

FARMINGTON CITY



SCOTT C. HARBERTSON
MAYOR

JOHN BILTON
CORY R. RITZ
CINDY ROYBAL
JIM TALBOT
JAMES YOUNG
CITY COUNCIL

DAVE MILLHEIM
CITY MANAGER

November 8, 2013

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, 2013. 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
 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 the new commercial development, Station Park being built.

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. Residential developments continue to be constructed mainly in the west area of Farmington. In this past fiscal year the City issued 265 new residential building permits. This is up from the 162 that were issued the previous year. Revenue from building permits increased significantly to the highest level that the City has ever had. This is due in a large part because of the permits issued for the continued development of Station Park continued as the second phase of the project is underway. Station Park 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 experiencing slow growth in the housing market or commercial market. It looks as if building permits for residential housing will continue to be around this level for the next couple of years for the City. New residential developments have started to come back, as developers are starting to begin to develop some of the areas still available in the City.

The overall economic conditions continued to grow slowly this past year for the State. In Farmington, the City has continued to see a much improved situation as sales tax increased by around 8.5 %, mainly due to the opening of new stores in the Station Park development. Sales tax had increased the previous year by 20.8%. That is a 29% increase over the past 2 years, which is one of the highest increases in the State for this time period. Property taxes stayed level as Station

Park properties were not included in general property taxes as the City started the tax increment for the Redevelopment Agency (RDA) that Station Park is in, so the property taxes there went into the RDA fund. Franchise, energy sales and use taxes went up by about 9.3%. The fund balance in the General Fund did increase, which was not budgeted to do so in the original budget, but revenues were higher than anticipated and expenditures were under budget which helped to increase the fund balance by over \$428,000. The increase in revenues from the previous year was mainly due to the increase in building permits, sales tax, transfers in from the RDA and loan payoff from the RDA to the General Fund over what the original budget was. Expenditures increased as more personnel were added in fire, streets and parks and more professional fees were paid in planning and building departments. The General Fund balance increased by over \$428,000, which leaves a fund balance of over \$1,559,000 that 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. As mentioned before, sales tax revenues during this past year increased significantly again. This is mainly due to the Station Park development opening several stores and theaters in the commuter rail area and will continue to open more stores in the next year or so. Station Park has finished with phase I of the development and has started phase II, which will be an additional 500,000 square feet of commercial and retail space to finish 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. The City has established a Redevelopment Agency (RDA) 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. Lagoon Corporation, the largest amusement park in the State had increases in sales over the last couple of years, which is another sign that the economy is improving some. 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 to the City.

Awards and Acknowledgments

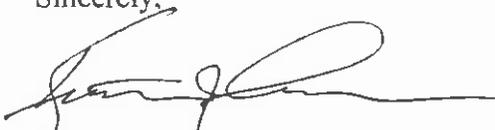
The City has received the Certificate of Achievement for Excellence in Financial Reporting for the past 12 years.

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 Dave Millheim the City Manager, 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,

A handwritten signature in black ink, appearing to read 'Keith Johnson', written over a horizontal line.

Keith Johnson.
Assistant City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Farmington City Corporation
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

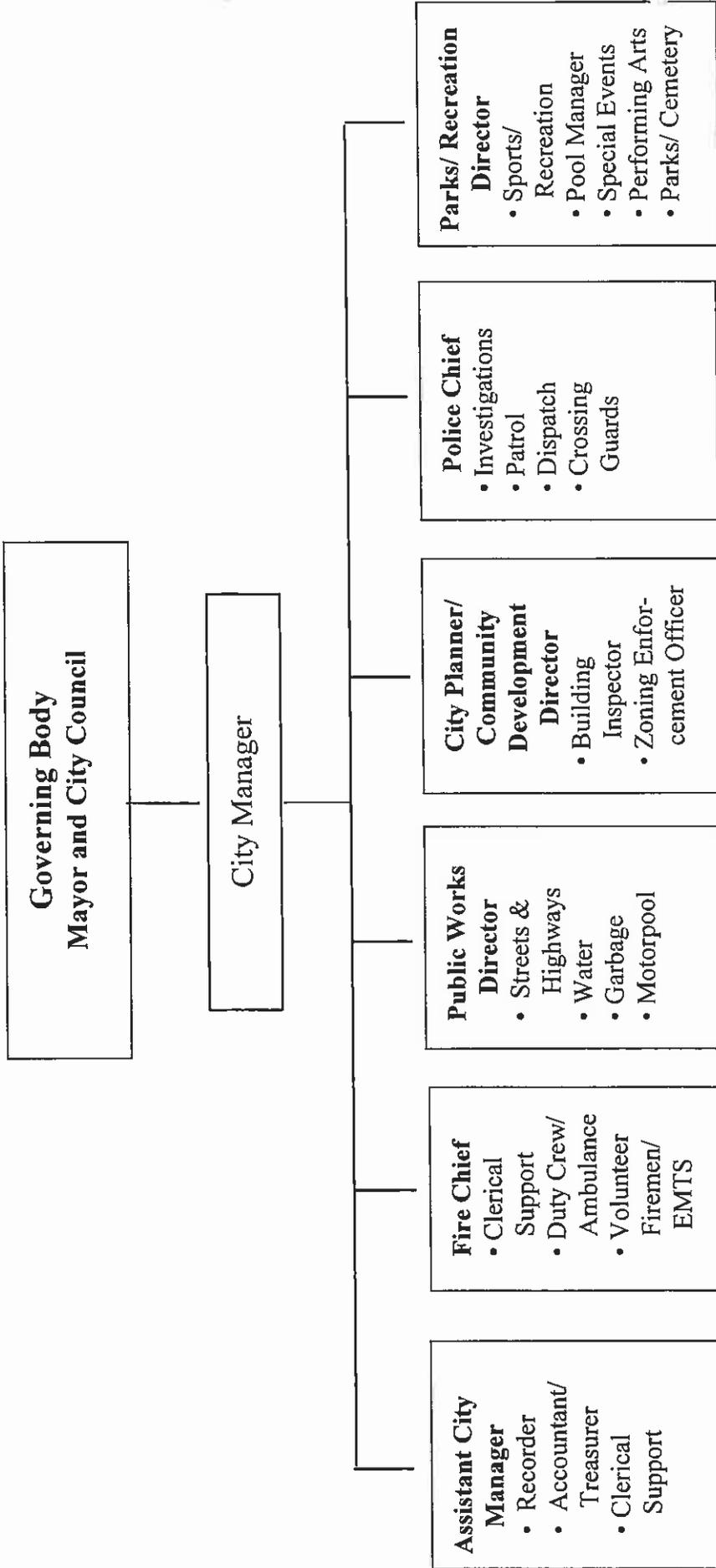
Executive Director/CEO

Farmington City Officials

June 30, 2013

Mayor	Scott Harbertson
Council Members	John Bilton Cindy Roybal Jim Talbot Cory Ritz Jim Young
City Manager	Dave Millheim
Assistant City Manager	Keith Johnson
Recorder	Holly Gadd
Treasurer	Shannon Harper
Planning Director	David E. Petersen
Parks & Recreation Director	Neil Miller
Public Works Director	Walt Hokanson
Building Official	Eric Miller
Police Chief	Wayne Hansen
Fire Chief	Guido Smith

Farmington City Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, 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.

