

2023 Annual Comprehensive Financial Report

For the year ended December 31, 2023



430 Third Street
Farmington, Minnesota 55024

www.farmingtonmn.gov

CITY OF FARMINGTON
DAKOTA COUNTY, MINNESOTA

Annual Comprehensive
Financial Report

for the Year Ended
December 31, 2023

Lynn Gorski
City Administrator

Report Prepared by
Finance Department

Member of Government Finance Officers Association
of the United States and Canada

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CITY OF FARMINGTON

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INTRODUCTORY SECTION



 430 Third St., Farmington, MN 55024
 651-280-6800
 FarmingtonMN.gov

June 20, 2024

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Farmington, Minnesota,

The Annual Comprehensive Financial Report (ACFR) of the City of Farmington, Minnesota (the City) for the fiscal year ended December 31, 2023 is hereby submitted. This report was prepared by the Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules, and statistical tables rests with the City.

To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, rather than the absolute assurance, that the financial statements will be free from material misstatements.

As management, we assert that to the best of our knowledge and belief, this ACFR is complete and reliable in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The organization, form, and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board, the Government Finance Officers Association (GFOA) of the United States and Canada, the American Institute of Certified Public Accountants, Minnesota's Office of the State Auditor, and city policies.

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a professional firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's basic financial statements, for the year ended December 31, 2023, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

This transmittal letter is designed to complement the management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City is a suburban community located 30 miles south and east of downtown Minneapolis in Dakota County and was established in 1872 as a railroad center for the surrounding farming community. The 2010 Census established the City's population at 21,086, with a current population estimate of 23,719. Additionally, the City's boundary has grown easterly, adding 1,407 acres of annexation and growing from 12.5 square miles in 2000, to its current size of 14.8 square miles. The growth that the City has experienced is due to a number of factors, such as relatively affordable home ownership as compared to homes north and west of the City, the opportunity to locate further from the inner core, and the opportunity to live in a community with a "home-town" feel because of its discernable traditional downtown.

The City operates under the mayor-council form of organization. The governing City Council, consisting of the mayor and four other councilmembers, is elected at large and on a nonpartisan basis. Terms of office are staggered four-year terms, with elections held in each even-numbered year. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various committees and commissions, and hiring the city administrator, heads of various departments, and city employees. The city administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City's government, and the heads of various departments and city employees.

The City provides its residents and businesses a full range of municipal services, including police and fire protection, ambulance services, construction and maintenance of highways, streets, and other infrastructure, as well as recreational and cultural activities. The City currently operates the following enterprise funds: municipal liquor operations, sewer, storm water, water, and streetlights. In 2022, the City began the process to transition its solid waste operations to a private contractor and discontinued operations in 2023. The City also contributes to the senior center operations, ice arena, community recreation services, and several other important community-based events and projects.

Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

Major industries located within the City's boundaries include the Independent School District (ISD) No. 192, Federal Aviation Administration, a building materials and installation company, an electric utility cooperative, an assisted living facility, an independent living senior facility, a transportation company, a trucking company, and manufacturers of dairy products. ISD No. 192 provides a significant economic presence providing employment to more than 800 people. The Federal Aviation Administration and Installed Building Solutions employ 366 and 284 people, respectively.

During 2023, a number of new businesses opened or expanded including the start of a large expansion of an existing building in the Industrial Park. The City continues to partner with Dakota County to offer the Open to Business initiative, which provides financial and business advice to small and future business owners.

New residential construction was higher in 2023 compared to 2022. In 2023, the City issued new construction permits for 87 new single-family units, 61 townhome units, and a 74-unit market rate apartment building. The new residential permits resulted in a total building valuation of \$43,721,566. The number of foreclosures in the City remained relatively flat. There were 10 foreclosures in the City in 2023, compared to 9 in 2021 and in 2022.

Long-Term Planning

The City Council meets each year to review changes that have taken place in the City and identify a set of priorities for the next one to two years. The City Council established four priorities, which include:

- Business Growth
- Community Engagement
- Infrastructure Support
- Employee Engagement

In alignment of established objectives, the City has enhanced its procedures for new development, striving to offer a more favorable experience for developers considering investment in our municipality. Furthermore, during the 2023 budget deliberations, the City allocated significant resources to diverse infrastructure endeavors, particularly focusing on street and trail maintenance. The City Council remains steadfast in its commitment to achieving set objectives, with a primary focus on enhancing the well-being of our community.

Throughout 2023, staff reviewed and updated various capital improvement plans, with particular emphasis on those pertaining to streets, trails, and equipment, extending the planning horizon to a 10-year framework. This comprehensive review and adjustment process aligns with the City Council's overarching priority of bolstering infrastructure support. The mill and overlay program initiated in 2019 persisted throughout 2023, and is slated to continue in the forthcoming years, alongside planned street reconstruction projects.

The City's 2040 Comprehensive Plan was completed in 2019. Late in 2022, it was decided to amend the 2040 Comprehensive Plan to update the vision of the City that will guide the next stage of planning and development, and to secure additional mixed-use areas, including commercial and industrial areas. One of the City's primary objectives is to increase mixed-use commercial and industrial zones strategically across the City. This initiative is crucial for diversifying our tax base, fostering economic resilience, and creating a vibrant, dynamic community. By incorporating mixed-use development, we aim to attract new businesses, enhance employment opportunities, and cultivate a thriving local economy that benefits all residents for years to come. The ongoing work on our visioning plan and the update to the Comprehensive Plan marks a significant milestone for our community. Engaging residents in defining the City's vision ensures that their voices are heard, and that the future development aligns with our shared goals and aspirations. Additional information about the update of the Comprehensive Plan may be found on the City's website, www.farmingtonmn.gov.

Major Initiatives

The City continues to place a high priority on planning for the community's needs as growth and expansion issues impact city operations. The availability of land, infrastructure, and services continue to drive the community development focus of the City.

Investments in the community by the City have a positive impact on the net worth of property owners, contributing to the overall value growth. The City has prioritized the development of various services, facilities, and infrastructure, strengthening its financial foundation for residents and stakeholders. Sustaining high-quality services is instrumental in fostering favorable appreciation of property values within the community. Significant investments in infrastructure have prolonged the lifespan of existing roadways and enhanced the quality and safety of others. Recognizing that homes and businesses are primary assets in citizens' portfolios, the City remains committed to further enhancing their value. The City observes a continuous increase in average residential home values, reflecting the effectiveness of these efforts.

The City is committed to advancing its community through ongoing development and revitalization efforts. Leveraging the strength of both its community and organizational resources, the City aims to foster increased opportunities for its constituents. Regular review and updates of city ordinances facilitate new business opportunities. In 2023, the City Council endorsed the second addition of Vermillion Commons, encompassing 58 townhome lots. Furthermore, progress continues with the implementation of the Downtown Redevelopment Plan, inclusive of initiatives such as the Micro Grant Program.

Farmington Municipal Liquor Operations have shown remarkable progress over recent years, a trend that persisted through 2023. Liquor sales rose by \$378,187 compared to 2022, with reported operating income reaching \$553,704. These profits have greatly enriched the community, with the liquor operation contributing approximately \$1.7 million since 2005 to various city departments and community organizations over the past decade.

The City continues to collaborate with Dakota County, Dakota County Community Development Agency, Dakota County Regional Chamber of Commerce, the Farmington Business Association, ISD No. 192, nearby communities, and neighboring townships to provide its citizens with various services.

Relevant Financial Policies

In accordance with the City's investment policy, the City strives to maintain a fund balance of 40 to 50 percent of subsequent year's budgeted expenditures as a minimum fund balance level to provide for cash flow purposes. The City's debt policy restricts long-term borrowing to capital equipment, public facilities, or infrastructure that have a life of more than five years and cannot be financed from current revenues. The maturity length of that debt shall be below 20 years, with at least 50 percent of the principle retired within 10 years.

Cash temporarily idle during the year was invested in U.S. government treasury notes and agency obligations, municipal securities, certificates of deposit, and money market instruments. The City's investment policy calls for the investment of public funds in a manner that will provide the highest investment return with minimum risk, while meeting the daily cash flow demands of the City.

Awards

The GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the year ended December 31, 2022. This is the 14th year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a city must publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA of the United States and Canada to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report would not have been possible without the talented and dedicated services of the entire staff of the Finance Department and other key city personnel. We would like to express our appreciation to all city employees for their meticulousness and adept management of the budget over the past year. Credit also must be given to the Mayor and the City Council for their steadfast support and proactive measures in fortifying the City's financial resilience and fostering long-term financial planning.

Respectively Submitted,



Lynn Gorski, City Administrator



Kim Sommerland, Finance Director

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

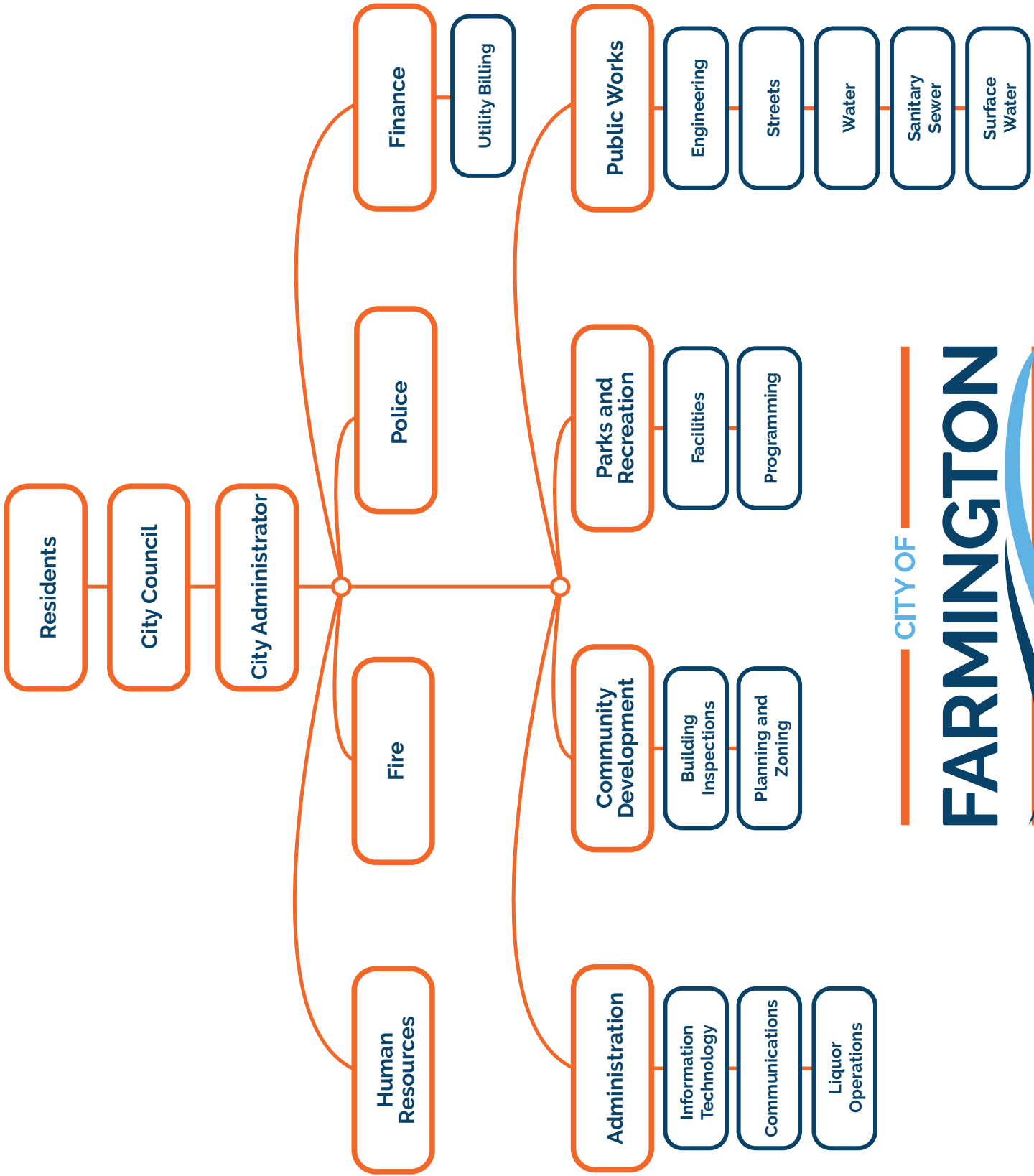
**City of Farmington
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO



CITY OF FARMINGTON

Elected Officials and Executive Staff
December 31, 2023

ELECTED OFFICIALS

		<u>Term Expires</u>
Joshua Hoyt	Mayor	December 31, 2024
Holly Bernatz	Councilmember	December 31, 2026
Nick Lien	Councilmember	December 31, 2026
Katie Porter	Councilmember	December 31, 2024
Steve Wilson	Councilmember	December 31, 2024

EXECUTIVE STAFF

Lynn Gorski	City Administrator
Julie Flaten	Assistant City Administrator/Human Resources Director
Justin Elvestad	Fire Chief
Gary Rutherford	Police Chief
Kim Sommerland	Finance Director
Deanna Kuennen	Community Development Director
Kellee Omlid	Parks and Recreation Director
John Powell	Public Works Director/City Engineer

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FINANCIAL SECTION



PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Farmington, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

(continued)

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
June 20, 2024

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CITY OF FARMINGTON

Management's Discussion and Analysis Year Ended December 31, 2023

As management of the City of Farmington, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. Management's discussion and analysis (MD&A) is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$137,275,061 (net position) at the close of the most recent fiscal year. Of this amount, \$38,057,486 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,405,292 from fiscal 2023 activity, including an increase of \$3,187,232 attributable to governmental activities, and an increase of \$3,218,060 attributable to business-type activities.
- The City's outstanding debt, including bonds and lease liabilities, decreased by \$1,284,410, or 10 percent, during the fiscal year, as scheduled debt service principal payments exceeded new lease liabilities issued during the year.
- The City's governmental funds reported combined ending fund balances of \$28,351,774 on December 31, 2023, an increase of \$2,885,854 from fiscal 2023 activity. Approximately 82 percent of this total, or \$23,328,209, is available for use within the City's constraints and policies.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$8,987,268, or 48 percent, of 2024 General Fund budgeted expenditures and transfers out.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

These financial statements include not only the City itself (known as the primary government), but also the Farmington Economic Development Authority (EDA). The EDA has been presented as a blended component unit on the City's financial statements in accordance with accounting principles generally accepted in the United States of America.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the City’s assets, liabilities, and deferred inflows/outflows, as applicable, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused personal leave time).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and economic development. The business-type activities of the City include liquor operations, and sewer, solid waste, storm water, water, and street light utility operations.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such 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 government’s near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the City’s five individual major governmental funds. They are as follows:

- General Fund
- Federal Aid Special Revenue Fund
- Private Capital Projects Fund
- Storm Water Trunk Capital Projects Fund
- Closed Bond Debt Service Fund

Data from the other 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.

The City adopts annual appropriated budgets for its General Fund, most special revenue funds, the Debt Service Fund (combined), and most capital projects funds. Budgetary comparison statements or schedules have been provided for these funds to demonstrate compliance with their respective budgets.

Proprietary Funds – The City maintains six enterprise funds and four internal service funds within its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its liquor operations, and its sewer, solid waste, storm water, water, and street light utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the enterprise funds, all of which are considered to be major funds of the City.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for its employee benefits, property and liability insurance, maintaining its fleet of vehicles, and information technology needs. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements, labeled Governmental Activities – Internal Service Funds. Because all of these services predominately benefit governmental, rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Other Information – In addition to the basic financial statements and accompanying notes, the financial section also presents required supplementary information, and combining and individual fund statements and schedules (presented as supplementary information) referred to earlier in connection with nonmajor governmental funds, internal service funds, budgetary comparison schedules, which are presented immediately following the basic financial statements.

Furthermore, a statistical section has been included as part of the Annual Comprehensive Financial Report (ACFR) to facilitate additional analysis, and is the third and final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the government-wide Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$137,275,061 on December 31, 2023.

City of Farmington's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 40,953,662	\$ 40,193,291	\$ 25,002,090	\$ 21,631,006	\$ 65,955,752	\$ 61,824,297
Capital assets, net	49,003,064	47,611,027	49,830,438	49,866,617	98,833,502	97,477,644
Total assets	\$ 89,956,726	\$ 87,804,318	\$ 74,832,528	\$ 71,497,623	\$ 164,789,254	\$ 159,301,941
Deferred outflows of resources	\$ 8,239,235	\$ 9,527,443	\$ 102,195	\$ 163,687	\$ 8,341,430	\$ 9,691,130
Current liabilities	\$ 5,105,522	\$ 5,373,349	\$ 684,958	\$ 411,720	\$ 5,790,480	\$ 5,785,069
Long-term liabilities	20,014,829	29,235,578	1,825,000	2,155,047	21,839,829	31,390,625
Total liabilities	\$ 25,120,351	\$ 34,608,927	\$ 2,509,958	\$ 2,566,767	\$ 27,630,309	\$ 37,175,694
Deferred inflows of resources	\$ 8,099,929	\$ 934,385	\$ 125,385	\$ 13,223	\$ 8,225,314	\$ 947,608
Net position						
Net investment in capital assets	\$ 39,137,210	\$ 37,033,206	\$ 48,486,110	\$ 48,353,192	\$ 87,623,320	\$ 85,386,398
Restricted	9,132,767	10,556,611	2,461,488	2,461,488	11,594,255	13,018,099
Unrestricted	16,705,704	14,198,632	21,351,782	18,266,640	38,057,486	32,465,272
Total net position	\$ 64,975,681	\$ 61,788,449	\$ 72,299,380	\$ 69,081,320	\$ 137,275,061	\$ 130,869,769

The largest portion of the City's net position, \$87,623,320, or 64 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

Restricted net position of \$11,594,255 comprised 8 percent of net position at the close of the fiscal year ended December 31, 2023. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$38,057,486, or approximately 28 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

CHANGE IN NET POSITION

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2023, with comparative totals for the year ended December 31, 2022. The City's total net position increased by \$6,405,292, or 5 percent, during the current fiscal year.

City of Farmington's Change in Net Position

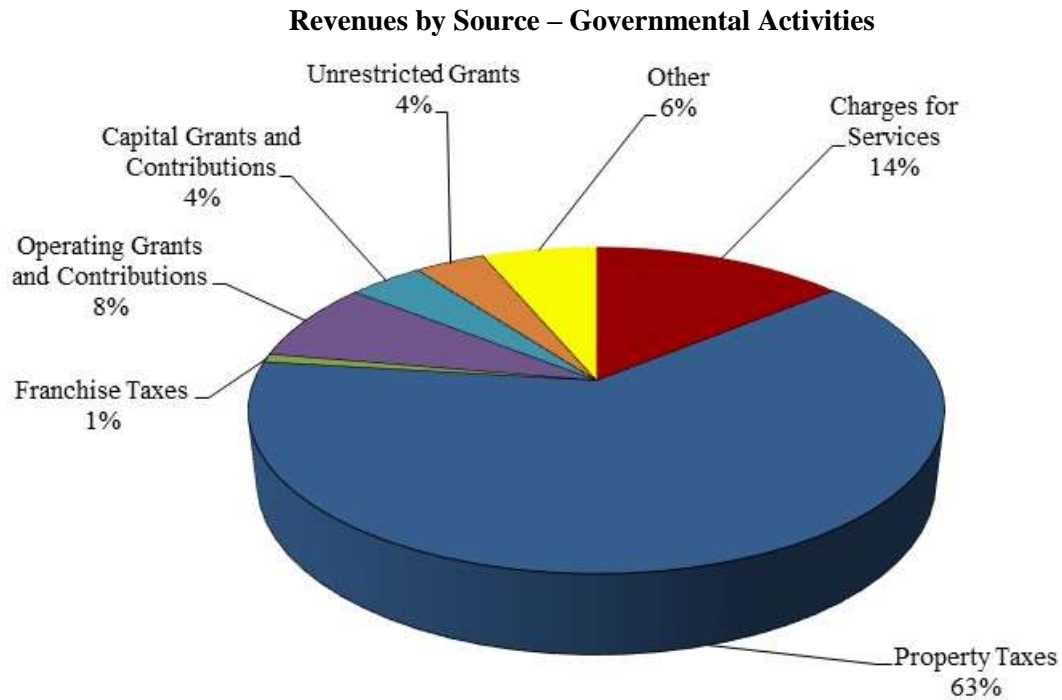
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Charges for services	\$ 3,425,186	\$ 3,678,479	\$ 13,908,710	\$ 13,026,908	\$ 17,333,896	\$ 16,705,387
Operating grants and contributions	1,924,255	1,076,883	10,822	30,616	1,935,077	1,107,499
Capital grants and contributions	1,002,806	833,090	–	–	1,002,806	833,090
Property taxes	15,284,709	14,463,106	–	–	15,284,709	14,463,106
Franchise taxes	201,431	227,017	–	–	201,431	227,017
Unrestricted grants	944,364	207,501	–	–	944,364	207,501
Investment earnings (charges)	1,407,087	(874,200)	913,579	(525,811)	2,320,666	(1,400,011)
Gain on disposal of capital assets	136,368	81,008	–	–	136,368	81,008
Total revenues	24,326,206	19,692,884	14,833,111	12,531,713	39,159,317	32,224,597
Expenses						
General government	5,200,453	3,626,853	–	–	5,200,453	3,626,853
Public safety	8,712,115	7,936,364	–	–	8,712,115	7,936,364
Public works	3,806,386	5,333,328	–	–	3,806,386	5,333,328
Parks and recreation	2,583,554	2,522,085	–	–	2,583,554	2,522,085
Economic development	177,927	247,970	–	–	177,927	247,970
Interest and fiscal charges	239,992	288,751	–	–	239,992	288,751
Liquor operations	–	–	6,256,081	5,977,403	6,256,081	5,977,403
Sewer	–	–	2,872,236	2,606,288	2,872,236	2,606,288
Solid waste	–	–	76,270	87,359	76,270	87,359
Storm water	–	–	725,039	719,225	725,039	719,225
Water	–	–	1,889,215	1,814,354	1,889,215	1,814,354
Street light	–	–	214,757	210,174	214,757	210,174
Total expenses	20,720,427	19,955,351	12,033,598	11,414,803	32,754,025	31,370,154
Change in net position before transfers	3,605,779	(262,467)	2,799,513	1,116,910	6,405,292	854,443
Transfers	(418,547)	3,393,908	418,547	(3,393,908)	–	–
Change in net position	3,187,232	3,131,441	3,218,060	(2,276,998)	6,405,292	854,443
Net position – beginning	61,788,449	72,703,910	69,081,320	137,275,061	130,869,769	209,978,971
Net position – ending	<u>\$ 64,975,681</u>	<u>\$ 61,788,449</u>	<u>\$ 72,299,380</u>	<u>\$ 69,081,320</u>	<u>\$ 137,275,061</u>	<u>\$ 130,869,769</u>

Governmental Activities – Governmental activities increased the City's net position by \$3,187,232. An increase in the approved property tax levy, more federal grant entitlements used, new state funding for public safety, and improvement in investment earnings (charges) from improved interest rates and market conditions contributed to a \$4,633,322 increase in total governmental activities revenues compared to the previous year. Governmental activities expenses increased \$765,076 from the previous year with the increase mainly in the general government and public safety functions. Increased grant spending, contractual salary increases, and inflationary increases to employee benefits, utilities, supplies, and other purchased services contributed to the overall increase. Public works expenses decreased, due to a greater proportion of street improvement projects being capitalized in the current year, including \$2,284,363 of capitalized utility infrastructure contributed to the business-type activities.

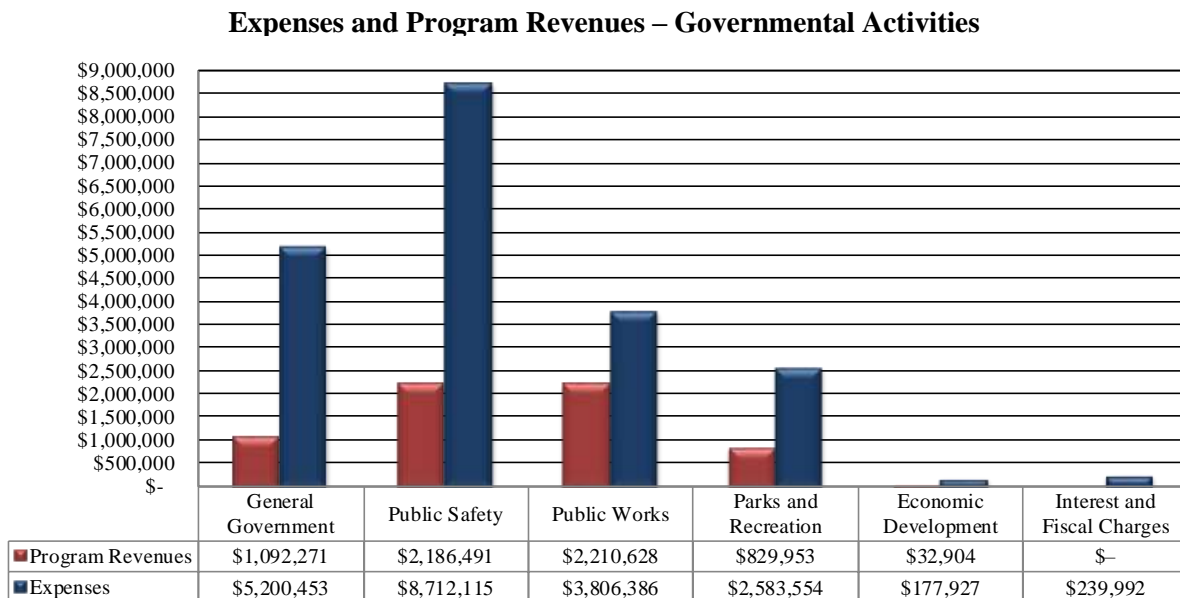
Business-Type Activities – Business-type activities increased the City's net position by \$3,218,060. An increase in liquor operation gross sales, utility rate increases, and improved investment earnings (charges) contributed to a \$2,301,398 increase in total business-type activities revenues compared to the previous year. Increases in liquor cost of goods sold and sewer disposal charges were the largest factors in a \$618,795 increase in total business-type activities expenses. The City has been in the process of transitioning its solid waste and recycling collection operation to a private contractor the last two years, greatly reducing the activity reported in that function compared to prior years. It is anticipated that operations will be fully discontinued, and the related enterprise fund closed in fiscal 2024.

