



FARMINGTON CITY

SCOTT C. HARBERTSON
MAYOR

JOHN BILTON
NELSEN MICHAELSON
CORY R. RITZ
JIM TALBOT
JAMES YOUNG
CITY COUNCIL

DAVE MILLHEIM
CITY MANAGER

November 16, 2012

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, 2012. 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
 Strom 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 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. 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 162 new residential building permits. This is up from the 133 that were issued previous year. Revenue from building permits decreased though from the previous year, as a large apartment complex, Park Lane Village with 324 units had issued permits the year before. Permits issued for the 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 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 be level 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 still 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 decreased a little as developments are still lagging a bit behind, even though Station Park has continued to develop this past year.

The overall economic conditions started to turn around the year before and continued to grow slowly this past year for the State. In Farmington, the City has seen a much improved situation as sales tax increased by around 20.8 %, mainly due to the opening of the stores in the Station Park development. Property taxes increased by about 7.2%, with franchise, energy sales and use taxes going up by about 6.5% . The increase in property taxes did not come from a tax increase, as the City did not raise property taxes, but from the increase of homes and property being finished. The fund balance in the General Fund did decrease, which was budgeted to do so, as the fund balance was planned to be trimmed by \$587,052. Revenues overall increased from the previous year, which was not originally budgeted. This was mainly due to the increase in sales tax, property taxes, and development fees over what the original budget was. Expenditures increased as transfers to capital project funds were increased in the original budget and then increased in the amended budget. The General Fund balance was decreased by over \$708,000, which leaves a remaining fund balance of over \$1,131,000 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 about finished with phase I of the development and has started phase II, which will be an additional 500,000 square feet of commercial / retail space in this next year or two. A total of around 950,000 square feet of commercial, retail and office space is planned when the project is finished in the next couple of years. 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. 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 the City.

Awards and Acknowledgments

The City has received the Certificate of Achievement for Excellence in Financial Reporting for the past 11 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 as 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', with a long horizontal flourish extending to the right.

Keith Johnson,
Assistant City Manager / Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dawson

President

Jeffrey R. Egan

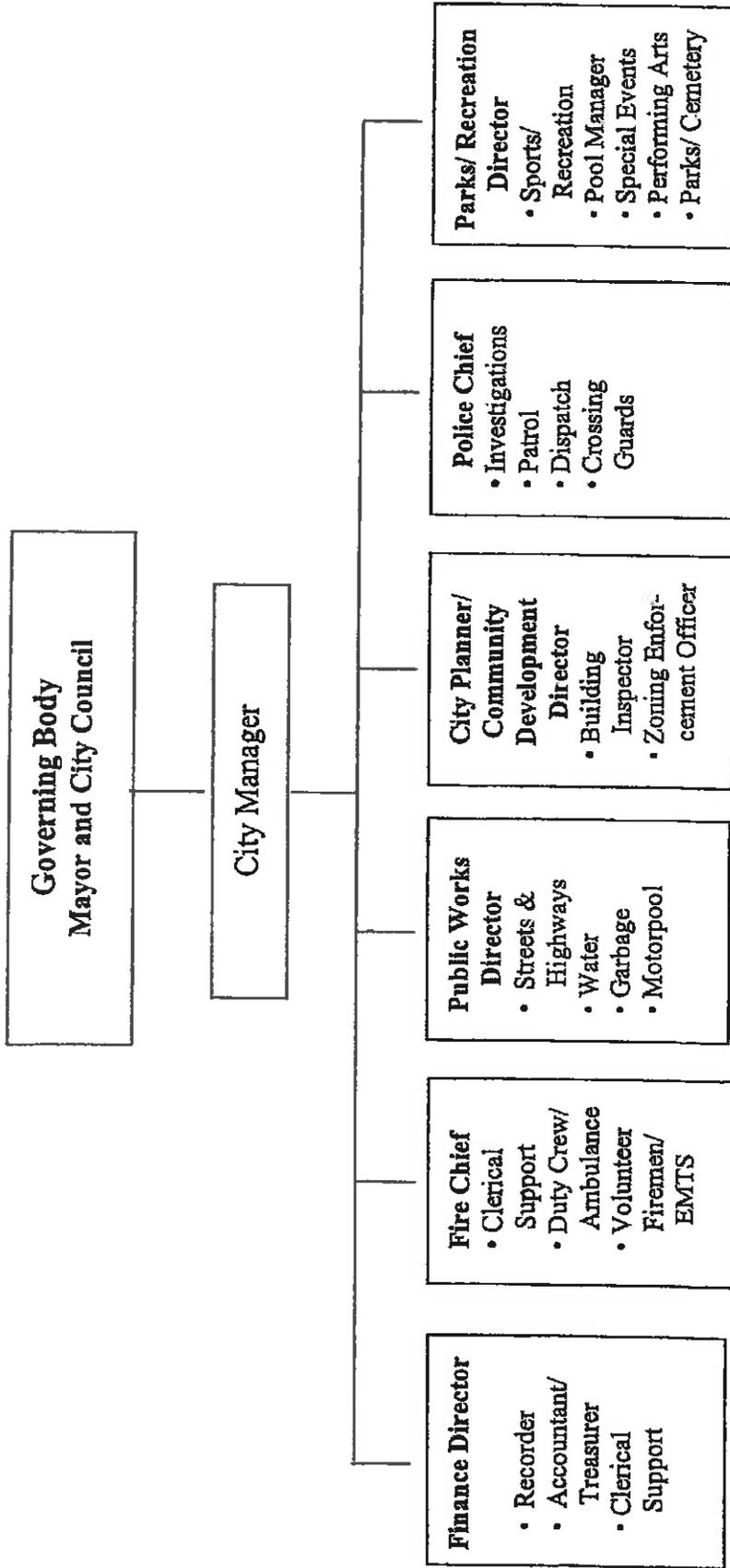
Executive Director

Farmington City Officials

June 30, 2012

Mayor	Scott Harbertson
Council Members	John Bilton Nelsen Michaelson Jim Talbot Cory Ritz Jim Young
City Manager	Dave Millheim
Recorder	Holly Gadd
Treasurer	Shannon Harper
Assistant City Manager	Keith Johnson
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

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, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2012, 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 16, 2012 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.