Other Matters

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, 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.

Other Information

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, budget to actual statements on nonmajor funds, budget to actual statements on major debt service funds, budget to actual schedules on major capital projects funds, and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of Farmington City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Ulrich & Associates, P.C.

Ogden, UT
November 8, 2013

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, 2013. 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 \$88,038,066. This is an increase of \$3,598,687. The increase was mainly due to increases in invested capital and unrestricted assets. The amount of unrestricted assets increased from \$5,677,283 to \$6,962,156 or by \$1,284,873. The unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors. The Governmental activities increased by \$745,962, whereas the Business-type activities had an increase in unrestricted assets of \$538,911.

As of the close of the current fiscal year, Farmington City's governmental funds reported combined ending fund balance of \$6,492,348. This is an increase in fund balance from the previous year of \$1,534,445. This increase came mainly from the General Fund, the Redevelopment Agency (RDA) and the Park Improvement funds. The total fund balance in the General Fund is \$1,559,530, of that \$1,332,506 is unassigned for spending at the City's discretion.

The City's total debt is \$6,073,712. It decreased by \$1,135,300 during the current fiscal year, with debt for both the business-type activities and governmental activities decreasing. The City did issue new debt during this fiscal year of a \$100,000 lease purchase for a new fire truck. The decrease in debt came as debt payments were made on existing bonds.

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 position presents information pertaining to all of Farmington City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes to net position is 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 fourteen (14) 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, building G.O. bond fund, street, park and other governmental 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 position may serve over time as a useful indicator of the City's financial position. In the case of Farmington City, this fiscal year net position improved. Total net position increased by \$3,598,687 from the prior year. Increases came in both the governmental activities, and in the business-type activities. The unrestricted portion of total assets increased by \$1,284,873, which was from both the governmental and the business-type activities. The increase in governmental activities unrestricted net assets came as the City General Fund balance increased due to higher revenues and lower expenses than budgeted and a transfer into the capital park fund for park development. The increase in unrestricted net position under the business-type activities was mainly in the water fund as revenues outpaced expenses. With net position 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 position is \$75,796,474 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 any 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 position increased, which enables the City to meet the ongoing obligations and liabilities.

Governmental activities. Governmental activities are reflected in the government-wide activities statement. The governmental activities had an increase in net position of \$2,242,921 with liabilities decreasing and assets increasing.

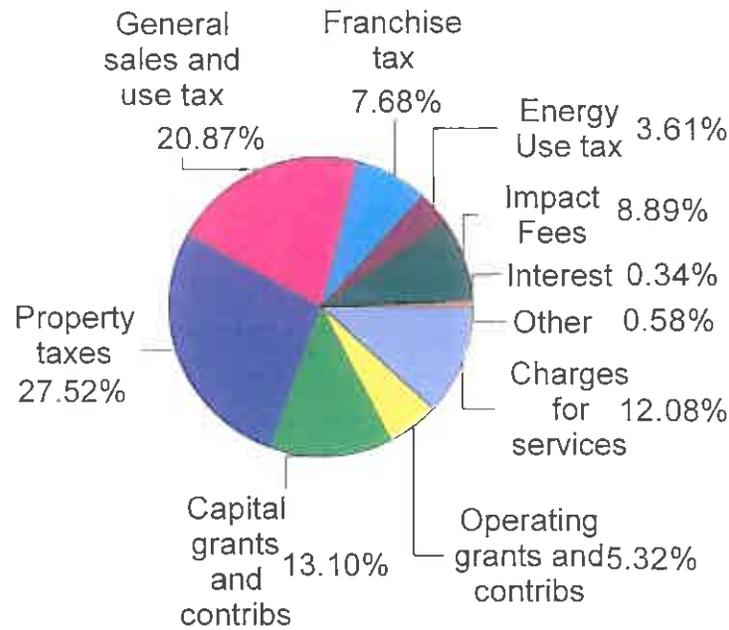
Net Position
June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	11,213,052	8,977,317	6,480,827	6,025,213	17,693,879	15,002,530
Capital assets	61,217,950	61,266,197	20,655,754	20,047,095	81,873,704	81,313,292
Total assets	72,431,002	70,243,514	27,136,581	26,072,308	99,567,583	96,315,822
Total deferred outflows of resources	108,085	129,853	-	-	108,085	129,853
Other liabilities	2,429,717	1,714,261	701,600	666,948	3,131,317	2,381,209
Long-term liabilities outstanding	6,130,484	6,931,279	109,947	436,092	6,240,431	7,367,371
Total liabilities	8,560,201	8,645,540	811,547	1,103,040	9,371,748	9,748,580
Total deferred inflows of resources	2,265,854	2,257,716	-	-	2,265,854	2,257,716
Net Position:						
Invested in capital assets, net of related debt	55,250,667	54,488,777	20,545,807	19,611,003	75,796,474	74,099,780
Restricted	3,194,644	2,459,575	2,084,792	2,202,741	5,279,436	4,662,316
Unrestricted	3,267,721	2,521,759	3,694,435	3,155,524	6,962,156	5,677,283
Total net position	61,713,032	59,470,111	26,325,034	24,969,268	88,038,066	84,439,379