GOVERNMENTAL ACTIVITIES

Revenues – The following chart illustrates the City’s revenues by source for its governmental activities:

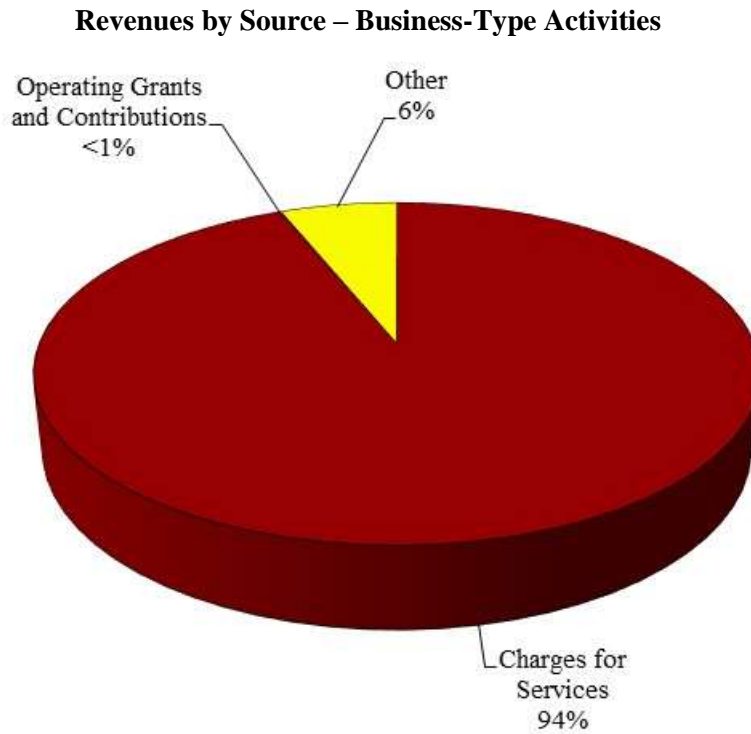


Expenses – The following chart illustrates the City’s governmental expenses and corresponding program revenues, excluding transfers, for its governmental activities:

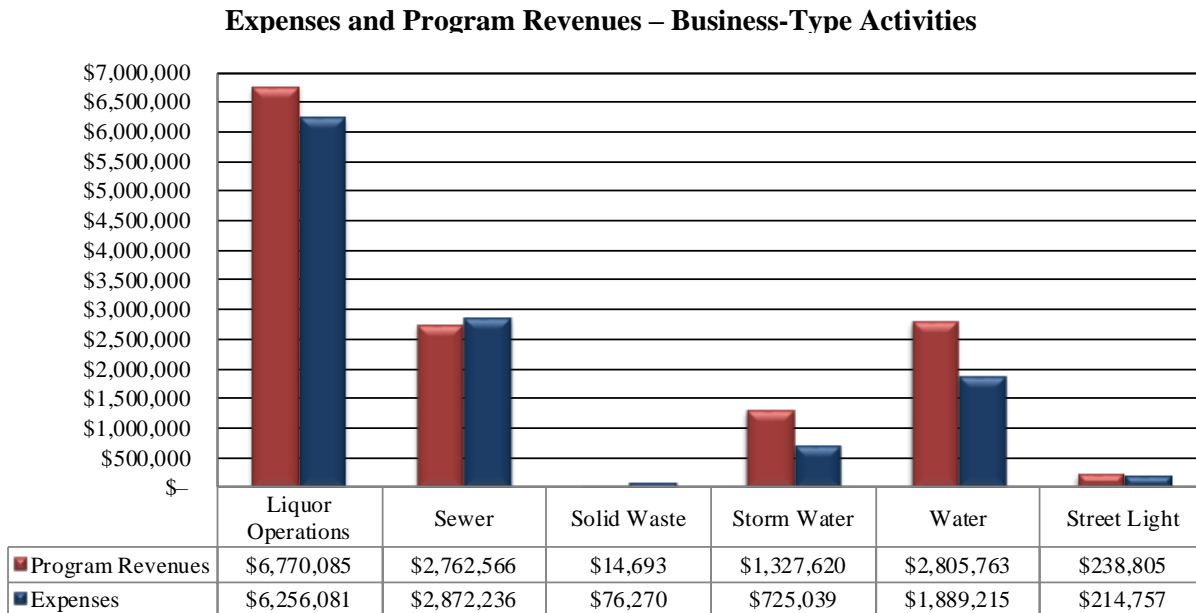


BUSINESS-TYPE ACTIVITIES

Revenues – The following chart illustrates the City’s revenues by source for its business-type activities:



Expenses – Below is a graph showing the City’s expenses and program revenues, excluding transfers, for its business-type activities:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of currently available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,351,774, an 11 percent increase of \$2,885,854 from 2023 activity. The increase is mainly attributable to resources accumulated for public safety programs, trunk fees, and positive operating results in the General Fund.

Committed, assigned, and unassigned fund balances, which are available for spending at the City's discretion, had a combined balance of \$23,328,209 at year-end. The remainder of the fund balance is either not available for new spending, or available for new spending but limited in use, because it is either nonspendable for prepaids (\$15,883); or restricted: 1) to pay debt service (\$2,100,445), 2) for economic development (\$374,938), 3) for various public safety programs (\$1,099,845), 4) for park or recreational capital improvements (\$1,220,794), or 5) to pay for future cable communication expenditures (\$211,660).

Financial highlights for the City's major governmental funds are as follows:

General Fund – The General Fund is the chief operating fund of the City. At the end of 2023, the unassigned fund balance of the General Fund was \$8,987,268. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The 2023 unassigned fund balance represents approximately 48 percent of total 2024 General Fund budgeted expenditures and transfers out.

The ratio of the General Fund's unassigned fund balance to the subsequent years' budgeted expenditures and transfers out has increased steadily from 21 percent as of December 31, 2011 to 48 percent as of December 31, 2023. The City Council has increased its commitment to not only sound, comprehensive budgets, but also long-term financial planning. In addition, the City has benefitted from community growth and tight budgetary control of expenditures, which have contributed to the strengthening of the General Fund's balance over that period.

The City Council also recently revised the City's fund balance policy and stated it would strive to maintain the fund balance in the General Fund between 40–50 percent of the subsequent year's budgeted expenditures and transfers out in order to provide enough funding to carry city operations to the next semiannual receipt of tax proceeds (in June/July). As of December 31, 2023, the City's General Fund balance meets the minimum fund balance guideline.

Total fund balances increased by \$1,156,920 in the General Fund during the 2023 fiscal year. Higher than anticipated revenues from intergovernmental sources, charges for services, and investment earnings; along with expenditures being held under budget in total, contributed to this increase.

Federal Aid Special Revenue Fund – The increase of \$75,255 in fund balance was due to allocated investment earnings in 2023. The City utilized \$942,029 of available federal funding for various projects during the year.

Private Capital Projects Fund – There were no significant projects in this fund during 2023. The increase in fund balance of \$83,525 was due to allocated investment earnings in 2023.

Storm Water Trunk Capital Projects Fund – The increase of \$664,310 in fund balance was due to revenues from property taxes, trunk fees, and allocated investment earnings exceeding expenditures in 2023.

Closed Bond Debt Service Fund – The City established this fund in 2023 with transfers of \$1,046,942 to account for accumulated resources related to bond issues that fully matured or were called by the City using internal resources in prior years. Additional revenues of \$551,082 brought the fund balance up to \$1,598,024 at year-end, which the City has assigned for future debt service.

Total fund balances in the City’s nonmajor governmental funds decreased \$692,180 in fiscal 2023, to a year-end total of \$12,278,527. Financial highlights for some of the significant changes in the City’s nonmajor governmental funds are as follows:

Public Safety Special Revenue Fund – The increase in fund balance of \$1,035,106 was due to a one-time state public safety grant received during the year.

Water Trunk Capital Projects Fund – Revenues from charges for services and investment earnings resulted in a net increase in fund balance of \$492,518, as there were no projects in this fund in 2023.

Spruce Street Reconstruction Capital Projects Fund – The decrease in fund balance of \$1,921,952 resulted from project costs exceeding revenue in 2023.

Maintenance Capital Projects Fund – The increase in fund balance of \$568,492 was due to transfers in exceeding the planned project costs incurred by year-end.

Capital Projects Reserve Capital Projects Fund – The increase of \$316,234 in fund balance is due to transfers from the State Aid Construction and Permanent Improvement Revolving Capital Projects Funds to establish this new fund.

Debt Service Fund – The decrease of \$1,054,504 in fund balance is due to transfers of \$1,046,942 to eliminate several closed bond accounts and establish the Closed Bond Debt Service Fund.

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Financial highlights for the significant changes in the City’s proprietary funds are as follows:

Liquor Operations Fund – Each year the City reviews the financial performance of its liquor operations. After setting aside a certain amount of funds for operations and administrative transfers, the remaining funds on hand are allocated to community investment and future capital improvements.

Liquor operations produced income before transfers of \$604,140, an increase of \$232,507 from the prior year, mainly due to increased sales and investment earnings. The net position of the Liquor Operations Fund at the end of 2023 totaled \$2,444,814, an increase of \$409,014. The cash position for both stores increased from \$1,636,290 on December 31, 2022 to \$2,352,268 as of December 31, 2023.

Sewer Operations Fund – The current year increase in net position of \$273,493 is primarily due to capital infrastructure asset contributions of \$629,637 received from governmental fund activities during the year. An increase of approximately 6 percent in charges for services, due mainly to a rate increase, was more than offset by a 10 percent increase in operating expenses. The City has implemented a series of rate increases designed to provide sufficient funds to cover both operations and depreciation. This fund continues to maintain a significant unrestricted net position of \$3,507,824.

Solid Waste Fund – The Solid Waste Fund net position decreased by \$407,578, mainly due to transfers out related to the continued process of closing the fund. It is anticipated that operations will be completely discontinued, and the fund closed in fiscal 2024.

Storm Water Fund – The increase in net position of \$1,157,016 is primarily due charges for services being sufficient to cover operating expenses, resulting in operating income of \$651,397 for the year. This fund also received capital infrastructure asset contributions of \$868,749 received from governmental fund activities during the year. This fund continues to maintain a significant unrestricted net position of \$3,232,777.

Water Fund – The increase in net position of \$1,746,337 is primarily due to charges for services being sufficient to cover depreciation expense, improved investment earnings, and capital infrastructure asset contributions of \$785,977 received from governmental fund activities during the year. This fund continues to maintain a significant unrestricted net position of \$10,517,451.

Street Light Fund – The Street Light Fund was established in 2010. By making this a utility fund, all properties within the City, including tax-exempt properties, pay for street lighting. This fund has achieved a modest positive net position of \$383,773 at year-end, an increase of \$39,778 from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's original and final budgets are the same, as no budget amendments were made during the year.

Actual revenues were \$812,619 over budget. Revenue variances from final budget to actual include:

- Intergovernmental revenue was \$228,849 over budget, mainly due to street maintenance, training reimbursements, and other miscellaneous grants exceeding budget.
- Charges for services were \$233,175 more than the City's conservative budget, with higher than expected charges for fire service and engineering.
- Investment earnings were \$312,980 over budget, due to higher interest rates and improvements in the fair values of the City's investment portfolio. As the City generally intends to hold investments to maturity, it is anticipated that this temporary market gain will fluctuate before the investments mature.

Expenditures were \$336,073 less than the budgeted amount, mainly in the public safety and public works areas. The City experienced lower salaries and benefits costs partially attributable to continuing challenges in filling vacant positions.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2023, was \$98,833,502 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, improvements other than buildings, park facilities, machinery and equipment, vehicles, roads, bridges, infrastructure, intangibles, water mains, water reservoirs, sewer mains, lift stations, and storm water mains. The City’s investment in capital assets for the current fiscal year increased by 1 percent, mainly due to capitalized street and utility infrastructure and lease asset additions, offset by current year depreciation/amortization.

City of Farmington’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and easements	\$ 1,658,302	\$ 1,658,302	\$ 498,376	\$ 498,376	\$ 2,156,678	\$ 2,156,678
Construction in progress	554,953	2,574,042	–	–	554,953	2,574,042
Buildings	12,863,478	13,297,011	1,128,499	1,333,629	13,991,977	14,630,640
Improvements other than buildings	824,468	295,150	1,392,088	1,497,899	2,216,556	1,793,049
Machinery and equipment	3,626,858	3,899,180	510,021	632,716	4,136,879	4,531,896
Infrastructure	28,762,779	25,798,272	–	–	28,762,779	25,798,272
Collection/distribution systems	–	–	45,526,648	45,008,564	45,526,648	45,008,564
Leases – vehicles	712,226	89,070	–	–	712,226	89,070
Leases – buildings	–	–	774,806	895,433	774,806	895,433
Total (net of depreciation)	\$ 49,003,064	\$ 47,611,027	\$ 49,830,438	\$ 49,866,617	\$ 98,833,502	\$ 97,477,644

Additional information on the City’s capital assets can be found in Note 5 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total debt (bonds and lease liabilities) outstanding of \$11,700,414. All City bonded debt is general obligation debt, which is backed by the full faith and credit of the government. Furthermore, at year-end, the City has long-term liabilities of \$1,097,977 for compensated absences, \$7,948,615 for net pension liabilities, and \$1,092,823 for other post-employment benefits.

City of Farmington’s Outstanding Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation improvement bonds	\$ 5,435,000	\$ 6,305,000	\$ –	\$ –	\$ 5,435,000	\$ 6,305,000
Capital improvement bonds	2,965,000	3,510,000	–	–	2,965,000	3,510,000
Equipment certificates	695,000	905,000	–	–	695,000	905,000
General obligation revenue bonds	–	–	465,000	530,000	465,000	530,000
Unamortized premiums	544,915	668,370	51,207	61,120	596,122	729,490
Lease liabilities	716,171	83,029	828,121	922,305	1,544,292	1,005,334
Total debt outstanding	\$ 10,356,086	\$ 11,471,399	\$ 1,344,328	\$ 1,513,425	\$ 11,700,414	\$ 12,984,824

Bond principal repayments during 2023 totaled \$1,690,000. The only new debt issued by the City in 2023 was \$714,239 of new vehicle leases. The City’s credit rating from Standard & Poor’s was raised from “AA” to “AA+” in April 2019, which was affirmed in 2023.

Minnesota Statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value. The current debt limitation for the City is \$86,808,834, which is significantly more than the City’s outstanding general obligation debt. Additional information on the City’s long-term debt may be found in Note 6 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City increased its General Fund net operating levy in 2024 by \$1,415,404. The final city total net tax levy for 2024 of \$14,008,798 is 9.9 percent higher than the comparable 2023 levy. Of the total General Fund budgeted revenues, including transfers in for 2024, 75.2 percent are from property taxes, including \$2.1 million in fiscal disparities revenue. The remaining General Fund budgeted revenues were adjusted to reflect forecasted building activity and an anticipated increase in intergovernmental revenues and charges for service.

Proposed 2024 General Fund expenditures, including transfers out, are estimated at \$18,884,407, an increase of 11.8 percent compared to the 2023 budget. The 2024 budget maintains funding for core services—police and fire protection, street maintenance and snow removal, parks and recreation, and administration; and continues long-term funding for the City's seal coating, trail maintenance, building maintenance, and police and fire equipment. The City's Capital Improvement Plan provides for the continued replacement of police vehicles and public safety equipment in 2024.

The City steadfastly upholds its commitment to four key priorities: business growth, community engagement, infrastructure support, and employee engagement. The City remains dedicated to delivering top-tier essential services to its existing residents and also actively promoting the City, aiming to attract and bolster new development, thereby broadening the tax base and ensuring the City's prosperity.

REQUESTS FOR INFORMATION

This ACFR is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Director at the City of Farmington, 430 Third Street, Farmington, Minnesota 55024. Email requests can be sent to ksommerland@farmingtonmn.gov.

BASIC FINANCIAL STATEMENTS

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CITY OF FARMINGTON

Statement of Net Position
as of December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 34,137,550	\$ 20,044,781	\$ 54,182,331
Receivables			
Accounts	484,009	1,476,483	1,960,492
Interest	143,403	92,748	236,151
Property taxes	1,311,184	-	1,311,184
Special assessments	2,750,016	270,924	3,020,940
Due from other governments	469,403	1,195	470,598
Lease	101,536	-	101,536
Inventory	-	654,431	654,431
Prepaid items	20,008	40	20,048
Restricted assets – temporarily restricted			
Cash for future drinking water treatment plant	-	2,461,488	2,461,488
Net pension asset – fire relief	1,536,553	-	1,536,553
Capital assets			
Not depreciated/amortized	2,213,255	498,376	2,711,631
Depreciated/amortized, net	46,789,809	49,332,062	96,121,871
Total capital assets, net	<u>49,003,064</u>	<u>49,830,438</u>	<u>98,833,502</u>
Total assets	89,956,726	74,832,528	164,789,254
Deferred outflows of resources			
Pension plan deferments – PERA	7,354,712	100,096	7,454,808
Pension plan deferments – fire relief	851,277	-	851,277
OPEB plan deferments	33,246	2,099	35,345
Total deferred outflows of resources	<u>8,239,235</u>	<u>102,195</u>	<u>8,341,430</u>
Total assets and deferred outflows of resources	<u>\$ 98,195,961</u>	<u>\$ 74,934,723</u>	<u>\$ 173,130,684</u>
Liabilities			
Accounts and contracts payable	\$ 1,297,053	\$ 440,851	\$ 1,737,904
Accrued salaries and employee benefits payable	227,489	-	227,489
Accrued interest payable	133,685	8,950	142,635
Deposits payable	1,964,564	88,585	2,053,149
Due to other governments	686	146,572	147,258
Unearned revenue	1,482,045	-	1,482,045
Long-term liabilities			
Due within one year			
Bonds, certificates, lease liabilities, and compensated absences	2,481,143	204,669	2,685,812
Total OPEB liability	75,600	-	75,600
Due in more than one year			
Bonds, certificates, lease liabilities, and compensated absences	8,927,904	1,184,675	10,112,579
Net pension liability	7,577,873	370,742	7,948,615
Total OPEB liability	952,309	64,914	1,017,223
Total long-term liabilities	<u>20,014,829</u>	<u>1,825,000</u>	<u>21,839,829</u>
Total liabilities	25,120,351	2,509,958	27,630,309
Deferred inflows of resources			
Pension plan deferments – PERA	7,330,959	125,385	7,456,344
Pension plan deferments – fire relief	667,434	-	667,434
Lease revenue for subsequent years	101,536	-	101,536
Total deferred inflows of resources	<u>8,099,929</u>	<u>125,385</u>	<u>8,225,314</u>
Net position			
Net investment in capital assets	39,137,210	48,486,110	87,623,320
Restricted for			
Debt service	4,294,767	-	4,294,767
Economic development	374,938	-	374,938
Public safety programs	1,099,845	-	1,099,845
Park improvements	1,100,850	-	1,100,850
Capital projects	331,604	-	331,604
State-funded street projects	394,210	-	394,210
Fire relief pensions	1,536,553	-	1,536,553
Water Fund – future drinking water treatment plant	-	2,461,488	2,461,488
Unrestricted	16,705,704	21,351,782	38,057,486
Total net position	<u>64,975,681</u>	<u>72,299,380</u>	<u>137,275,061</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 98,195,961</u>	<u>\$ 74,934,723</u>	<u>\$ 173,130,684</u>

CITY OF FARMINGTON

Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 5,200,453	\$ 1,048,415	\$ 43,845	\$ 11
Public safety	8,712,115	581,869	1,574,372	30,250
Public works	3,806,386	965,032	273,051	972,545
Parks and recreation	2,583,554	829,870	83	–
Economic development	177,927	–	32,904	–
Interest and fiscal charges	239,992	–	–	–
Total governmental activities	<u>20,720,427</u>	<u>3,425,186</u>	<u>1,924,255</u>	<u>1,002,806</u>
Business-type activities				
Liquor operations	6,256,081	6,770,039	46	–
Sewer	2,872,236	2,762,566	–	–
Solid waste	76,270	10,605	4,088	–
Storm water	725,039	1,327,620	–	–
Water	1,889,215	2,799,075	6,688	–
Street light	214,757	238,805	–	–
Total business-type activities	<u>12,033,598</u>	<u>13,908,710</u>	<u>10,822</u>	<u>–</u>
Total government	<u>\$ 32,754,025</u>	<u>\$ 17,333,896</u>	<u>\$ 1,935,077</u>	<u>\$ 1,002,806</u>

General revenues
 Property taxes
 Franchise taxes
 Grants and contributions not restricted
 to specific programs
 Investment earnings
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers

Change in net position

Net position – beginning

Net position – ending

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,108,182)	\$ —	\$ (4,108,182)
(6,525,624)	—	(6,525,624)
(1,595,758)	—	(1,595,758)
(1,753,601)	—	(1,753,601)
(145,023)	—	(145,023)
(239,992)	—	(239,992)
<u>(14,368,180)</u>	<u>—</u>	<u>(14,368,180)</u>
—	514,004	514,004
—	(109,670)	(109,670)
—	(61,577)	(61,577)
—	602,581	602,581
—	916,548	916,548
—	24,048	24,048
<u>—</u>	<u>1,885,934</u>	<u>1,885,934</u>
<u>(14,368,180)</u>	<u>1,885,934</u>	<u>(12,482,246)</u>
15,284,709	—	15,284,709
201,431	—	201,431
944,364	—	944,364
1,407,087	913,579	2,320,666
136,368	—	136,368
(418,547)	418,547	—
<u>17,555,412</u>	<u>1,332,126</u>	<u>18,887,538</u>
3,187,232	3,218,060	6,405,292
<u>61,788,449</u>	<u>69,081,320</u>	<u>130,869,769</u>
<u>\$ 64,975,681</u>	<u>\$ 72,299,380</u>	<u>\$ 137,275,061</u>

CITY OF FARMINGTON

Balance Sheet
Governmental Funds
as of December 31, 2023

	General	Special Revenue – Federal Aid	Capital Projects – Private
Assets			
Cash and investments	\$ 7,798,138	\$ 1,467,069	\$ 2,022,941
Receivables			
Accounts	286,129	–	14,202
Interest	40,781	6,053	8,347
Property taxes			
Unremitted	1,160,672	–	–
Delinquent	150,512	–	–
Special assessments			
Delinquent	261	–	–
Noncurrent	970	–	–
Due from other funds	2,691	–	–
Due from other governments	36,674	–	–
Lease	101,536	–	–
Prepaid items	1,169	14,714	–
	<u>9,579,533</u>	<u>1,487,836</u>	<u>2,045,490</u>
Total assets	<u>\$ 9,579,533</u>	<u>\$ 1,487,836</u>	<u>\$ 2,045,490</u>
Liabilities			
Accounts and contracts payable	\$ 307,734	\$ 13,037	\$ –
Deposits payable	29,941	–	1,919,665
Due to other governments	142	–	–
Due to other funds	–	–	–
Unearned revenue	–	1,482,045	–
Total liabilities	<u>337,817</u>	<u>1,495,082</u>	<u>1,919,665</u>
Deferred inflows of resources			
Unavailable revenue – property taxes	150,512	–	–
Unavailable revenue – special assessments	1,231	–	–
Unavailable revenue – long-term receivable	–	–	–
Lease revenue for subsequent years	101,536	–	–
Total deferred inflows of resources	<u>253,279</u>	<u>–</u>	<u>–</u>
Fund balances (deficits)			
Nonspendable	1,169	14,714	–
Restricted	–	–	–
Committed	–	–	125,825
Assigned	–	–	–
Unassigned	8,987,268	(21,960)	–
Total fund balances (deficits)	<u>8,988,437</u>	<u>(7,246)</u>	<u>125,825</u>
	<u>\$ 9,579,533</u>	<u>\$ 1,487,836</u>	<u>\$ 2,045,490</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,579,533</u>	<u>\$ 1,487,836</u>	<u>\$ 2,045,490</u>

Capital Projects – Storm Water Trunk	Debt Service – Closed Bond	Nonmajor	Total
\$ 5,346,147	\$ 1,591,457	\$ 12,930,520	\$ 31,156,272
–	–	183,678	484,009
22,060	6,567	47,294	131,102
–	–	–	1,160,672
–	–	–	150,512
–	2,496	–	2,757
–	2,325,511	420,778	2,747,259
–	–	35,379	38,070
–	–	416,867	453,541
–	–	–	101,536
–	–	–	15,883
<u>\$ 5,368,207</u>	<u>\$ 3,926,031</u>	<u>\$ 14,034,516</u>	<u>\$ 36,441,613</u>
\$ –	\$ –	\$ 890,149	\$ 1,210,920
–	–	12,238	1,961,844
–	–	544	686
–	–	38,070	38,070
–	–	–	1,482,045
–	–	941,001	4,693,565
–	–	–	150,512
–	2,328,007	420,778	2,750,016
–	–	394,210	394,210
–	–	–	101,536
–	2,328,007	814,988	3,396,274
–	–	–	15,883
–	–	5,007,682	5,007,682
5,368,207	–	7,696,991	13,191,023
–	1,598,024	–	1,598,024
–	–	(426,146)	8,539,162
<u>5,368,207</u>	<u>1,598,024</u>	<u>12,278,527</u>	<u>28,351,774</u>
<u>\$ 5,368,207</u>	<u>\$ 3,926,031</u>	<u>\$ 14,034,516</u>	<u>\$ 36,441,613</u>

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CITY OF FARMINGTON

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2023

Total fund balances – governmental funds	\$ 28,351,774
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
Cost of capital assets	98,970,379
Less accumulated depreciation/amortization	(49,970,064)
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	
	1,536,553
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Bonds	(9,095,000)
Unamortized bond premiums	(544,915)
Lease liability	(716,171)
Compensated absences	(1,001,179)
Net pension liability	(7,577,873)
Total OPEB liability	(1,027,909)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	
	(133,685)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	2,648,191
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.	
Delinquent property taxes	150,512
Delinquent and deferred special assessments	2,750,016
Long-term receivables	394,210
Governmental funds do not report certain long-term amounts related to pensions that are included in net position.	
Deferred outflows of resources – pension plan deferments	8,205,989
Deferred outflows of resources – OPEB plan deferments	33,246
Deferred inflows of resources – pension plan deferments	(7,998,393)
Total net position – governmental activities	<u>\$ 64,975,681</u>

CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2023

	<u>General</u>	<u>Special Revenue – Federal Aid</u>	<u>Capital Projects – Private</u>
Revenues			
Property taxes	\$ 13,070,482	\$ –	\$ –
Franchise taxes	145,000	–	–
Special assessments	2,474	–	–
Licenses and permits	927,731	–	–
Intergovernmental	852,169	942,028	–
Charges for services	694,094	–	–
Fines and forfeits	57,509	–	–
Investment earnings	363,980	75,256	83,525
Other	86,229	–	–
Total revenues	<u>16,199,668</u>	<u>1,017,284</u>	<u>83,525</u>
Expenditures			
Current			
General government	3,122,528	942,029	–
Public safety	7,112,803	–	–
Public works	3,019,828	–	–
Parks and recreation	1,600,767	–	–
Economic development	–	–	–
Capital outlay			
General government	4,800	–	–
Public safety	8,461	–	–
Public works	14,104	–	–
Parks and recreation	23,397	–	–
Debt service			
Principal	–	–	–
Interest and fiscal charges	–	–	–
Total expenditures	<u>14,906,688</u>	<u>942,029</u>	<u>–</u>
Excess (deficiency) of revenues over expenditures	1,292,980	75,255	83,525
Other financing sources (uses)			
Sale of capital assets	8,228	–	–
Leases issued	–	–	–
Transfers in	1,497,734	–	–
Transfers out	(1,642,022)	–	–
Total other financing sources (uses)	<u>(136,060)</u>	<u>–</u>	<u>–</u>
Net change in fund balances	1,156,920	75,255	83,525
Fund balances (deficits)			
Beginning of year	<u>7,831,517</u>	<u>(82,501)</u>	<u>42,300</u>
End of year	<u>\$ 8,988,437</u>	<u>\$ (7,246)</u>	<u>\$ 125,825</u>

See notes to basic financial statements

Capital Projects – Storm Water Trunk	Debt Service – Closed Bond	Nonmajor	Total
\$ 166,000	\$ –	\$ 2,014,520	\$ 15,251,002
–	–	56,431	201,431
–	500,114	17,528	520,116
–	–	–	927,731
–	–	3,149,671	4,943,868
277,962	–	1,059,645	2,031,701
–	–	–	57,509
228,231	50,968	476,025	1,277,985
–	–	351,296	437,525
<u>672,193</u>	<u>551,082</u>	<u>7,125,116</u>	<u>25,648,868</u>
–	–	119,761	4,184,318
–	–	94,124	7,206,927
–	–	846,936	3,866,764
–	–	643,223	2,243,990
–	–	177,927	177,927
–	–	–	4,800
–	–	1,207,977	1,216,438
–	–	4,168,592	4,182,696
–	–	234,520	257,917
–	–	1,706,097	1,706,097
7,883	–	388,658	396,541
<u>7,883</u>	<u>–</u>	<u>9,587,815</u>	<u>25,444,415</u>
664,310	551,082	(2,462,699)	204,453
–	–	128,140	136,368
–	–	714,239	714,239
–	1,046,942	2,398,528	4,943,204
–	–	(1,470,388)	(3,112,410)
<u>–</u>	<u>1,046,942</u>	<u>1,770,519</u>	<u>2,681,401</u>
664,310	1,598,024	(692,180)	2,885,854
4,703,897	–	12,970,707	25,465,920
<u>\$ 5,368,207</u>	<u>\$ 1,598,024</u>	<u>\$ 12,278,527</u>	<u>\$ 28,351,774</u>

