

# **Annual Comprehensive Financial Report**



Photo from Nicole J. Pulczinski

## **City of Farmington, Minnesota**

Year Ended December 31, 2021

Lynn Gorski - City Administrator

Prepared by: Finance Department



CITY OF FARMINGTON  
DAKOTA COUNTY, MINNESOTA

Annual Comprehensive  
Financial Report

for the Year Ended  
December 31, 2021

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

May 31, 2022

**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, 2021 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, 2021, 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, 2021, 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 23,632. 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 operates the following enterprise funds: municipal liquor operations, sewer, solid waste, storm water, water, and street lights. It should be noted that the City's solid waste operation ended as of December 31, 2021. The City has contracted with a private solid waste hauler to provide solid waste services for the City. 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 approximately 900 people. The Federal Aviation Administration and Installed Building Solutions employ 498 and 290 people, respectively.

During 2021, a number of new businesses opened or expanded, and construction was completed on two new commercial buildings, one in the Farmington Business Park and one 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 2021 compared to 2020. In 2021, the City issued new construction permits for 117 new single-family units and two new commercial buildings. The new single-family permits resulted in a total new residential building valuation of \$27,434,350. The new commercial buildings had a valuation of \$2,472,057. The number of foreclosures in the City remained relatively flat. There were nine foreclosures in the City in 2021, compared to eight in 2020.

## **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 1–2 years. In early 2021, the City Council established three priorities for 2021, which include:

- Business Growth
- Community Engagement
- Infrastructure Support

In working towards these established goals, the City reviewed and revised its processes for new development to make it a better experience for developers looking at the City. In addition, as part of the 2022 budget process, the City increased funding for several areas of infrastructure, including street maintenance and trail maintenance. The City Council will continue to strive to fulfill the goals it has set with the ultimate goal being the benefit of our community.

During 2021, staff continued to review and revise various capital improvement plans, with an emphasis on those including streets, trails, and equipment. This review and revision process was in line with the Council's priority of infrastructure support. The mill and overlay program that began in 2019 continued in 2021 and will continue in future years, along with street reconstruction projects that are planned for 2022 and beyond.

The City's 2040 Comprehensive Plan and Highway 3 Corridor Plan were completed in 2019. The Highway 3 Corridor Plan was developed to create a guide that will result in a flourishing corridor that promotes economic growth and safe and efficient transportation. Additional information about these strategies and goals may be found on the City's website, [www.farmingtonmn.gov](http://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.

A community that helps grow value has a positive impact on the net worth of all its property owners. As an organization, the City has worked diligently to build a variety of services, facilities, infrastructure, and secure a financial foundation for its residents and stakeholders. Maintaining high quality services plays a key role in favorable appreciation of the community's property values. The City's substantial investments in its infrastructure have helped extend the life of some existing roadways and improve the quality and safety of other roads in the City. Investments in homes and businesses represent the most important assets in an American citizen's personal portfolio; therefore, the continued enhancement of that value is extremely important. The City is seeing its average residential home values continue to increase.

The City needs to continue to progress forward by building and renewing its community. The community and organizational strength, both financial and operational, allows the City to create even greater opportunities. City ordinances continue to be reviewed and updated to provide for new business opportunities. The City Council approved the fourth addition of the Sapphire Lake development, which consists of 30 lots. The City Council also approved the fourth and fifth additions for 20 and 13 lots, respectively, in the Fairhill Estate at North Creek development. Lastly, the City Council approved the Vita Attiva at South Creek 1st Addition and the Whispering Fields 1st Addition, which consist of 50 and 60 lots, respectively. The City continued implementation of the Downtown Redevelopment Plan, including a Downtown Facade Improvement Grant Program. Implementation has also continued on the small area study for redevelopment of the Highway 3 corridor.

Farmington Municipal Liquor Operations have made tremendous improvements over the past several years. That improvement continued in 2021. During the year, the downtown store location relocated to a new location on the Highway 3 corridor, with the expectation of further improvements in sales and profits. Store profits have benefited the community and over the past 10 years, the stores have produced an average of \$200,000 per year in profits. Notably, the liquor stores have been able to provide roughly \$1.6 million since 2005 to city departments and community organizations.