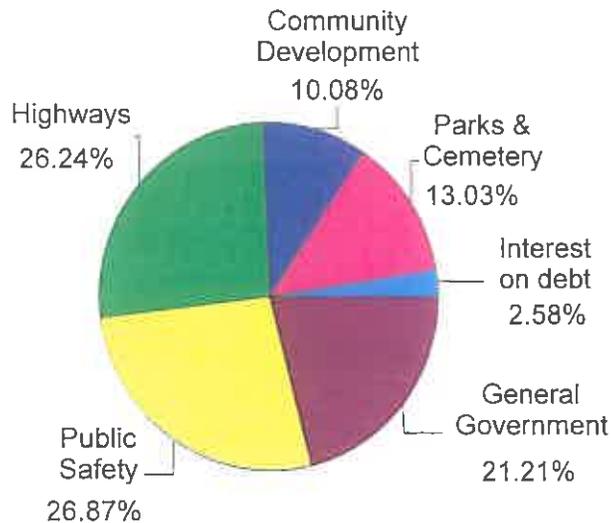
Overall revenues in governmental activities decreased slightly, less than 1% from the previous year. This was due as some of the revenues decreased while others did increase. The main decrease came to over \$1,100,000 less in capital contributions. Excluding capital contributions, revenue would have actually increased by nearly \$1,080,000. General sales taxes increased by over \$200,000, with property taxes increasing by over \$700,000 as the City started the tax increment on the Station Park Redevelopment Agency (RDA). Charges for services went up by over \$140,000 as general government increased by \$260,000. Impact fees dropped a little by over \$42,000 from the year before as Less developments fees were paid during the year. 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. Taxes remain the main source of non capital revenues, and account for over 59% of the total revenues. Property taxes account for over 46% of the total taxes. Property taxes increased by about \$714,000 from last year. The City did not raise the property tax rate, but the increase came as a result of the tax increment being received for the first time from the Station Park RDA. The other significant change in taxes was sales tax increasing by 8.5%. The Station Park development opened many stores in the phase II area in the fall and spring of this past fiscal year. Also the economy has started to grow a little bit which helped with the increase. Sales tax had increased the previous year by 20%, which puts sales taxes now at the highest levels ever, even higher than before the recession started. Franchise tax saw a 6.8% increase, with energy taxes increasing even more at 15% as the very cold winter that we had last winter caused for this increase.

Expenses for governmental activities increased by around \$500,000 in this past year. The biggest increase came in general government as more was spent on capital outlay. The Highways and public works expenses increased due to more being spent on street maintenance projects and on snow removal costs from this past winter. 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 increased as a new full time captain for the fire department was hired. Parks and cemetery had an increase as maintenance costs and staffing costs rose. Interest on debt decreased as debt was reduced.

Revenue By Source Governmental Activities

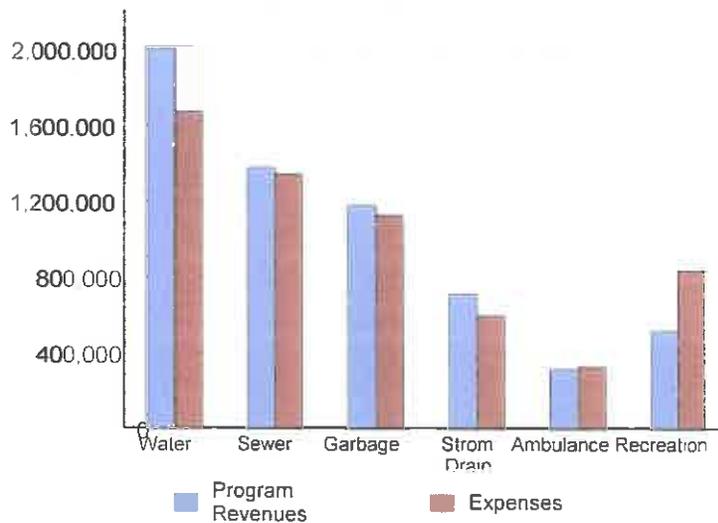


Expenses by Governmental Activities

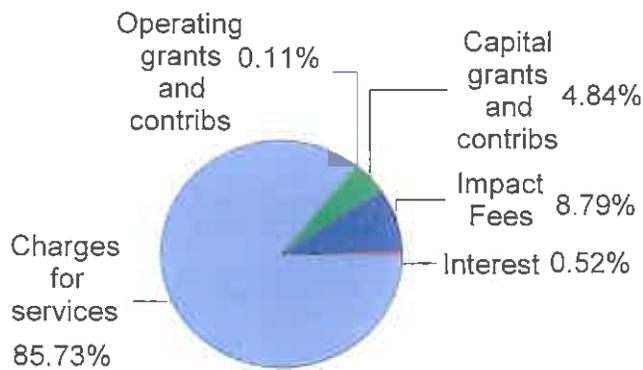


Business-type activities. Business-type activities increased the City's net position by \$1,355,766 which is about a 5.4% growth in net position. \$538,911 in unrestricted and the rest in capital assets. Total revenues increased from the prior year, which came from every business type as each type had increases in revenue. This is mainly due to the growth of the City as more homes and development occurs and the number of utility customers continue to rise. 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 water services. Charges for services in water and storm water were where the main increases occurred in, as more commercial customers, which are higher users of water and storm water were added. The ambulance fund receives revenues from ambulance charges to patients being transported to the hospital. Capital grants and contributions stayed level as about the same amount of capital grants and contributions were made in the form of infrastructure.

Expenses and Program Revenues Business-Type Activities



Revenues By Source Business-Type Activities



Business-type activities increased in expenses as all the funds increased except the water fund decreased in expenses. The overall increase was only 3%. The City continues to try and hold expenses down to ensure that these business-type activities stay strong financially. But 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 fund had less in projects and capital upgrades than in years past. Charges for services did cover the expenses in all the other business-type activities except for ambulance service and the recreation fund. The ambulance fund experienced a small decrease in the number of calls, resulting in revenues being less than last year. The recreation fund normally uses general fund transfers to cover the overhead costs associated with its operations. 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.