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CITY OF FARMINGTON

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2023

Total net change in fund balances – governmental funds	\$ 2,885,854
Amounts reported for governmental activities in the Statement of Activities are different because:	
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/amortization expense.	
Capital outlay	6,195,552
Transfer of capital assets to business-type activities	(2,284,363)
Depreciation/amortization expense	(2,514,665)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	
	(3,387)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	(177,552)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for debt premiums, compensated absences, pension liabilities, and OPEB obligations.	
Debt issued	(714,239)
Principal payments for debt	1,706,097
Debt premiums	123,455
Compensated absences	84,081
Net pension liability	7,863,986
Total OPEB liability	160,046
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	33,094
Internal service funds are used by management to charge certain costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements.	
	(126,791)
Certain revenues included in net position as soon as they are earned are not included in the change in fund balances until available to liquidate liabilities of the current period.	
Delinquent property taxes	33,707
Delinquent and deferred special assessments	(371,134)
Long-term receivable	(1,239,117)
Governmental funds do not report additions or deletions to certain long-term amounts related to pensions that are included in the change in net position.	
Deferred outflows of resources – pension plan deferments	(1,261,127)
Deferred outflows of resources – OPEB plan deferments	(27,081)
Deferred inflows of resources – pension plan deferments	(7,179,184)
Change in net position – governmental activities	<u>\$ 3,187,232</u>

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CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 13,087,930	\$ 13,070,482	\$ (17,448)
Franchise taxes	145,000	145,000	-
Special assessments	-	2,474	2,474
Licenses and permits	915,470	927,731	12,261
Intergovernmental	623,320	852,169	228,849
Charges for services	460,919	694,094	233,175
Fines and forfeits	55,000	57,509	2,509
Investment earnings	51,000	363,980	312,980
Other	48,410	86,229	37,819
Total revenues	<u>15,387,049</u>	<u>16,199,668</u>	<u>812,619</u>
Expenditures			
Current			
General government	3,007,352	3,122,528	115,176
Public safety	7,386,575	7,112,803	(273,772)
Public works	3,213,039	3,019,828	(193,211)
Parks and recreation	1,581,264	1,600,767	19,503
Capital outlay			
General government	2,000	4,800	2,800
Public safety	20,000	8,461	(11,539)
Public works	3,300	14,104	10,804
Parks and recreation	29,231	23,397	(5,834)
Total expenditures	<u>15,242,761</u>	<u>14,906,688</u>	<u>(336,073)</u>
Excess of revenues over expenditures	144,288	1,292,980	1,148,692
Other financing sources (uses)			
Sale of capital assets	-	8,228	8,228
Transfers in	1,497,734	1,497,734	-
Transfers out	(1,642,022)	(1,642,022)	-
Total other financing sources (uses)	<u>(144,288)</u>	<u>(136,060)</u>	<u>8,228</u>
Net change in fund balances	<u>\$ -</u>	<u>1,156,920</u>	<u>\$ 1,156,920</u>
Fund balances			
Beginning of year		<u>7,831,517</u>	
End of year		<u>\$ 8,988,437</u>	

CITY OF FARMINGTON

Statement of Net Position
Proprietary Funds
as of December 31, 2023

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Assets				
Current assets				
Cash and investments	\$ 2,352,268	\$ 2,726,259	\$ 1,458,338	\$ 2,945,877
Cash restricted for drinking water treatment plant	–	–	–	–
Receivables				
Accounts	90,958	600,194	734	287,957
Interest	9,691	11,249	6,017	12,155
Delinquent special assessments	–	15,271	–	–
Deferred special assessments	–	255,653	–	–
Due from other governments	–	–	–	–
Inventory	654,431	–	–	–
Prepaid items	40	–	–	–
Total current assets	<u>3,107,388</u>	<u>3,608,626</u>	<u>1,465,089</u>	<u>3,245,989</u>
Noncurrent assets				
Capital assets				
Land	–	85,000	–	84,992
Buildings	–	–	–	–
Improvements other than buildings	358,276	–	–	–
Machinery and equipment	303,945	999,791	–	433,883
Distribution system	–	–	–	–
Collection system	–	29,713,301	–	21,721,102
Leases – buildings	951,551	–	–	–
Less accumulated depreciation/amortization	(585,705)	(15,355,113)	–	(9,559,932)
Total capital assets (net of accumulated depreciation/amortization)	<u>1,028,067</u>	<u>15,442,979</u>	<u>–</u>	<u>12,680,045</u>
Total assets	<u>4,135,455</u>	<u>19,051,605</u>	<u>1,465,089</u>	<u>15,926,034</u>
Deferred outflows of resources				
Pension plan deferments – PERA	100,096	–	–	–
OPEB plan deferments	2,099	–	–	–
Total deferred outflows of resources	<u>102,195</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets and deferred outflows of resources	<u>\$ 4,237,650</u>	<u>\$ 19,051,605</u>	<u>\$ 1,465,089</u>	<u>\$ 15,926,034</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 289,817	\$ 26,252	\$ –	\$ 13,212
Accrued salaries and employee benefits payable	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	68,841	74,550	–	–
Accrued interest payable	–	–	–	–
Compensated absences payable – current	33,762	–	–	–
Bonds payable – current	–	–	–	–
Lease liability – current	100,907	–	–	–
Total current liabilities	<u>493,327</u>	<u>100,802</u>	<u>–</u>	<u>13,212</u>
Noncurrent liabilities				
Compensated absences payable	11,254	–	–	–
Bonds payable (net of unamortized premiums)	–	–	–	–
Lease liability	727,214	–	–	–
Net pension liability – PERA	370,742	–	–	–
Total OPEB liability	<u>64,914</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total noncurrent liabilities	<u>1,174,124</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>1,667,451</u>	<u>100,802</u>	<u>–</u>	<u>13,212</u>
Deferred inflows of resources				
Pension plan deferments – PERA	125,385	–	–	–
Net position				
Net investment in capital assets	199,946	15,442,979	–	12,680,045
Restricted for drinking water treatment plant	–	–	–	–
Unrestricted	2,244,868	3,507,824	1,465,089	3,232,777
Total net position	<u>2,444,814</u>	<u>18,950,803</u>	<u>1,465,089</u>	<u>15,912,822</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,237,650</u>	<u>\$ 19,051,605</u>	<u>\$ 1,465,089</u>	<u>\$ 15,926,034</u>

Water	Street Light	Total	Governmental Activities – Internal Service
\$ 10,180,637	\$ 381,402	\$ 20,044,781	\$ 2,981,278
2,461,488	–	2,461,488	–
462,446	34,194	1,476,483	–
52,062	1,574	92,748	12,301
–	–	15,271	–
–	–	255,653	–
1,195	–	1,195	15,862
–	–	654,431	–
–	–	40	4,125
<u>13,157,828</u>	<u>417,170</u>	<u>25,002,090</u>	<u>3,013,566</u>
328,384	–	498,376	–
5,290,137	–	5,290,137	–
1,534,818	–	1,893,094	–
567,340	–	2,304,959	99,124
34,072,870	–	34,072,870	–
–	–	51,434,403	–
–	–	951,551	–
(21,114,202)	–	(46,614,952)	(96,375)
<u>20,679,347</u>	<u>–</u>	<u>49,830,438</u>	<u>2,749</u>
<u>33,837,175</u>	<u>417,170</u>	<u>74,832,528</u>	<u>3,016,315</u>
–	–	100,096	–
–	–	2,099	–
–	–	102,195	–
<u>\$ 33,837,175</u>	<u>\$ 417,170</u>	<u>\$ 74,934,723</u>	<u>\$ 3,016,315</u>
\$ 78,173	\$ 33,397	\$ 440,851	\$ 86,133
–	–	–	227,489
88,585	–	88,585	2,720
3,181	–	146,572	–
8,950	–	8,950	–
–	–	33,762	51,782
70,000	–	70,000	–
–	–	100,907	–
<u>248,889</u>	<u>33,397</u>	<u>889,627</u>	<u>368,124</u>
–	–	11,254	–
446,207	–	446,207	–
–	–	727,214	–
–	–	370,742	–
–	–	64,914	–
<u>446,207</u>	<u>–</u>	<u>1,620,331</u>	<u>–</u>
<u>695,096</u>	<u>33,397</u>	<u>2,509,958</u>	<u>368,124</u>
–	–	125,385	–
20,163,140	–	48,486,110	2,749
2,461,488	–	2,461,488	–
<u>10,517,451</u>	<u>383,773</u>	<u>21,351,782</u>	<u>2,645,442</u>
<u>33,142,079</u>	<u>383,773</u>	<u>72,299,380</u>	<u>2,648,191</u>
<u>\$ 33,837,175</u>	<u>\$ 417,170</u>	<u>\$ 74,934,723</u>	<u>\$ 3,016,315</u>

CITY OF FARMINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Operating revenue				
Sales	\$ 6,765,798	\$ –	\$ –	\$ –
Charges for services	–	2,757,991	9,105	1,327,520
Insurance reimbursement	–	–	–	–
Total operating revenue	<u>6,765,798</u>	<u>2,757,991</u>	<u>9,105</u>	<u>1,327,520</u>
Cost of goods sold	<u>5,049,555</u>	<u>–</u>	<u>–</u>	<u>–</u>
Gross profit	1,716,243	2,757,991	9,105	1,327,520
Operating expenses				
Personal services	662,090	830	–	204
Professional services	325,276	2,175,626	54,102	183,212
Materials and supplies	11,627	27,683	22,168	21,573
Insurance	–	–	–	–
Depreciation/amortization	163,546	665,198	–	471,134
Total operating expenses	<u>1,162,539</u>	<u>2,869,337</u>	<u>76,270</u>	<u>676,123</u>
Operating income (loss)	553,704	(111,346)	(67,165)	651,397
Nonoperating revenues (expenses)				
Intergovernmental	46	–	4,088	–
Investment earnings	90,136	108,581	70,081	117,340
Loss on sale of capital assets	–	(605)	–	(48,916)
Other	4,241	4,575	1,500	100
Interest and fiscal charges	(43,987)	(2,294)	–	–
Total nonoperating revenues (expenses)	<u>50,436</u>	<u>110,257</u>	<u>75,669</u>	<u>68,524</u>
Income (loss) before contributions and transfers	604,140	(1,089)	8,504	719,921
Capital contributions	–	629,637	–	868,749
Transfers in	–	–	–	–
Transfers out	<u>(195,126)</u>	<u>(355,055)</u>	<u>(416,082)</u>	<u>(431,654)</u>
Change in net position	409,014	273,493	(407,578)	1,157,016
Net position				
Beginning of year	<u>2,035,800</u>	<u>18,677,310</u>	<u>1,872,667</u>	<u>14,755,806</u>
End of year	<u>\$ 2,444,814</u>	<u>\$ 18,950,803</u>	<u>\$ 1,465,089</u>	<u>\$ 15,912,822</u>

<u>Water</u>	<u>Street Light</u>	<u>Total</u>	<u>Governmental Activities – Internal Service</u>
\$ –	\$ –	\$ 6,765,798	\$ –
2,496,686	237,519	6,828,821	3,797,451
–	–	–	328,057
<u>2,496,686</u>	<u>237,519</u>	<u>13,594,619</u>	<u>4,125,508</u>
–	–	5,049,555	–
2,496,686	237,519	8,545,064	4,125,508
11,314	–	674,438	3,404,583
629,376	214,462	3,582,054	494,315
230,969	295	314,315	181,704
–	–	–	334,721
1,003,217	–	2,303,095	1,100
<u>1,874,876</u>	<u>214,757</u>	<u>6,873,902</u>	<u>4,416,423</u>
621,810	22,762	1,671,162	(290,915)
6,688	–	10,822	–
511,711	15,730	913,579	129,102
(2,426)	–	(51,947)	–
302,389	1,286	314,091	–
(11,913)	–	(58,194)	–
<u>806,449</u>	<u>17,016</u>	<u>1,128,351</u>	<u>129,102</u>
1,428,259	39,778	2,799,513	(161,813)
785,977	–	2,284,363	–
–	–	–	35,022
<u>(467,899)</u>	<u>–</u>	<u>(1,865,816)</u>	<u>–</u>
1,746,337	39,778	3,218,060	(126,791)
<u>31,395,742</u>	<u>343,995</u>	<u>69,081,320</u>	<u>2,774,982</u>
<u>\$ 33,142,079</u>	<u>\$ 383,773</u>	<u>\$ 72,299,380</u>	<u>\$ 2,648,191</u>

CITY OF FARMINGTON

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Cash flows from operating activities				
Cash received from customers	\$ 6,757,852	\$ 2,735,204	\$ 34,321	\$ 1,311,044
Cash receipts from other funds and reimbursements	–	–	–	–
Cash payments to suppliers	(5,138,489)	(2,153,832)	(81,517)	(198,876)
Cash payments to employees for services	(649,386)	(830)	–	(204)
Cash payments for interfund services used	–	–	–	–
Net cash flows from operating activities	<u>969,977</u>	<u>580,542</u>	<u>(47,196)</u>	<u>1,111,964</u>
Cash flows from noncapital financing activities				
Intergovernmental revenue	46	–	4,088	–
Transfers in	–	–	–	–
Transfers out	(195,126)	(355,055)	(416,082)	(431,654)
Net cash flows from noncapital financing activities	<u>(195,080)</u>	<u>(355,055)</u>	<u>(411,994)</u>	<u>(431,654)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(6,320)	–	–	–
Principal payment on bonds and leases	(94,184)	–	–	–
Interest and fiscal charges paid	(43,987)	(2,294)	–	–
Net cash flows from capital and related financing activities	<u>(144,491)</u>	<u>(2,294)</u>	<u>–</u>	<u>–</u>
Cash flows from investing activities				
Interest received and changes in fair value on investments	<u>85,572</u>	<u>104,863</u>	<u>69,768</u>	<u>111,947</u>
Net increase in cash and cash equivalents	715,978	328,056	(389,422)	792,257
Cash and cash equivalents				
Beginning of year	<u>1,636,290</u>	<u>2,398,203</u>	<u>1,847,760</u>	<u>2,153,620</u>
End of year	<u>\$ 2,352,268</u>	<u>\$ 2,726,259</u>	<u>\$ 1,458,338</u>	<u>\$ 2,945,877</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 553,704	\$ (111,346)	\$ (67,165)	\$ 651,397
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation/amortization	163,546	665,198	–	471,134
Other	4,241	4,575	1,500	100
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Accounts receivable	(12,187)	(35,313)	2,190	(16,576)
Special assessments	–	7,951	–	–
Due from other governments	–	–	21,526	–
Inventory	32,941	–	–	–
Prepaid items	–	–	–	–
Deferred outflows of resources – pension plan deferments	59,744	–	–	–
Deferred outflows of resources – OPEB plan deferments	1,748	–	–	–
Accounts and contracts payable	207,222	19,657	(5,247)	5,909
Accrued salaries and employee benefits	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	7,806	29,820	–	–
Compensated absences	(1,306)	–	–	–
Net pension liability	(148,812)	–	–	–
Total OPEB liability	(10,832)	–	–	–
Deferred inflows of resources – pension plan deferments	112,162	–	–	–
Net cash flows from operating activities	<u>\$ 969,977</u>	<u>\$ 580,542</u>	<u>\$ (47,196)</u>	<u>\$ 1,111,964</u>
Schedule of noncash capital and related financing activities				
Capital assets contributed from governmental funds	\$ –	\$ 629,637	\$ –	\$ 868,749
Net book values of capital asset disposals	\$ –	\$ 605	\$ –	\$ 48,916
Amortization of bond premium	\$ –	\$ –	\$ –	\$ –

<u>Water</u>	<u>Street Light</u>	<u>Total</u>	<u>Governmental Activities – Internal Service</u>
\$ 2,719,569	\$ 235,210	\$ 13,793,200	\$ –
–	–	–	4,150,508
(850,433)	(215,249)	(8,638,396)	–
(11,314)	–	(661,734)	(3,411,740)
–	–	–	(958,223)
<u>1,857,822</u>	<u>19,961</u>	<u>4,493,070</u>	<u>(219,455)</u>
6,688	–	10,822	–
–	–	–	35,022
<u>(467,899)</u>	<u>–</u>	<u>(1,865,816)</u>	<u>–</u>
(461,211)	–	(1,854,994)	35,022
(28,180)	–	(34,500)	–
(65,000)	–	(159,184)	–
<u>(23,175)</u>	<u>–</u>	<u>(69,456)</u>	<u>–</u>
(116,355)	–	(263,140)	–
<u>493,778</u>	<u>15,243</u>	<u>881,171</u>	<u>126,300</u>
1,774,034	35,204	3,256,107	(58,133)
<u>10,868,091</u>	<u>346,198</u>	<u>19,250,162</u>	<u>3,039,411</u>
<u>\$ 12,642,125</u>	<u>\$ 381,402</u>	<u>\$ 22,506,269</u>	<u>\$ 2,981,278</u>
\$ 621,810	\$ 22,762	\$ 1,671,162	\$ (290,915)
1,003,217	–	2,303,095	1,100
302,389	1,286	314,091	–
(80,231)	(3,595)	(145,712)	40,738
–	–	7,951	–
725	–	22,251	(15,738)
–	–	32,941	–
–	–	–	41,559
–	–	59,744	–
–	–	1,748	–
19,957	(492)	247,006	9,280
–	–	–	(8,870)
(11,327)	–	(11,327)	714
1,282	–	38,908	–
–	–	(1,306)	2,677
–	–	(148,812)	–
–	–	(10,832)	–
–	–	112,162	–
<u>\$ 1,857,822</u>	<u>\$ 19,961</u>	<u>\$ 4,493,070</u>	<u>\$ (219,455)</u>
\$ 785,977	\$ –	\$ 2,284,363	\$ –
\$ 2,426	\$ –	\$ 51,947	\$ –
\$ 9,913	\$ –	\$ 9,913	\$ –

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CITY OF FARMINGTON

Notes to Basic Financial Statements
December 31, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Farmington, Minnesota (the City) was incorporated in 1872 and operates under the state of Minnesota Statutory Plan A form of government. The City Council is the governing body and is composed of an elected mayor and four councilmembers who exercise legislative authority and determine all matters of policy. The City provides the following services: public safety, roads, water and sanitary sewer, storm water management, solid waste and recycling disposal, public improvements, planning and zoning, recreation, and general administration.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component unit. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

As a result of applying these criteria, one organization has been included in this report as follows:

Blended Component Unit – The Farmington Economic Development Authority (EDA) is the City's official decision-making body regarding economic development. The EDA promotes the retention and expansion of existing businesses, while attracting new businesses to the community in order to promote a diversified tax base, job opportunities, and convenient shopping for residents. The EDA is a legally separate entity from the City; however, the City is financially accountable for the EDA. The EDA's governing board is comprised of the City's mayor and councilmembers, and the City has the ability to impose its will on the EDA. The EDA does not issue separate financial statements. Therefore, the EDA has been reported as a blended component unit of the City, with its funds reported as funds of the City.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities demonstrates the extent to which the direct expense of a given function (general government, public safety, public works, parks and recreation, and economic development) or business-type activity (liquor operations, utility services) is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Interest on debt is considered an indirect expense and is reported separately in the Statement of Activities. Depreciation/amortization expense is included in the direct expenses of each function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as general revenues. Internally directed revenues are reported as general revenues rather than program revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the fiscal year for which they are certified for levy. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds is reported in a single column in the respective fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt are reported as other financing sources.

Major revenues susceptible to accrual include property taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenues are recorded only when received because they are not measurable until collected.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Federal Aid Special Revenue Fund – This fund accounts for the operations and activities related to certain federal funding awarded during the COVID-19 pandemic.

Private Capital Projects Fund – This fund accounts for engineering and administrative fee deposits related to private development projects within the City.

Storm Water Trunk Capital Projects Fund – This fund accounts for the construction and improvement of storm water trunk infrastructure within the City.

Closed Bond Debt Service Fund – This fund accounts for accumulated resources related to bond issues that fully matured or were called by the City using internal resources in prior years, which will be for future debt service.

The City reports the following major enterprise funds:

Liquor Operations Fund – The Liquor Operations Fund accounts for the retail operations of the City's two off-sale municipal liquor stores.

Sewer Operations Fund – The Sewer Operations Fund accounts for the operations of the City's wastewater collection and treatment systems.

Solid Waste Fund – The Solid Waste Fund accounts for the revenue and expenses related to the operation of the City's garbage collection and recycling programs. The City has been in the process of transitioning these functions to a private contractor beginning in 2022. It is anticipated that this fund will be closed in 2024.

Storm Water Fund – The Storm Water Fund accounts for revenues and expenses related to the maintenance and cleaning of the City's existing storm water collection and holding pond system.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water Fund – The Water Fund accounts for the operations of the City’s water distribution system, including wells, reservoirs, and trunk infrastructure system.

Street Light Fund – The Street Light Fund accounts for the financial activities related to city-owned street lights.

Additionally, the City reports the following fund type:

Internal Service Funds – Internal service funds account for the financing of goods and services provided to other departments or agencies of the City on a cost-reimbursement basis. The City’s internal service funds account for employee benefits expenses, insurance, fleet services, and technology services.

E. Budgets and Budgetary Accounting

Budgets are prepared annually on a modified accrual basis and legally adopted by the City Council for the General Fund, most special revenue funds, the Debt Service Fund (in total), and most capital projects funds. No fiscal 2023 budgets were adopted for the Federal Aid, Police Public Outreach, K-9, or Public Safety Special Revenue Funds; for the Parking Lot Project, Akin Street Reconstruction, Spruce Street Reconstruction, Capital Projects Reserve, 2024 Street Improvements, or Emerald Ash Borer Capital Projects Funds; or for the Closed Bond Debt Service Fund. Budgeted expenditure appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The city administrator submits a proposed operating budget for the fiscal year commencing the following January 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budgets and makes the appropriate changes.
3. Public hearings are conducted to obtain taxpayer comments.
4. The budgets are legally enacted through passage of a resolution on a departmental basis and can be expended by each department based upon detailed budget estimates for individual expenditure accounts.
5. Formal budgetary integration is employed as a management control device during the year for the governmental and enterprise funds.
6. The legal level of budgetary control is at the fund level. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (e.g., personnel services, supplies, other services and charges, etc.) within each department. Management can exceed appropriations at the department level without City Council approval. The City Council must approve any expenditures over budget at the fund level by resolution or through the disbursement process.
7. The City Council may authorize transfers of budgeted amounts between funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended December 31, 2023, expenditures exceeded budget for the following funds. Expenditures in excess of budget were approved by the City Council either through the disbursement process or separate City Council action.

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>
Major funds		
Storm Water Trunk Capital Projects	\$ –	\$ 7,883
Nonmajor special revenue funds		
Police Donations and Forfeitures	\$ 2,000	\$ 2,195
Arena	\$ 453,107	\$ 493,543
Nonmajor capital projects funds		
Sanitary Sewer Trunk	\$ –	\$ 18,575
Fire	\$ 7,000	\$ 42,998
General Capital Equipment	\$ 557,408	\$ 1,315,883

F. Cash and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds based on month-end outstanding balances for each fund.

Certain resources set aside for future use, such as the construction of a drinking water treatment plant, are classified as restricted assets on the Statement of Net Position, because their use is limited by outside agreements. Interest on these investments is allocated to the respective fund.

For purposes of the Statement of Cash Flows, the City considers all highly liquid instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered cash equivalent.

It is the City's policy to invest in a manner that seeks to ensure preservation of capital in the overall portfolio. Safety of principal is the foremost objective, but liquidity and yield are also important considerations. The objective will be to mitigate credit risk by purchasing only highly rated securities or with adequate collateral and interest rate risk by matching maturities to cash flow needs and holding securities to maturity.

The City reports all investments at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of the current year-end.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments; no allowance for uncollectible accounts has been provided on current receivables. Receivables not expected to be fully collected within one year include leases, special assessments, property taxes, and certain state-aid receivables.

H. Interfund Balances and Transfers

In the fund financial statements, balances between funds that are representative of lending or borrowing arrangements are reported as either “due to/from other funds” (current portion) or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances and transfers reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

I. Property Taxes

Property tax levies are set by the City Council in December of each year and certified to Dakota County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes, spreading the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Tax levies on real property are payable in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts four times a year: in June, July, December, and January.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable and are offset by a deferred inflow of resources in the governmental fund financial statements.

J. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31, are offset by a deferred inflow of resources in the governmental fund financial statements.

K. Inventories

Inventories of the proprietary funds, primarily the liquor operations, are stated at cost, which approximates market, using the average cost method.

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, infrastructure assets (roads, bridges, sidewalks, and similar items), and intangible assets, such as easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements, but not in the governmental fund financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. Lease assets are recorded based on the measurement of payments applicable to the lease term. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of five years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land, easements, and construction in progress are not depreciated. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. The other classes of capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20–50 years
Improvements other than buildings	20–50 years
Machinery and equipment	5–20 years
Infrastructure	30 years
Collection/distribution systems	50 years

N. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets may report separate financial statement elements called deferred outflows of resources or deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets, respectively, that apply to future periods and will not be recognized as an outflow of financial resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

Deferred outflows and inflows of resources related to pension and other post-employment benefits (OPEB) plans are reported in the government-wide and enterprise funds Statements of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, net collective difference between projected and actual earnings on plan investments, and from contributions to the plans subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under applicable pension or OPEB standards.

The City also reports deferred inflows of resources related to leases. Lessors are required to recognize deferred inflows of resources corresponding to lease receivables, which are reported in both the governmental fund financial statements and the government-wide financial statements. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

Unavailable revenue arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from: property taxes, special assessments, and long-term receivables. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

P. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused leave benefits as either paid time off (PTO), or vacation and sick leave. Under the City's personnel policies and collective bargaining contracts, city employees are granted leave benefits in varying amounts based on length of service. No liability is recorded for nonvesting accumulating rights to receive sick leave benefits. As benefits accrue to employees, the accumulated PTO, vacation, and vested sick leave is reported as expense and liability in the government-wide and proprietary fund financial statements. Accrued PTO, vacation, and any portion of sick leave payable to employees upon termination are reported as expenditures in the governmental fund that will pay them when they become due and payable.

Q. State-Wide Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City continues to carry commercial insurance for risks of loss, including workers' compensation, property and general liability, and employee health and accident insurance. The City retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

Property and Casualty Insurance – Property and casualty insurance is provided through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, property, automobile, marine, crime, federal laws, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for excess claims. The LMCIT allows the pool to make additional assessments to make the pool self-sustaining.

Current state statutes (Minnesota Statutes, Subd. 466.04) provide limits of liability for the City. These limits are that the combination of defense expense and indemnification expense shall not exceed \$500,000 in the case of one claimant or \$1,500,000 for any number of claims arising out of a single occurrence. The City retains risk for the deductible portion of its insurance policies and any potential judicial ruling in excess of the statutory maximum. The City has never had a claim in excess of the statutory maximum. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Workers' Compensation Insurance – Workers' compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments as deemed necessary by the LMCIT. The LMCIT reinsures through the Workers' Compensation Reinsurance Association as required by law. The City's premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial, and is not recorded until received or paid.

S. Net Position Classifications and Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and amortization, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of "restricted" or "net investment in capital assets."

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

T. Fund Balance Classifications and Flow Assumptions

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. These constraints are established by the City Council and/or management. The City Council has adopted a fund balance policy, which delegates the authority to assign amounts for specific purposes to the city administrator and/or finance director.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the City first uses restricted resources, then unrestricted resources as needed. When committed, assigned, or unassigned resources are available for use, the City uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$	12,294,914
Investments		44,344,873
Petty cash		<u>4,032</u>
Total	\$	<u>56,643,819</u>

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position		
Cash and investments	\$	54,182,331
Restricted assets – temporarily restricted		
Cash for future drinking water treatment plant		<u>2,461,488</u>
Total	\$	<u>56,643,819</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking and savings accounts.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City’s deposits was \$12,294,914, while the balance on the bank records was \$12,486,284. At December 31, 2023, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasury securities	Not Applicable		Level 2	\$ 8,814,196	\$ 2,599,511	\$ 11,413,707
U.S. agency securities	AA	S&P	Level 2	3,054,505	10,898,521	13,953,026
U.S. agency securities	Aaa	Moody’s	Level 2	–	457,332	457,332
Municipal bonds	AAA	S&P	Level 2	–	1,287,478	1,287,478
Municipal bonds	Aa	Moody’s	Level 2	586,304	4,213,307	4,799,611
Municipal bonds	AA	S&P	Level 2	888,541	4,529,256	5,417,797
Municipal bonds	A	Moody’s	Level 2	–	369,568	369,568
Negotiable certificates of deposit	Not Rated		Level 2	2,983,634	3,408,038	6,391,672
				<u>\$ 16,327,180</u>	<u>\$ 27,763,011</u>	44,090,191
Investment pools/mutual funds	AAA	S&P	Level 1			254,682
Total investments						<u>\$ 44,344,873</u>

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policies do not further address this risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policies do not further address credit risk.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy places no limit on the amount the City may invest in any one issuer. However, it discusses the need to diversify investments to minimize risk. Of the City’s investment portfolio at December 31, 2023, 15.2 percent were issued by the Federal Home Loan Bank, 7.0 percent were issued by the Federal Farm Credit Bank, and 6.0 percent were issued by the Federal National Mortgage Association.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy states the investment portfolio should be structured to meet cash requirements for ongoing operations. The policy limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates, stating that no more than 30 percent of total investments should extend beyond 5 years and none should extend beyond 15 years. The City’s year-end investment portfolio maturities comply with this policy.