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 16, 2012

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, 2012. 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 \$84,439,379. This is an increase of 4,307,818. The increase was mainly due to increases in invested capital and unrestricted assets. The amount of unrestricted assets increased from \$4,591,165 to 5,677,283 or by \$1,086,118. The unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors. The Governmental activities increased by \$362,898, whereas the Business-type activities had an increase in unrestricted assets of \$723,220.

As of the close of the current fiscal year, Farmington City's governmental funds reported combined ending fund balance of \$4,957,907. This is a decrease in fund balance from the previous year of \$165,901. This decrease came mainly from the General Fund, MBA fund, and the RDA fund. The decrease came as the City transferred from the General Fund to capital funds, monies for new park development and street maintenance projects. Of the total fund balance in the General Fund, \$959,059 is unassigned for spending at the City's discretion.

The City's total debt is \$7,209,012. It decreased by \$2,117,244 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, did a refunding of a bond and paid some debt off.

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 seventeen (17) 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, building G.O. bond fund, street, park and real estate property asset 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 \$4,307,818 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 by \$1,086,118, that was from both the governmental and the business-type activities. The increase in governmental activities unrestricted net assets came as the City received over \$1.7 million from CenterCal, the developer of Station Park, as a contribution for the construction of Station Parkway road. This contribution was used to pay off the bonds that were issued to build the road. The increase in unrestricted net assets under the business-type activities was mainly in the water fund as revenues outpaced expenditures. 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 \$74,099,780 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 \$3,031,824 with liabilities decreasing and assets increasing.

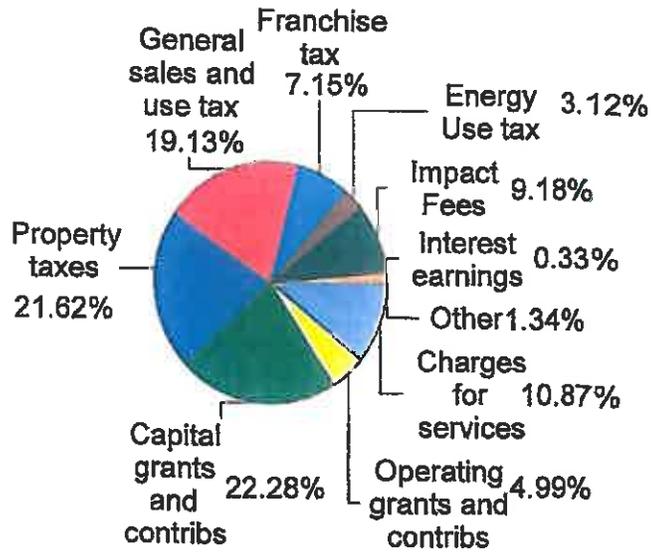
Net Assets
June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	9,107,170	8,422,868	6,025,213	5,255,115	15,132,383	13,677,983
Capital assets	61,266,197	59,965,649	20,047,095	20,367,496	81,313,292	80,333,145
Total assets	70,373,367	68,388,517	26,072,308	25,622,611	96,445,675	94,011,128
Other liabilities	3,971,977	3,112,124	666,948	1,309,576	4,638,925	4,421,700
Long-term liabilities outstanding	6,931,279	8,838,106	436,092	619,761	7,367,371	9,457,867
Total liabilities	10,903,256	11,950,230	1,103,040	1,929,337	12,006,296	13,879,567
Net assets:						
Invested in capital assets, net of related debt	54,488,777	51,571,321	19,611,003	19,747,735	74,099,780	71,319,056
Restricted	2,459,575	2,708,105	2,202,741	1,513,235	4,662,316	4,221,340
Unrestricted	2,521,759	2,168,861	3,155,524	2,432,304	5,677,283	4,591,165
Total net assets	59,470,111	56,438,287	24,969,268	23,693,274	84,439,379	80,131,561

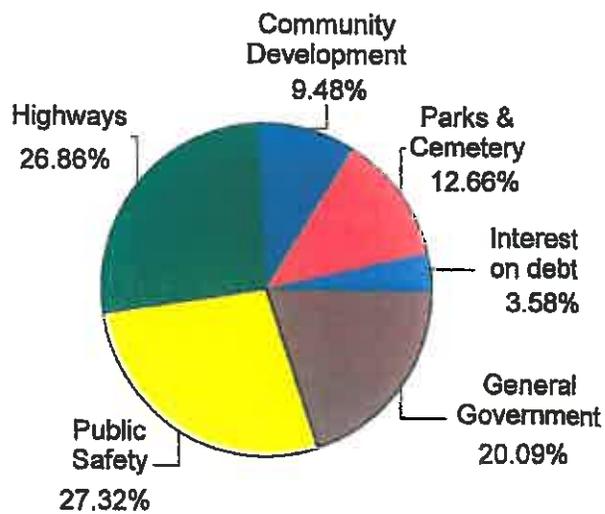
Overall revenues in governmental activities decreased slightly, around 1.4% from the previous year. Some revenues increased while others decreased. General sales taxes increased by over \$400,000, as did capital grants and contributions by over \$300,000. Impact fees dropped by over 1.1 million dollars from the year before. Less developments paid fees during the year as Station Park development finished with phase I and is now starting phase II of their development, which has caused a lull in new building permits from them. Capital contributions were the highest revenue source. 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. Excluding capital contributions, revenue would have actually decreased by over \$400,000. Taxes remain the main source of non capital revenues, and account for over 51% of the total revenues. Property taxes account for over 42% of the total taxes. Property taxes increased by about 3.5% 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 over 20%. The Station Park development opened many stores in the phase I area in the summer and fall of 2011. Also the economy has started to grow a little bit which helped with the increase. Sales tax had increased the previous year by 9%, which puts sales taxes now at the highest levels ever, even higher than before the recession started. Franchise tax saw a 12% increase, with energy taxes decreasing a small amount.