Changes in Net Position June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	1,493,933	1,351,954	5,930,706	5,647,748	7,424,639	6,999,702
Operating grants and contribs	658,412	620,826	7,594	2,620	666,006	623,446
Capital grants and contribs	1,620,507	2,771,571	334,979	335,213	1,955,486	3,106,784
General revenues:						
Property taxes	3,404,425	2,689,552	-	-	3,404,425	2,689,552
General sales and use tax	2,581,678	2,380,246	-	-	2,581,678	2,380,246
Franchise tax	950,579	890,062	-	-	950,579	890,062
Energy & use tax	446,458	388,065	-	-	446,458	388,065
Interest earnings	41,761	40,439	36,314	32,609	78,075	73,048
Impact Fees	1,099,803	1,142,059	608,294	837,565	1,708,097	1,979,624
Gain / (loss) sale of assets	23,429	18,478	-	-	23,429	18,478
Other	48,755	148,189	-	-	48,755	148,189
Total revenues	<u>12,369,740</u>	<u>12,441,441</u>	<u>6,917,887</u>	<u>6,855,755</u>	<u>19,287,627</u>	<u>19,297,196</u>
Expenses:						
General government	2,076,902	1,862,212	-	-	2,076,902	1,862,212
Public safety	2,631,075	2,531,443	-	-	2,631,075	2,531,443
Highways and public works	2,569,319	2,488,745	-	-	2,569,319	2,488,745
Community Development	987,309	878,754	-	-	987,309	878,754
Parks and recreation	1,276,539	1,173,396	-	-	1,276,539	1,173,396
Interest on long-term debt	252,239	331,769	-	-	252,239	331,769
Water Utility	-	-	1,672,536	1,681,880	1,672,536	1,681,880
Sewer Utility	-	-	1,340,504	1,299,053	1,340,504	1,299,053
Garbage Utility	-	-	1,125,646	1,088,756	1,125,646	1,088,756
Storm Water Utility	-	-	595,977	576,270	595,977	576,270
Ambulance Service	-	-	324,921	304,949	324,921	304,949
Recreation	-	-	835,973	772,151	835,973	772,151
Total expenses	<u>9,793,383</u>	<u>9,266,319</u>	<u>5,895,557</u>	<u>5,723,059</u>	<u>15,688,940</u>	<u>14,989,378</u>
Increase in net assets before transfers	2,576,357	3,175,122	1,022,330	1,132,696	3,598,687	4,307,818
Transfers	(333,436)	(143,298)	333,436	143,298	-	-
Increase in net assets	2,242,921	3,031,824	1,355,766	1,275,994	3,598,687	4,307,818
Net assets - beginning	59,470,111	56,438,287	25,969,268	23,693,274	84,439,379	80,131,561
Net assets - ending	<u>61,713,032</u>	<u>59,470,111</u>	<u>26,325,034</u>	<u>24,969,268</u>	<u>88,038,066</u>	<u>84,439,379</u>

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, 2013 the City's governmental funds reported combined ending fund balance of \$6,492,348. This is an increase of \$1,534,445 from last year. The main increase came in the capital park improvement fund as revenues were higher than expenses and there was also a transfer from the General Fund of over \$95,000 for improvements and \$500,000 for future park development. The General Fund increased over \$428,000 as revenues came in higher and expenses were kept under budget. The station park RDA also increased as the tax increment was received for the first time. The capital street fund decreased as more street capital projects were done during the year. 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 \$1,559,530, which again was an increase from the previous year and shows that the City is financially strong as revenues are out pacing expenses.

In looking at the General Fund, it was budgeted in the beginning to reduce the fund balance by \$43,988, and the modified budget was set to decrease the fund balance by \$54,905, as overall revenues were higher, but so was expenses and transfers. At year end revenues were about \$224,000 more than budgeted and expenditures were around \$237,000 less than budgeted. Overall revenues were up 7% from the year before, with taxes increasing by 6% overall or by over \$325,000. Taxes continue to be the largest source of revenue and represents about 73% of the total General Fund revenues. The largest element of taxes is sales tax in the General Fund as it makes up for over 44% of total taxes collected. It increased significantly this past year mainly due to the increase in local sales tax, as new stores continue to open in the Station Park development. The amount increased by nearly \$201,500 or about 8.5% from a year ago. The City anticipated some of the increase, but wasn't sure just what it was going to be with the opening of all the stores in the Station Park development. Building permit revenues jumped by 52% to the highest level ever at \$969,776 as commercial and residential permits increased from last year. Residential permits issued reached 265, this is up from the 162 that were issued last year. With the continued development of Station Park development, this has helped to keep the revenues to the City in building permit fees higher than normal. Energy use tax increased 15% caused by the extreme cold winter we had last year. Also charges for services decreased as development of new subdivisions continued to be slow as the economy is still moving slow, even though new home building increased. All other revenues seemed to stay steady.

As far as expenditures in the General Fund, the overall increase was around 5.8%. The largest increase was in community development, which was mainly due to the additional costs for professional and technical fees for review and plan check of all the commercial permits that had to be done with outside consultants for the development of Station Park and other developments. Public safety increased as an additional full time fire captain was added as this allows the City to give better service for EMS and fire coverage for the City. Highways and public works went up also as more was spent on snow removal for the streets as last winter was a very harsh winter and more was spent on salt, sand and repairs and maintenance. Transfers out to other funds were decreased significantly as less money was set aside for street maintenance projects. As mentioned before, the expenditures were held under budget by around \$237,000, as every department continued to hold costs down as much as possible. 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.

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 ambulance and 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. Charges for services increased by 5%. The water fund was the main contributor to the increase as revenues increased by 6.5% or over \$107,000. 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, and changed the commercial rates in January of 2012, 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 pay for future repairs, improvements and replacements of the system. Overall expenditures increased by 3% with the recreation fund seeing the largest increase, as a new boiler was put in the swimming pool and other improvements were done. The recreation fund 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 actually decreased in expenses as less projects were done and the new well was completed.

General Fund Budgetary Highlights

Budgeted revenues were increased by over \$579,000, with building permits being increased from the original budget by \$375,500 as residential and building at Station Park were higher than first anticipated. Franchise taxes was increased by \$90,000 and sales tax increased by \$50,000 due to all the new stores being opened at Station Park. Intergovernmental was increased as more was coming in from B&C road funds and less was budgeted for fines and forfeitures as less was received from court charges. Miscellaneous revenues was increased as a new property lease for a cell tower and the sale of surplus vehicles was added.

During the fiscal year, the General Fund original budget was amended from an original budget expenditure and transfer total of \$7,171,242 to the final budget of \$8,006,443. This increase was due to more transfers to capital project funds including an additional \$500,000 to the capital park fund for future park development. Also more in highways and public works for more cost in snow removal from last winter and in professional fees needed for inspections and plan reviews in the inspection department. Additional costs in police as more was needed for equipment and repairs to vehicles. 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 past year

Capital Assets and Debt Administration.

The governmental activities capital assets decreased from the previous year, as the City did not receive as much in contributed infrastructure for the streets, sidewalks and other infrastructure from developers and depreciation offset the added infrastructure. The business-type activities had

increases due to improvements being done and capital assets being added 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 64 for details on long-term debt activity.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	23,124,731	22,382,233	149,312	149,312	23,274,043	22,531,545
Construction in Progress	-	-	-	-	-	-
Water rights & easements	-	-	25,717	25,717	25,717	25,717
Buildings	12,239,879	12,618,797	-	-	12,239,879	12,618,797
Improvements	4,799,824	4,726,561	10,676,826	9,937,042	15,476,650	14,663,603
Machinery & Equipment	1,331,710	1,053,290	701,158	726,667	2,032,868	1,779,957
Infrastructure	19,721,806	20,485,316	9,102,741	9,208,357	28,824,547	29,693,673
Total	<u>61,217,950</u>	<u>61,266,197</u>	<u>20,655,754</u>	<u>20,047,095</u>	<u>81,873,704</u>	<u>81,313,292</u>