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The City had the following interfund balances at year-end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Governmental General	Governmental Nonmajor	Cash flow	\$ 2,691
Nonmajor	Nonmajor	Cash flow	35,379
			<u>\$ 38,070</u>

B. Interfund Transfers

The following transfers were made during the year:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Governmental Debt Service – Closed Bond</u>	<u>Nonmajor</u>	<u>Proprietary Internal Service</u>	
Governmental General	\$ –	\$ –	\$ 1,609,000 (3)	\$ 33,022 (1)	\$ 1,642,022
Nonmajor	–	1,046,942 (2)	423,446 (4)	–	1,470,388
Proprietary – Enterprise Liquor Operations	94,126 (1)	–	100,000 (5)	1,000 (1)	195,126
Sewer Operations	354,055 (1)	–	–	1,000 (1)	355,055
Solid Waste	150,000 (1)	–	266,082 (6)	–	416,082
Storm Water	431,654 (1)	–	–	–	431,654
Water	467,899 (1)	–	–	–	467,899
Total	<u>\$ 1,497,734</u>	<u>\$ 1,046,942</u>	<u>\$ 2,398,528</u>	<u>\$ 35,022</u>	<u>\$ 4,978,226</u>

- (1) To fund administrative overhead costs.
- (2) To close debt service accounts for matured or called bond issues.
- (3) For EDA operations (\$50,000), ice arena (\$20,000), emerald ash borer abatement (\$50,000), or capital purposes (\$1,489,000).
- (4) For EDA operations (\$36,969), ice arena (\$70,243), or to close funds (\$316,234).
- (5) For park improvements.
- (6) For emerald ash borer abatement.

NOTE 4 – LEASES RECEIVABLE

In 2018, the City entered into an agreement to lease space in City Hall to the U.S. Department of Agriculture (USDA). The USDA is required to make monthly payments for the space rental for a 20-year term maturing February 28, 2038, with a 3.0 percent interest rate. As part of this agreement, the City made improvements to the space in accordance with USDA specifications with a total cost of \$113,500. The USDA will reimburse the City for the full cost of these improvements through noncancelable monthly payments annually over a 10-year period, with 3.0 percent interest. During the current year, the City received principal and interest payments of \$16,908. Additionally, the City received \$12,637 in other variable payments for common area maintenance fees, which are not a part of the lease asset.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Additions	Deletions	Completed Construction	Transfers	Ending Balance
Capital assets, not depreciated/amortized						
Land	\$ 1,350,435	\$ –	\$ –	\$ –	\$ –	\$ 1,350,435
Easements	307,867	–	–	–	–	307,867
Construction in progress	2,574,042	4,677,102	–	(6,696,191)	–	554,953
Total capital assets, not depreciated/amortized	4,232,344	4,677,102	–	(6,696,191)	–	2,213,255
Capital assets, depreciated/amortized						
Buildings	21,303,850	–	–	–	–	21,303,850
Improvements other than buildings	1,848,362	524,792	–	76,560	–	2,449,714
Machinery and equipment	9,391,667	272,980	(411,620)	–	–	9,253,027
Infrastructure	59,421,059	–	(726,989)	6,619,631	(2,284,363)	63,029,338
Leases – vehicles	99,641	720,678	–	–	–	820,319
Total capital assets, depreciated/amortized	92,064,579	1,518,450	(1,138,609)	6,696,191	(2,284,363)	96,856,248
Less accumulated depreciation/amortization						
Buildings	8,006,839	433,533	–	–	–	8,440,372
Improvements other than buildings	1,553,212	72,034	–	–	–	1,625,246
Machinery and equipment	5,492,487	541,915	(408,233)	–	–	5,626,169
Infrastructure	33,622,787	1,370,761	(726,989)	–	–	34,266,559
Leases – vehicles	10,571	97,522	–	–	–	108,093
Total accumulated depreciation/amortization	48,685,896	2,515,765	(1,135,222)	–	–	50,066,439
Net capital assets, depreciated/amortized	43,378,683	(997,315)	(3,387)	6,696,191	(2,284,363)	46,789,809
Total capital assets, net	\$ 47,611,027	\$ 3,679,787	\$ (3,387)	\$ –	\$ (2,284,363)	\$ 49,003,064

NOTE 5 – CAPITAL ASSETS (CONTINUED)

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not depreciated/amortized					
Land	\$ 498,376	\$ –	\$ –	\$ –	\$ 498,376
Capital assets, depreciated/amortized					
Buildings	5,290,137	–	–	–	5,290,137
Improvements other than buildings	1,893,094	–	–	–	1,893,094
Machinery and equipment	2,270,459	34,500	–	–	2,304,959
Collection/distribution systems	83,461,594	–	(238,684)	2,284,363	85,507,273
Leases – buildings	951,551	–	–	–	951,551
Total capital assets, depreciated/amortized	93,866,835	34,500	(238,684)	2,284,363	95,947,014
Less accumulated depreciation/amortization					
Buildings	3,956,508	205,130	–	–	4,161,638
Improvements other than buildings	395,195	105,811	–	–	501,006
Machinery and equipment	1,637,743	157,195	–	–	1,794,938
Collection/distribution systems	38,453,030	1,714,332	(186,737)	–	39,980,625
Leases – buildings	56,118	120,627	–	–	176,745
Total accumulated depreciation/amortization	44,498,594	2,303,095	(186,737)	–	46,614,952
Net capital assets, depreciated/amortized	49,368,241	(2,268,595)	(51,947)	2,284,363	49,332,062
Total capital assets, net	<u>\$ 49,866,617</u>	<u>\$ (2,268,595)</u>	<u>\$ (51,947)</u>	<u>\$ 2,284,363</u>	<u>\$ 49,830,438</u>

C. Depreciation/Amortization Expense by Function

Depreciation/amortization expense was charged to the following functions:

Governmental activities	
General government	\$ 1,568,023
Public safety	475,398
Public works	212,989
Parks and recreation	259,355
	<u>2,515,765</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 2,515,765</u>
Business-type activities	
Liquor operations	\$ 163,546
Sewer operations	665,198
Storm water	471,134
Water	1,003,217
	<u>1,003,217</u>
Total depreciation/amortization expense – business-type activities	<u>\$ 2,303,095</u>

NOTE 6 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General obligation improvement bonds					
G.O. Street Reconstruction Bonds 2015A	\$ 3,050,000	2.00–3.00%	10/15/2015	02/01/2030	\$ 1,575,000
G.O. Street Reconstruction Bonds 2019A	\$ 925,000	5.00%	05/15/2019	02/01/2024	210,000
G.O. Street Reconstruction Bonds 2022A	\$ 3,650,000	3.00–5.00%	07/06/2022	02/01/2033	<u>3,650,000</u>
Total general obligation improvement bonds					5,435,000
General obligation capital improvement bonds					
G.O. Capital Improvement Refunding Bonds 2016B	\$ 4,540,000	2.00–3.00%	12/01/2016	02/01/2028	2,965,000
General obligation equipment certificates					
G.O. Equipment Certificates of Indebtedness 2020A	\$ 1,105,000	5.00%	02/19/2020	02/01/2026	<u>695,000</u>
Total bonds and certificates					9,095,000
Unamortized premiums					544,915
Lease liabilities					
Lease – vehicle	\$ 31,238	6.62%	06/23/2022	06/30/2026	21,807
Lease – vehicle	\$ 31,238	6.62%	06/23/2022	06/30/2026	22,984
Lease – vehicle	\$ 29,970	7.71%	09/23/2022	09/30/2026	21,807
Lease – vehicle	\$ 30,637	2.68%	03/13/2023	03/31/2028	25,988
Lease – vehicle	\$ 30,590	2.68%	03/16/2023	03/31/2028	25,988
Lease – vehicle	\$ 30,590	2.68%	03/16/2023	03/31/2028	25,988
Lease – vehicle	\$ 30,590	2.68%	03/16/2023	03/31/2028	25,988
Lease – vehicle	\$ 44,510	3.53%	04/19/2023	04/30/2028	38,551
Lease – vehicle	\$ 50,395	2.31%	05/25/2023	05/31/2028	44,564
Lease – vehicle	\$ 39,285	2.79%	07/24/2023	07/31/2027	35,129
Lease – vehicle	\$ 42,292	2.74%	07/27/2023	07/31/2028	38,795
Lease – vehicle	\$ 40,296	2.74%	08/21/2023	08/31/2028	37,482
Lease – vehicle	\$ 40,296	2.74%	08/21/2023	08/31/2028	37,482
Lease – vehicle	\$ 40,296	2.74%	08/21/2023	08/31/2028	37,482
Lease – vehicle	\$ 40,129	2.74%	08/24/2023	08/31/2028	37,383
Lease – vehicle	\$ 39,267	2.79%	08/25/2023	08/31/2027	35,911
Lease – vehicle	\$ 57,934	2.74%	08/31/2023	08/31/2028	54,163
Lease – vehicle	\$ 39,264	3.53%	10/12/2023	10/31/2027	37,152
Lease – vehicle	\$ 39,302	3.53%	10/12/2023	10/31/2027	37,188
Lease – vehicle	\$ 39,302	3.53%	10/12/2023	10/31/2027	37,188
Lease – vehicle	\$ 39,264	3.53%	10/12/2023	10/31/2027	<u>37,151</u>
Total lease liabilities					716,171
Compensated absences					<u>1,052,961</u>
Total governmental activities					<u>\$ 11,409,047</u>
Business-type activities					
General obligation revenue bonds					
G.O. Water Revenue Bonds 2019A	\$ 720,000	4.00–5.00%	05/15/2019	02/01/2029	\$ 465,000
Unamortized premiums					51,207
Lease liabilities					
Lease – buildings (Downtown liquor store)	\$ 745,373	6.62%	10/01/2021	05/31/2036	689,258
Lease – buildings (Pilot Knob liquor store)	\$ 211,684	5.00%	12/01/2022	11/30/2025	<u>138,863</u>
Total lease liabilities					828,121
Compensated absences					<u>45,016</u>
Total business-type activities					<u>\$ 1,389,344</u>

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

B. Bonds and Certificates Payable

- **General Obligation Bonds** – The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements or to refinance (refund) previous bond issues. The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.
- **General Obligation Equipment Certificates** – The City issues general obligation equipment certificates of indebtedness in accordance with Minnesota Statutes § 412.301 to finance the purchase of equipment, which will be repaid primarily through ad valorem tax levies.
- **General Obligation Revenue Bonds** – The City issues general obligation revenue bonds to finance capital improvements in the enterprise funds. These bonds will be repaid from future net operating revenues pledged from enterprise funds and are backed by the taxing power of the City.

Minimum annual payments required to retire bonds and certificates are as follows:

Governmental Activities

Year Ending December 31,	G.O. Improvement		G.O. Capital Improvement		G.O. Equipment		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 740,000	\$ 194,400	\$ 560,000	\$ 68,200	\$ 220,000	\$ 29,250	\$ 1,520,000	\$ 291,850
2025	550,000	168,100	575,000	51,175	230,000	18,000	1,355,000	237,275
2026	570,000	147,450	595,000	33,625	245,000	6,125	1,410,000	187,200
2027	585,000	125,450	610,000	18,600	–	–	1,195,000	144,050
2028	610,000	101,950	625,000	6,250	–	–	1,235,000	108,200
2029–2033	2,380,000	190,388	–	–	–	–	2,380,000	190,388
Total	\$ 5,435,000	\$ 927,738	\$ 2,965,000	\$ 177,850	\$ 695,000	\$ 53,375	\$ 9,095,000	\$ 1,158,963

Business-Type Activities

Year Ending December 31,	G.O. Revenue	
	Principal	Interest
2024	\$ 70,000	\$ 19,800
2025	70,000	16,300
2026	75,000	12,675
2027	80,000	8,800
2028	85,000	5,100
2029	85,000	1,700
Total	\$ 465,000	\$ 64,375

C. Revenue Pledged

Future revenue pledged for the payment of long-term bonded debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged Type	Percent of Debt Service	Term of Pledge	Remaining Principal and Interest	Current Year	
						Principal and Interest Paid	Pledged Revenue Received
G.O. Water Revenue Bonds 2019A	Utility improvements	Utility charges	100%	2019–2029	\$ 529,375	\$ 88,175	\$ 2,496,686

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

D. Ultimate Responsibility for Debt

All general obligation bonds are backed by the full faith and credit of the City.

The City is subject to statutory limitation by the state of Minnesota for bonded indebtedness payable principally from property taxes equal to 3.0 percent of the taxable market value of property in the City. As of December 31, 2023, the City had not utilized \$77,713,834 of its \$86,808,834 legal debt limit.

E. Lease Liabilities

- **Leases – Vehicles** – The City is leasing a number of vehicles under agreements that are secured by the leased equipment. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 5 of the notes to basic financial statements. The leases are being paid by the (nonmajor) General Capital Equipment Capital Projects Fund.
- **Leases – Buildings** – The City operates two retail liquor stores known colloquially as Downtown and Pilot Knob. The City leases building space through two agreements that are being paid by the Liquor Operations Enterprise Fund. The Downtown store lease is for an approximately 7,400 square foot space in the Farmington Mall, for which the City paid \$26,545 in common area operating expenses in 2023 that are not included in the lease liability. The Pilot Knob location occupies a 4,758 square foot store in the Farmington Gateway Center, for which the City paid \$45,915 in common area operating expenses in 2023 that are not included in the lease liability. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 5 of the notes to basic financial statements.

Minimum annual payments required to retire bonds and certificates are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Vehicle Leases		Liquor Store Building Leases	
	Principal	Interest	Principal	Interest
2024	\$ 171,422	\$ 20,986	\$ 100,907	\$ 39,125
2025	177,459	14,587	101,686	33,919
2026	171,792	8,098	37,356	30,440
2027	145,574	3,287	41,348	28,482
2028	49,924	425	45,607	26,318
2029–2033	–	–	302,380	90,933
2034–2036	–	–	198,837	12,814
Total	<u>\$ 716,171</u>	<u>\$ 47,383</u>	<u>\$ 828,121</u>	<u>\$ 262,031</u>

F. Other Long-Term Liabilities

The City provides its employees with various benefits, including compensated absences, and pension benefits and OPEB as further described elsewhere in these notes. The General Fund and Liquor Operations Enterprise Fund will be used to liquidate these liabilities.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

G. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. improvement bonds	\$ 6,305,000	\$ –	\$ 870,000	\$ 5,435,000	\$ 740,000
G.O. capital improvement bonds	3,510,000	–	545,000	2,965,000	560,000
G.O. equipment certificates	905,000	–	210,000	695,000	220,000
Unamortized premiums	668,370	–	123,455	544,915	–
Lease liabilities	83,029	714,239	81,097	716,171	171,422
Compensated absences	1,134,365	706,003	787,407	1,052,961	789,721
Total governmental activities	<u>12,605,764</u>	<u>1,420,242</u>	<u>2,616,959</u>	<u>11,409,047</u>	<u>2,481,143</u>
Business-type activities					
G.O. revenue bonds	530,000	–	65,000	465,000	70,000
Unamortized premiums	61,120	–	9,913	51,207	–
Lease liabilities	922,305	–	94,184	828,121	100,907
Compensated absences	46,322	27,186	28,492	45,016	33,762
Total business-type activities	<u>1,559,747</u>	<u>27,186</u>	<u>197,589</u>	<u>1,389,344</u>	<u>204,669</u>
Total government-wide	<u>\$ 14,165,511</u>	<u>\$ 1,447,428</u>	<u>\$ 2,814,548</u>	<u>\$ 12,798,391</u>	<u>\$ 2,685,812</u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Employees of the City participate in three defined benefit pension plans. Two of the plans are state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota: the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). The third is a single-employer defined benefit pension plan administered through the Farmington Fire Fighters' Relief Association (the Association). The details of the City's participation in each of these plans are presented later in these notes. The following table summarizes the impact of these plans on the City's government-wide financial statements:

	State-Wide PERA Pension Plans			Farmington Fire Fighters' Relief Association	Total All Plans
	GERF	PEPFF	Total		
Net pension asset	\$ –	\$ –	\$ –	\$ 1,536,553	\$ 1,536,553
Deferred outflows of resources	\$ 1,000,960	\$ 6,453,848	\$ 7,454,808	\$ 851,277	\$ 8,306,085
Net pension liability	\$ 3,707,422	\$ 4,241,193	\$ 7,948,615	\$ –	\$ 7,948,615
Deferred inflows of resources	\$ 1,253,850	\$ 6,202,494	\$ 7,456,344	\$ 667,434	\$ 8,123,778
Pension expense	\$ 629,463	\$ 1,248,580	\$ 1,878,043	\$ 205,963	\$ 2,084,006

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The City participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) of Minnesota. The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. The GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The Public Employees Police and Fire Fund (PEPFF), originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to the PERA.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service, and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years, up to 100.0 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50.0 percent after 10 years, up to 100.0 percent after 20 years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1.0 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months, but less than 36 months as of the June 30 before the effective date of the increase, will receive a reduced prorated increase.

In 2023, the Legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is noncompounding towards future benefits.

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2023, were \$396,285. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

PEPFF Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2023, were \$560,404. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2023, the City reported a liability of \$3,707,422 for its proportionate share of the GERF’s net pension liability. The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$102,159. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0663 percent at the end of the measurement period and 0.0656 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of the net pension liability	\$ 3,707,422
State’s proportionate share of the net pension liability associated with the City	<u>102,159</u>
Total	<u>\$ 3,809,581</u>

For the year ended December 31, 2023, the City recognized pension expense of \$629,004 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$459 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

At December 31, 2023, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 121,445	\$ 25,925
Changes in actuarial assumptions	608,618	1,016,173
Net collective difference between projected and actual investment earnings	–	175,455
Changes in proportion	73,057	36,297
Contributions paid to the PERA subsequent to the measurement date	<u>197,840</u>	<u>–</u>
Total	<u>\$ 1,000,960</u>	<u>\$ 1,253,850</u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

A total of \$197,840 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 109,610
2025	\$ (575,322)
2026	\$ 95,406
2027	\$ (80,424)

2. PEPFF Pension Costs

At December 31, 2023, the City reported a liability of \$4,241,193 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.2456 percent at the end of the measurement period and 0.2474 percent for the beginning of the period.

The state of Minnesota contributed \$18.0 million to the PEPFF in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9.0 million in direct state aid that meets the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$170,843.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of the net pension liability	\$ 4,241,193
State’s proportionate share of the net pension liability associated with the City	<u>170,843</u>
Total	<u><u>\$ 4,412,036</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$1,258,870 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$10,290 as a reduction of grant revenue and pension expense for its proportionate share of the state of Minnesota’s pension expense for the contribution of \$9.0 million to the PEPFF.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9.0 million in supplemental state aid. The City recognized \$22,104 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the PEPFF.

At December 31, 2023, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,169,756	\$ –
Changes in actuarial assumptions	4,931,764	5,962,538
Net collective difference between projected and actual investment earnings	–	174,679
Changes in proportion	61,381	65,277
Contributions paid to the PERA subsequent to the measurement date	<u>290,947</u>	<u>–</u>
Total	<u>\$ 6,453,848</u>	<u>\$ 6,202,494</u>

A total of \$290,947 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 212,956
2025	\$ 63,153
2026	\$ 1,034,611
2027	\$ (284,988)
2028	\$ (1,065,325)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Long-Term Expected Return on Investments

The Minnesota State Board of Investment, which manages the investments of the PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit the PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020, adopted by the Board, and became effective with the July 1, 2021 actuarial valuation.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

The following table presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed on the preceding page, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City’s proportionate share of the GERF net pension liability	\$ 6,558,727	\$ 3,707,422	\$ 1,362,115
City’s proportionate share of the PEPFF net pension liability	\$ 8,415,032	\$ 4,241,193	\$ 809,738

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

Volunteer firefighters of the Farmington Volunteer Fire Department (the Department) are members of the Association, which administers a single-employer defined benefit pension plan established to provide benefits for its members. The plan is established and administered in accordance with Minnesota Statutes, Chapter 69. The Association is governed by a Board of nine trustees; six voting trustees elected by the members of the Association, and the City’s mayor, city administrator, and fire chief as ex officio members. As of December 31, 2022, the plan covered 50 active firefighters and 12 vested terminated firefighters whose pension benefits are deferred. The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department’s membership.

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement equivalent to \$8,500 per year of service.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as described by the bylaws. This percentage increases 4 percent per year, so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 and have completed at least 10 years of active membership, are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member’s service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The firefighters have no obligation to contribute to the plan. Nonemployer pension contributions include state aid from the state of Minnesota and municipal contributions from the City. On-behalf of state aid payments from the state of Minnesota are received initially by the City and subsequently remitted to the Association. These on-behalf of state aid payments, in addition to the City’s municipal contribution payments to the Association plan, are recognized as revenues and expenditures in the City’s General Fund during the period received.

The state of Minnesota contributed \$210,460 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2023, which was recorded as revenue. Required employer contributions are calculated annually based on statutory provisions. The City’s statutorily-required contributions to the plan for the year ended December 31, 2023 were \$0; however, the City made a voluntary contribution of \$150,000 to the plan.

D. Pension Costs

At December 31, 2023, the City reported a net pension liability (asset) of (\$1,536,553) for the plan. The net pension liability (asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2022.

The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance	\$ 2,693,997	\$ 4,408,102	\$ (1,714,105)
Changes for the year			
Service cost	218,873	–	218,873
Interest	149,757	–	149,757
Difference between expected and actual experience	(425,928)	–	(425,928)
Changes of assumptions	(11,048)	–	(11,048)
Contributions (state and local)	–	337,645	(337,645)
Net investment income	–	(566,313)	566,313
Benefit payments	(120,699)	(120,699)	–
Administrative costs	–	(17,230)	17,230
Total net changes	<u>(189,045)</u>	<u>(366,597)</u>	<u>177,552</u>
Ending balance	<u>\$ 2,504,952</u>	<u>\$ 4,041,505</u>	<u>\$ (1,536,553)</u>

For the year ended December 31, 2023, the City recognized pension revenue of \$187,645 and pension expense of \$205,963.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

At December 31, 2023, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability	\$ –	\$ 440,564
Change of assumptions	135,788	16,410
Net difference between projected and actual earnings on plan investments	355,029	–
City contributions subsequent to the measurement date	150,000	–
State aid to the City subsequent to the measurement date	<u>210,460</u>	<u>210,460</u>
Total	<u>\$ 851,277</u>	<u>\$ 667,434</u>

Deferred outflows of resources totaling \$360,460 related to pensions resulting from city contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Deferred inflows of resources totaling \$210,460 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ (17,397)
2025	\$ 54,089
2026	\$ 92,220
2027	\$ 126,373
2028	\$ (32,085)
Thereafter	\$ (189,357)

E. Actuarial Methods and Assumptions

The total pension liability (asset) at year-end was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60 percent and increased by 4 percent for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service.

Inflation rate – 2.50% per year

Investment rate of return – 5.25%

20-year municipal bond yield – 4.05%

Actuarial assumption changes since the prior valuation included an inflation rate assumption update from 2.25 percent to 2.50 percent. Mortality, disability, and withdrawal assumptions were also changed to those used in the most recent Minnesota PERA Police and Fire Plan actuarial valuation.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

The 5.25 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan’s target investment allocation, along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	65.74 %	4.10 %	6.60 %
International equity	9.84	4.64 %	7.14 %
Fixed income	–	1.05 %	3.55 %
Real estate and alternatives	4.90	3.54 %	6.04 %
Cash and equivalents	19.52	(0.45) %	2.05 %
Total	<u>100.00 %</u>		5.25 %

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability (Asset) Sensitivity

The following presents the City’s net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or higher than the current discount rate:

	1% Decrease in Discount Rate (4.25%)	Current Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net pension liability (asset)	\$ (1,400,353)	\$ (1,536,553)	\$ (1,665,339)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Farmington Fire Fighters’ Relief Association, 430 Third Street, Farmington, Minnesota 55024, or by calling (651) 280-6953.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The Plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

All retirees of the City upon retirement have the option under state law to continue their medical insurance coverage through the City. For members of certain employee groups, the City pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the City differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these city-paid premium benefits must pay the full city premium rate for their coverage.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

For police officers or firefighters disabled in the line-of-duty, Minnesota Statutes require the City to continue payment of the employer's contribution toward health coverage for the police officer or firefighter and their spouse, if the spouse was covered at the time of disability, until age 65.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$35,345.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	11
Active plan members	74
	<hr/>
Total members	85
	<hr/> <hr/>

E. Total OPEB Liability of the City

The City's total OPEB liability of \$1,092,823 as of year-end was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2022.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined using the entry-age normal cost method. Liability gains and losses and plan changes are recognized immediately, in accordance with GASB Statement No. 75 Alternative Measurement Method requirements. The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.05%
20-year municipal bond yield	4.05%
Inflation rate	2.60%
Healthcare trend rate	8.00% grading to 4.04% over 52 years

The actuarial assumptions used in the latest valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 4.05 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

Withdrawal rates, retirement rates, mortality rates, and salary scale were based on the July 1, 2014 through June 30, 2018 PERA experience studies.

Assumption changes since the prior measurement date include the following:

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 2.06 percent to 4.05 percent based on recent municipal bond index rates.
- Membership participation was updated from 65.00 percent to 50.00 percent based on experience and demographics.

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – January 1, 2023	\$ 1,263,701
Changes for the year	
Service cost	121,679
Interest	27,861
Differences between expected and actual experience	141,132
Changes of assumptions	(395,696)
Benefit payments – employer-financed	(65,854)
Total net changes	<u>(170,878)</u>
Ending balance – December 31, 2023	<u>\$ 1,092,823</u>

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.05%	4.05%	5.05%
Total OPEB liability	\$ 1,183,800	\$ 1,092,823	\$ 1,007,824

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	7.00% decreasing to 3.04% over 52 years	8.00% decreasing to 4.04% over 52 years	9.00% decreasing to 5.04% over 52 years
Total OPEB liability	\$ 962,803	\$ 1,092,823	\$ 1,244,954

I. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year, the City recognized negative OPEB expense of \$105,024. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	<u>\$ 35,345</u>	<u>\$ –</u>

Deferred outflows of resources reported \$35,345 related to OPEB resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2024.

NOTE 11 – DEFICIT FUND BALANCES

At December 31, 2023, the Federal Aid Special Revenue Fund reported a deficit fund balance of \$7,246, the (nonmajor) K-9 Special Revenue Fund reported a deficit fund balance of \$159, the (nonmajor) Akin Street Reconstruction Capital Projects Fund reported a deficit fund balance of \$132,740, the (nonmajor) Spruce Street Reconstruction Capital Projects Fund reported a deficit fund balance of \$209,989, the (nonmajor) 2024 Street Improvements Capital Projects Fund reported a deficit fund balance of \$65,283, and the Emerald Ash Borer Capital Projects Fund reported a deficit fund balance of \$17,975. These deficits are generally due to project or other expenditures incurred in advance of funding, and will be eliminated through future revenues and other financing sources.