Expenditures for governmental activities decreased by around \$34,000 in this past year. The biggest decrease came in general government as less was spent on capital outlay. Interest on debt decreased as debt was reduced. The Highways and public works expenses increased due to more being spent on street maintenance projects. 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 24 hr coverage for the fire department was implemented. Parks and cemetery only had a slight increase as maintenance costs rose.

Revenue By Source Governmental Activities

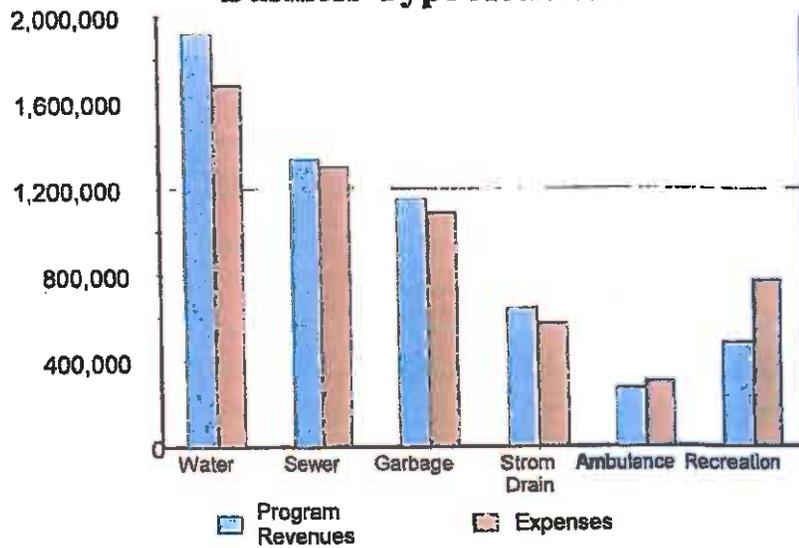


Expenses by Governmental Activities

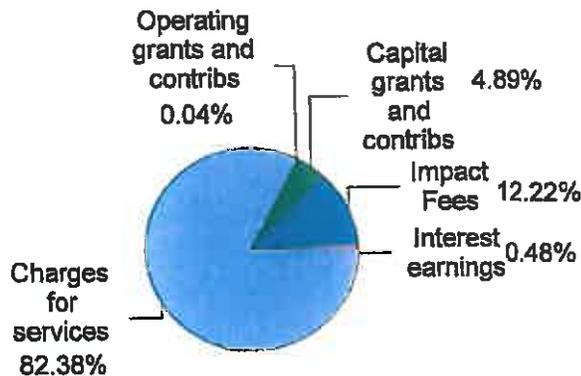


Business-type activities. Business-type activities increased the City's net assets by \$1,275,994 which is about a 5.4% growth in net assets. \$723,220 in unrestricted and the rest in capital assets. Total revenues decreased from the prior year, which was mainly from less capital grants and contributions. Capital grants and contributions decreased due to less capital grants and contributions being made in the form of infrastructure. 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 a year ago and the commercial rates were changed during this past year. 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. The ambulance fund receives revenues from ambulance charges to patients being transported to the hospital.

Expenses and Program Revenues Business-Type Activities



Revenues By Source Business-Type Activities



Business-type activities increased in expenditures in every fund, with a 7% increase overall. The City held expenditures down during the recession, 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 has seen the highest increase, as repairs, projects and costs of materials have increased. The water fund was able to cover expenses with the charges for services, which is what the City needs 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 the expenditures in all the other business-type activities except for ambulance service and the recreation fund. The ambulance fund experienced a 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 Assets June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	1,351,954	1,528,351	5,647,748	5,473,539	6,999,702	7,001,890
Operating grants and contribs	620,826	603,123	2,620	4,892	623,446	608,015
Capital grants and contribs	2,771,571	2,329,453	335,213	668,261	3,106,784	2,997,714
General revenues:						
Property taxes	2,689,552	2,597,720	-	-	2,689,552	2,597,720
General sales and use tax	2,380,246	1,970,478	-	-	2,380,246	1,970,478
Franchise tax	890,062	792,347	-	-	890,062	792,347
Energy & use tax	388,065	407,383	-	-	388,065	407,383
Interest earnings	40,439	97,841	32,609	18,470	73,048	116,311
Impact Fees	1,142,059	2,264,262	837,565	843,222	1,979,624	3,107,484
Gain / (loss) sale of assets	18,478	(19,318)	-	74,500	18,478	55,182
Other	148,189	40,207	-	-	148,189	40,207
Total revenues	12,441,441	12,611,847	6,855,755	7,082,884	19,297,196	19,694,731
Expenses:						
General government	1,862,212	2,406,573	-	-	1,862,212	2,406,573
Public safety	2,531,443	2,299,079	-	-	2,531,443	2,299,079
Highways and public works	2,488,745	2,288,759	-	-	2,488,745	2,288,759
Community Development	878,754	783,092	-	-	878,754	783,092
Parks and recreation	1,173,396	1,140,691	-	-	1,173,396	1,140,691
Interest on long-term debt	331,769	381,702	-	-	331,769	381,702
Water Utility	-	-	1,681,880	1,528,688	1,681,880	1,528,688
Sewer Utility	-	-	1,299,053	1,272,821	1,299,053	1,272,821
Garbage Utility	-	-	1,088,756	1,033,108	1,088,756	1,033,108
Storm Water Utility	-	-	576,270	556,200	576,270	556,200
Ambulance Service	-	-	304,949	269,106	304,949	269,106
Recreation	-	-	772,151	690,701	772,151	690,701
Total expenses	9,266,319	9,299,896	5,723,059	5,350,624	14,989,378	14,650,520
Increase in net assets before transfers	3,175,122	3,311,951	1,132,696	1,732,260	4,307,818	5,044,211
Transfers	(143,298)	(307,249)	143,298	307,249	-	-
Increase in net assets	3,031,824	3,004,702	1,275,994	2,039,509	4,307,818	5,044,211
Net assets - beginning	56,438,287	53,433,585	23,693,274	21,653,765	80,131,561	75,087,350
Net assets - ending	59,470,111	56,438,287	24,969,268	23,693,274	84,439,379	80,131,561