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	3,562,000	4,043,000	-	-	3,562,000	4,043,000
Revenue Bonds	1,686,305	2,017,305	53,695	342,695	1,740,000	2,360,000
Short Term Notes	-	-	-	-	-	-
Special Assessment Bonds	108,000	141,000	-	-	108,000	141,000
Capital Leases	607,460	571,615	56,252	93,397	663,712	665,012
Total	<u>5,963,765</u>	<u>6,772,920</u>	<u>109,947</u>	<u>436,092</u>	<u>6,073,712</u>	<u>7,209,012</u>

The City only issued a lease purchase for a new fire truck for \$100,000 for new debt in this fiscal year. The City did pay off one year early a sales tax revenue bond of \$1,121,000 paid for by storm water utility fund for storm water projects that were done. The storm water utility fund had enough in fund balance to pay it off early and the City wanted to start other storm water projects this next budget year instead of paying for the bond payments. The City paid all the other 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 continued growth in sales tax because of Station Park opening stores this past year. Sales tax increased by 8.5% or over \$201,000 this past year. Station Park is over half way done with the construction of phase II of the development, with phase I completely done. The opening of new stores and restaurants have increased this past spring, as the opening of phase II has begun. 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. It is anticipated that sales tax

will continue to grow as much for this next year as it did this fiscal year. The City has anticipated about a 4% increase in sales tax for this next fiscal year but it looks to be more like 8 to 10% increase for this next year. Other taxes, including property and franchise taxes are anticipated to grow between 2 to 4% in this coming year. Building permits is expected to be lower this next year as a lot of phase II of Station Park is complete and residential permits don't appear to be quite as strong as this past year. All the other revenues will most likely stay fairly steady. The General Fund balance was planned to decrease by over \$43,000, but with the increase in revenues and the decreases in expenditures the balance increased by \$428,233. The General Fund balance ended over \$1.5 million and the City was still able to move \$500,000 for park development for a future large park. With the General Fund balance over \$1.5 million, the City will be able to continue to meet ongoing needs and keep service levels the same or higher throughout the City. The future looks good for the City, as revenues are increasing from the growth of commercial and residential tax base. The hotel which is under construction will be finished in the spring of 2014, which will bring additional taxes and revenues to the City. Expenses look to continue to rise which will continue to put pressure on the City to keep costs down and to find ways to stretch budgets to meet the needs of the City. This is always an ongoing struggle to find ways to be as efficient as the City possibly can be. The City has been able to stretch every dollar as far as it can in the past and will continue to do so in the future. Along with the Station Park development there are a couple hundred acres to the north that are not in the RDA which will be opened up for development. This area is planned on having mixed use of office, residential and commercial. This will help in opening up jobs and more commercial tax base here in the community, which will greatly enhance the tax base for 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, Assistant City Manager, P.O. Box 160, Farmington UT 84025.

BASIC FINANCIAL STATEMENTS

FARMINGTON CITY CORPORATION

Statement of Net Position

June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>Assets</u>			
Cash and cash equivalents	\$ 5,964,327	3,672,010	9,636,337
Cash with fiscal agents	43,271	-	43,271
Accounts receivable - net	-	719,935	719,935
Property, sales, & franchise taxes receivable	3,161,340	-	3,161,340
Other receivables	57,798	4,090	61,888
Special assessments receivable	56,424	-	56,424
Restricted cash and cash equivalents	1,929,892	2,084,792	4,014,684
Capital assets not being depreciated:			
Land	23,124,731	149,312	23,274,043
Water stock and rights	-	25,717	25,717
Capital assets (net of accumulated depreciation):			
Buildings	12,239,879	-	12,239,879
Improvements	4,799,824	10,676,826	15,476,650
Machinery and equipment	1,331,710	701,158	2,032,868
Infrastructure	19,721,806	9,102,741	28,824,547
Total assets	72,431,002	27,136,581	99,567,583
<u>Deferred Outflows of Resources</u>			
Deferred bond financing cost - net	108,085	-	108,085
Total deferred outflows of resources	108,085	-	108,085
<u>Liabilities</u>			
Accounts payable and accrued liabilities	455,773	593,343	1,049,116
Construction bonds held	1,919,653	107,500	2,027,153
Accrued interest payable	54,291	757	55,048
Noncurrent liabilities			
Due within one year	1,208,034	66,671	1,274,705
Due in more than one year	4,922,450	43,276	4,965,726
Total liabilities	8,560,201	811,547	9,371,748
<u>Deferred Inflows of Resources</u>			
Unearned revenue - property taxes	2,265,854	-	2,265,854
Total deferred inflows of resources	2,265,854	-	2,265,854
<u>Net Position</u>			
Invested in capital assets, net of related debt	55,250,667	20,545,807	75,796,474
Restricted for:			
Class C road	115,928	-	115,928
Liquor law	20,346	-	20,346
Perpetual care	197,324	-	197,324
Debt service	140,557	-	140,557
Impact fees	1,929,892	2,084,792	4,014,684
Redevelopment	790,597	-	790,597
Unrestricted	3,267,721	3,694,435	6,962,156
Total net position	\$ 61,713,032	26,325,034	88,038,066

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, 2013

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,076,902	1,086,677	8,934	-	\$ (981,291)		(981,291)
Public safety	2,631,075	258,418	47,495	-	(2,325,162)		(2,325,162)
Highways and public works	2,569,319	-	601,983	1,010,049	(957,287)		(957,287)
Community development	987,309	104,140	-	2,175	(880,994)		(880,994)
Parks and cemetery	1,276,539	44,698	-	608,283	(623,558)		(623,558)
Interest on long-term debt	252,239	-	-	-	(252,239)		(252,239)
Total governmental activities	9,793,383	1,493,933	658,412	1,620,507	(6,020,531)		(6,020,531)
Business-type activities:							
Water utility	1,672,536	1,838,707	-	164,990	-	331,161	331,161
Sewer utility	1,340,504	1,375,336	-	-	-	34,832	34,832
Garbage utility	1,125,646	1,176,880	-	-	-	51,234	51,234
Storm water utility	595,977	710,224	-	169,989	-	284,236	284,236
Ambulance service	324,921	312,975	7,594	-	-	(4,352)	(4,352)
Recreation	835,973	516,584	-	-	-	(319,389)	(319,389)
Total business-type activities	5,895,557	5,930,706	7,594	334,979	-	377,722	377,722
Total primary government	\$ 15,688,940	7,424,639	666,006	1,955,486	(6,020,531)	377,722	(5,642,809)
General revenues:							
Property taxes					3,404,425		3,404,425
General sales and use tax					2,581,678		2,581,678
Franchise tax					950,579		950,579
Energy use tax					446,458		446,458
Impact fees					1,099,803	608,294	1,708,097
Interest earnings					41,761	36,314	78,075
Gain on sale of assets					23,429	-	23,429
Miscellaneous					48,755	-	48,755
Transfers in(out)					(333,436)	333,436	-
Total general revenues					8,263,452	978,044	9,241,496
Change in net position					2,242,921	1,355,766	3,598,687
Net position - beginning					59,470,111	24,969,268	84,439,379
Net position - ending					\$ 61,713,032	26,325,034	88,038,066