NOTE 12 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide Statement of Net Position at December 31, 2023 includes the City's net investment in capital assets, calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets			
Capital assets, net	\$ 49,003,064	\$ 49,830,438	\$ 98,833,502
Less capital-related long-term debt outstanding	(10,356,086)	(1,344,328)	(11,700,414)
Add unused bond proceeds	490,232	–	490,232
Total net investment in capital assets	<u>\$ 39,137,210</u>	<u>\$ 48,486,110</u>	<u>\$ 87,623,320</u>

B. Governmental Fund Balance Classifications

At December 31, 2023, the City had the following governmental fund balances:

	General	Special Revenue – Federal Aid	Capital Projects –		Debt Service – Closed Bond	Nonmajor	Total
			Private	Storm Water Trunk			
Nonspendable							
Prepaid items	\$ 1,169	\$ 14,714	\$ –	\$ –	\$ –	\$ –	\$ 15,883
Restricted							
Economic development	–	–	–	–	–	374,938	374,938
Public safety programs	–	–	–	–	–	1,099,845	1,099,845
Park improvements	–	–	–	–	–	1,100,850	1,100,850
PEG fees	–	–	–	–	–	211,660	211,660
Recreational capital projects	–	–	–	–	–	119,944	119,944
Debt service	–	–	–	–	–	2,100,445	2,100,445
Total restricted	–	–	–	–	–	5,007,682	5,007,682
Committed							
Improvement projects	–	–	125,825	–	–	360,673	486,498
Park improvements	–	–	–	–	–	270,476	270,476
Ice arena capital	–	–	–	–	–	129,665	129,665
Sanitary sewer trunk	–	–	–	–	–	982,918	982,918
Cable communications	–	–	–	–	–	714,761	714,761
Fire capital programs	–	–	–	–	–	214,026	214,026
Storm water trunk	–	–	–	5,368,207	–	–	5,368,207
Capital equipment	–	–	–	–	–	697,570	697,570
Water trunk	–	–	–	–	–	1,027,237	1,027,237
Parking lot projects	–	–	–	–	–	523,005	523,005
Trail maintenance	–	–	–	–	–	309,673	309,673
Building maintenance	–	–	–	–	–	270,386	270,386
Pavement management	–	–	–	–	–	2,196,601	2,196,601
Total committed	–	–	125,825	5,368,207	–	7,696,991	13,191,023
Assigned							
Future debt payments	–	–	–	–	1,598,024	–	1,598,024
Unassigned	8,987,268	(21,960)	–	–	–	(426,146)	8,539,162
Total	<u>\$ 8,988,437</u>	<u>\$ (7,246)</u>	<u>\$ 125,825</u>	<u>\$ 5,368,207</u>	<u>\$ 1,598,024</u>	<u>\$ 12,278,527</u>	<u>\$ 28,351,774</u>

C. Minimum Fund Balance Policy

The City's policy is to maintain an unassigned fund balance in the General Fund in the range of 40.0–50.0 percent of the subsequent year's budgeted expenditures and transfers out. At December 31, 2023, the unassigned fund balance of the General Fund was 47.6 percent of the subsequent year's budgeted expenditures and transfers out.

NOTE 13 – TAX INCREMENT PAY-AS-YOU-GO FINANCING REVENUE NOTES

On November 2, 2017, the EDA entered into a private development agreement regarding the Trident Housing tax increment property. Reimbursements to the developer (Legacy Partners of Farmington, LLC) for the Downtown Redevelopment Project were contemplated in the development agreement. The vehicle used for this reimbursement is called a tax increment revenue note.

This note provides for the payment of principal, equal to the developer's costs, plus interest at 3 percent. Payments on the loan will be made at the lesser of the note payment or 90 percent of the actual net tax increment received during specific years as stated in the agreement. Payments are first applied to accrued interest and then to principal balances. The note is cancelled at the end of the agreement term, whether or not it has been repaid. Any additional tax increments received in the years following the term are retained by the EDA.

The City rebated \$99,860 of property tax increment in the current year. The remaining principal balance as of December 31, 2023 for this agreement was \$1,095,645. This amount is not included in long-term debt because of the nature of this note in that repayment is required only if sufficient tax increments are received. The EDA's position is that these are obligations to assign future and uncertain revenue sources and these obligations are not actual debt in-substance.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

Amounts recorded or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

B. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

C. Tax Increment Districts

The City's tax increment districts are subject to review by the Minnesota Office of the State Auditor. Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that it's not aware of any instances of noncompliance, which would have a material effect on the financial statements.

D. Contracts Payable

At December 31, 2023, the City is committed to various construction contracts for the improvement of city property. The City's remaining commitment under these contracts is approximately \$717,853 at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FARMINGTON

PERA – General Employees Retirement Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0623%	\$ 3,228,709	\$ –	\$ 3,228,709	\$ 3,660,794	88.20%	78.20%
12/31/2016	06/30/2016	0.0583%	\$ 4,733,671	\$ 61,864	\$ 4,795,535	\$ 3,618,268	130.83%	68.90%
12/31/2017	06/30/2017	0.0597%	\$ 3,811,209	\$ 47,942	\$ 3,859,151	\$ 3,847,797	99.05%	75.90%
12/31/2018	06/30/2018	0.0607%	\$ 3,367,387	\$ 110,472	\$ 3,477,859	\$ 4,034,230	83.47%	79.50%
12/31/2019	06/30/2019	0.0613%	\$ 3,389,141	\$ 105,329	\$ 3,494,470	\$ 4,340,798	78.08%	80.20%
12/31/2020	06/30/2020	0.0652%	\$ 3,909,039	\$ 120,522	\$ 4,029,561	\$ 4,647,499	84.11%	79.10%
12/31/2021	06/30/2021	0.0673%	\$ 2,874,012	\$ 87,697	\$ 2,961,709	\$ 4,840,585	59.37%	87.00%
12/31/2022	06/30/2022	0.0656%	\$ 5,195,542	\$ 152,265	\$ 5,347,807	\$ 4,915,505	105.70%	76.70%
12/31/2023	06/30/2023	0.0663%	\$ 3,707,422	\$ 102,159	\$ 3,809,581	\$ 5,255,710	70.54%	83.10%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 271,726	\$ 271,726	\$ –	\$ 3,623,009	7.50%
12/31/2016	\$ 279,774	\$ 279,774	\$ –	\$ 3,730,581	7.50%
12/31/2017	\$ 290,225	\$ 290,225	\$ –	\$ 3,872,895	7.49%
12/31/2018	\$ 312,863	\$ 312,863	\$ –	\$ 4,171,664	7.50%
12/31/2019	\$ 340,100	\$ 340,100	\$ –	\$ 4,534,664	7.50%
12/31/2020	\$ 372,817	\$ 372,817	\$ –	\$ 4,970,884	7.50%
12/31/2021	\$ 371,254	\$ 371,254	\$ –	\$ 4,950,057	7.50%
12/31/2022	\$ 360,931	\$ 360,931	\$ –	\$ 4,814,017	7.50%
12/31/2023	\$ 396,285	\$ 396,285	\$ –	\$ 5,283,820	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF FARMINGTON

PERA – Public Employees Police and Fire Fund
 Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.2450%	\$ 2,783,773	\$ -	\$ 2,783,773	\$ 2,242,616	124.13%	86.60%
12/31/2016	06/30/2016	0.2430%	\$ 9,752,013	\$ -	\$ 9,752,013	\$ 2,344,593	415.94%	63.90%
12/31/2017	06/30/2017	0.2370%	\$ 3,199,781	\$ -	\$ 3,199,781	\$ 2,431,157	131.62%	85.40%
12/31/2018	06/30/2018	0.2300%	\$ 2,451,563	\$ -	\$ 2,451,563	\$ 2,424,781	101.10%	88.80%
12/31/2019	06/30/2019	0.2381%	\$ 2,534,816	\$ -	\$ 2,534,816	\$ 2,513,262	100.86%	89.30%
12/31/2020	06/30/2020	0.2410%	\$ 3,176,637	\$ 74,843	\$ 3,251,480	\$ 2,720,577	116.76%	87.20%
12/31/2021	06/30/2021	0.2436%	\$ 1,880,335	\$ 84,551	\$ 1,964,886	\$ 2,879,369	65.30%	93.70%
12/31/2022	06/30/2022	0.2474%	\$ 10,765,871	\$ 470,299	\$ 11,236,170	\$ 3,003,762	358.41%	70.50%
12/31/2023	06/30/2023	0.2456%	\$ 4,241,193	\$ 170,843	\$ 4,412,036	\$ 3,225,401	131.49%	86.50%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 374,503	\$ 374,503	\$ -	\$ 2,311,741	16.20%
12/31/2016	\$ 384,033	\$ 384,033	\$ -	\$ 2,370,262	16.20%
12/31/2017	\$ 395,621	\$ 395,621	\$ -	\$ 2,442,894	16.19%
12/31/2018	\$ 396,439	\$ 396,439	\$ -	\$ 2,447,155	16.20%
12/31/2019	\$ 442,727	\$ 442,727	\$ -	\$ 2,611,958	16.95%
12/31/2020	\$ 515,909	\$ 515,909	\$ -	\$ 2,914,733	17.70%
12/31/2021	\$ 526,699	\$ 526,699	\$ -	\$ 2,975,703	17.70%
12/31/2022	\$ 536,433	\$ 536,433	\$ -	\$ 3,030,694	17.70%
12/31/2023	\$ 560,404	\$ 560,404	\$ -	\$ 3,166,126	17.70%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF FARMINGTON

Farmington Fire Fighters' Relief Association
 Schedule of Changes in the Relief Association's
 Net Pension Liability (Asset) and Related Ratios
 Year Ended December 31, 2023

City fiscal year-end dated December 31,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Farmington Fire Fighters' Relief Association year-end dated (measurement date) December 31,	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	\$ 69,285	\$ 71,190	\$ 86,788	\$ 93,501	\$ 112,754	\$ 163,690	\$ 177,922	\$ 190,066	\$ 218,873
Interest	110,249	92,788	82,702	95,308	105,418	118,151	119,981	125,065	149,757
Differences between expected and actual experience	-	-	(14,504)	-	(13,870)	-	(51,474)	-	(425,928)
Changes of assumptions	-	116,780	(15,678)	-	86,336	61,961	18,063	-	(11,048)
Changes of benefits terms	-	-	143,662	171,894	169,797	-	(368)	238,686	-
Benefit payments	(265,643)	(596,137)	(1,194)	(292,064)	(156,771)	-	(254,977)	(103,887)	(120,699)
Net change in total pension liability	(86,109)	(315,379)	281,776	68,639	303,664	343,802	9,147	449,930	(189,045)
Total pension liability Beginning of year	1,638,527	1,552,418	1,237,039	1,518,815	1,587,454	1,891,118	2,234,920	2,244,067	2,693,997
End of year	\$ 1,552,418	\$ 1,237,039	\$ 1,518,815	\$ 1,587,454	\$ 1,891,118	\$ 2,234,920	\$ 2,244,067	\$ 2,693,997	\$ 2,504,952
Plan fiduciary net position									
Contributions (state and local)	\$ 283,461	\$ 291,915	\$ 291,510	\$ 301,508	\$ 297,548	\$ 301,797	\$ 315,539	\$ 321,822	\$ 337,645
Net investment income	84,277	(33,543)	163,457	342,985	(168,667)	508,896	366,662	419,642	(566,313)
Benefit payments	(265,643)	(596,137)	(1,194)	(292,064)	(156,771)	-	(254,977)	(103,887)	(120,699)
Administrative costs	(10,848)	(15,756)	(17,200)	(18,282)	(16,720)	(18,400)	(16,950)	(18,750)	(17,230)
Net change in plan fiduciary net position	91,247	(353,521)	436,573	334,147	(44,610)	792,293	410,274	618,827	(366,597)
Plan fiduciary net position Beginning of year	2,122,872	2,214,119	1,860,598	2,297,171	2,631,318	2,586,708	3,379,001	3,789,275	4,408,102
End of year	\$ 2,214,119	\$ 1,860,598	\$ 2,297,171	\$ 2,631,318	\$ 2,586,708	\$ 3,379,001	\$ 3,789,275	\$ 4,408,102	\$ 4,041,505
Net pension liability (asset) – ending	\$ (661,701)	\$ (623,559)	\$ (778,356)	\$ (1,043,864)	\$ (695,590)	\$ (1,144,081)	\$ (1,545,208)	\$ (1,714,105)	\$ (1,536,553)
Plan fiduciary net position as a percentage of the total pension liability	142.62%	150.41%	151.25%	165.76%	136.78%	151.19%	168.86%	163.63%	161.34%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous fiscal years.

CITY OF FARMINGTON

Farmington Fire Fighters' Relief Association
 Schedule of City Contributions
 Year Ended December 31, 2023

City Fiscal Year-End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Voluntary City Contribution
12/31/2015	\$ -	\$ -	\$ -	\$ 150,000
12/31/2016	\$ -	\$ -	\$ -	\$ 150,000
12/31/2017	\$ -	\$ -	\$ -	\$ 150,000
12/31/2018	\$ -	\$ -	\$ -	\$ 150,000
12/31/2019	\$ -	\$ -	\$ -	\$ 150,000
12/31/2020	\$ -	\$ -	\$ -	\$ 150,000
12/31/2021	\$ -	\$ -	\$ -	\$ 150,000
12/31/2022	\$ -	\$ -	\$ -	\$ 150,000
12/31/2023	\$ -	\$ -	\$ -	\$ 150,000

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous fiscal years.

CITY OF FARMINGTON

Other Post-Employment Benefits Plan
 Schedule of Changes in the City's Total
 OPEB Liability and Related Ratios
 Year Ended December 31, 2023

	Fiscal Year					
	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 113,275	\$ 85,451	\$ 74,564	\$ 92,066	\$ 114,711	\$ 121,679
Interest	40,190	40,509	49,025	26,170	26,625	27,861
Differences between expected and actual experience	–	–	(424,559)	489,862	3,834	141,132
Changes of assumptions	28,356	(57,133)	79,584	(278,274)	6,058	(395,696)
Benefit payments	<u>(38,891)</u>	<u>(40,361)</u>	<u>(33,373)</u>	<u>(45,998)</u>	<u>(57,384)</u>	<u>(65,854)</u>
Net change in total OPEB liability	142,930	28,466	(254,759)	283,826	93,844	(170,878)
Total OPEB liability – beginning of year	<u>969,394</u>	<u>1,112,324</u>	<u>1,140,790</u>	<u>886,031</u>	<u>1,169,857</u>	<u>1,263,701</u>
Total OPEB liability – end of year	<u>\$ 1,112,324</u>	<u>\$ 1,140,790</u>	<u>\$ 886,031</u>	<u>\$ 1,169,857</u>	<u>\$ 1,263,701</u>	<u>\$ 1,092,823</u>
Covered-employee payroll	<u>\$ 5,800,000</u>	<u>\$ 6,000,000</u>	<u>\$ 7,300,000</u>	<u>\$ 7,300,000</u>	<u>\$ 8,600,000</u>	<u>\$ 9,200,000</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>19.18%</u>	<u>19.01%</u>	<u>12.14%</u>	<u>16.03%</u>	<u>14.69%</u>	<u>11.88%</u>

Note 1: The City has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF FARMINGTON

Notes to Required Supplementary Information December 31, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- This single discount rate changed from 6.50 percent to 5.40 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 Public Safety Mortality Table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality Table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality Table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25–44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100.00 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 Fully Generational Table to the RP-2014 Fully Generational Table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037, and 2.50 percent per year thereafter, to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

FARMINGTON FIRE FIGHTERS' RELIEF ASSOCIATION

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The disability, mortality, and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police and Fire Plan actuarial valuation.
- The inflation rate was changed from 2.25 percent to 2.50 percent.

2022 CHANGES IN PLAN PROVISIONS

- The plan benefit level increased from \$7,500 to \$8,500 per year of service.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The disability, mortality, and withdrawal assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation.
- The inflation rate was changed from 2.50 percent to 2.25 percent.

2021 CHANGES IN PLAN PROVISIONS

- Interest earned on deferred lump sum amounts has been updated from 5.00 percent for all members to 5.00 percent for members hired before July 1, 2019 and 2.00 percent for members hired on or after July 1, 2019.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for investment rate of return and the single discount rate both changed from 5.75 percent to 5.25 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for investment rate of return and the single discount rate both changed from 6.50 percent to 5.75 percent.
- The inflation rate was changed from 2.75 percent to 2.50 percent.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2017 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation.

2019 CHANGES IN PLAN PROVISIONS

- The plan benefit level increased from \$6,500 to \$7,500 per year of service.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

FARMINGTON FIRE FIGHTERS' RELIEF ASSOCIATION (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

- The plan benefit level increased from \$5,500 to \$6,500 per year of service.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for investment rate of return and the single discount rate both changed from 6.25 percent to 6.50 percent.

2017 CHANGES IN PLAN PROVISIONS

- The plan benefit level increased from \$4,575 to \$5,500 per year of service.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for the single discount rate changed from 7.00 percent to 6.25 percent.
- The retirement rates were updated to graduated rates from 50.00 percent at the later of age 50 or 20 years of service, up to 100.00 percent at the earlier of age 65 or 30 years of service.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2023

OTHER POST-EMPLOYMENT BENEFITS PLAN

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 2.06 percent to 4.05 percent based on recent municipal bond index rates.
- Membership participation was updated from 65 percent to 50 percent based on experience and demographics.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for the single discount rate changed from 2.12 percent to 2.06 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The actuarial assumptions for the single discount rate changed from 2.74 percent to 2.12 percent.
- Withdrawal, mortality, and salary scale assumptions were updated to those included in the recently published PERA General Plan and Police and Fire Plan actuarial valuations.
- Assumed retirement ages were updated from the PERA General Plan and Police and Fire Plan assumptions to age 56 for Police and Fire Plan members and 63 for General Plan members.
- Assumed future retiree spouse participation was updated from 40.00 percent to current coverage elections.
- The assumed inflation rate changed from 2.00 percent to 2.50 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for the single discount rate changed from 4.09 percent to 2.74 percent.
- The assumed inflation rate changed from 2.50 percent to 2.00 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for the single discount rate changed from 3.44 percent to 4.09 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The actuarial assumptions for the single discount rate changed from 4.50 percent to 3.44 percent.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

The statements that follow are to provide further detail and support additional analysis for the City's nonmajor special revenue, capital projects, and debt service funds.

CITY OF FARMINGTON

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2023

	Special Revenue	Capital Projects	Debt Service Fund	Total
Assets				
Cash and investments	\$ 2,899,540	\$ 7,936,529	\$ 2,094,451	\$ 12,930,520
Receivables				
Accounts	141,839	41,839	-	183,678
Interest	7,556	31,095	8,643	47,294
Special assessments				
Noncurrent	-	420,778	-	420,778
Due from other funds	-	35,379	-	35,379
Due from other governments	-	416,867	-	416,867
	<u>\$ 3,048,935</u>	<u>\$ 8,882,487</u>	<u>\$ 2,103,094</u>	<u>\$ 14,034,516</u>
Liabilities				
Accounts and contracts payable	\$ 57,847	\$ 829,653	\$ 2,649	\$ 890,149
Deposits payable	12,238	-	-	12,238
Due to other governments	544	-	-	544
Due to other funds	2,691	35,379	-	38,070
Total liabilities	<u>73,320</u>	<u>865,032</u>	<u>2,649</u>	<u>941,001</u>
Deferred inflows of resources				
Unavailable revenue – special assessments	-	420,778	-	420,778
Unavailable revenue – long-term receivable	-	394,210	-	394,210
Total deferred inflows of resources	<u>-</u>	<u>814,988</u>	<u>-</u>	<u>814,988</u>
Fund balances (deficits)				
Restricted	2,575,633	331,604	2,100,445	5,007,682
Committed	400,141	7,296,850	-	7,696,991
Unassigned	(159)	(425,987)	-	(426,146)
Total fund balances	<u>2,975,615</u>	<u>7,202,467</u>	<u>2,100,445</u>	<u>12,278,527</u>
	<u>\$ 3,048,935</u>	<u>\$ 8,882,487</u>	<u>\$ 2,103,094</u>	<u>\$ 14,034,516</u>
Total liabilities, deferred inflows of resources, and fund balances				

CITY OF FARMINGTON

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2023

	Special Revenue	Capital Projects	Debt Service Fund	Total
Revenue				
Property taxes	\$ 110,955	\$ –	\$ 1,903,565	\$ 2,014,520
Franchise taxes	–	56,431	–	56,431
Special assessments	–	–	17,528	17,528
Intergovernmental	1,070,510	2,079,161	–	3,149,671
Charges for services	415,475	644,170	–	1,059,645
Investment earnings	78,753	330,738	66,534	476,025
Other				
Donations	68,755	78,049	–	146,804
Rentals	13,565	–	–	13,565
Miscellaneous	181,313	9,614	–	190,927
Total revenues	<u>1,939,326</u>	<u>3,198,163</u>	<u>1,987,627</u>	<u>7,125,116</u>
Expenditures				
Current				
General government	–	119,761	–	119,761
Public safety	40,591	53,533	–	94,124
Public works	–	846,936	–	846,936
Parks and recreation	546,298	96,925	–	643,223
Economic development	177,927	–	–	177,927
Capital outlay				
Public safety	2,195	1,205,782	–	1,207,977
Public works	–	4,168,592	–	4,168,592
Parks and recreation	234,520	–	–	234,520
Debt service				
Principal	–	81,097	1,625,000	1,706,097
Interest and fiscal charges	–	18,469	370,189	388,658
Total expenditures	<u>1,001,531</u>	<u>6,591,095</u>	<u>1,995,189</u>	<u>9,587,815</u>
Excess (deficiency) of revenues over expenditures	937,795	(3,392,932)	(7,562)	(2,462,699)
Other financing sources (uses)				
Sale of capital assets	214	127,926	–	128,140
Leases issued	–	714,239	–	714,239
Transfers in	277,212	2,121,316	–	2,398,528
Transfers out	–	(423,446)	(1,046,942)	(1,470,388)
Total other financing sources (uses)	<u>277,426</u>	<u>2,540,035</u>	<u>(1,046,942)</u>	<u>1,770,519</u>
Net change in fund balances	1,215,221	(852,897)	(1,054,504)	(692,180)
Fund balances				
Beginning of year	<u>1,760,394</u>	<u>8,055,364</u>	<u>3,154,949</u>	<u>12,970,707</u>
End of year	<u>\$ 2,975,615</u>	<u>\$ 7,202,467</u>	<u>\$ 2,100,445</u>	<u>\$ 12,278,527</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds are used to account for the proceeds of certain specific revenue sources that are restricted or committed to expenditures for specified purposes.

Nonmajor special revenue funds presently established are as follows:

Economic Development Authority – Used to account for the general economic development activities of the City’s Economic Development Authority.

Dakota Broadband – Used to account for the City’s agreement with Dakota Broadband.

Trident Housing Tax Increment – Used to account for the development of this tax increment district.

Police Donations and Forfeitures – Used to account for the operations and activities related to donations and the forfeiture of confiscated property and allows for the expenditure of those revenues for costs related to the public safety of the City.

Police Public Outreach – Used to account for the operations and activities related to police public outreach programs to foster positive relationships between the police department and the community.

K-9 – Used to account for the operations and activities related to K-9 program donations and allows for the expenditure of those revenues for costs related to the City’s K-9 program.

Park Improvement – Used to account for the operations and activities related to the collection of park dedication fees and other revenues earmarked for construction and improvement of the City’s park and trail system.

Arena (Ice) – Used to account for the operation of the City’s ice arena; one sheet of indoor ice for use by hockey and figure skating groups, both school and youth organizations supported.

Public Safety – Used to account for state aid restricted for public safety program purposes.

CITY OF FARMINGTON

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2023

	Economic Development Authority	Dakota Broadband	Trident Housing Tax Increment	Police Donations and Forfeitures
Assets				
Cash and investments	\$ 275,747	\$ 32,392	\$ 119,510	\$ 16,824
Receivables				
Accounts	-	-	-	-
Interest	1,138	-	493	69
	<u>1,138</u>	<u>-</u>	<u>493</u>	<u>69</u>
Total assets	<u>\$ 276,885</u>	<u>\$ 32,392</u>	<u>\$ 120,003</u>	<u>\$ 16,893</u>
Liabilities				
Accounts and contracts payable	\$ 1,939	\$ 2,340	\$ 50,063	\$ -
Deposits payable	-	-	-	2,999
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
	<u>1,939</u>	<u>2,340</u>	<u>50,063</u>	<u>2,999</u>
Total liabilities	<u>1,939</u>	<u>2,340</u>	<u>50,063</u>	<u>2,999</u>
Fund balances (deficits)				
Restricted for economic development	274,946	30,052	69,940	-
Restricted for public safety programs	-	-	-	13,894
Restricted for park improvements	-	-	-	-
Committed for park improvements	-	-	-	-
Committed for ice arena capital	-	-	-	-
Unassigned	-	-	-	-
	<u>274,946</u>	<u>30,052</u>	<u>69,940</u>	<u>13,894</u>
Total fund balances (deficits)	<u>274,946</u>	<u>30,052</u>	<u>69,940</u>	<u>13,894</u>
	<u>\$ 276,885</u>	<u>\$ 32,392</u>	<u>\$ 120,003</u>	<u>\$ 16,893</u>
Total liabilities and fund balances	<u>\$ 276,885</u>	<u>\$ 32,392</u>	<u>\$ 120,003</u>	<u>\$ 16,893</u>

<u>Police Public Outreach</u>	<u>K-9</u>	<u>Park Improvement</u>	<u>Arena</u>	<u>Public Safety</u>	<u>Total</u>
\$ 53,324	\$ 644	\$ 1,365,693	\$ 300	\$ 1,035,106	\$ 2,899,540
-	-	-	141,839	-	141,839
<u>220</u>	<u>3</u>	<u>5,633</u>	<u>-</u>	<u>-</u>	<u>7,556</u>
<u>\$ 53,544</u>	<u>\$ 647</u>	<u>\$ 1,371,326</u>	<u>\$ 142,139</u>	<u>\$ 1,035,106</u>	<u>\$ 3,048,935</u>
\$ 2,699	\$ 806	\$ -	\$ -	\$ -	\$ 57,847
-	-	-	9,239	-	12,238
-	-	-	544	-	544
-	-	-	2,691	-	2,691
<u>2,699</u>	<u>806</u>	<u>-</u>	<u>12,474</u>	<u>-</u>	<u>73,320</u>
-	-	-	-	-	374,938
50,845	-	-	-	1,035,106	1,099,845
-	-	1,100,850	-	-	1,100,850
-	-	270,476	-	-	270,476
-	-	-	129,665	-	129,665
-	(159)	-	-	-	(159)
<u>50,845</u>	<u>(159)</u>	<u>1,371,326</u>	<u>129,665</u>	<u>1,035,106</u>	<u>2,975,615</u>
<u>\$ 53,544</u>	<u>\$ 647</u>	<u>\$ 1,371,326</u>	<u>\$ 142,139</u>	<u>\$ 1,035,106</u>	<u>\$ 3,048,935</u>

CITY OF FARMINGTON

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2023

	Economic Development Authority	Dakota Broadband	Trident Housing Tax Increment	Police Donations and Forfeitures
Revenues				
Property taxes	\$ -	\$ -	\$ 110,955	\$ -
Intergovernmental	-	32,904	-	-
Charges for services	-	-	-	-
Investment earnings	11,382	-	3,803	733
Other				
Donations	-	-	-	-
Rentals	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>11,382</u>	<u>32,904</u>	<u>114,758</u>	<u>733</u>
Expenditures				
Current				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Economic development	72,392	2,973	102,562	-
Capital outlay				
Public safety	-	-	-	2,195
Parks and recreation	-	-	-	-
Total expenditures	<u>72,392</u>	<u>2,973</u>	<u>102,562</u>	<u>2,195</u>
Excess (deficiency) of revenues over expenditures	(61,010)	29,931	12,196	(1,462)
Other financing sources				
Sale of capital assets	-	-	-	-
Transfers in	86,969	-	-	-
Total other financing sources	<u>86,969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,959	29,931	12,196	(1,462)
Fund balances (deficits)				
Beginning of year	<u>248,987</u>	<u>121</u>	<u>57,744</u>	<u>15,356</u>
End of year	<u>\$ 274,946</u>	<u>\$ 30,052</u>	<u>\$ 69,940</u>	<u>\$ 13,894</u>

Police Public Outreach	K-9	Park Improvement	Arena	Public Safety	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,955
2,500	-	-	-	1,035,106	1,070,510
-	-	-	415,475	-	415,475
1,802	10	60,142	881	-	78,753
53,911	3,669	1,175	10,000	-	68,755
-	-	8,560	5,005	-	13,565
-	-	177,311	4,002	-	181,313
<u>58,213</u>	<u>3,679</u>	<u>247,188</u>	<u>435,363</u>	<u>1,035,106</u>	<u>1,939,326</u>
36,714	3,877	-	-	-	40,591
-	-	67,423	478,875	-	546,298
-	-	-	-	-	177,927
-	-	-	-	-	2,195
-	-	219,852	14,668	-	234,520
<u>36,714</u>	<u>3,877</u>	<u>287,275</u>	<u>493,543</u>	<u>-</u>	<u>1,001,531</u>
21,499	(198)	(40,087)	(58,180)	1,035,106	937,795
-	214	-	-	-	214
-	-	100,000	90,243	-	277,212
<u>-</u>	<u>214</u>	<u>100,000</u>	<u>90,243</u>	<u>-</u>	<u>277,426</u>
21,499	16	59,913	32,063	1,035,106	1,215,221
29,346	(175)	1,311,413	97,602	-	1,760,394
<u>\$ 50,845</u>	<u>\$ (159)</u>	<u>\$ 1,371,326</u>	<u>\$ 129,665</u>	<u>\$ 1,035,106</u>	<u>\$ 2,975,615</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Nonmajor capital projects funds are maintained to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays. Projects are financed through the issuance of debt, special assessments, tax levies, dedicated fees, and intergovernmental aids or grants.