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, 2012 the City's governmental funds reported combined ending fund balance of \$4,957,907. This is a decrease of \$165,901 from last year. The main decrease came in the general fund as \$600,000 was transferred to capital streets for street maintenance and \$500,000 to the capital park fund for the development of a future large City park. The MBA bonds were paid off and so the reserve of the fund balance was used to help pay the final payment of those bonds. The station park RDA also used some fund balance to pay the road construction bonds off. The street and park capital funds increased as transfers from the general fund were made into those funds. Overall the decrease was not substantial. 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 \$1,131,296. This is a decrease of \$708,534 from 2011. It was budgeted in the beginning to reduce the fund balance by over \$587,000, and even the budget was modified to spend over 1.1 million dollars of the fund balance. But overall revenues ended up about \$150,000 more than budgeted and expenditures and transfers were around \$280,000 less than budgeted, so the fund balance only dropped by the \$708,534 mentioned above. Overall revenues were up 6.9% from the year before, with taxes leading the way with a 12.3% increase. Sales tax had the largest increase of over 20% from the year before. Intergovernmental and miscellaneous revenues were also higher as Class C road funds increased and the City received some money from FEMA for storm damage that happened this past year to City property. Building permit revenues decreased as less commercial and multi family building occurred than in the previous year. Also charges for services decreased as development of new subdivisions and commercial sites continued to be slow as the economy is still moving slow. With the continued development of Station Park development, this has helped to keep the revenues to the City in building permit fees and impact fees from decreasing even more. The economy is still moving slow, but with the development of Station Park, it will offset the slow trends that are happening especially in sales taxes.

In looking at the General Fund, 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. It increased significantly this past year mainly due to the increase in local sales tax, as the state continues to see slow growth. It makes up for over 43% of total taxes collected for the General Fund. The amount increased by nearly \$410,000 or over 20% 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. Overall taxes increased by over \$595,000 from the prior year, which is the main reason why revenues went up 6.9%. Building permit revenues dropped by over \$187,000 as again commercial and multi family permits dropped off. The City did continue to issue single family home permits as 162 new residential permits were issued, this is up from the 133 that were issued last year. All other revenues seemed to stay steady.

As far as expenditures in the general fund, the overall increase was around 8.5%. The largest increase was in public safety, which was mainly due to adding coverage in the fire station to 24 / 7 with 2 fireman. This was a significant increase in coverage as the City only had 2 fireman in the station for about 108 hrs a week previously. This allows the City to give better service for EMS and fire coverage for the City. Also a new officer was added in the police department. Community

development has 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 and highways and public works went up also as cost to maintain buildings went up and more street repairs and maintenance was done. Transfers out to other funds were increased significantly as money was set aside for street maintenance projects and for a future park. As mentioned before, the expenditures were held under budget by around \$280,000, 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.

In the other major funds, the street improvement fund increased as money from the general fund was transferred to it and impact fees that were received from building permits. The park fund increased as a transfer for a future park was made. In the RDA funds, a bond that was issued for the building of a new road for economic and commercial growth was paid off and some of the fund balance was used to help pay those bonds off. This road will help to spur on more economic growth in the future for the City. In the MBA fund, the bonds were paid off and the reserve fund balance was used to pay those bonds off.

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 3.2%. 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 7% with the water fund seeing the largest increase, as the new well development moves forward and other projects and repairs were done. All the funds increased in expenses. 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.

General Fund Budgetary Highlights

Budgeted revenues were increased by over \$624,000, with sales tax being increased the largest amount by \$300,000 due to all the new stores being opened at Station Park. Property taxes were increased as growth in the City continues. Building permits were increased from the original budget by \$80,000 as residential and some building at Station Park were higher than first anticipated. Also charges for services was raised as development fees were higher than expected with the some development starting.

During the fiscal year, the General Fund original budget was amended from an original budget

expenditure total of \$5,845,661 to the final budget of \$5,924,945. This increase was due to more professional fees needed for inspections and plan reviews in the inspection department. Additional costs in governmental buildings as the police station needed a major repair and the city hall had some additional repairs, also additional costs to vehicle repairs in the fire department were needed. The planning department budget was decreased with residential development staying slow and less professional consultants needed. Highways and public works decreased as snow removal costs were diminished greatly as not very much snow was received last winter. 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 increased transfers to capital funds as mentioned before, as money was transferred for street maintenance projects and for a future park or recreation center.