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

FARMINGTON CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2013

	Special Revenue		Debt Service				Capital Projects			Total Governmental Funds
	General Fund	US-89 RDA	US-89 RDA	Building G.O. Bond	Street Improvement	Park Improvement	Other Governmental Funds			
Assets										
Cash and cash equivalents	\$ 2,967,658	492,864	297,976	10,779	338,926	1,324,870	531,254	5,964,327		
Cash with fiscal agents	-	-	-	31	-	-	43,240	43,271		
Receivables (net):										
Sales, property, & franchise taxes	2,514,870	-	-	426,255	-	-	220,215	3,161,340		
Accounts	57,798	-	-	-	-	-	-	57,798		
Special assessments	-	-	-	-	-	-	56,424	56,424		
Restricted cash and cash equivalents	-	-	-	-	488,272	629,916	811,704	1,929,892		
Total assets	5,540,326	492,864	297,976	437,065	827,198	1,954,786	1,662,837	11,213,052		
Liabilities										
Accounts payable & accrued liabilities	411,156	-	243	-	44,295	61	18	455,773		
Construction bonds held	1,919,653	-	-	-	-	-	-	1,919,653		
Total liabilities	2,330,809	0	243	0	44,295	61	18	2,375,426		
Deferred Inflows of Resources										
Unavailable revenue - property taxes	1,649,987	-	-	418,652	-	-	220,215	2,288,854		
Unavailable revenue - special assessments	-	-	-	-	-	-	56,424	56,424		
Total deferred inflows of resources	1,649,987	-	-	418,652	-	-	276,639	2,345,278		
Fund Balances										
Restricted:										
Class C road	115,928	-	-	-	-	-	-	115,928		
Liquor law	20,346	-	-	-	-	-	-	20,346		
Perpetual care	-	-	-	-	-	-	197,324	197,324		
Debt service	-	-	-	18,413	-	-	122,144	140,557		
Impact fee	-	-	-	-	488,272	629,916	811,704	1,929,892		
Redevelopment	-	492,864	297,733	-	-	-	-	790,597		
Assigned, reported in:										
General fund - self insurance	85,000	-	-	-	-	-	-	85,000		
General fund - trails	5,750	-	-	-	-	-	-	5,750		
Debt service funds	-	-	-	-	-	-	150,627	150,627		
Capital projects funds	-	-	-	-	294,631	1,324,809	104,381	1,723,821		
Unassigned, reported in:										
General fund	1,332,506	-	-	-	-	-	-	1,332,506		
Total fund balances	1,559,530	492,864	297,733	18,413	782,903	1,954,725	1,386,180	6,492,348		
Total liabilities, deferred inflows and fund balances	\$ 5,540,326	492,864	297,976	437,065	827,198	1,954,786	1,662,837	8,867,774		

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

FARMINGTON CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Total fund balances - governmental fund types: \$ 6,492,348

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 61,217,950

Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds. 187,509

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also, issuance costs, premiums, discounts are not currently expensed but amortized over the life of the loan. (6,184,775)

Net position of government activities \$ 61,713,032

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, 2013

	Special Revenue										Total Governmental Funds
	General Fund		Station		Debt Service		Capital Projects			Other Governmental Funds	
	US-89 RDA	Park RDA	US-89 RDA	Park RDA	Building G.O.Bond	Street Improvement	Park Improvement	-	-		
REVENUES											
Taxes	5,770,331		302,320	698,590	421,208	-	-	-	-	190,691	7,383,140
Special assessments	-	-	-	-	-	-	-	-	-	23,713	23,713
Leases	-	-	-	-	-	-	-	-	-	-	0
Licenses and permits	969,776	-	-	-	-	-	-	-	-	-	969,776
Intergovernmental	658,412	-	-	-	-	-	-	-	-	544	658,956
Charges for services	206,607	-	-	-	-	-	-	-	-	-	206,607
Impact fees	-	-	-	-	553,171	294,000	-	-	-	252,632	1,099,803
Fines and forfeitures	193,751	-	-	-	-	-	-	-	-	-	193,751
Interest	8,264	3,381	903	241	7,954	5,999	14,037	40,779	41,648	-	172,554
Miscellaneous revenue	121,781	-	-	-	-	204,047	255,406	461,628	-	-	1,099,803
Contributions	-	2,175	-	-	-	-	-	-	-	-	2,175
Total revenues	7,928,922	305,701	701,668	421,449	763,217	566,485	1,033,805	9,467,034	523,265	11,210,707	
EXPENDITURES											
Current:											
General government	1,038,399	33,287	10,366	-	-	-	-	-	-	-	1,082,052
Public safety	2,458,063	-	-	-	-	-	-	-	-	-	2,458,063
Highways and public works	823,392	-	-	-	-	-	-	-	-	-	823,392
Community development	981,889	-	-	-	-	-	-	-	-	-	981,889
Parks and cemetery	713,331	-	-	-	-	-	-	-	-	-	713,331
Capital outlay	-	59,310	58,872	-	1,413,098	217,927	496,299	2,245,506	-	-	2,245,506
Debt service:											
Principal retirement	-	193,000	-	296,000	-	-	-	428,153	-	-	917,153
Interest	-	31,022	-	105,273	-	-	-	109,353	-	-	245,648
Total expenditures	6,015,074	316,619	69,238	401,273	1,413,098	217,927	1,033,805	9,467,034	523,265	9,467,034	
Excess revenues over (under) expenditures	1,913,848	(10,918)	632,430	20,176	(649,881)	348,558	(510,540)	1,743,673			
OTHER FINANCING SOURCES (USES)											
Sale of capital assets	24,208	-	-	-	-	-	-	24,208	-	-	24,208
Capital lease	-	-	-	-	-	-	-	100,000	-	-	100,000
Transfers in	227,500	-	-	20,000	457,800	595,995	544,289	1,845,584	-	-	2,665,568
Transfers (out)	(1,737,321)	(64,230)	(226,300)	(46,969)	(104,200)	(209,228)	(2,179,020)	(2,179,020)	-	-	(2,179,020)
Total other financing sources and (uses)	(1,485,613)	(64,230)	(226,300)	410,831	595,995	540,089	(209,228)	2,665,568			2,665,568
Net change in fund balances	428,235	(75,148)	406,130	40,176	(239,050)	944,553	29,549	1,534,445			1,534,445
Fund balances - beginning of year	1,131,295	568,012	(108,397)	(21,761)	1,021,953	1,010,172	1,356,631	4,957,903			10,052,811
Fund balances - end of year	1,559,530	492,864	297,733	18,413	782,903	1,954,725	1,386,180	6,492,348			11,587,256