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, 2020. This is the 12th 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 staff for their attention to detail and budget management throughout the year. Credit also must be given to the mayor and the City Council for their support and the steps they have taken to continue to strengthen the City's finances and longer-term financial planning.

Respectively Submitted,



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Lynn Gorski, City Administrator



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Chris Regis, Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Farmington  
Minnesota**

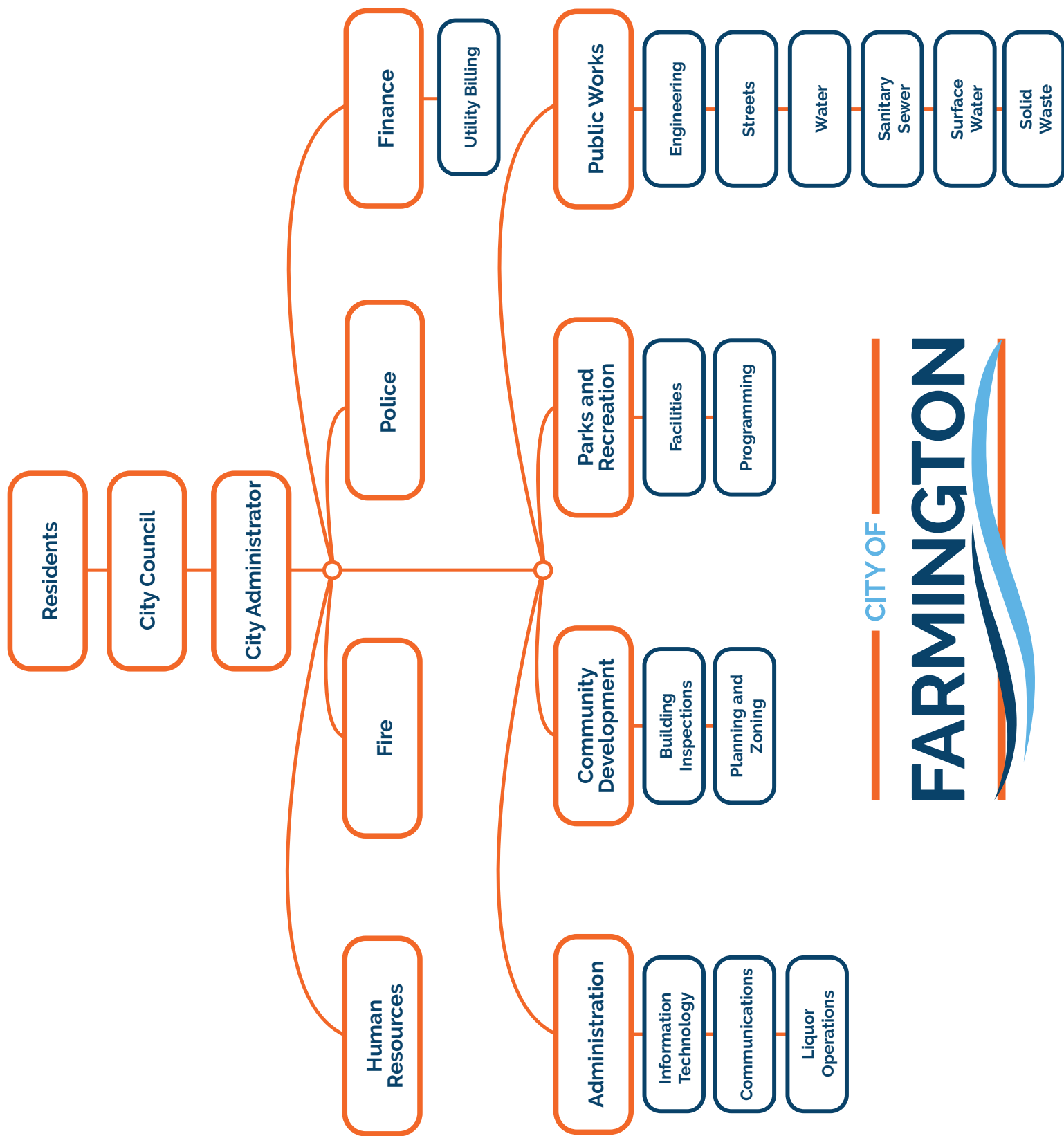
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO