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, but depreciation was more than the added infrastructure, so capital assets actually decreased from the previous year. 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	
	2012	2011	2012	2011	2012	2011
Land	22,382,233	20,245,100	149,312	131,662	22,531,545	20,376,762
Construction in Progress	-	-	-	-	-	-
Water rights & easements	-	-	25,717	25,717	25,717	25,717
Buildings	12,618,796	12,962,026	-	-	12,618,796	12,962,026
Improvements	5,382,409	5,088,519	9,937,042	10,112,094	15,319,451	15,200,613
Machinery & Equipment	1,053,290	1,166,412	726,667	780,596	1,779,957	1,947,008
Infrastructure	19,829,469	20,503,592	9,208,357	9,317,427	29,037,826	29,821,019
Total	61,266,197	59,965,649	20,047,095	20,367,496	81,313,292	80,333,145

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	4,043,000	4,435,000	-	-	4,043,000	4,435,000
Revenue Bonds	2,017,305	3,441,430	342,695	490,570	2,360,000	3,932,000
Short Term Notes	-	-	-	-	-	-
Special Assessment Bonds	141,000	206,000	-	-	141,000	206,000
Capital Leases	571,615	624,065	93,397	129,191	665,012	753,256
Total	6,772,920	8,706,495	436,092	619,761	7,209,012	9,326,256

The City issued new debt in this fiscal year, with the issuance of RDA bonds to buy land for future affordable housing project. The City also refinanced General Obligation (G.O.) bonds series 2009 for a lower interest rate, saving the City money over the life of the bonds. The City was also able to pay off the revenue bonds of \$1,971,000 that were issued for the Station Parkway road construction from the donation of the developer CenterCal in the agreement of the RDA. The last payment was also made on the MBA bonds to close out those bonds. 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 significant increase in sales tax because of Station Park opening stores in the summer of 2011. Sales tax increased by over 20% or over \$410,000 this past year. Station Park has now started construction of phase II of the development, with phase I almost completely done. The opening of new stores and restaurants have slowed down, as the opening of phase 2 stores and restaurants will start in the spring and summer of 2013. 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 not grow as much for this next year as it did this fiscal year. The City has anticipated about a 5% increase in sales tax for this next fiscal year. Other taxes, including property and franchise taxes are anticipated to grow between 2 to 4% in this coming year. All the other revenues will most likely stay fairly steady. The General Fund balance was planned to decrease by over \$1.1 million, but with the increase in revenues and the decreases in expenditures the balance only decreased by \$708,034. The General Fund balance still ended over \$1.1 million and the City was able to move \$600,000 for street maintenance improvements and \$500,000 for a future large park or recreation center. With the streets, this really helped in catching up on some street maintenance that really needed to get done in the City. With still over a million dollars in fund balance, 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 from commercial and residential tax base. The City is anticipating about the same in building permits for residential as last year and commercial permits about the same also. The hotel which is under construction will be finished in the spring of 2013, 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, Finance Director, P.O. Box 160, Farmington UT 84025.

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BASIC FINANCIAL STATEMENTS

FARMINGTON CITY CORPORATION

Statement of Net Assets

June 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,088,014	3,096,117	7,184,131
Cash with fiscal agents	46,755	-	46,755
Accounts receivable - net	-	722,265	722,265
Property, sales, & franchise taxes receivable	3,062,514	-	3,062,514
Other receivables	102,874	4,090	106,964
Special assessments receivable	83,285	-	83,285
Deferred bond financing cost - net	129,853	-	129,853
Restricted cash and cash equivalents	1,593,875	2,202,741	3,796,616
Capital assets not being depreciated:			
Land	22,382,233	149,312	22,531,545
Water stock and rights	-	25,717	25,717
Capital assets (net of accumulated depreciation):			
Buildings	12,618,796	-	12,618,796
Improvements	5,382,409	9,937,042	15,319,451
Machinery and equipment	1,053,290	726,667	1,779,957
Infrastructure	19,829,469	9,208,357	29,037,826
Total assets	70,373,367	26,072,308	96,445,675
LIABILITIES			
Accounts payable and accrued liabilities	459,407	540,296	999,703
Construction bonds held	1,199,150	124,400	1,323,550
Accrued interest payable	55,704	2,252	57,956
Deferred revenue	2,257,716	-	2,257,716
Noncurrent liabilities			
Due within one year	988,516	191,244	1,179,760
Due in more than one year	5,942,763	244,848	6,187,611
Total liabilities	10,903,256	1,103,040	12,006,296
NET ASSETS			
Invested in capital assets, net of related debt	54,488,777	19,611,003	74,099,780
Restricted for:			
Class C road	60,879	-	60,879
Liquor law	23,661	-	23,661
Perpetual care:			
Expendable	186,669	-	186,669
Debt service	134,876	-	134,876
Impact fees	1,593,875	2,202,741	3,796,616
Redevelopment	459,615	-	459,615
Unrestricted	2,521,759	3,155,524	5,677,283
Total net assets	\$ 59,470,111	24,969,268	84,439,379

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, 2012

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets			
	Expenses	Operating		Governmental Activities	Primary Government		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,862,212	823,371	10,147	-	\$ (1,028,694)	-	(1,028,694)
Public safety	2,531,443	307,296	31,972	-	(2,192,175)	-	(2,192,175)
Highways and public works	2,488,745	-	578,707	397,068	(1,512,970)	-	(1,512,970)
Community development	878,754	177,056	-	1,766,220	1,064,522	-	1,064,522
Parks and cemetery	1,173,396	44,231	-	608,283	(520,882)	-	(520,882)
Interest on long-term debt	331,769	-	-	-	(331,769)	-	(331,769)
Total governmental activities	9,266,319	1,351,954	620,826	2,771,571	(4,521,968)	-	(4,521,968)
Business-type activities:							
Water utility	1,681,880	1,760,264	-	159,702	-	238,086	238,086
Sewer utility	1,299,053	1,333,515	-	-	-	34,462	34,462
Garbage utility	1,088,756	1,151,755	-	-	-	62,999	62,999
Storm water utility	576,270	646,215	-	175,511	-	245,456	245,456
Ambulance service	304,949	272,312	2,620	-	-	(30,017)	(30,017)
Recreation	772,151	483,687	-	-	-	(288,464)	(288,464)
Total business-type activities	5,723,059	5,647,748	2,620	335,213	-	262,522	262,522
Total primary government	\$ 14,989,378	6,999,702	623,446	3,106,784	(4,521,968)	262,522	(4,259,446)
		General revenues:					
		Property taxes			2,689,552		2,689,552
		General sales and use tax			2,380,246		2,380,246
		Franchise tax			890,062		890,062
		Energy use tax			388,065		388,065
		Impact fees			1,142,059	837,565	1,979,624
		Interest earnings			40,439	32,609	73,048
		Gain on sale of assets			18,478	-	18,478
		Insurance proceeds			105,784	-	105,784
		Miscellaneous			42,405	-	42,405
		Transfers in(out)			(143,298)	143,298	-
		Total general revenues			7,553,792	1,013,472	8,567,264
		Change in net assets			3,031,824	1,275,994	4,307,818
		Net assets - beginning			56,438,287	23,693,274	80,131,561
		Net assets - ending			\$ 59,470,111	24,969,268	84,439,379