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

FARMINGTON CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds.	\$ 1,534,445
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	1,157,556
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,205,801)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(23,713)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	788,369
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(7,935)</u>
Change in net assets of governmental activities	<u>\$ 2,242,921</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
Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,520,000	5,673,000	5,770,331	97,331
Licenses and permits	536,500	912,000	969,776	57,776
Intergovernmental	578,100	630,704	658,412	27,708
Charges for services	157,500	180,000	206,607	26,607
Fines and forfeitures	250,000	180,000	193,751	13,751
Interest	1,570	8,050	8,262	212
Miscellaneous revenue	80,384	120,284	121,781	1,497
Total revenues	7,124,054	7,704,038	7,928,920	224,882
EXPENDITURES:				
Current:				
General government:				
Legislative	124,750	125,550	114,126	11,424
Administrative	565,389	568,289	536,703	31,586
Government buildings	397,158	399,378	387,570	11,808
Total general government	1,087,297	1,093,217	1,038,399	54,818
Public safety:				
Police	1,833,391	1,890,072	1,858,321	31,751
Fire	631,133	620,500	599,742	20,758
Total public safety	2,464,524	2,510,572	2,458,063	52,509
Highways and public works	807,009	886,681	823,392	63,289
Community development:				
Planning and zoning	552,177	586,577	573,525	13,052
Inspection	375,851	427,130	408,364	18,766
Total community development	928,028	1,013,707	981,889	31,818
Parks and cemetery	760,793	748,730	713,331	35,399
Total expenditures	6,047,651	6,252,907	6,015,074	237,833
Excess revenues over (under) expenditures	1,076,403	1,451,131	1,913,846	462,715
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	2,000	20,000	24,208	4,208
Transfers in	1,200	227,500	227,500	-
Transfers (out)	(1,123,591)	(1,753,536)	(1,737,321)	16,215
Total other financing sources and (uses)	(1,120,391)	(1,506,036)	(1,485,613)	20,423
Net change in fund balances	(43,988)	(54,905)	428,233	483,138
Fund balances - beginning of year	1,131,295	1,131,295	1,131,295	-
Fund balances - end of year	\$ 1,087,307	1,076,390	1,559,528	483,138

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 - US 89 Redevelopment Agency Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 350,000	303,000	302,320	(680)
Interest	1,500	3,000	3,381	381
Total revenues	351,500	306,000	305,701	(299)
EXPENDITURES				
Current:				
General government	49,100	35,410	33,287	2,123
Capital outlay	100,000	60,000	59,310	690
Principal retirement	193,000	193,000	193,000	-
Interest	33,023	31,023	31,022	1
Total expenditures	375,123	319,433	316,619	2,814
Excess revenues over (under) expenditures	(23,623)	(13,433)	(10,918)	2,515
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(50,000)	(64,230)	(64,230)	-
Total other financing sources and uses	(50,000)	(64,230)	(64,230)	-
Net change in fund balance	(73,623)	(77,663)	(75,148)	2,515
Fund balances - beginning of year	568,012	568,012	568,012	-
Fund balances - end of year	\$ 494,389	490,349	492,864	2,515

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 - Station Park Redevelopment Agency Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 945,600	699,000	698,590	(410)
Interest	200	2,200	903	(1,297)
Contributions	-	3,000	2,175	(825)
Total revenues	945,800	704,200	701,668	(2,532)
EXPENDITURES				
Current:				
General government	12,800	12,800	10,366	2,434
Capital outlay	633,000	100,000	58,872	41,128
Principal retirement	300,000	-	-	-
Interest	-	1,200	-	1,200
Total expenditures	945,800	114,000	69,238	44,762
Excess revenues over (under) expenditures	-	590,200	632,430	42,230
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	(226,300)	(226,300)	-
Total other financing sources and uses	-	(226,300)	(226,300)	-
Net change in fund balance	-	363,900	406,130	42,230
Fund balances - beginning of year	(108,397)	(108,397)	(108,397)	-
Fund balances - end of year	\$ (108,397)	255,503	297,733	42,230

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

FARMINGTON CITY CORPORATION

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-Type Activities - Enterprise						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,548,348	462,479	393,799	766,824	235,408	265,152	3,672,010
Accounts receivable	507,580	-	-	7	308,002	-	815,589
Allowance for doubtful accounts	-	-	-	-	(95,654)	-	(95,654)
Other receivables	4,090	-	-	-	-	-	4,090
Restricted cash and cash equivalents	1,035,828	-	-	1,048,964	-	-	2,084,792
Total current assets	<u>3,095,846</u>	<u>462,479</u>	<u>393,799</u>	<u>1,815,795</u>	<u>447,756</u>	<u>265,152</u>	<u>6,480,827</u>
Noncurrent assets:							
Capital assets:							
Water stock & rights	25,717	-	-	-	-	-	25,717
Land, equipment, buildings and improvements	19,581,038	9,582	758,730	9,073,271	528,763	81,629	30,033,013
Less: accumulated depreciation	(5,856,974)	(9,246)	(398,847)	(2,687,012)	(403,564)	(47,333)	(9,402,976)
Total noncurrent assets	<u>13,749,781</u>	<u>336</u>	<u>359,883</u>	<u>6,386,259</u>	<u>125,199</u>	<u>34,296</u>	<u>20,655,754</u>
Total assets	<u>16,845,627</u>	<u>462,815</u>	<u>753,682</u>	<u>8,202,054</u>	<u>572,955</u>	<u>299,448</u>	<u>27,136,581</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	188,406	256,787	83,611	20,595	6,512	37,432	593,343
Accrued capital lease interest	131	-	403	25	-	-	559
Accrued revenue bond interest	198	-	-	-	-	-	198
Capital lease - current	3,408	-	34,456	682	-	-	38,546
Revenue bonds - current	28,125	-	-	0	-	-	28,125
Total current liabilities	<u>220,268</u>	<u>256,787</u>	<u>118,470</u>	<u>21,302</u>	<u>6,512</u>	<u>37,432</u>	<u>660,771</u>
Noncurrent liabilities:							
Developer construction bonds	-	-	-	107,500	-	-	107,500
Capital lease (net current portion)	-	-	17,706	-	-	-	17,706
Revenue bonds (Net current portion)	25,570	-	-	-	-	-	25,570
Total noncurrent liabilities	<u>25,570</u>	<u>-</u>	<u>17,706</u>	<u>107,500</u>	<u>-</u>	<u>-</u>	<u>150,776</u>
Total liabilities	<u>245,838</u>	<u>256,787</u>	<u>136,176</u>	<u>128,802</u>	<u>6,512</u>	<u>37,432</u>	<u>811,547</u>
NET POSITION							
Invested in capital assets, net of related debt	13,692,678	336	307,721	6,385,577	125,199	34,296	20,545,807
Restricted							
Impact fees	1,035,828	-	-	1,048,964	-	-	2,084,792
Unrestricted	1,871,283	205,692	309,785	638,711	441,244	227,720	3,694,435
Total net position	<u>\$ 16,599,789</u>	<u>206,028</u>	<u>617,506</u>	<u>8,073,252</u>	<u>566,443</u>	<u>262,016</u>	<u>26,325,034</u>