Nonmajor capital projects funds presently established are as follows:

Sanitary Sewer Trunk – Used to account for the operations and activities dedicated to the construction and improvement of sanitary sewer trunk facilities in the City.

Cable Communications – Used to account for the operations and activities related to the provision of cable communications for public access.

State Aid Construction – Used to account for street construction and road/street rehabilitation or reconstruction projects that qualify for municipal state aid.

Fire – Used to account for fire capital projects and donations to the fire department.

Recreation – Used to account for capital improvements to city-owned recreation facilities, such as the senior center, ice arena, and swimming pool; and donations to these activities.

Permanent Improvement Revolving – Used to account for street construction projects financed with multiple funding sources.

General Capital Equipment – Used to account for the operations and activities related to the City's general capital equipment.

Water Trunk – Used to account for the construction and improvement of water trunk infrastructure within the City.

Parking Lot Project – Used to account for improvements to city parking lots.

Akin Street Reconstruction – Used to account for street improvements related to Akin Street.

Trail Maintenance – Used to account for improvements to city trails.

Building Maintenance – Used to account for improvements to city buildings.

Spruce Street Reconstruction – Used to account for street improvements related to Spruce Street.

Maintenance – Used to account for maintenance of city roads and facilities.

Capital Projects Reserve – Used to account for remaining funds left on other capital projects that will be used to fund additional capital projects.

2024 Street Improvements – Used to account for the 2024 street improvement projects.

Emerald Ash Borer – Used to account for costs associated with emerald ash borer abatement.

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2023

	Sanitary Sewer Trunk	Cable Communications	State Aid Construction	Fire
Assets				
Cash and investments	\$ 978,879	\$ 881,692	\$ -	\$ 215,197
Receivables				
Accounts	-	40,989	-	-
Interest	4,039	3,740	-	888
Special assessments				
Noncurrent	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 982,918</u>	<u>\$ 926,421</u>	<u>\$ -</u>	<u>\$ 216,085</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 2,059
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,059</u>
Deferred inflows of resources				
Unavailable revenue – special assessments	-	-	-	-
Unavailable revenue – long-term receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)				
Restricted for public, educational, and governmental (PEG) fees	-	211,660	-	-
Restricted for recreational projects	-	-	-	-
Committed for sanitary sewer trunk	982,918	-	-	-
Committed for cable communications	-	714,761	-	-
Committed for fire capital programs	-	-	-	214,026
Committed for improvement projects	-	-	-	-
Committed for capital equipment	-	-	-	-
Committed for water trunk	-	-	-	-
Committed for parking lot projects	-	-	-	-
Committed for trail maintenance	-	-	-	-
Committed for building maintenance	-	-	-	-
Committed for pavement management	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>982,918</u>	<u>926,421</u>	<u>-</u>	<u>214,026</u>
	<u>\$ 982,918</u>	<u>\$ 926,421</u>	<u>\$ -</u>	<u>\$ 216,085</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 982,918</u>	<u>\$ 926,421</u>	<u>\$ -</u>	<u>\$ 216,085</u>

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2023

	Akin Street Reconstruction	Trail Maintenance	Building Maintenance	Spruce Street Reconstruction
Assets				
Cash and investments	\$ 138,178	\$ 319,081	\$ 269,275	\$ 170,822
Receivables				
Accounts	-	-	-	-
Interest	-	1,317	1,111	705
Special assessments				
Noncurrent	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	7,157	-	-
	<u>-</u>	<u>7,157</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 138,178</u>	<u>\$ 327,555</u>	<u>\$ 270,386</u>	<u>\$ 171,527</u>
Liabilities				
Accounts and contracts payable	\$ 270,918	\$ 17,882	\$ -	\$ 381,516
Due to other funds	-	-	-	-
Total liabilities	<u>270,918</u>	<u>17,882</u>	<u>-</u>	<u>381,516</u>
Deferred inflows of resources				
Unavailable revenue – special assessments	-	-	-	-
Unavailable revenue – long-term receivable	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)				
Restricted for public, educational, and governmental (PEG) fees	-	-	-	-
Restricted for recreational projects	-	-	-	-
Committed for sanitary sewer trunk	-	-	-	-
Committed for cable communications	-	-	-	-
Committed for fire capital programs	-	-	-	-
Committed for improvement projects	-	-	-	-
Committed for capital equipment	-	-	-	-
Committed for water trunk	-	-	-	-
Committed for parking lot projects	-	-	-	-
Committed for trail maintenance	-	309,673	-	-
Committed for building maintenance	-	-	270,386	-
Committed for pavement management	-	-	-	-
Unassigned	(132,740)	-	-	(209,989)
Total fund balances (deficits)	<u>(132,740)</u>	<u>309,673</u>	<u>270,386</u>	<u>(209,989)</u>
	<u>\$ 138,178</u>	<u>\$ 327,555</u>	<u>\$ 270,386</u>	<u>\$ 171,527</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 138,178</u>	<u>\$ 327,555</u>	<u>\$ 270,386</u>	<u>\$ 171,527</u>

Maintenance	Capital Projects Reserve	2024 Street Improvements	Emerald Ash Borer	Total
\$ 2,200,362	\$ 280,855	\$ 6,143	\$ -	\$ 7,936,529
-	-	-	-	41,839
9,079	-	-	-	31,095
-	420,778	-	-	420,778
-	35,379	-	-	35,379
394,210	-	-	15,500	416,867
<u>\$ 2,603,651</u>	<u>\$ 737,012</u>	<u>\$ 6,143</u>	<u>\$ 15,500</u>	<u>\$ 8,882,487</u>
\$ 12,840	\$ -	\$ 36,047	\$ 33,475	\$ 829,653
-	-	35,379	-	35,379
12,840	-	71,426	33,475	865,032
-	420,778	-	-	420,778
394,210	-	-	-	394,210
394,210	420,778	-	-	814,988
-	-	-	-	211,660
-	-	-	-	119,944
-	-	-	-	982,918
-	-	-	-	714,761
-	-	-	-	214,026
-	316,234	-	-	360,673
-	-	-	-	697,570
-	-	-	-	1,027,237
-	-	-	-	523,005
-	-	-	-	309,673
-	-	-	-	270,386
2,196,601	-	-	-	2,196,601
-	-	(65,283)	(17,975)	(425,987)
<u>2,196,601</u>	<u>316,234</u>	<u>(65,283)</u>	<u>(17,975)</u>	<u>7,202,467</u>
<u>\$ 2,603,651</u>	<u>\$ 737,012</u>	<u>\$ 6,143</u>	<u>\$ 15,500</u>	<u>\$ 8,882,487</u>

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2023

	Sanitary Sewer Trunk	Cable Communications	State Aid Construction	Fire
Revenues				
Franchise taxes	\$ -	\$ 56,431	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	177,042	-	-	-
Investment earnings	39,053	38,667	1,783	9,271
Other				
Donations	-	-	-	30,250
Miscellaneous	-	-	-	-
Total revenues	<u>216,095</u>	<u>95,098</u>	<u>1,783</u>	<u>39,521</u>
Expenditures				
Current				
General government	-	119,761	-	-
Public safety	-	-	-	38,776
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay				
Public safety	-	-	-	4,222
Public works	18,575	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>18,575</u>	<u>119,761</u>	<u>-</u>	<u>42,998</u>
Excess (deficiency) of revenues over expenditures	197,520	(24,663)	1,783	(3,477)
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Leases issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(129,049)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(129,049)</u>	<u>-</u>
Net change in fund balances	197,520	(24,663)	(127,266)	(3,477)
Fund balances (deficits)				
Beginning of year	<u>785,398</u>	<u>951,084</u>	<u>127,266</u>	<u>217,503</u>
End of year	<u>\$ 982,918</u>	<u>\$ 926,421</u>	<u>\$ -</u>	<u>\$ 214,026</u>

Recreation	Permanent Improvement Revolving	General Capital Equipment	Water Trunk	Parking Lot Project
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	455,990	-
7,521	2,585	30,962	36,528	28,155
47,799	-	-	-	-
-	-	14	-	-
<u>55,320</u>	<u>2,585</u>	<u>30,976</u>	<u>492,518</u>	<u>28,155</u>
-	-	-	-	-
-	-	14,757	-	-
-	-	-	-	-
25,852	-	-	-	-
-	-	1,201,560	-	-
-	-	-	-	403,346
-	-	81,097	-	-
-	-	18,469	-	-
<u>25,852</u>	<u>-</u>	<u>1,315,883</u>	<u>-</u>	<u>403,346</u>
29,468	2,585	(1,284,907)	492,518	(375,191)
6,721	-	121,205	-	-
-	-	714,239	-	-
-	-	625,000	-	-
(70,243)	(187,185)	-	-	-
<u>(63,522)</u>	<u>(187,185)</u>	<u>1,460,444</u>	<u>-</u>	<u>-</u>
(34,054)	(184,600)	175,537	492,518	(375,191)
<u>198,437</u>	<u>184,600</u>	<u>522,033</u>	<u>534,719</u>	<u>898,196</u>
<u>\$ 164,383</u>	<u>\$ -</u>	<u>\$ 697,570</u>	<u>\$ 1,027,237</u>	<u>\$ 523,005</u>

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances (continued)
 Year Ended December 31, 2023

	Akin Street <u>Reconstruction</u>	Trail Maintenance <u>Maintenance</u>	Building Maintenance <u>Maintenance</u>	Spruce Street <u>Reconstruction</u>
Revenues				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,011,291	52,370	-	-
Charges for services	-	-	-	-
Investment earnings	-	12,027	10,823	25,236
Other				
Donations	-	-	-	-
Miscellaneous	-	-	9,600	-
Total revenues	<u>2,011,291</u>	<u>64,397</u>	<u>20,423</u>	<u>25,236</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	134,199	-	-	141,138
Parks and recreation	-	71,073	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	1,919,576	-	-	1,806,050
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,053,775</u>	<u>71,073</u>	<u>-</u>	<u>1,947,188</u>
Excess (deficiency) of revenues over expenditures	(42,484)	(6,676)	20,423	(1,921,952)
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Leases issued	-	-	-	-
Transfers in	-	150,000	30,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>150,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	(42,484)	143,324	50,423	(1,921,952)
Fund balances (deficits)				
Beginning of year	<u>(90,256)</u>	<u>166,349</u>	<u>219,963</u>	<u>1,711,963</u>
End of year	<u>\$ (132,740)</u>	<u>\$ 309,673</u>	<u>\$ 270,386</u>	<u>\$ (209,989)</u>

Maintenance	Capital Projects Reserve	2024 Street Improvements	Emerald Ash Borer	Total
\$ -	\$ -	\$ -	\$ -	\$ 56,431
-	-	-	15,500	2,079,161
11,138	-	-	-	644,170
88,127	-	-	-	330,738
-	-	-	-	78,049
-	-	-	-	9,614
<u>99,265</u>	<u>-</u>	<u>-</u>	<u>15,500</u>	<u>3,198,163</u>
-	-	-	-	119,761
-	-	-	-	53,533
156,759	-	65,283	349,557	846,936
-	-	-	-	96,925
-	-	-	-	1,205,782
21,045	-	-	-	4,168,592
-	-	-	-	81,097
-	-	-	-	18,469
<u>177,804</u>	<u>-</u>	<u>65,283</u>	<u>349,557</u>	<u>6,591,095</u>
(78,539)	-	(65,283)	(334,057)	(3,392,932)
-	-	-	-	127,926
-	-	-	-	714,239
684,000	316,234	-	316,082	2,121,316
(36,969)	-	-	-	(423,446)
<u>647,031</u>	<u>316,234</u>	<u>-</u>	<u>316,082</u>	<u>2,540,035</u>
568,492	316,234	(65,283)	(17,975)	(852,897)
<u>1,628,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,055,364</u>
<u>\$ 2,196,601</u>	<u>\$ 316,234</u>	<u>\$ (65,283)</u>	<u>\$ (17,975)</u>	<u>\$ 7,202,467</u>

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NONMAJOR DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on long-term debt obligations other than those issued for and serviced by an enterprise fund.

2010A General Obligation Improvement Refunding Bonds – The bonds were issued for the refinancing of the Police Station. This account was closed in 2023.

2013A General Obligation Improvement Refunding Bonds – The bonds were issued to refund the 2005B and 2006A bonds, which were originally issued for the Ash Street, Hill Dee, and Spruce Street projects. This account was closed in 2023.

2015A General Obligation Street Construction Bonds – The bonds were issued to fund the 195th Avenue Street reconstruction project.

2016A General Obligation Improvement Refunding Bonds – The bonds were issued to refund the 2008A, 2008B, and 2010C bonds, which were originally issued for the Elm Street, 195th Street Extension, and Walnut Street reconstruction projects. This account was closed in 2023.

2016B General Obligation Capital Improvement Refunding Bonds – The bonds were issued to refund the 2007A bonds, which were originally issued to finance City Hall and the City Garage.

2019A General Obligation Street Construction Bonds – The bonds were issued to fund the Westview Street improvement project.

2020A General Obligation Equipment Certificates – The certificates were issued to fund the purchase of a ladder truck.

2022A General Obligation Street Construction Bonds – The bonds were issued to fund the Spruce Street and Parking Lot improvement projects.

CITY OF FARMINGTON

Debt Service Fund
 Combining Balance Sheet by Account
 as of December 31, 2023

	2010A G.O. Improvement Refunding Bonds	2013A G.O. Improvement Refunding Bonds	2015A G.O. Street Construction Bonds	2016A G.O. Improvement Refunding Bonds
Assets				
Cash and investments	\$ -	\$ -	\$ 502,811	\$ -
Receivables				
Interest	-	-	2,075	-
	<u>-</u>	<u>-</u>	<u>2,075</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,886</u>	<u>\$ -</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ -	\$ 530	\$ -
Fund balances				
Restricted for debt service	-	-	504,356	-
	<u>-</u>	<u>-</u>	<u>504,356</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,886</u>	<u>\$ -</u>

2016B G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020A G.O. Equipment Certificates	2022A G.O. Street Construction Bonds	Total
\$ 649,031	\$ 269,198	\$ 270,722	\$ 402,689	\$ 2,094,451
<u>2,678</u>	<u>1,111</u>	<u>1,117</u>	<u>1,662</u>	<u>8,643</u>
<u>\$ 651,709</u>	<u>\$ 270,309</u>	<u>\$ 271,839</u>	<u>\$ 404,351</u>	<u>\$ 2,103,094</u>
\$ 530	\$ 530	\$ 529	\$ 530	\$ 2,649
<u>651,179</u>	<u>269,779</u>	<u>271,310</u>	<u>403,821</u>	<u>2,100,445</u>
<u>\$ 651,709</u>	<u>\$ 270,309</u>	<u>\$ 271,839</u>	<u>\$ 404,351</u>	<u>\$ 2,103,094</u>

CITY OF FARMINGTON

Debt Service Fund
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account
 Year Ended December 31, 2023

	2010A G.O. Improvement Refunding Bonds	2013A G.O. Improvement Refunding Bonds	2015A G.O. Street Construction Bonds	2016A G.O. Improvement Refunding Bonds
Revenues				
Property taxes	\$ -	\$ -	\$ 287,648	\$ -
Special assessments	-	17,528	-	-
Investment earnings	446	1,486	16,684	6,014
Total revenues	<u>446</u>	<u>19,014</u>	<u>304,332</u>	<u>6,014</u>
Expenditures				
Debt service				
Principal	-	-	225,000	445,000
Interest and fiscal charges	-	11	43,405	10,040
Total expenditures	<u>-</u>	<u>11</u>	<u>268,405</u>	<u>455,040</u>
Excess (deficiency) of revenues over expenditures	446	19,003	35,927	(449,026)
Other financing sources (uses)				
Transfers out	<u>(58,421)</u>	<u>(203,057)</u>	<u>-</u>	<u>(785,464)</u>
Net change in fund balances	(57,975)	(184,054)	35,927	(1,234,490)
Fund balances				
Beginning of year	<u>57,975</u>	<u>184,054</u>	<u>468,429</u>	<u>1,234,490</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,356</u>	<u>\$ -</u>

2016B G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020A G.O. Equipment Certificates	2022A G.O. Street Construction Bonds	Total
\$ 638,000	\$ 231,525	\$ 267,487	\$ 478,905	\$ 1,903,565
–	–	–	–	17,528
17,207	7,572	7,173	9,952	66,534
<u>655,207</u>	<u>239,097</u>	<u>274,660</u>	<u>488,857</u>	<u>1,987,627</u>
545,000	200,000	210,000	–	1,625,000
85,805	16,580	41,030	173,318	370,189
<u>630,805</u>	<u>216,580</u>	<u>251,030</u>	<u>173,318</u>	<u>1,995,189</u>
24,402	22,517	23,630	315,539	(7,562)
–	–	–	–	(1,046,942)
24,402	22,517	23,630	315,539	(1,054,504)
<u>626,777</u>	<u>247,262</u>	<u>247,680</u>	<u>88,282</u>	<u>3,154,949</u>
<u>\$ 651,179</u>	<u>\$ 269,779</u>	<u>\$ 271,310</u>	<u>\$ 403,821</u>	<u>\$ 2,100,445</u>

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BUDGETARY COMPARISON SCHEDULES

Private Capital Projects Fund

Storm Water Trunk Capital Projects Fund

Nonmajor Special Revenue Funds

Economic Development Authority

Dakota Broadband

Trident Housing Tax Increment

Police Donations and Forfeitures

Park Improvement

Arena

Nonmajor Capital Projects Funds

Sanitary Sewer Trunk

Cable Communications

State Aid Construction

Fire

Recreation

Permanent Improvement Revolving

General Capital Equipment

Water Trunk

Trail Maintenance

Building Maintenance

Maintenance

Nonmajor Debt Service Fund

Debt Service

CITY OF FARMINGTON

Private Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	<u>\$ 7,000</u>	\$ 83,525	<u>\$ 76,525</u>
Fund balances			
Beginning of year		<u>42,300</u>	
End of year		<u>\$ 125,825</u>	

CITY OF FARMINGTON

Storm Water Trunk Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 166,000	\$ 166,000	\$ -
Charges for services	100,000	277,962	177,962
Investment earnings	16,700	228,231	211,531
Total revenues	<u>282,700</u>	<u>672,193</u>	<u>389,493</u>
Expenditures			
Debt service			
Interest and fiscal charges	<u>-</u>	<u>7,883</u>	<u>7,883</u>
Net change in fund balances	<u>\$ 282,700</u>	<u>664,310</u>	<u>\$ 381,610</u>
Fund balances			
Beginning of year		<u>4,703,897</u>	
End of year		<u>\$ 5,368,207</u>	

CITY OF FARMINGTON

Economic Development Authority Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 1,600	\$ 11,382	\$ 9,782
Expenditures			
Current			
Economic development	<u>81,510</u>	<u>72,392</u>	<u>(9,118)</u>
Excess (deficiency) of revenues over expenditures	(79,910)	(61,010)	18,900
Other financing sources			
Transfers in	<u>50,000</u>	<u>86,969</u>	<u>36,969</u>
Net change in fund balances	<u>\$ (29,910)</u>	25,959	<u>\$ 55,869</u>
Fund balances			
Beginning of year		<u>248,987</u>	
End of year		<u>\$ 274,946</u>	

CITY OF FARMINGTON

Dakota Broadband Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ 167,883	\$ 32,904	\$ (134,979)
Expenditures			
Current			
Economic development	<u>167,883</u>	<u>2,973</u>	<u>(164,910)</u>
Net change in fund balances	<u>\$ —</u>	29,931	<u>\$ 29,931</u>
Fund balances			
Beginning of year		<u>121</u>	
End of year		<u>\$ 30,052</u>	

CITY OF FARMINGTON

Trident Housing Tax Increment Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 146,210	\$ 110,955	\$ (35,255)
Investment earnings	400	3,803	3,403
Total revenues	<u>146,610</u>	<u>114,758</u>	<u>(31,852)</u>
Expenditures			
Current			
Economic development	<u>134,439</u>	<u>102,562</u>	<u>(31,877)</u>
Net change in fund balances	<u>\$ 12,171</u>	12,196	<u>\$ 25</u>
Fund balances			
Beginning of year		<u>57,744</u>	
End of year		<u>\$ 69,940</u>	

CITY OF FARMINGTON

Police Donations and Forfeitures Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 50	\$ 733	\$ 683
Expenditures			
Current			
Public safety	2,000	-	(2,000)
Capital outlay			
Public safety	-	2,195	2,195
Total expenditures	<u>2,000</u>	<u>2,195</u>	<u>195</u>
Excess (deficiency) of revenues over expenditures	(1,950)	(1,462)	488
Other financing sources			
Sale of capital assets	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>
Net change in fund balances	<u>\$ 1,550</u>	(1,462)	<u>\$ (3,012)</u>
Fund balances			
Beginning of year		<u>15,356</u>	
End of year		<u>\$ 13,894</u>	

CITY OF FARMINGTON

Park Improvement Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 4,000	\$ 60,142	\$ 56,142
Other			
Donations	-	1,175	1,175
Rentals	8,560	8,560	-
Miscellaneous	<u>75,000</u>	<u>177,311</u>	<u>102,311</u>
Total revenues	<u>87,560</u>	<u>247,188</u>	<u>159,628</u>
Expenditures			
Current			
Parks and recreation	352,000	67,423	(284,577)
Capital outlay			
Parks and recreation	<u>10,250</u>	<u>219,852</u>	<u>209,602</u>
Total expenditures	<u>362,250</u>	<u>287,275</u>	<u>(74,975)</u>
Excess (deficiency) of revenues over expenditures	(274,690)	(40,087)	234,603
Other financing sources			
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (174,690)</u>	59,913	<u>\$ 234,603</u>
Fund balances			
Beginning of year		<u>1,311,413</u>	
End of year		<u>\$ 1,371,326</u>	

CITY OF FARMINGTON

Arena Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Charges for services	\$ 426,000	\$ 415,475	\$ (10,525)
Investment earnings	400	881	481
Other			
Donations	5,000	10,000	5,000
Rentals	3,500	5,005	1,505
Miscellaneous	-	4,002	4,002
Total revenues	<u>434,900</u>	<u>435,363</u>	<u>463</u>
Expenditures			
Current			
Parks and recreation	452,107	478,875	26,768
Capital outlay			
Parks and recreation	<u>1,000</u>	<u>14,668</u>	<u>13,668</u>
Total expenditures	<u>453,107</u>	<u>493,543</u>	<u>40,436</u>
Excess (deficiency) of revenues over expenditures	(18,207)	(58,180)	(39,973)
Other financing sources			
Transfers in	<u>-</u>	<u>90,243</u>	<u>90,243</u>
Net change in fund balances	<u>\$ (18,207)</u>	32,063	<u>\$ 50,270</u>
Fund balances			
Beginning of year		<u>97,602</u>	
End of year		<u>\$ 129,665</u>	

CITY OF FARMINGTON

Sanitary Sewer Trunk Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Charges for services	\$ 68,400	\$ 177,042	\$ 108,642
Investment earnings	2,900	39,053	36,153
Total revenues	<u>71,300</u>	<u>216,095</u>	<u>144,795</u>
Expenditures			
Capital outlay			
Public works	-	18,575	18,575
Net change in fund balances	<u>\$ 71,300</u>	197,520	<u>\$ 126,220</u>
Fund balances			
Beginning of year		<u>785,398</u>	
End of year		<u>\$ 982,918</u>	

CITY OF FARMINGTON

Cable Communications Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Franchise taxes	\$ 120,000	\$ 56,431	\$ (63,569)
Investment earnings	5,600	38,667	33,067
Total revenues	<u>125,600</u>	<u>95,098</u>	<u>(30,502)</u>
Expenditures			
Current			
General government	133,385	119,761	(13,624)
Capital outlay			
General government	30,000	-	(30,000)
Total expenditures	<u>163,385</u>	<u>119,761</u>	<u>(43,624)</u>
Net change in fund balances	<u>\$ (37,785)</u>	<u>(24,663)</u>	<u>\$ 13,122</u>
Fund balances			
Beginning of year		<u>951,084</u>	
End of year		<u>\$ 926,421</u>	

CITY OF FARMINGTON

State Aid Construction Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 800	\$ 1,783	\$ 983
Other financing (uses)			
Transfers out	<u>—</u>	<u>(129,049)</u>	<u>(129,049)</u>
Net change in fund balances	<u>\$ 800</u>	<u>(127,266)</u>	<u>\$ (128,066)</u>
Fund balances			
Beginning of year		<u>127,266</u>	
End of year		<u>\$ —</u>	

CITY OF FARMINGTON

Fire Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 700	\$ 9,271	\$ 8,571
Other			
Donations	-	30,250	30,250
Total revenues	<u>700</u>	<u>39,521</u>	<u>38,821</u>
Expenditures			
Current			
Public safety	2,000	38,776	36,776
Capital outlay			
Public safety	5,000	4,222	(778)
Total expenditures	<u>7,000</u>	<u>42,998</u>	<u>35,998</u>
Net change in fund balances	<u>\$ (6,300)</u>	<u>(3,477)</u>	<u>\$ 2,823</u>
Fund balances			
Beginning of year		<u>217,503</u>	
End of year		<u>\$ 214,026</u>	

CITY OF FARMINGTON

Recreation Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 800	\$ 7,521	\$ 6,721
Other			
Donations	<u>20,000</u>	<u>47,799</u>	<u>27,799</u>
Total revenues	<u>20,800</u>	<u>55,320</u>	<u>34,520</u>
Expenditures			
Current			
Parks and recreation	92,000	25,852	(66,148)
Capital outlay			
Parks and recreation	<u>6,000</u>	<u>—</u>	<u>(6,000)</u>
Total expenditures	<u>98,000</u>	<u>25,852</u>	<u>(72,148)</u>
Excess (deficiency) of revenues over expenditures	(77,200)	29,468	106,668
Other financing sources (uses)			
Sale of capital assets	—	6,721	6,721
Transfers in	20,000	—	(20,000)
Transfers out	<u>—</u>	<u>(70,243)</u>	<u>(70,243)</u>
Total other financing sources (uses)	<u>20,000</u>	<u>(63,522)</u>	<u>(83,522)</u>
Net change in fund balances	<u>\$ (57,200)</u>	(34,054)	<u>\$ 23,146</u>
Fund balances			
Beginning of year		<u>198,437</u>	
End of year		<u>\$ 164,383</u>	

CITY OF FARMINGTON

Permanent Improvement Revolving Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 1,000	\$ 2,585	\$ 1,585
Other financing (uses)			
Transfers out	<u>—</u>	<u>(187,185)</u>	<u>(187,185)</u>
Net change in fund balances	<u>\$ 1,000</u>	<u>(184,600)</u>	<u>\$ (185,600)</u>
Fund balances			
Beginning of year		<u>184,600</u>	
End of year		<u>\$ —</u>	

CITY OF FARMINGTON

General Capital Equipment Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 4,500	\$ 30,962	\$ 26,462
Other			
Donations	–	14	14
	<u>4,500</u>	<u>30,976</u>	<u>26,476</u>
Expenditures			
Current			
Public safety	–	14,757	14,757
Capital outlay			
Public safety	557,408	1,201,560	644,152
Debt service			
Principal	–	81,097	81,097
Interest and fiscal charges	–	18,469	18,469
Total expenditures	<u>557,408</u>	<u>1,315,883</u>	<u>758,475</u>
Excess (deficiency) of revenues over expenditures	(552,908)	(1,284,907)	(731,999)
Other financing sources			
Sale of capital assets	–	121,205	121,205
Leases issued	–	714,239	714,239
Transfers in	625,000	625,000	–
Total other financing sources	<u>625,000</u>	<u>1,460,444</u>	<u>835,444</u>
Net change in fund balances	<u>\$ 72,092</u>	175,537	<u>\$ 103,445</u>
Fund balances			
Beginning of year		<u>522,033</u>	
End of year		<u>\$ 697,570</u>	