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

FARMINGTON CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2012

	Special Revenue			Debt Service		Capital Projects			Total Governmental Funds
	General Fund	US-89 RDA	Station Park RDA	Municipal Building Authority	Building G.O.Bond	Street Improvement	Park Improvement	Real Estate Property Asset	
ASSETS									
Cash and cash equivalents	\$ 1,559,511	568,012	165,303	-	169	557,675	660,500	10	576,834
Cash with fiscal agents	-	-	-	-	70	-	-	-	46,885
Receivables (net):									
Sales, property, & franchise taxes	2,444,012	-	-	-	402,143	-	-	-	216,359
Accounts	27,090	-	-	-	-	-	-	-	75,784
Special assessments	-	-	-	-	-	-	-	-	83,285
Due from other funds	295,700	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	558,971	377,555	-	657,349
Total assets	4,326,313	568,012	165,303	-	402,382	1,116,646	1,038,055	10	1,656,296
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable & accrued liabilities	336,801	-	-	-	-	-	27,883	-	31
Construction bonds held	1,199,150	-	-	-	-	-	-	-	1,199,150
Due to other funds	-	-	273,700	-	22,000	-	-	-	295,700
Deferred revenue	1,659,066	-	-	-	402,143	-	-	-	299,644
Total liabilities	3,195,017	-	273,700	-	424,143	94,692	27,883	-	2,360,853
Fund Balances:									
Restricted:									
Class C road	60,879	-	-	-	-	-	-	-	-
Liquor law	23,661	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	(21,761)	-	-	-	-
Impact fee	-	-	-	-	-	558,971	377,555	-	-
Redevelopment	-	568,012	(108,397)	-	-	-	-	-	-
Assigned, reported in:									
General fund - self insurance	85,000	-	-	-	-	-	-	-	85,000
General fund - trails	2,697	-	-	-	-	-	-	-	2,697
Debt service funds	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	462,983	632,617	10	120,076
Unassigned, reported in:									
General fund	959,059	-	-	-	-	-	-	-	235,890
Total fund balances	1,131,296	568,012	(108,397)	-	(21,761)	1,021,954	1,010,172	10	1,356,621
Total liabilities and fund balances	\$ 4,326,313	568,012	165,303	-	402,382	1,116,646	1,038,055	10	1,656,296

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 Assets
June 30, 2012

Total fund balances - governmental fund types: \$ 4,957,907

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. 61,266,197

Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds. 232,990

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. (6,986,983)

Net assets of government activities \$ 59,470,111

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, 2012

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

Net changes in fund balances - total governmental funds.	\$ (165,901)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	827,282
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.	473,266
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(28,036)
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.	1,927,763
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>(2,550)</u>
Change in net assets of governmental activities	<u>\$ 3,031,824</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,003,000	5,409,000	5,445,295	36,295
Licenses and permits	536,000	623,000	637,390	14,390
Intergovernmental	577,900	605,529	619,228	13,699
Charges for services	177,100	201,955	276,272	74,317
Fines and forfeitures	260,000	247,000	243,730	(3,270)
Interest	530	8,600	7,678	(922)
Miscellaneous revenue	89,884	173,684	186,862	13,178
Total revenues	6,644,414	7,268,768	7,416,455	147,687
EXPENDITURES:				
Current:				
General government:				
Legislative	131,950	115,450	100,184	15,266
Administrative	552,716	569,350	528,888	40,462
Government buildings	379,318	413,728	388,995	24,733
Total general government	1,063,984	1,098,528	1,018,067	80,461
Public safety:				
Police	1,811,914	1,825,850	1,777,570	48,280
Fire	580,293	603,300	582,851	20,449
Total public safety	2,392,207	2,429,150	2,360,421	68,729
Highways and public works	801,959	778,100	735,788	42,312
Community development:				
Planning and zoning	541,464	520,709	509,309	11,400
Inspection	340,058	381,678	364,339	17,339
Total community development	881,522	902,387	873,648	28,739
Parks and cemetery	705,989	716,780	696,868	19,912
Total expenditures	5,845,661	5,924,945	5,684,792	240,153
Excess revenues over (under) expenditures	798,753	1,343,823	1,731,663	387,840
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	2,000	18,000	18,478	478
Loan to RDA	(17,800)	(17,800)	(17,800)	-
Transfers in	1,000	4,600	7,559	2,959
Transfers (out)	(1,371,005)	(2,487,094)	(2,448,435)	38,659
Total other financing sources and (uses)	(1,385,805)	(2,482,294)	(2,440,198)	42,096
Net change in fund balances	(587,052)	(1,138,471)	(708,535)	429,936
Fund balances - beginning of year	1,839,830	1,839,830	1,839,830	-
Fund balances - end of year	\$ 1,252,778	701,359	1,131,295	429,936