CITY OF FARMINGTON

Elected Officials and Executive Staff  
December 31, 2021

**ELECTED OFFICIALS**

		<u>Term Expires</u>
Joshua Hoyt	Mayor	December 31, 2024
Katie Bernhjelm	Councilmember	December 31, 2022
Katie Porter	Councilmember	December 31, 2024
Steve Wilson	Councilmember	December 31, 2024
Vacant	Councilmember	N/A

**EXECUTIVE STAFF**

Lynn Gorski	City Administrator, appointed March 21, 2022
David McKnight	City Administrator, through March 11, 2022
Samantha DiMaggio	Community Development Director
Katy Gehler	Engineer
Chris Regis	Finance Director
Justin Elvestad	Fire Chief
Jennifer Gabbard	Human Resources Director
Vacant	Municipal Services Director
Kellee Omlid	Parks and Recreation Director
Gary Rutherford	Police Chief

## 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

### **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, 2021, 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, 2021, 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 these 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 within 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 judgement 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 combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for 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 May 31, 2022, 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  
May 31, 2022

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## CITY OF FARMINGTON

### Management's Discussion and Analysis Year Ended December 31, 2021

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, 2021. The discussion and analysis 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 \$129,610,796 (net position) at the close of the most recent fiscal year. Of this amount, \$29,714,679 (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 \$9,080,332 in 2021, including an increase of \$7,578,472 attributable to governmental activities, and an increase of \$1,501,860 attributable to business-type activities.
- The City's outstanding bonded debt decreased by \$2,215,000, or 18.4 percent, during the fiscal year, due to annual bond principal payments.
- The City's governmental funds reported combined ending fund balances of \$20,186,036 at December 31, 2021, an increase of \$806,051 from the prior year. Approximately 77.7 percent of this total amount, \$15,689,870, 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 \$6,843,396, or 43.5 percent, of 2022 General Fund budgeted expenditures and transfers out.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis 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 the 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 several 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
- Debt Service Fund
- Maintenance Capital Projects Fund
- Private Capital Projects 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 as a part of 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 fund 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 the combining and individual fund statements and schedules (presented as supplementary information) referred to earlier in connection with nonmajor governmental funds and internal service funds, 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 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 \$129,610,796 at December 31, 2021.

### City of Farmington's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 34,158,685	\$ 27,334,327	\$ 22,804,678	\$ 19,458,340	\$ 56,963,363	\$ 46,792,667
Capital assets, net	46,526,236	46,682,049	51,439,664	52,712,003	97,965,900	99,394,052
Total assets	<u>\$ 80,684,921</u>	<u>\$ 74,016,376</u>	<u>\$ 74,244,342</u>	<u>\$ 72,170,343</u>	<u>\$154,929,263</u>	<u>\$146,186,719</u>
Deferred outflows of resources	<u>\$ 5,903,189</u>	<u>\$ 2,743,559</u>	<u>\$ 355,063</u>	<u>\$ 95,316</u>	<u>\$ 6,258,252</u>	<u>\$ 2,838,875</u>
Current liabilities	\$ 4,819,176	\$ 2,635,556	\$ 1,463,113	\$ 770,714	\$ 6,282,289	\$ 3,406,270
Long-term liabilities	16,109,284	20,341,217	1,355,634	1,573,584	17,464,918	21,914,801
Total liabilities	<u>\$ 20,928,460</u>	<u>\$ 22,976,773</u>	<u>\$ 2,818,747</u>	<u>\$ 2,344,298</u>	<u>\$ 23,747,207</u>	<u>\$ 25,321,071</u>
Deferred inflows of resources	<u>\$ 7,407,172</u>	<u>\$ 3,109,156</u>	<u>\$ 422,340</u>	<u>\$ 64,903</u>	<u>\$ 7,829,512</u>	<u>\$ 3,174,059</u>
Net position						
Net investment in capital assets	\$ 36,819,084	\$ 35,883,311	\$ 50,773,632	\$ 51,976,059	\$ 87,592,716	\$ 87,859,370
Restricted	9,841,913	5,553,935	2,461,488	2,461,488	12,303,401	8,015,423
Unrestricted	11,591,481	9,236,760	18,123,198	15,418,911	29,714,679	24,655,671
Total net position	<u>\$ 58,252,478</u>	<u>\$ 50,674,006</u>	<u>\$ 71,358,318</u>	<u>\$ 69,856,458</u>	<u>\$129,610,796</u>	<u>\$120,530,464</u>