CITY OF FARMINGTON

Water Trunk Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Charges for services	\$ 303,600	\$ 455,990	\$ 152,390
Investment earnings	-	36,528	36,528
Total revenues	<u>\$ 303,600</u>	492,518	<u>\$ 188,918</u>
Fund balances			
Beginning of year		<u>534,719</u>	
End of year		<u>\$ 1,027,237</u>	

CITY OF FARMINGTON

Trail Maintenance Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ –	\$ 52,370	\$ 52,370
Investment earnings	300	12,027	11,727
Total revenues	<u> 300</u>	<u> 64,397</u>	<u> 64,097</u>
Expenditures			
Current			
Parks and recreation	<u> 174,920</u>	<u> 71,073</u>	<u> (103,847)</u>
Excess (deficiency) of revenues over expenditures	(174,620)	(6,676)	167,944
Other financing sources			
Transfers in	<u> 150,000</u>	<u> 150,000</u>	<u> –</u>
Net change in fund balances	<u><u> (24,620)</u></u>	143,324	<u><u> 167,944</u></u>
Fund balances			
Beginning of year		<u> 166,349</u>	
End of year		<u><u> 309,673</u></u>	

CITY OF FARMINGTON

Building Maintenance Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 100	\$ 10,823	\$ 10,723
Other			
Miscellaneous	-	9,600	9,600
Total revenues	<u>100</u>	<u>20,423</u>	<u>20,323</u>
Expenditures			
Current			
General government	<u>43,359</u>	<u>-</u>	<u>(43,359)</u>
Excess (deficiency) of revenues over expenditures	(43,259)	20,423	63,682
Other financing sources			
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (13,259)</u>	50,423	<u>\$ 63,682</u>
Fund balances			
Beginning of year		<u>219,963</u>	
End of year		<u>\$ 270,386</u>	

CITY OF FARMINGTON

Maintenance Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ 697,000	\$ -	\$ (697,000)
Charges for service	-	11,138	11,138
Investment earnings	8,200	88,127	79,927
Total revenues	<u>705,200</u>	<u>99,265</u>	<u>(605,935)</u>
Expenditures			
Current			
Public works	852,400	156,759	(695,641)
Capital outlay			
Public works	6,538,000	21,045	(6,516,955)
Total expenditures	<u>7,390,400</u>	<u>177,804</u>	<u>(7,212,596)</u>
Excess (deficiency) of revenues over expenditures	(6,685,200)	(78,539)	6,606,661
Other financing sources (uses)			
Bonds issued	3,573,000	-	(3,573,000)
Transfers in	3,002,000	684,000	(2,318,000)
Transfers out	-	(36,969)	(36,969)
Total other financing sources (uses)	<u>6,575,000</u>	<u>647,031</u>	<u>(5,927,969)</u>
Net change in fund balances	<u>\$ (110,200)</u>	568,492	<u>\$ 678,692</u>
Fund balances			
Beginning of year		<u>1,628,109</u>	
End of year		<u>\$ 2,196,601</u>	

CITY OF FARMINGTON

Debt Service Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 1,903,565	\$ 1,903,565	\$ -
Special assessments	237,300	17,528	(219,772)
Investment earnings	7,600	66,534	58,934
Total revenues	<u>2,148,465</u>	<u>1,987,627</u>	<u>(160,838)</u>
Expenditures			
Debt service			
Principal	1,625,000	1,625,000	-
Interest and fiscal charges	379,356	370,189	(9,167)
Total expenditures	<u>2,004,356</u>	<u>1,995,189</u>	<u>(9,167)</u>
Excess (deficiency) of revenues over expenditures	144,109	(7,562)	(151,671)
Other financing (uses)			
Transfers out	<u>-</u>	<u>(1,046,942)</u>	<u>(1,046,942)</u>
Net change in fund balances	<u>\$ 144,109</u>	<u>(1,054,504)</u>	<u>\$ (1,198,613)</u>
Fund balances			
Beginning of year		<u>3,154,949</u>	
End of year		<u>\$ 2,100,445</u>	

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INTERNAL SERVICE FUNDS

Employee Expense – Used to account for the costs of employer-paid benefits, including pension, Social Security, health, life and dental insurance, and workers' compensation insurance.

Property and Liability Insurance – Used to account for the costs of property and liability insurance for the City.

Fleet – Used to account for the costs of vehicle maintenance services provided to divisions by staff at the City Garage facility.

Information Technology – Used to account for the costs of computer hardware, software, and internet services provided to all city departments.

CITY OF FARMINGTON

Internal Service Funds
 Combining Statement of Net Position
 as of December 31, 2023

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Assets					
Current assets					
Cash and investments	\$ 1,684,135	\$ 495,253	\$ 50,848	\$ 751,042	\$ 2,981,278
Receivables					
Interest	6,949	2,043	210	3,099	12,301
Due from other governments	15,862	-	-	-	15,862
Prepaid items	-	-	-	4,125	4,125
Total current assets	<u>1,706,946</u>	<u>497,296</u>	<u>51,058</u>	<u>758,266</u>	<u>3,013,566</u>
Noncurrent assets					
Capital assets					
Machinery and equipment	-	-	99,124	-	99,124
Less accumulated depreciation	-	-	(96,375)	-	(96,375)
Total capital assets	<u>-</u>	<u>-</u>	<u>2,749</u>	<u>-</u>	<u>2,749</u>
Total assets	<u>\$ 1,706,946</u>	<u>\$ 497,296</u>	<u>\$ 53,807</u>	<u>\$ 758,266</u>	<u>\$ 3,016,315</u>
Current liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ 7,776	\$ 78,357	\$ 86,133
Accrued salaries and employee benefits payable	227,489	-	-	-	227,489
Deposits payable	2,720	-	-	-	2,720
Compensated absences payable	-	-	36,250	15,532	51,782
Total current liabilities	<u>230,209</u>	<u>-</u>	<u>44,026</u>	<u>93,889</u>	<u>368,124</u>
Net position					
Investment in capital assets	-	-	2,749	-	2,749
Unrestricted	1,476,737	497,296	7,032	664,377	2,645,442
Total net position	<u>1,476,737</u>	<u>497,296</u>	<u>9,781</u>	<u>664,377</u>	<u>2,648,191</u>
Total liabilities and net position	<u>\$ 1,706,946</u>	<u>\$ 497,296</u>	<u>\$ 53,807</u>	<u>\$ 758,266</u>	<u>\$ 3,016,315</u>

CITY OF FARMINGTON

Internal Service Funds
 Combining Statement of Revenues, Expenses,
 and Changes in Fund Net Position
 Year Ended December 31, 2023

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Operating revenues					
Charges for services	\$ 2,764,462	\$ –	\$ 234,700	\$ 798,289	\$ 3,797,451
Insurance reimbursement	–	328,057	–	–	328,057
Total operating revenues	<u>2,764,462</u>	<u>328,057</u>	<u>234,700</u>	<u>798,289</u>	<u>4,125,508</u>
Operating expenses					
Personal services	2,923,857	–	239,757	240,969	3,404,583
Professional services	95	1	31,830	462,389	494,315
Materials and supplies	–	–	51,498	130,206	181,704
Insurance	–	334,721	–	–	334,721
Depreciation	–	–	1,100	–	1,100
Total operating expenses	<u>2,923,952</u>	<u>334,722</u>	<u>324,185</u>	<u>833,564</u>	<u>4,416,423</u>
Operating income (loss)	(159,490)	(6,665)	(89,485)	(35,275)	(290,915)
Nonoperating revenue					
Investment earnings	<u>76,272</u>	<u>19,219</u>	<u>3,146</u>	<u>30,465</u>	<u>129,102</u>
Income (loss) before transfers	(83,218)	12,554	(86,339)	(4,810)	(161,813)
Transfers in	<u>13,022</u>	<u>22,000</u>	<u>–</u>	<u>–</u>	<u>35,022</u>
Change in net position	(70,196)	34,554	(86,339)	(4,810)	(126,791)
Net position					
Beginning of year	<u>1,546,933</u>	<u>462,742</u>	<u>96,120</u>	<u>669,187</u>	<u>2,774,982</u>
End of year	<u>\$ 1,476,737</u>	<u>\$ 497,296</u>	<u>\$ 9,781</u>	<u>\$ 664,377</u>	<u>\$ 2,648,191</u>

CITY OF FARMINGTON

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2023

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Cash flows from operating activities					
Cash receipts from other funds and reimbursements	\$ 2,748,724	\$ 368,795	\$ 234,700	\$ 798,289	\$ 4,150,508
Cash payments to employees for services	(2,933,691)	-	(236,371)	(241,678)	(3,411,740)
Cash payments for interfund services used	(95)	(343,521)	(77,741)	(536,866)	(958,223)
Net cash flows from operating activities	<u>(185,062)</u>	<u>25,274</u>	<u>(79,412)</u>	<u>19,745</u>	<u>(219,455)</u>
Cash flows from noncapital financing activities					
Transfers in	13,022	22,000	-	-	35,022
Cash flows from investing activities					
Interest received and changes in fair value on investments	<u>74,917</u>	<u>18,525</u>	<u>3,335</u>	<u>29,523</u>	<u>126,300</u>
Net increase (decrease) in cash and cash equivalents	(97,123)	65,799	(76,077)	49,268	(58,133)
Cash and cash equivalents					
Beginning of year	<u>1,781,258</u>	<u>429,454</u>	<u>126,925</u>	<u>701,774</u>	<u>3,039,411</u>
End of year	<u>\$ 1,684,135</u>	<u>\$ 495,253</u>	<u>\$ 50,848</u>	<u>\$ 751,042</u>	<u>\$ 2,981,278</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (159,490)	\$ (6,665)	\$ (89,485)	\$ (35,275)	\$ (290,915)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	-	-	1,100	-	1,100
Change in assets and liabilities					
Accounts receivable	-	40,738	-	-	40,738
Due from other governments	(15,738)	-	-	-	(15,738)
Prepaid items	-	-	-	41,559	41,559
Accounts and contracts payable	(1,678)	(8,799)	5,587	14,170	9,280
Accrued salaries and employee benefits	(8,870)	-	-	-	(8,870)
Deposits payable	714	-	-	-	714
Compensated absences payable	-	-	3,386	(709)	2,677
Total adjustments	<u>(25,572)</u>	<u>31,939</u>	<u>10,073</u>	<u>55,020</u>	<u>71,460</u>
Net cash flows from operating activities	<u>\$ (185,062)</u>	<u>\$ 25,274</u>	<u>\$ (79,412)</u>	<u>\$ 19,745</u>	<u>\$ (219,455)</u>

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL TABLES

(UNAUDITED)

This part of the City's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditor.

The contents of the statistical section include:

Financial Trends – These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

Revenue Capacity – These tables contain information to assist the reader in assessing the City's most significant local revenue source—property taxes.

Debt Capacity – These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These tables offer economic and demographic indicators that are commonly used for financial analysis and that can assist the reader in understanding the City's present and ongoing financial status.

Operating Information – These tables contain service and infrastructure indicators that can assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.

Source – Unless otherwise noted, the information in these tables is derived from the ACFR for the relevant year.

CITY OF FARMINGTON

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities				
Net investment in capital assets	\$ 23,383,175	\$ 21,417,203	\$ 23,684,773	\$ 28,820,307
Restricted	9,235,448	9,063,587	10,441,391	6,961,837
Unrestricted	13,150,789	8,920,144	5,142,435	6,576,959
Total governmental activities net position	<u>\$ 45,769,412</u>	<u>\$ 39,400,934</u>	<u>\$ 39,268,599</u>	<u>\$ 42,359,103</u>
Business-type activities				
Net investment in capital assets	\$ 55,685,476	\$ 54,807,938	\$ 53,225,787	\$ 51,464,649
Restricted	2,160,566	2,160,566	2,231,966	2,238,206
Unrestricted	10,396,218	11,439,369	12,575,526	13,508,485
Total business-type activities net position	<u>\$ 68,242,260</u>	<u>\$ 68,407,873</u>	<u>\$ 68,033,279</u>	<u>\$ 67,211,340</u>
Primary government				
Net investment in capital assets	\$ 79,068,651	\$ 76,225,141	\$ 76,910,560	\$ 80,284,956
Restricted	11,396,014	11,224,153	12,673,357	9,200,043
Unrestricted	23,547,007	20,359,513	17,717,961	20,085,444
Total primary government net position	<u>\$ 114,011,672</u>	<u>\$ 107,808,807</u>	<u>\$ 107,301,878</u>	<u>\$ 109,570,443</u>

Note 1: The City implemented GASB Statement No. 68 in fiscal 2015, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

Note 2: The City implemented GASB Statement No. 87 in fiscal 2022, recording a change in accounting principle that decreased unrestricted net position. Prior year balances were not restated.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 32,909,853	\$ 33,867,761	\$ 35,883,311	\$ 36,819,084	\$ 37,033,206	\$ 39,137,210
4,797,191	5,343,074	5,224,015	9,841,913	10,556,611	9,132,767
<u>7,997,614</u>	<u>8,001,782</u>	<u>9,236,760</u>	<u>11,591,481</u>	<u>14,198,632</u>	<u>16,705,704</u>
<u>\$ 45,704,658</u>	<u>\$ 47,212,617</u>	<u>\$ 50,344,086</u>	<u>\$ 58,252,478</u>	<u>\$ 61,788,449</u>	<u>\$ 64,975,681</u>
\$ 50,747,479	\$ 53,677,776	\$ 51,976,059	\$ 50,773,632	\$ 48,353,192	\$ 48,486,110
2,316,500	2,461,488	2,461,488	2,461,488	2,461,488	2,461,488
<u>14,594,293</u>	<u>13,187,014</u>	<u>15,418,911</u>	<u>18,123,198</u>	<u>18,266,640</u>	<u>21,351,782</u>
<u>\$ 67,658,272</u>	<u>\$ 69,326,278</u>	<u>\$ 69,856,458</u>	<u>\$ 71,358,318</u>	<u>\$ 69,081,320</u>	<u>\$ 72,299,380</u>
\$ 83,657,332	\$ 87,545,537	\$ 87,859,370	\$ 87,592,716	\$ 85,386,398	\$ 87,623,320
7,113,691	7,804,562	7,685,503	12,303,401	13,018,099	11,594,255
<u>22,591,907</u>	<u>21,188,796</u>	<u>24,655,671</u>	<u>29,714,679</u>	<u>32,465,272</u>	<u>38,057,486</u>
<u>\$ 113,362,930</u>	<u>\$ 116,538,895</u>	<u>\$ 120,200,544</u>	<u>\$ 129,610,796</u>	<u>\$ 130,869,769</u>	<u>\$ 137,275,061</u>

CITY OF FARMINGTON

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities				
General government	\$ 1,940,630	\$ 2,284,974	\$ 2,268,779	\$ 2,178,067
Public safety	5,192,091	5,357,738	6,979,608	6,472,115
Public works	4,893,341	7,473,095	5,497,796	3,888,778
Park and recreation	1,730,734	1,815,882	1,904,792	1,782,783
Economic development	49,417	90,000	40,000	40,000
Interest and fiscal charges	1,020,096	992,422	1,032,748	549,075
Total governmental activities expenses	\$ 14,826,309	\$ 18,014,111	\$ 17,723,723	\$ 14,910,818
Business-type activities				
Liquor operations	\$ 4,315,834	\$ 4,352,597	\$ 4,448,932	\$ 4,634,488
Sewer operations	1,712,146	1,875,225	2,051,152	2,105,901
Solid waste	1,600,434	1,658,128	1,753,162	1,864,175
Storm water	615,684	731,444	534,988	571,572
Water	1,410,214	1,339,588	1,359,215	1,313,482
Street light	174,957	173,212	288,924	197,150
Total business-type activities	9,829,269	10,130,194	10,436,373	10,686,768
Total primary government expenses	\$ 24,655,578	\$ 28,144,305	\$ 28,160,096	\$ 25,597,586
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 534,008	\$ 399,053	\$ 668,849	\$ 434,411
Public safety	409,460	351,038	459,240	405,648
Public works	94,416	9,624	195,716	76,049
Parks and recreation	607,566	604,111	651,936	619,026
Operating grants and contributions	677,999	649,541	744,730	684,376
Capital grants and contributions	477,833	671,671	818,545	848,167
Total governmental activities program revenues	\$ 2,801,282	\$ 2,685,038	\$ 3,539,016	\$ 3,067,677

2018	2019	2020	2021	2022	2023
\$ 2,511,818	\$ 2,609,059	\$ 2,933,062	\$ 2,560,243	\$ 3,626,853	\$ 5,200,453
5,728,925	6,118,203	6,834,253	6,549,508	7,936,364	8,712,115
4,358,465	5,612,872	5,262,979	3,977,134	5,333,328	3,806,386
1,772,351	2,202,631	1,430,839	2,789,326	2,522,085	2,583,554
30,000	50,000	276,900	406,795	247,970	177,927
350,431	404,893	193,167	189,858	288,751	239,992
<u>\$ 14,751,990</u>	<u>\$ 16,997,658</u>	<u>\$ 16,931,200</u>	<u>\$ 16,472,864</u>	<u>\$ 19,955,351</u>	<u>\$ 20,720,427</u>
\$ 4,890,304	\$ 5,257,236	\$ 4,958,705	\$ 5,256,311	\$ 5,977,403	\$ 6,256,081
1,931,276	2,326,630	2,334,000	2,459,637	2,606,288	2,872,236
2,092,844	1,913,258	2,630,874	2,566,976	87,359	76,270
521,465	557,749	530,438	581,402	719,225	725,039
1,246,667	1,439,178	1,626,279	1,764,908	1,814,354	1,889,215
180,254	165,886	173,604	180,528	210,174	214,757
<u>10,862,810</u>	<u>11,659,937</u>	<u>12,253,900</u>	<u>12,809,762</u>	<u>11,414,803</u>	<u>12,033,598</u>
<u>\$ 25,614,800</u>	<u>\$ 28,657,595</u>	<u>\$ 29,185,100</u>	<u>\$ 29,282,626</u>	<u>\$ 31,370,154</u>	<u>\$ 32,754,025</u>
\$ 467,417	\$ 471,569	\$ 631,118	\$ 855,812	\$ 999,320	\$ 1,048,415
408,434	437,054	413,594	560,518	550,052	581,869
273,695	189,282	201,401	708,197	1,215,397	965,032
709,490	582,631	389,870	987,028	913,710	829,870
702,853	838,569	713,470	1,062,789	1,076,883	1,924,255
942,627	869,849	50,478	4,106,221	833,090	1,002,806
<u>\$ 3,504,516</u>	<u>\$ 3,388,954</u>	<u>\$ 2,399,931</u>	<u>\$ 8,280,565</u>	<u>\$ 5,588,452</u>	<u>\$ 6,352,247</u>

CITY OF FARMINGTON

Changes in Net Position
Last Ten Fiscal Years (continued)
(accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Program revenues (continued)				
Business-type activities				
Charges for services				
Liquor operations	\$ 4,639,194	\$ 4,607,417	\$ 4,742,313	\$ 4,967,468
Sewer	1,843,746	1,957,902	2,043,859	2,068,388
Solid waste	1,979,623	1,991,179	2,041,561	2,061,324
Storm water	559,327	670,353	643,479	647,767
Water	1,499,091	1,439,873	1,631,643	1,681,079
Street light	219,052	222,159	224,781	225,570
Operating grants and contributions	21,000	22,000	23,000	24,000
Capital grants and contributions	-	945,938	-	-
Total business-type activities program revenues	<u>10,761,033</u>	<u>11,856,821</u>	<u>11,350,636</u>	<u>11,675,596</u>
Total primary government program revenues	<u>\$ 13,562,315</u>	<u>\$ 14,541,859</u>	<u>\$ 14,889,652</u>	<u>\$ 14,743,273</u>
Net (expense) revenue				
Governmental activities	\$ (12,025,027)	\$ (15,329,073)	\$ (14,184,707)	\$ (11,843,141)
Business-type activities	<u>931,764</u>	<u>1,726,627</u>	<u>914,263</u>	<u>988,828</u>
Total primary government net expense	<u>\$ (11,093,263)</u>	<u>\$ (13,602,446)</u>	<u>\$ (13,270,444)</u>	<u>\$ (10,854,313)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 10,962,860	\$ 11,460,209	\$ 11,806,302	\$ 12,181,830
Franchise taxes	269,208	265,485	275,691	266,728
Unrestricted grants and contributions	257,386	278,974	287,252	289,854
Unrestricted investment earnings (charges)	130,739	189,540	255,021	200,851
Gain on sale of capital assets	-	-	-	54,408
Transfers	1,414,119	1,222,807	1,428,106	1,939,974
Total governmental activities	<u>\$ 13,034,312</u>	<u>\$ 13,417,015</u>	<u>\$ 14,052,372</u>	<u>\$ 14,933,645</u>
Business-type activities				
Unrestricted grants and contributions	\$ -	\$ -	\$ -	\$ -
Unrestricted investment earnings (charges)	246,220	152,954	139,249	129,207
Transfers	(1,414,119)	(1,222,807)	(1,428,106)	(1,939,974)
Total business-type activities	<u>(1,167,899)</u>	<u>(1,069,853)</u>	<u>(1,288,857)</u>	<u>(1,810,767)</u>
Total primary government	<u>\$ 11,866,413</u>	<u>\$ 12,347,162</u>	<u>\$ 12,763,515</u>	<u>\$ 13,122,878</u>
Change in net position				
Governmental activities	\$ 1,009,285	\$ (1,912,058)	\$ (132,335)	\$ 3,090,504
Business-type activities	<u>(236,135)</u>	<u>656,774</u>	<u>(374,594)</u>	<u>(821,939)</u>
Total primary government	<u>\$ 773,150</u>	<u>\$ (1,255,284)</u>	<u>\$ (506,929)</u>	<u>\$ 2,268,565</u>

2018	2019	2020	2021	2022	2023
\$ 5,256,645	\$ 5,608,012	\$ 5,347,194	\$ 5,724,828	\$ 6,391,785	\$ 6,770,039
2,045,728	2,117,934	2,160,808	2,264,006	2,611,202	2,762,566
2,071,672	2,244,569	2,692,155	2,858,958	27,491	10,605
737,115	1,130,563	1,149,665	1,158,564	1,227,091	1,327,620
1,852,381	2,281,793	2,533,753	3,251,453	2,533,222	2,799,075
226,674	226,971	232,990	232,378	236,117	238,805
30,263	34,190	26,710	240,598	30,616	10,822
–	81,634	–	476,930	–	–
<u>12,220,478</u>	<u>13,725,666</u>	<u>14,143,275</u>	<u>16,207,715</u>	<u>13,057,524</u>	<u>13,919,532</u>
<u>\$ 12,220,478</u>	<u>\$ 13,807,300</u>	<u>\$ 14,143,275</u>	<u>\$ 16,684,645</u>	<u>\$ 13,057,524</u>	<u>\$ 13,919,532</u>
\$ (11,247,474)	\$ (13,608,704)	\$ (14,531,269)	\$ (8,192,299)	\$ (14,366,899)	\$ (14,368,180)
<u>1,357,668</u>	<u>2,065,729</u>	<u>1,889,375</u>	<u>3,397,953</u>	<u>1,642,721</u>	<u>1,885,934</u>
<u>\$ (9,889,806)</u>	<u>\$ (11,542,975)</u>	<u>\$ (12,641,894)</u>	<u>\$ (4,794,346)</u>	<u>\$ (12,724,178)</u>	<u>\$ (12,482,246)</u>
\$ 12,659,480	\$ 12,916,115	\$ 13,044,381	\$ 13,692,990	\$ 14,463,106	\$ 15,284,709
266,324	262,148	244,839	229,355	227,017	201,431
316,100	317,172	2,042,381	107,962	207,501	944,364
239,714	657,977	526,283	(91,107)	(874,200)	1,407,087
531	17,218	16,174	–	81,008	136,368
1,110,880	946,033	1,788,680	1,831,571	3,393,908	(418,547)
<u>\$ 14,593,029</u>	<u>\$ 15,116,663</u>	<u>\$ 17,662,738</u>	<u>\$ 15,770,771</u>	<u>\$ 17,498,340</u>	<u>\$ 17,555,412</u>
\$ –	\$ –	\$ 18,136	\$ –	\$ –	\$ –
200,144	548,310	411,349	(64,522)	(525,811)	913,579
(1,110,880)	(946,033)	(1,788,680)	(1,831,571)	(3,393,908)	418,547
<u>(910,736)</u>	<u>(397,723)</u>	<u>(1,359,195)</u>	<u>(1,896,093)</u>	<u>(3,919,719)</u>	<u>1,332,126</u>
<u>\$ 13,682,293</u>	<u>\$ 14,718,940</u>	<u>\$ 16,303,543</u>	<u>\$ 13,874,678</u>	<u>\$ 13,578,621</u>	<u>\$ 18,887,538</u>
\$ 3,345,555	\$ 1,507,959	\$ 3,131,469	\$ 7,578,472	\$ 3,131,441	\$ 3,187,232
<u>446,932</u>	<u>1,668,006</u>	<u>530,180</u>	<u>1,501,860</u>	<u>(2,276,998)</u>	<u>3,218,060</u>
<u>\$ 3,792,487</u>	<u>\$ 3,175,965</u>	<u>\$ 3,661,649</u>	<u>\$ 9,080,332</u>	<u>\$ 854,443</u>	<u>\$ 6,405,292</u>

CITY OF FARMINGTON

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 33,369	\$ 6,034	\$ 33,762	\$ 34,529
Committed	-	-	-	-
Assigned	81,000	4,250	-	-
Unassigned	3,993,191	4,734,534	5,031,529	5,666,183
Total General Fund	<u>\$ 4,107,560</u>	<u>\$ 4,744,818</u>	<u>\$ 5,065,291</u>	<u>\$ 5,700,712</u>
All other governmental funds				
Nonspendable	\$ 160	\$ 150	\$ 110	\$ -
Restricted	5,673,161	5,776,314	16,959,150	4,071,837
Committed	-	8,025,185	5,158,828	6,373,022
Assigned	7,531,076	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 13,204,397</u>	<u>\$ 13,801,649</u>	<u>\$ 22,118,088</u>	<u>\$ 10,444,859</u>
Total all funds	<u>\$ 17,311,957</u>	<u>\$ 18,546,467</u>	<u>\$ 27,183,379</u>	<u>\$ 16,145,571</u>

Note: The City modified its fund balance policy in 2015, resulting in an increase in committed fund balances.

