051,665	228,963	10,980	19,747,735
Restricted							
Impact fees	983,874	-	-	529,361	-	-	1,513,235
Unrestricted	908,079	130,661	300,431	475,009	418,760	199,364	2,432,304
Total net assets	\$ 15,149,916	131,432	497,824	7,056,035	647,723	210,344	23,693,274

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

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
Operating revenues							
Charges for services	\$ 1,579,428	1,304,093	1,122,016	621,326	339,400	433,271	5,399,534
Connection and servicing	58,433	-	-	-	-	-	58,433
Miscellaneous	15,282	-	-	-	290	-	15,572
Total operating revenues	<u>1,653,143</u>	<u>1,304,093</u>	<u>1,122,016</u>	<u>621,326</u>	<u>339,690</u>	<u>433,271</u>	<u>5,473,539</u>
Operating expenses							
Salaries and wages	344,364	42,204	65,324	106,382	40,185	267,038	865,497
Employee benefits	144,994	18,979	28,913	47,768	32,778	106,437	379,869
Contract services	24,492	1,170,264	868,973	46,178	17,539	-	2,127,446
Maintenance and supplies	434,236	21,400	21,579	76,966	39,032	268,488	861,701
Administration and overhead	105,672	19,757	13,641	32,872	76,220	46,353	294,515
Depreciation	402,046	217	29,788	223,020	63,352	2,385	720,808
Water purchases	66,873	-	-	-	-	-	66,873
Total operating expenses	<u>1,522,677</u>	<u>1,272,821</u>	<u>1,028,218</u>	<u>533,186</u>	<u>269,106</u>	<u>690,701</u>	<u>5,316,709</u>
Operating income (loss)	<u>130,466</u>	<u>31,272</u>	<u>93,798</u>	<u>88,140</u>	<u>70,584</u>	<u>(257,430)</u>	<u>156,830</u>
Nonoperating revenues (expenses)							
Interest revenue	8,961	1,991	1,949	3,592	1,011	966	18,470
Interest expense and fiscal charges	(6,011)	-	(4,890)	(23,014)	-	-	(33,915)
Development/Impact fees	378,327	-	-	464,895	-	-	843,222
Grant revenue	-	-	-	-	4,892	-	4,892
Gain on sale of assets	-	-	-	55,000	19,500	-	74,500
Total nonoperating revenues (expenses)	<u>381,277</u>	<u>1,991</u>	<u>(2,941)</u>	<u>500,473</u>	<u>25,403</u>	<u>966</u>	<u>907,169</u>
Income (loss) before contributions and transfers:	<u>511,743</u>	<u>33,263</u>	<u>90,857</u>	<u>588,613</u>	<u>95,987</u>	<u>(256,464)</u>	<u>1,063,999</u>
Contributions	287,468	-	-	380,793	-	-	668,261
Transfers in	-	-	-	-	-	307,249	307,249
Change in net assets	<u>799,211</u>	<u>33,263</u>	<u>90,857</u>	<u>969,406</u>	<u>95,987</u>	<u>50,785</u>	<u>2,039,509</u>
Total net assets - beginning	<u>14,350,705</u>	<u>98,169</u>	<u>406,967</u>	<u>6,086,629</u>	<u>551,736</u>	<u>159,559</u>	<u>21,653,765</u>
Total net assets - ending	<u>\$ 15,149,916</u>	<u>131,432</u>	<u>497,824</u>	<u>7,056,035</u>	<u>647,723</u>	<u>210,344</u>	<u>23,693,274</u>

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

FARMINGTON CITY CORPORATION

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 1,594,270	1,304,093	1,122,016	621,326	236,018	437,090	5,314,813
Payments to suppliers	(616,571)	(510,621)	(860,806)	(184,890)	(140,714)	(319,354)	(2,632,956)
Payments to employees	(489,358)	(61,183)	(94,237)	(154,150)	(72,963)	(373,475)	(1,245,366)
Net cash provided (used) by operating activities	<u>488,341</u>	<u>732,289</u>	<u>166,973</u>	<u>282,286</u>	<u>22,341</u>	<u>(255,739)</u>	<u>1,436,491</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Grants	-	-	-	-	4,892	-	4,892
Development/Impact fees	378,327	-	-	464,895	-	-	843,222
Transfers from other funds	-	-	-	-	-	307,249	307,249
Net cash provided (used) by noncapital financing activities	<u>378,327</u>	<u>-</u>	<u>-</u>	<u>464,895</u>	<u>4,892</u>	<u>307,249</u>	<u>1,155,363</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Contributions	-	-	-	3,110	-	-	3,110
Receipt of developer const. bonds	-	-	-	177,000	-	-	177,000
Refund of developer const. bonds	-	-	-	(167,000)	-	-	(167,000)
Payment to subdividers/landowners	(17,000)	-	-	(12,925)	-	-	(29,925)
Proceeds from sale of assets	-	-	-	55,000	19,500	-	74,500
Purchases of capital assets	(873,414)	-	(32,307)	(267,362)	(127,007)	(12,987)	(1,313,077)
Principal paid on capital debt	(27,764)	-	(30,876)	(117,603)	-	-	(176,243)
Interest paid on capital debt	(5,603)	-	(5,189)	(23,461)	-	-	(34,253)
Net cash provided (used) by capital and related financing activities	<u>(923,781)</u>	<u>-</u>	<u>(68,372)</u>	<u>(353,241)</u>	<u>(107,507)</u>	<u>(12,987)</u>	<u>(1,465,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	8,961	1,991	1,949	3,592	1,011	966	18,470
Net cash provided (used) by investing activities	<u>8,961</u>	<u>1,991</u>	<u>1,949</u>	<u>3,592</u>	<u>1,011</u>	<u>966</u>	<u>18,470</u>
Net increase (decrease) in cash and cash equivalents	(48,152)	734,280	100,550	397,532	(79,263)	39,489	1,144,436
Cash and cash equivalents - beginning	1,557,898	301,987	317,333	748,653	278,231	200,335	3,404,437
Cash and cash equivalents - end	<u>\$ 1,509,746</u>	<u>1,036,267</u>	<u>417,883</u>	<u>1,146,185</u>	<u>198,968</u>	<u>239,824</u>	<u>4,548,873</u>
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 130,466	31,272	93,798	88,140	70,584	(257,430)	156,830
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	402,046	217	29,788	223,020	63,352	2,385	720,808
(Inc)/decrease in accounts rec	(58,873)	-	-	-	(103,671)	3,817	(158,727)
Increase/(decr) in accounts payable	14,702	700,800	43,387	(28,874)	(7,924)	(4,511)	717,580
Total adjustments	<u>357,875</u>	<u>701,017</u>	<u>73,175</u>	<u>194,146</u>	<u>(48,243)</u>	<u>1,691</u>	<u>1,279,661</u>
Net cash provided (used) by operating activities	<u>\$ 488,341</u>	<u>732,289</u>	<u>166,973</u>	<u>282,286</u>	<u>22,341</u>	<u>(255,739)</u>	<u>1,436,491</u>
Noncash Investing, Capital and Financing Activities:							
Contribution of capital assets from private developers	\$ 287,468	-	-	377,683	-	-	665,151

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