The largest portion of the City's net position, \$87,592,716, or 68 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 \$12,303,401 comprised 9 percent of net position at the close of the fiscal year ended December 31, 2021. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$29,714,679, or approximately 23 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.

## CHANGES IN NET POSITION

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2021, with comparative totals for the year ended December 31, 2020. The City's total net position increased by \$9,080,332, or 7.5 percent, during the current fiscal year.

### City of Farmington's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Charges for services	\$ 3,111,555	\$ 1,635,983	\$ 15,490,187	\$ 14,116,565	\$ 18,601,742	\$ 15,752,548
Operating grants and contributions	1,062,789	882,939	240,598	26,710	1,303,387	909,649
Capital grants and contributions	4,106,221	50,478	476,930	—	4,583,151	50,478
Property taxes	13,692,990	13,179,138	—	—	13,692,990	13,179,138
Franchise taxes	229,355	244,839	—	—	229,355	244,839
Unrestricted grants	107,962	2,042,381	—	18,136	107,962	2,060,517
Investment earnings (charges)	(91,107)	534,788	(64,522)	411,349	(155,629)	946,137
Gain on disposal of capital assets	—	16,174	—	—	—	16,174
<b>Total revenues</b>	<b>22,219,765</b>	<b>18,586,720</b>	<b>16,143,193</b>	<b>14,572,760</b>	<b>38,362,958</b>	<b>33,159,480</b>
<b>Expenses</b>						
General government	2,560,243	2,933,062	—	—	2,560,243	2,933,062
Public safety	6,549,508	6,834,253	—	—	6,549,508	6,834,253
Public works	3,977,134	5,262,979	—	—	3,977,134	5,262,979
Parks and recreation	2,789,326	1,430,839	—	—	2,789,326	1,430,839
Economic development	406,795	574,406	—	—	406,795	574,406
Interest and fiscal charges	189,858	193,167	—	—	189,858	193,167
Liquor	—	—	5,256,311	4,958,705	5,256,311	4,958,705
Sewer	—	—	2,459,637	2,334,000	2,459,637	2,334,000
Solid waste	—	—	2,566,976	2,630,874	2,566,976	2,630,874
Storm water	—	—	581,402	530,438	581,402	530,438
Water	—	—	1,764,908	1,626,279	1,764,908	1,626,279
Street light	—	—	180,528	173,604	180,528	173,604
<b>Total expenses</b>	<b>16,472,864</b>	<b>17,228,706</b>	<b>12,809,762</b>	<b>12,253,900</b>	<b>29,282,626</b>	<b>29,482,606</b>
<b>Change in net position before transfers</b>	<b>5,746,901</b>	<b>1,358,014</b>	<b>3,333,431</b>	<b>2,318,860</b>	<b>9,080,332</b>	<b>3,676,874</b>
<b>Transfers</b>	<b>1,831,571</b>	<b>1,788,680</b>	<b>(1,831,571)</b>	<b>(1,788,680)</b>	<b>—</b>	<b>—</b>
<b>Change in net position</b>	<b>7,578,472</b>	<b>3,146,694</b>	<b>1,501,860</b>	<b>530,180</b>	<b>9,080,332</b>	<b>3,676,874</b>
<b>Net position – beginning</b>	<b>50,674,006</b>	<b>47,527,312</b>	<b>69,856,458</b>	<b>69,326,278</b>	<b>120,530,464</b>	<b>116,853,590</b>
<b>Net position – ending</b>	<b>\$ 58,252,478</b>	<b>\$ 50,674,006</b>	<b>\$ 71,358,318</b>	<b>\$ 69,856,458</b>	<b>\$129,610,796</b>	<b>\$120,530,464</b>