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, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 350,000	322,300	322,258	(42)
Interest	1,500	2,500	3,278	778
Total revenues	<u>351,500</u>	<u>324,800</u>	<u>325,536</u>	<u>736</u>
EXPENDITURES				
Current:				
General government	47,000	46,550	46,071	479
Bond issuance cost	-	43,250	43,250	-
Total expenditures	<u>47,000</u>	<u>89,800</u>	<u>89,321</u>	<u>479</u>
Excess revenues over (under) expenditures	<u>304,500</u>	<u>235,000</u>	<u>236,215</u>	<u>1,215</u>
OTHER FINANCING SOURCES (USES)				
Revenue bonds issued	-	1,036,000	1,036,000	-
Transfers (out)	(191,744)	(1,149,830)	(1,149,821)	9
Total other financing sources and uses	<u>(191,744)</u>	<u>(113,830)</u>	<u>(113,821)</u>	<u>9</u>
Net change in fund balance	112,756	121,170	122,394	1,224
Fund balances - beginning of year	445,618	445,618	445,618	-
Fund balances - end of year	<u>\$ 558,374</u>	<u>566,788</u>	<u>568,012</u>	<u>1,224</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 - Station Park Redevelopment Agency Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Interest	\$ -	2,700	3,220	520
Contributions	-	1,766,210	1,766,220	10
Total revenues	<u>-</u>	<u>1,768,910</u>	<u>1,769,440</u>	<u>530</u>
EXPENDITURES				
Current:				
General government	17,800	9,800	9,799	1
Principal retirement	71,000	1,912,000	1,912,000	-
Interest	70,744	74,444	65,349	9,095
Total expenditures	<u>159,544</u>	<u>1,996,244</u>	<u>1,987,148</u>	<u>9,096</u>
Excess revenues over (under) expenditures	<u>(159,544)</u>	<u>(227,334)</u>	<u>(217,708)</u>	<u>9,626</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	17,800	17,800	17,800	-
Transfers in	141,744	-	-	-
Total other financing sources and uses	<u>159,544</u>	<u>17,800</u>	<u>17,800</u>	<u>-</u>
Net change in fund balance	-	(209,534)	(199,908)	9,626
Fund balances - beginning of year	<u>91,511</u>	<u>91,511</u>	<u>91,511</u>	<u>-</u>
Fund balances - end of year	<u>\$ 91,511</u>	<u>(118,023)</u>	<u>(108,397)</u>	<u>9,626</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 - Municipal Building Authority Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Leases	\$ 433,657	433,657	3,389	(430,268)
Interest	500	500	55	(445)
Total revenues	434,157	434,157	3,444	(430,713)
EXPENDITURES				
Current:				
Principal retirement	415,000	415,000	415,000	-
Interest	19,157	19,157	18,456	701
Total expenditures	434,157	434,157	433,456	701
Excess revenues over (under) expenditures	-	-	(430,012)	(430,012)
Fund balances - beginning of year	430,012	430,012	430,012	-
Fund balances - end of year	\$ 430,012	430,012	-	(430,012)

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

FARMINGTON CITY CORPORATION
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities - Enterprise						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,140,643	409,737	438,658	654,558	200,416	252,105	3,096,117
Accounts receivable	501,439	-	-	-	301,993	10,640	814,072
Allowance for doubtful accounts	-	-	-	-	(91,807)	-	(91,807)
Other receivables	4,090	-	-	-	-	-	4,090
Restricted cash and cash equivalents	1,347,506	-	-	855,235	-	-	2,202,741
Total current assets	<u>2,993,678</u>	<u>409,737</u>	<u>438,658</u>	<u>1,509,793</u>	<u>410,602</u>	<u>262,745</u>	<u>6,025,213</u>
Noncurrent assets:							
Capital assets:							
Water stock & rights	25,717	-	-	-	-	-	25,717
Land, equipment, buildings and improvements	18,489,294	9,582	704,015	8,866,146	518,157	53,932	28,641,126
Less: accumulated depreciation	(5,419,972)	(9,028)	(361,127)	(2,437,162)	(350,332)	(42,127)	(8,619,748)
Total noncurrent assets	<u>13,095,039</u>	<u>554</u>	<u>342,888</u>	<u>6,428,984</u>	<u>167,825</u>	<u>11,805</u>	<u>20,047,095</u>
Total assets	<u>16,088,717</u>	<u>410,291</u>	<u>781,546</u>	<u>7,938,777</u>	<u>578,427</u>	<u>274,550</u>	<u>26,072,308</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	116,023	241,739	131,937	13,510	9,125	27,962	540,296
Accrued capital lease interest	257	-	593	51	-	-	901
Accrued revenue bond interest	292	-	-	1,059	-	-	1,351
Capital lease - current	3,272	-	33,219	654	-	-	37,145
Revenue bonds - current	26,099	-	-	128,000	-	-	154,099
Total current liabilities	<u>145,943</u>	<u>241,739</u>	<u>165,749</u>	<u>143,274</u>	<u>9,125</u>	<u>27,962</u>	<u>733,792</u>
Noncurrent liabilities:							
Developer construction bonds	-	-	-	124,400	-	-	124,400
Capital lease (net current portion)	3,408	-	52,162	682	-	-	56,252
Revenue bonds (Net current portion)	54,596	-	-	134,000	-	-	188,596
Total noncurrent liabilities	<u>58,004</u>	<u>-</u>	<u>52,162</u>	<u>259,082</u>	<u>-</u>	<u>-</u>	<u>369,248</u>
Total liabilities	<u>203,947</u>	<u>241,739</u>	<u>217,911</u>	<u>402,356</u>	<u>9,125</u>	<u>27,962</u>	<u>1,103,040</u>
NET ASSETS							
Invested in capital assets, net of related debt	13,007,664	554	257,507	6,165,648	167,825	11,805	19,611,003
Restricted							
Impact fees	1,347,506	-	-	855,235	-	-	2,202,741
Unrestricted	1,529,600	167,998	306,128	515,538	401,477	234,783	3,155,524
Total net assets	<u>\$ 15,884,770</u>	<u>168,552</u>	<u>563,635</u>	<u>7,536,421</u>	<u>569,302</u>	<u>246,588</u>	<u>24,969,268</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 Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Recreation	
Operating revenues							
Charges for services	\$ 1,683,231	1,333,515	1,151,755	645,393	272,161	483,687	5,569,742
Connection and servicing	61,969	-	-	-	-	-	61,969
Miscellaneous	15,064	-	-	822	151	-	16,037
Total operating revenues	<u>1,760,264</u>	<u>1,333,515</u>	<u>1,151,755</u>	<u>646,215</u>	<u>272,312</u>	<u>483,687</u>	<u>5,647,748</u>
Operating expenses							
Salaries and wages	350,038	42,452	67,181	108,238	57,008	299,906	924,823
Employee benefits	142,078	18,189	28,622	47,353	45,484	106,889	389,115
Contract services	187,643	1,196,917	920,327	46,792	19,565	-	2,371,244
Maintenance and supplies	377,309	20,141	20,615	70,074	35,167	317,292	840,598
Administration and overhead	112,140	21,137	14,393	37,791	81,112	45,064	311,637
Depreciation	439,014	217	33,826	245,798	66,613	3,000	788,468
Water purchases	68,953	-	-	-	-	-	68,953
Total operating expenses	<u>1,677,175</u>	<u>1,299,053</u>	<u>1,084,964</u>	<u>556,546</u>	<u>304,949</u>	<u>772,151</u>	<u>5,694,838</u>
Operating income (loss)	<u>83,089</u>	<u>34,462</u>	<u>66,791</u>	<u>89,669</u>	<u>(32,637)</u>	<u>(288,464)</u>	<u>(47,090)</u>
Nonoperating revenues (expenses)							
Interest revenue	14,414	2,658	2,812	9,719	1,596	1,410	32,609
Interest expense and fiscal charges	(4,705)	-	(3,792)	(19,724)	-	-	(28,221)
Development/Impact fees	482,354	-	-	355,211	-	-	837,565
Grant revenue	-	-	-	-	2,620	-	2,620
Total nonoperating revenues (expenses)	<u>492,063</u>	<u>2,658</u>	<u>(980)</u>	<u>345,206</u>	<u>4,216</u>	<u>1,410</u>	<u>844,573</u>
Income (loss) before contributions and transfers:	<u>575,152</u>	<u>37,120</u>	<u>65,811</u>	<u>434,875</u>	<u>(28,421)</u>	<u>(287,054)</u>	<u>797,483</u>
Contributions	159,702	-	-	175,511	-	-	335,213
Transfers in	-	-	-	-	-	323,298	323,298
Transfers out	-	-	-	(130,000)	(50,000)	-	(180,000)
Change in net assets	<u>734,854</u>	<u>37,120</u>	<u>65,811</u>	<u>480,386</u>	<u>(78,421)</u>	<u>36,244</u>	<u>1,275,994</u>
Total net assets - beginning	<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>
Total net assets - ending	<u>\$ 15,884,770</u>	<u>168,552</u>	<u>563,635</u>	<u>7,536,421</u>	<u>569,302</u>	<u>246,588</u>	<u>24,969,268</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, 2012