2018	2019	2020	2021	2022	2023
\$ 5,045	\$ 109,523	\$ 141,196	\$ 83,088	\$ 1,635	\$ 1,169
240,000	—	—	—	—	—
—	—	—	—	—	—
5,477,026	5,761,747	6,060,870	6,843,396	7,829,882	8,987,268
<u>\$ 5,722,071</u>	<u>\$ 5,871,270</u>	<u>\$ 6,202,066</u>	<u>\$ 6,926,484</u>	<u>\$ 7,831,517</u>	<u>\$ 8,988,437</u>
\$ —	\$ —	\$ 1,184,677	\$ 1,365	\$ 2,500	\$ 14,714
2,009,629	3,196,214	3,235,717	4,411,713	4,799,381	5,007,682
7,586,959	7,298,103	8,427,605	8,876,306	13,005,454	13,191,023
—	—	—	—	—	1,598,024
—	—	—	(29,832)	(172,932)	(448,106)
<u>\$ 9,596,588</u>	<u>\$ 10,494,317</u>	<u>\$ 12,847,999</u>	<u>\$ 13,259,552</u>	<u>\$ 17,634,403</u>	<u>\$ 19,363,337</u>
<u>\$ 15,318,659</u>	<u>\$ 16,365,587</u>	<u>\$ 19,050,065</u>	<u>\$ 20,186,036</u>	<u>\$ 25,465,920</u>	<u>\$ 28,351,774</u>

CITY OF FARMINGTON

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Property taxes	\$ 11,031,219	\$ 11,462,986	\$ 11,852,567	\$ 12,186,789
Franchise taxes	269,208	265,485	275,691	266,728
Special assessments	821,331	661,187	545,777	532,744
Licenses and permits	514,728	370,889	650,311	415,005
Intergovernmental	1,011,221	2,097,509	1,633,388	1,632,170
Charges for services	890,281	820,445	1,077,860	929,784
Fines and forfeits	65,482	52,299	41,750	45,102
Investment earnings (charges)	130,739	172,818	237,224	183,402
Other	174,959	160,193	260,564	201,288
Total revenues	<u>14,909,168</u>	<u>16,063,811</u>	<u>16,575,132</u>	<u>16,393,012</u>
Expenditures				
Current				
General government	1,717,994	1,947,768	1,996,410	2,051,143
Public safety	4,871,745	5,131,076	5,301,211	5,537,937
Public works	2,038,161	1,971,079	2,006,606	2,381,695
Park and recreation	1,448,951	1,538,452	1,513,411	1,585,656
Economic development	49,417	90,000	40,000	40,000
Capital outlay	1,839,726	4,695,581	2,755,780	586,495
Debt service				
Principal	2,376,739	2,899,162	4,411,534	6,395,000
Interest and fiscal charges	1,096,007	1,041,780	1,095,380	818,144
Total expenditures	<u>15,438,740</u>	<u>19,314,898</u>	<u>19,120,332</u>	<u>19,396,070</u>
Excess (deficiency) of revenues over expenditures	(529,572)	(3,251,087)	(2,545,200)	(3,003,058)
Other financing sources (uses)				
Debt issued	-	3,184,641	10,120,095	-
Payment of refunded debt	(1,435,000)	-	-	(9,990,000)
Sale of capital assets	22,473	157,599	13,043	54,408
Transfers in	2,330,331	5,937,539	5,590,211	2,981,402
Transfers out	(916,212)	(4,794,182)	(4,541,237)	(1,080,560)
Total other financing sources (uses)	<u>1,592</u>	<u>4,485,597</u>	<u>11,182,112</u>	<u>(8,034,750)</u>
Net change in fund balances	<u>\$ (527,980)</u>	<u>\$ 1,234,510</u>	<u>\$ 8,636,912</u>	<u>\$ (11,037,808)</u>
Debt service as a percentage of noncapital expenditures	<u>24.8%</u>	<u>21.0%</u>	<u>29.5%</u>	<u>37.9%</u>

	2018	2019	2020	2021	2022	2023
\$	12,665,721	\$ 12,926,730	\$ 13,049,745	\$ 13,700,787	\$ 14,449,100	\$ 15,251,002
	266,324	262,148	244,839	229,355	227,017	201,431
	314,594	625,308	407,412	279,579	533,337	520,116
	449,350	421,578	588,347	789,965	823,729	927,731
	1,768,219	1,796,575	2,948,939	1,257,177	1,268,198	4,943,868
	1,094,360	1,042,292	890,408	1,697,708	2,275,257	2,031,701
	60,182	63,561	45,959	52,340	58,400	57,509
	209,968	567,539	455,233	(81,823)	(793,738)	1,277,985
	305,014	226,316	161,687	600,280	648,430	437,525
	<u>17,133,732</u>	<u>17,932,047</u>	<u>18,792,569</u>	<u>18,525,368</u>	<u>19,489,730</u>	<u>25,648,868</u>
	2,311,024	2,407,932	2,637,945	2,693,428	3,191,346	4,184,318
	5,348,888	5,705,820	5,917,499	6,438,859	6,834,703	7,206,927
	2,690,271	3,272,313	2,794,566	2,639,935	3,261,324	3,866,764
	1,595,924	1,855,261	1,560,781	1,884,846	1,939,271	2,243,990
	30,000	50,000	276,900	385,434	241,518	177,927
	1,597,191	4,715,989	2,664,884	3,045,812	3,978,547	5,661,851
	5,180,000	2,435,000	2,910,000	2,155,000	2,199,417	1,706,097
	503,061	412,373	397,231	368,738	361,727	396,541
	<u>19,256,359</u>	<u>20,854,688</u>	<u>19,159,806</u>	<u>19,612,052</u>	<u>22,007,853</u>	<u>25,444,415</u>
	(2,122,627)	(2,922,641)	(367,237)	(1,086,684)	(2,518,123)	204,453
	–	1,009,555	1,279,300	–	4,088,692	714,239
	–	–	–	–	–	–
	11,000	18,939	12,867	84,662	80,249	136,368
	3,214,991	4,280,247	4,263,090	2,854,791	9,437,491	4,943,204
	(1,930,276)	(1,339,172)	(2,503,542)	(1,046,718)	(6,212,955)	(3,112,410)
	<u>1,295,715</u>	<u>3,969,569</u>	<u>3,051,715</u>	<u>1,892,735</u>	<u>7,393,477</u>	<u>2,681,401</u>
\$	<u>(826,912)</u>	<u>\$ 1,046,928</u>	<u>\$ 2,684,478</u>	<u>\$ 806,051</u>	<u>\$ 4,875,354</u>	<u>\$ 2,885,854</u>
	<u>31.3%</u>	<u>16.5%</u>	<u>18.5%</u>	<u>14.1%</u>	<u>13.7%</u>	<u>10.9%</u>

CITY OF FARMINGTON

Tax Capacity Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Payable Year	Residential Property	Commercial/ Industrial, Public Utility, Railroads, and Personal Property	Apartments	Agricultural Property	Less Captured Tax Increment Tax Capacity
2014	\$ 11,207,086	\$ 2,669,813	\$ 272,246	\$ 234,772	\$ (119,175)
2015	12,802,297	2,688,017	271,615	266,387	(113,361)
2016	14,005,748	2,739,868	280,096	272,897	(117,585)
2017	14,798,507	2,805,453	295,234	272,086	(118,368)
2018	15,932,445	2,884,545	382,700	257,966	(37,168)
2019	17,392,473	2,937,228	487,014	266,572	(146,966)
2020	18,650,539	2,893,434	476,353	275,228	(145,234)
2021	20,067,551	3,129,074	519,937	266,742	(106,443)
2022	21,162,785	3,085,886	533,529	277,064	(104,238)
2023	26,060,779	3,962,038	573,811	309,162	(108,548)

Note: The tax capacity (assessed taxable value) of the property is calculated by applying a statutory formula to the estimated market value of the property.

Source: Dakota County

<u>Less Contributions to Fiscal Disparities Pool</u>	<u>Fiscal Disparities Distribution</u>	<u>Total Tax Capacity Value</u>	<u>Total Direct Tax Capacity Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Tax Capacity Value as a Percentage of Actual Value</u>
\$ (1,011,274)	\$ 3,371,993	\$ 16,625,461	65.876 %	\$ 1,311,752,463	1.27 %
(1,002,736)	3,397,197	18,309,416	61.455	1,475,969,866	1.24
(953,101)	3,424,887	19,652,810	59.239	1,601,441,554	1.23
(1,039,820)	3,607,141	20,620,233	58.760	1,685,287,604	1.22
(1,061,204)	3,721,925	22,081,209	57.161	1,810,826,485	1.22
(1,080,604)	3,892,519	23,748,236	54.372	1,968,969,293	1.21
(1,074,146)	4,219,127	25,295,301	50.971	2,093,214,877	1.21
(996,932)	4,468,538	27,348,467	49.251	2,247,736,496	1.22
(1,186,065)	4,774,320	28,543,281	50.623	2,357,314,320	1.21
(1,099,790)	4,756,013	34,453,465	42.933	2,893,627,784	1.19

CITY OF FARMINGTON

Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates (2)			Total Direct and Overlapping Tax Rate
	Operating	Debt Service	Total City	Dakota County	ISD No. 192	Other Special Districts	
2014	47.308	18.568	65.876	31.820	56.300	4.150	158.146
2015	44.964	16.491	61.455	29.625	53.460	3.741	148.281
2016	44.220	15.019	59.239	28.562	57.570	3.802	149.173
2017	44.050	14.710	58.760	27.996	54.256	3.692	144.704
2018	42.451	14.710	57.161	26.573	52.813	3.203	139.750
2019	43.721	10.651	54.372	25.379	51.390	2.983	134.124
2020	N/A	N/A	50.971	24.126	53.095	2.880	131.072
2021	38.300	10.951	49.251	22.710	50.796	2.764	125.521
2022	42.649	7.974	50.623	21.630	49.481	2.412	124.146
2023	37.071	5.862	42.933	18.816	38.497	2.065	102.311

N/A – Not Available

- (1) Information reflects total tax rates levied by each entity. Tax rates are expressed in terms of “net tax capacity.” A property’s tax capacity is determined by multiplying its taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all of the City’s property owners.

Source: Dakota County

CITY OF FARMINGTON

Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Taxpayer	2023			2014		
	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value
Northern Natural Gas	\$ 1,190,322	1	3.85 %	\$ 424,534	1	2.95 %
Xcel Energy (Northern States Power)	129,188	2	0.42	180,474	2	1.25
Legacy Partners of Farmington, LLC	109,829	3	0.36	–	–	–
Dakota Storage, LLC	106,402	4	0.34	81,608	5	0.57
Valmont Industries	99,944	5	0.32	–	–	–
Dakota Electric Association	98,816	6	0.32	130,672	3	0.91
Minnesota Energy Resources	92,886	7	0.30	–	–	–
Seeger Properties LLC	89,287	8	0.29	–	–	–
RLR Investments, LLC	84,058	9	0.27	68,204	6	0.47
POR-MKR Real Estate, LLC	75,536	10	0.24	65,936	8	0.46
Farmington City Center LLC	–	–	–	86,348	4	0.60
St. Francis Health Systems	–	–	–	67,253	7	0.47
RoundBank	–	–	–	63,729	9	0.44
Schwiness LLC	–	–	–	63,322	10	0.44
Total	\$ 2,076,268		6.72 %	\$ 1,232,080		8.57 %

Source: Dakota County

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CITY OF FARMINGTON

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of Levy (2)		Delinquent Tax Collections (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 10,981,055	\$ 10,889,973	99.17 %	\$ 87,444	\$ 10,977,417	99.97 %
2015	11,402,145	11,307,924	99.17	91,699	11,399,623	99.98
2016	11,718,018	11,656,384	99.47	60,558	11,716,942	99.99
2017	12,133,656	12,073,701	99.51	59,735	12,133,436	100.00
2018	12,681,188	12,601,932	99.38	78,074	12,680,006	99.99
2019	13,020,768	12,950,561	99.46	68,284	13,018,845	99.99
2020	13,036,578	12,967,610	99.47	65,179	13,032,789	99.97
2021	13,546,213	13,476,144	99.48	47,227	13,523,371	99.83
2022	14,383,924	14,309,308	99.48	51,565	14,360,873	99.84
2023	15,157,495	15,063,278	99.38	-	15,063,278	99.38

(1) Includes fiscal disparity revenues.

(2) Includes fiscal disparity revenues and is net of county/state adjustments.

Source: Dakota County

CITY OF FARMINGTON

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Special Assessment Bonds	Certificates of Indebtedness	Net Premiums (Discounts)	Lease Liabilities
2014	\$ 14,520,696	\$ 15,630,000	\$ 785,000	\$ 177,829	\$ -
2015	16,496,534	13,930,000	660,000	277,972	-
2016	20,115,000	15,645,000	535,000	738,645	-
2017	12,455,000	7,455,000	-	645,061	-
2018	9,155,000	5,575,000	-	551,475	-
2019	8,865,000	4,355,000	-	532,060	-
2020	7,550,000	2,760,000	1,105,000	578,829	-
2021	6,655,000	1,500,000	1,105,000	447,152	-
2022	9,370,000	445,000	905,000	668,370	83,029
2023	8,400,000	-	695,000	544,915	716,171

N/A – Not Applicable

Note 1: Details regarding the City’s outstanding debt can be found in the notes to basic financial statements.

Note 2: See Demographic and Economic Statistics schedule for population and personal income information.

Business-Type Activities					
Revenue	Net		Total		Percentage
Bonds	Premiums	Lease	Primary	Per Capita	of Personal
	(Discounts)	Liabilities	Government		Income
\$ -	\$ -	\$ -	\$ 31,113,525	\$ 1,386	2.7 %
-	-	-	31,364,506	1,386	2.6
-	-	-	37,033,645	1,650	3.0
-	-	-	20,555,061	920	1.6
-	-	-	15,281,475	682	1.1
720,000	90,856	-	14,562,916	636	1.0
655,000	80,944	-	12,729,773	551	0.9
595,000	71,032	951,551	11,324,735	479	0.7
530,000	61,121	922,305	12,984,825	549	N/A
465,000	51,207	828,121	11,700,414	493	N/A

CITY OF FARMINGTON

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds (1)	Less Amounts Restricted for Repaying Principal	Total	Market Value of Property	Percentage of Market Value of Property
2014	\$ 14,520,696	\$ 852,842	\$ 13,667,854	\$ 1,311,752,463	1.04 %
2015	16,496,534	1,157,993	15,338,541	1,475,969,866	1.04
2016	20,115,000	7,894,089	12,220,911	1,601,441,554	0.76
2017	12,455,000	2,167,387	10,287,613	1,685,287,604	0.61
2018	9,155,000	1,588,980	7,566,020	1,810,826,485	0.42
2019	8,865,000	1,651,796	7,213,204	1,968,969,293	0.37
2020	7,550,000	1,255,057	6,294,943	2,093,214,877	0.30
2021	6,961,052	1,296,028	5,665,024	2,247,736,496	0.25
2022	9,945,146	1,130,750	8,814,396	2,357,314,320	0.37
2023	9,639,915	2,100,445	7,539,470	2,893,627,784	0.26

N/A – Not Available

(1) Includes all general obligations of the City, including Capital Improvement Plan Bonds and Certificates of Indebtedness.

(2) See Demographic and Economic Statistics schedule for population and personal income information.

Note: Details regarding the City’s outstanding debt can be found in the notes to basic financial statements.

Source: Dakota County website and Dakota County Assessor’s Office

Total City Tax Capacity Value	Percentage of Total City Tax Capacity Value	Population (2)	Percentage of Personal Income (2)	Per Capita
\$ 14,383,917	95.02 %	22,446	1.24 %	\$ 609
16,028,316	95.70	22,622	1.32	678
17,298,609	70.65	22,451	1.38	544
18,171,280	56.61	22,343	1.41	460
19,457,656	38.88	22,421	1.43	337
21,083,287	34.21	22,880	1.49	315
22,295,554	28.23	23,123	1.49	272
23,983,304	23.62	23,632	1.49	240
25,059,264	35.17	23,654	N/A	373
30,905,790	24.40	23,719	N/A	318

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CITY OF FARMINGTON

Direct and Overlapping Governmental Activities Debt
December 31, 2023

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt			
Dakota County CDA	\$ 70,055,000	4.238 %	\$ 2,968,779
ISD No. 192, Farmington	114,450,000	59.090	67,628,548
ISD No. 196, Rosemount–Apple Valley–Eagan	385,260,000	11.607	44,717,113
Metropolitan Council (2)	238,225,000	4.250	10,124,881
Total overlapping debt	<u>807,990,000</u>		<u>125,439,320</u>
Direct debt			
City of Farmington direct debt	<u>10,356,086</u>	100.000	<u>10,356,086</u>
Total direct and overlapping debt	<u>\$ 818,346,086</u>		<u>\$ 135,795,406</u>

(1) The percentage of overlapping debt applicable is estimated using tax capacity. Applicable percentages were estimated by determining the portion of the governmental unit’s tax capacity that is within the City’s boundaries and dividing it by the governmental unit’s total tax capacity.

(2) The above debt includes all outstanding general obligation debt of the Metropolitan Council supported by taxes. The Metropolitan Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding, all of which are supported entirely by revenues and are not included in the overlapping debt or debt ratios sections above.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City’s ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

Source: Dakota County Property Taxation Office

CITY OF FARMINGTON

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$ 39,352,574	\$ 44,279,096	\$ 48,043,247	\$ 50,558,628
Total net debt applicable to the limit	<u>14,520,696</u>	<u>16,496,534</u>	<u>20,115,000</u>	<u>12,455,000</u>
Legal debt margin	<u>\$ 24,831,878</u>	<u>\$ 27,782,562</u>	<u>\$ 27,928,247</u>	<u>\$ 38,103,628</u>
Total net debt applicable to the limit as a percentage of debt limit	36.90%	37.26%	41.87%	24.63%

2018	2019	2020	2021	2022	2023
\$ 54,324,795	\$ 59,069,079	\$ 62,796,446	\$ 67,432,095	\$ 70,719,430	\$ 86,808,834
9,155,000	8,865,000	8,655,000	7,760,000	10,275,000	9,095,000
<u>\$ 45,169,795</u>	<u>\$ 50,204,079</u>	<u>\$ 54,141,446</u>	<u>\$ 59,672,095</u>	<u>\$ 60,444,430</u>	<u>\$ 77,713,834</u>
16.85%	15.01%	13.78%	11.51%	14.53%	10.48%

Legal Debt Margin Calculations for Fiscal Year 2023

Market value	\$ 2,893,627,784
Debt limit (3% of market value)	86,808,834
Debt applicable to the limit	<u>9,095,000</u>
Legal debt margin	<u>\$ 77,713,834</u>

CITY OF FARMINGTON

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (a)	Less Direct Operating Expenses (b)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2014			No revenue bonds outstanding from 2013–2018				
2015			No revenue bonds outstanding from 2013–2018				
2016			No revenue bonds outstanding from 2013–2018				
2017			No revenue bonds outstanding from 2013–2018				
2018			No revenue bonds outstanding from 2013–2018				
2019	\$ 2,281,793	\$ (556,474)	\$ 1,725,319	\$ –	\$ –	\$ –	N/A
2020	2,533,753	(613,141)	1,920,612	65,000	39,916	104,916	1,830.62 %
2021	2,908,352	(755,497)	2,152,855	60,000	29,550	89,550	2,404.08
2022	2,238,210	(805,909)	1,432,301	65,000	26,426	91,426	1,566.62
2023	2,496,686	(871,659)	1,625,027	65,000	23,175	88,175	1,842.96

N/A – Not Applicable

(a) Fiscal years 2019–2023 include gross revenues of the Water Fund.

(b) Exclusive of depreciation.

Note: Details regarding the City’s outstanding debt can be found in the notes to basic financial statements.

CITY OF FARMINGTON

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Households (1)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>	<u>Total Personal Income (5)</u>	<u>Per Capita Income (4)</u>
2014	22,446	7,906	7,075	3.1	\$ 1,159,941,942	\$ 51,677
2015	22,622	7,959	7,019	3.3	1,215,027,620	53,710
2016	22,451	7,657	7,074	3.4	1,251,486,093	55,743
2017	22,343	7,691	7,126	2.7	1,287,805,834	57,638
2018	22,421	7,779	7,138	2.7	1,357,344,919	60,539
2019	22,880	7,925	7,143	3.0	1,418,033,760	61,977
2020	23,123	7,926	6,996	4.3	1,497,168,004	64,748
2021	23,632	7,906	6,825	2.4	1,605,250,864	67,927
2022	23,654	7,936	6,853	2.5	N/A	N/A
2023	23,719	8,011	6,767	2.2	N/A	N/A

N/A – Not Available

- (1) Numbers for 2014–2015 are from the Farmington Building Inspections Department. The 2016–2023 numbers are from the Metropolitan Council, which uses a more scientific and in-depth approach to estimating these values. They also have a one-year lag in reporting.
- (2) Minnesota Department of Employment and Economic Development – Dakota County Annual Rate.
- (3) ISD No. 192, Farmington Public Schools – October enrollment count.
- (4) U.S. Bureau of Economic Analysis – Per capita personal income for Dakota County residents.
- (5) Per capita personal income for Dakota County residents multiplied by the estimated city population.

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CITY OF FARMINGTON

Principal Employers
Current Fiscal Year and Nine Years Prior

Taxpayer	2023			2014		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment
ISD No. 192, Farmington Public Schools	839	1	17.3 %	900	1	19.7 %
Federal Aviation Administration	366	2	7.5	400	2	8.8
Installed Building Solutions	284	3	5.9	–	–	–
Trinity Care Center and Trinity Terrace	215	4	4.4	–	–	–
Marschall Line, Inc.	202	5	4.2	182	4	4.0
City of Farmington	193	6	4.0	91	9	2.0
Dakota Electric Association	191	7	3.9	200	3	4.4
R&L Carriers	160	8	3.3	110	7	2.4
Valmont Industries	134	9	2.8	130	6	2.9
Kemps Dairy	130	10	2.7	131	5	2.9
River Valley Home Care	–	–	–	110	8	2.4
JIT Powder Coating	–	–	–	65	10	1.4
Total	<u>2,714</u>		<u>56.0 %</u>	<u>2,319</u>		<u>50.9 %</u>

(1) Per City of Farmington records.

(2) Metropolitan Council Employment by Community as of 2022 (latest available), 4,849 total employment.

CITY OF FARMINGTON

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
General government				
Administration	3.50	3.00	2.00	1.00
Finance	4.00	4.50	5.50	5.50
Human resources/information technology/communications	3.00	3.00	3.00	4.00
Community development	2.50	2.50	3.00	3.00
Total general government	<u>13.00</u>	<u>13.00</u>	<u>13.50</u>	<u>13.50</u>
Public safety				
Police administration	5.15	5.15	5.15	5.15
Police patrol	17.00	17.00	17.00	17.00
Investigations	5.00	5.00	5.00	5.00
Fire	1.40	1.50	1.50	1.50
Total public safety	<u>28.55</u>	<u>28.65</u>	<u>28.65</u>	<u>28.65</u>
Public works				
Building inspections	2.50	2.50	3.20	3.50
Engineering	4.60	4.50	4.50	5.50
Streets	10.00	9.00	9.50	9.50
Natural resources	1.00	1.00	1.00	-
Total public works	<u>18.10</u>	<u>17.00</u>	<u>18.20</u>	<u>18.50</u>
Parks and recreation				
Park maintenance	3.50	3.50	3.50	3.60
Building maintenance	1.00	1.00	1.00	1.00
Recreation programming	2.00	2.00	2.00	2.00
Total parks and recreation	<u>6.50</u>	<u>6.50</u>	<u>6.50</u>	<u>6.60</u>
Senior center	1.50	1.00	1.40	1.40
Swimming pool	0.40	0.40	0.40	0.40
Arena	2.35	2.35	2.35	2.35
Liquor operations	7.50	8.00	8.00	8.00
Solid waste	5.00	5.00	5.50	5.50
Fleet	2.00	2.00	2.00	2.00
Total employees	<u><u>84.90</u></u>	<u><u>83.90</u></u>	<u><u>86.50</u></u>	<u><u>86.90</u></u>

Note: In addition to the above, the City has a volunteer fire department of 50 people and hires seasonal staff for its summer parks and recreation operations.

Source: Various city departments

2018	2019	2020	2021	2022	2023
1.00	1.00	1.00	2.00	2.00	2.00
5.50	5.50	5.50	5.50	5.50	4.50
5.00	5.00	5.00	5.00	6.00	6.00
4.00	5.00	4.00	4.00	3.00	4.00
<u>15.50</u>	<u>16.50</u>	<u>15.50</u>	<u>16.50</u>	<u>16.50</u>	<u>16.50</u>
5.00	5.00	5.00	5.00	5.00	5.00
15.00	16.00	17.00	17.00	18.00	19.00
6.00	6.00	6.00	6.00	6.00	6.00
1.00	2.00	2.00	2.00	2.00	2.00
<u>27.00</u>	<u>29.00</u>	<u>30.00</u>	<u>30.00</u>	<u>31.00</u>	<u>32.00</u>
3.50	3.00	4.00	4.00	5.00	5.00
4.50	5.00	5.00	5.00	5.00	6.00
9.00	10.00	10.00	10.00	9.50	10.00
1.00	1.00	–	–	1.00	1.00
<u>18.00</u>	<u>19.00</u>	<u>19.00</u>	<u>19.00</u>	<u>20.50</u>	<u>22.00</u>
4.00	4.00	4.00	4.00	7.00	7.00
1.00	3.00	3.00	3.00	3.00	3.00
2.00	2.00	2.00	2.00	2.00	2.00
<u>7.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>12.00</u>	<u>12.00</u>
1.00	1.00	1.50	1.50	1.50	1.50
–	–	–	–	–	–
2.00	2.00	2.00	2.00	1.50	1.50
9.50	9.00	13.00	13.00	13.00	13.00
5.50	5.00	5.00	5.00	–	–
2.00	2.00	2.00	2.00	2.00	2.00
<u>87.50</u>	<u>92.50</u>	<u>97.00</u>	<u>98.00</u>	<u>98.00</u>	<u>100.50</u>

CITY OF FARMINGTON

Operating Indicators by Function
Last Ten Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
General government				
Elections	1	N/A	1	N/A
Registered voters	12,541	N/A	13,788	N/A
Number of votes cast	6,419	N/A	11,545	N/A
Voter participation (registered)	51.0%	N/A	84.0%	N/A
Public safety				
Police				
Arrests	266	153	351	281
All citations and warnings	3,383	2,494	2,070	2,021
Calls for service	13,035	12,085	11,943	11,221
Fire				
Medical calls	386	359	356	452
Fire calls	241	361	345	407
Inspections				
Building permits	711	619	1,184	1,036
Value of building permits (in millions)	\$ 24	\$ 15	\$ 38	\$ 19
Parks and recreation				
Parks				
Park reservations	66	66	81	71
Pool (closed after 2017)				
Pool open swim admissions	8,032	7,652	7,372	6,302
Pool swim lesson registrations	267	256	309	136
Pool season passes sold	N/A	N/A	NA	N/A
Pool punch cards sold	193	176	125	139
Swim bus riders	408	536	507	496
Rambling River Center				
Memberships	406	381	404	467
Program participation	15,285	13,885	13,042	15,203
Number of volunteers	130	107	82	80
Total volunteer hours	4,348	5,944	8,573	4,298
Ice arena				
Ice skating lessons total participants	230	216	329	284
Arena rental hours	1,197	1,315	1,285	1,490
Outdoor rinks total number of skaters	7,481	7,851	5,187	7,276
Other				
Recreation program/event participants	6,425	5,976	8,344	8,171
Youth scholarships provided	7	4	6	8

N/A – Not Available

Source: Various city departments

2018	2019	2020	2021	2022	2023
1	N/A	1	N/A	1	N/A
13,403	N/A	14,736	N/A	14,480	N/A
9,632	N/A	12,102	N/A	9,479	N/A
72.0%	N/A	82.0%	N/A	65.0%	N/A
284	253	232	268	230	222
2,484	2,176	2,319	1,982	2,434	2,552
13,033	14,005	15,413	11,361	13,567	13,564
411	480	467	712	747	714
340	370	284	353	465	436
1,059	1,049	1,318	1,705	1,155	1,960
\$ 26	\$ 22	\$ 27	\$ 40	\$ 42	\$ 53
64	59	—	78	85	71
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
497	372	305	471	399	371
16,015	17,730	3,651	8,728	11,777	15,273
69	74	31	57	65	52
3,426	3,749	347	1,732	2,135	1,932
296	310	122	221	211	155
1,380	1,390	1,191	1,641	1,537	1,546
5,451	3,892	4,209	4,142	6,115	4,694
7,034	5,657	361	5,927	6,746	7,397
1	—	—	1	2	5

CITY OF FARMINGTON

Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
Public safety				
Police				
Stations	1	1	1	1
Patrol squads	16	16	15	15
Fire				
Stations	2	2	2	2
Fire trucks	6	6	8	8
Public works				
Vehicles	21	24	29	29
Streets (miles)	89	89	89	89
Parks and recreation				
Senior center – building	1	1	1	1
Swimming pool (closed after 2017)	1	1	1	1
Ice arena – building	1	1	1	1
Parks	23	23	23	23
Solid waste				
Compactor trucks	5	5	5	5
Sanitary sewer				
Collection system (miles)	84	84	84	90
Storm sewer				
Storm sewer (miles)	71	73	73	78
Water				
Water main (miles)	109	109	109	113
Wells	7	7	7	7
Water reservoirs	2	2	2	2

Source: The City's financial records

2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
16	19	19	19	21	18
2	2	2	2	2	2
8	8	8	8	8	5
29	30	31	31	28	27
89	89	90	90	90	92
1	1	1	1	1	1
–	–	–	–	–	–
1	1	1	1	1	1
24	26	26	26	27	27
5	5	6	6	–	–
90	87	90	92	94	97
78	78	81	84	85	86
113	113	116	119	121	123
7	8	9	9	9	9
2	2	2	2	2	2

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