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 Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
Operating revenues							
Charges for services	\$ 1,750,943	1,375,336	1,176,880	710,224	312,697	516,584	5,842,664
Connection and servicing	58,325	-	-	-	-	-	58,325
Miscellaneous	29,439	-	-	-	278	-	29,717
Total operating revenues	<u>1,838,707</u>	<u>1,375,336</u>	<u>1,176,880</u>	<u>710,224</u>	<u>312,975</u>	<u>516,584</u>	<u>5,930,706</u>
Operating expenses							
Salaries and wages	375,189	42,977	69,585	117,370	69,697	312,552	987,370
Employee benefits	172,637	19,617	30,532	52,024	45,950	118,105	438,865
Contract services	46,726	1,234,488	945,030	77,702	22,755	-	2,326,701
Maintenance and supplies	440,509	20,673	20,801	47,754	51,655	357,881	939,273
Administration and overhead	119,890	22,532	19,321	37,970	81,631	42,230	323,574
Depreciation	441,033	217	37,720	249,850	53,233	5,205	787,258
Water purchases	72,991	-	-	-	-	-	72,991
Total operating expenses	<u>1,668,975</u>	<u>1,340,504</u>	<u>1,122,989</u>	<u>582,670</u>	<u>324,921</u>	<u>835,973</u>	<u>5,876,032</u>
Operating income (loss)	<u>169,732</u>	<u>34,832</u>	<u>53,891</u>	<u>127,554</u>	<u>(11,946)</u>	<u>(319,389)</u>	<u>54,674</u>
Nonoperating revenues (expenses)							
Interest revenue	16,907	2,645	2,636	11,253	1,493	1,380	36,314
Interest expense and fiscal charges	(3,561)	-	(2,657)	(13,307)	-	-	(19,525)
Development/Impact fees	366,950	-	-	241,344	-	-	608,294
Grant revenue	-	-	-	-	7,594	-	7,594
Total nonoperating revenues (expenses)	<u>380,296</u>	<u>2,645</u>	<u>(21)</u>	<u>239,290</u>	<u>9,087</u>	<u>1,380</u>	<u>632,677</u>
Income (loss) before contributions and transfers:	550,028	37,477	53,870	366,844	(2,859)	(318,009)	687,351
Contributions	164,990	-	-	169,989	-	-	334,979
Transfers in	-	-	-	-	-	333,436	333,436
Change in net position	<u>715,018</u>	<u>37,477</u>	<u>53,870</u>	<u>536,833</u>	<u>(2,859)</u>	<u>15,427</u>	<u>1,355,766</u>
Total net position - beginning	15,884,771	168,551	563,636	7,536,419	569,302	246,589	24,969,268
Total net position - ending	<u>\$ 16,599,789</u>	<u>206,028</u>	<u>617,506</u>	<u>8,073,252</u>	<u>566,443</u>	<u>262,016</u>	<u>26,325,034</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, 2013

	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	\$ 1,832,566	1,375,336	1,176,880	710,217	310,813	527,226	5,933,038
Payments to suppliers	(608,012)	(1,262,645)	(1,033,478)	(157,910)	(158,654)	(390,641)	(3,611,340)
Payments to employees	(547,826)	(62,594)	(100,117)	(169,394)	(115,647)	(430,657)	(1,426,235)
Net cash provided (used) by operating activities	676,728	50,097	43,285	382,913	36,512	(294,072)	895,463
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Grants	-	-	-	-	7,594	-	7,594
Development/Impact fees	366,950	-	-	241,344	-	-	608,294
Transfers from other funds	-	-	-	-	-	333,436	333,436
Net cash provided (used) by noncapital financing activities	366,950	-	-	241,344	7,594	333,436	949,324
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Receipt of developer const. bonds	-	-	-	202,850	-	-	202,850
Refund of developer const. bonds	-	-	-	(219,750)	-	-	(219,750)
Contributions	-	-	-	18,000	-	-	18,000
Purchases of capital assets	(930,784)	-	(54,714)	(55,136)	(10,607)	(27,697)	(1,078,938)
Principal paid on capital debt	(30,272)	-	(33,219)	(262,654)	-	-	(326,145)
Interest paid on capital debt	(3,502)	-	(2,847)	(12,825)	-	-	(19,174)
Net cash provided (used) by capital and related financing activities	(964,558)	-	(90,780)	(329,515)	(10,607)	(27,697)	(1,423,157)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	16,907	2,645	2,636	11,253	1,493	1,380	36,314
Net cash provided (used) by investing activities	16,907	2,645	2,636	11,253	1,493	1,380	36,314
Net increase (decrease) in cash and cash equivalents	96,027	52,742	(44,859)	305,995	34,992	13,047	457,944
Cash and cash equivalents - beginning	2,488,149	409,737	438,658	1,509,793	200,416	252,105	5,298,858
Cash and cash equivalents - end	\$ 2,584,176	462,479	393,799	1,815,788	235,408	265,152	5,756,802
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 169,732	34,832	53,891	127,554	(11,946)	(319,389)	54,674
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	441,033	217	37,720	249,850	53,233	5,205	787,258
(Inc)/decrease in accounts receivable	(6,141)	-	-	(7)	(2,162)	10,642	2,332
Increase/(decr) in accounts payable	72,104	15,048	(48,326)	5,516	(2,613)	9,470	51,199
Total adjustments	506,996	15,265	(10,606)	255,359	48,458	25,317	840,789
Net cash provided (used) by operating activities	\$ 676,728	50,097	43,285	382,913	36,512	(294,072)	895,463
Noncash Investing, Capital and Financing Activities:							
Contribution of capital assets from private developers	\$ 164,990	-	-	151,989	-	-	316,979

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