	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	\$ 1,733,370	1,333,515	1,151,755	646,215	289,669	473,112	5,627,636
Payments to suppliers	(726,028)	(1,902,062)	(940,008)	(165,781)	(134,470)	(374,920)	(4,243,269)
Payments to employees	(492,116)	(60,641)	(95,803)	(156,091)	(102,492)	(106,795)	(1,313,938)
Net cash provided (used) by operating activities	515,226	(629,188)	115,944	324,343	52,707	(308,603)	70,429
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Grants	-	-	-	-	2,620	-	2,620
Development/Impact fees	482,354	-	-	355,211	-	-	837,565
Transfers from other funds	-	-	-	-	-	323,298	323,298
Transfers to other funds	-	-	-	(130,000)	(50,000)	-	(180,000)
Net cash provided (used) by noncapital financing activities	482,354	-	-	225,211	(47,380)	323,298	983,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Receipt of developer const. bonds	-	-	-	173,000	-	-	173,000
Refund of developer const. bonds	-	-	-	(157,050)	-	-	(157,050)
Payment to subdividers/landowners	-	-	-	(9,134)	-	-	(9,134)
Purchases of capital assets	-	-	(61,915)	(61,640)	(5,475)	(3,825)	(132,855)
Principal paid on capital debt	(29,015)	-	(32,026)	(122,628)	-	-	(183,669)
Interest paid on capital debt	(4,576)	-	(4,040)	(18,212)	-	-	(26,828)
Net cash provided (used) by capital and related financing activities	(33,591)	-	(97,981)	(195,664)	(5,475)	(3,825)	(336,536)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	14,414	2,658	2,812	9,719	1,596	1,410	32,609
Net cash provided (used) by investing activities	14,414	2,658	2,812	9,719	1,596	1,410	32,609
Net increase (decrease) in cash and cash equivalents	978,403	(626,530)	20,775	363,609	1,448	12,280	749,985
Cash and cash equivalents - beginning	1,509,746	1,036,267	417,883	1,146,184	198,968	239,825	4,548,873
Cash and cash equivalents - end	\$ 2,488,149	409,737	438,658	1,509,793	200,416	252,105	5,298,858
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 83,089	34,462	66,791	89,669	(32,637)	(288,464)	(47,090)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	439,014	217	33,826	245,798	66,613	3,000	788,468
(Inc)/decrease in accounts rec.	(26,894)	-	-	-	17,357	(10,575)	(20,112)
Increase/(decr.) in accounts payable	20,017	(663,867)	15,327	(11,124)	1,374	(12,564)	(650,837)
Total adjustments	432,137	(663,650)	49,153	234,674	85,344	(20,139)	117,519
Net cash provided (used) by operating activities	\$ 515,226	(629,188)	115,944	324,343	52,707	(308,603)	70,429
Noncash Investing, Capital and Financing Activities:							
Contribution of capital assets from private developers	\$ 159,701	-	-	175,511	-	-	335,212

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