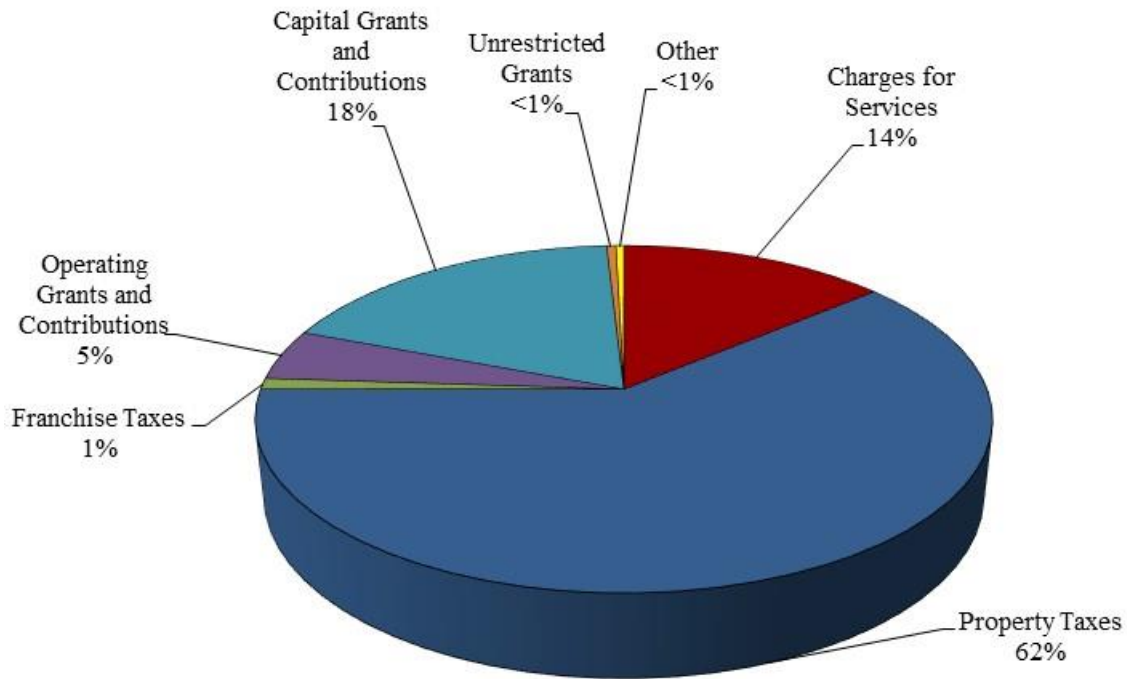
**Governmental Activities** – Governmental activities increased the City's net position before transfers by \$5,746,901, primarily due to the increase in capital grants and contributions from new special assessments and state aid for street maintenance. Charges for services were higher than last year, due to increases in charges for public works services and parks and recreation programs with the relaxation of COVID-19 restrictions. The decrease in unrestricted grants was due to the one-time federal Coronavirus Relief Fund grant entitlement received in 2020 to provide assistance to the community and fund unanticipated COVID-19-related expenses. Investment earnings (charges) declined from the prior year due to less favorable market conditions and available interest rates.

**Business-Type Activities** – Business-type activities increased the City's net position before transfers by \$3,333,431, as program revenues exceeded expenses for all activities but sewer operations.

## GOVERNMENTAL ACTIVITIES

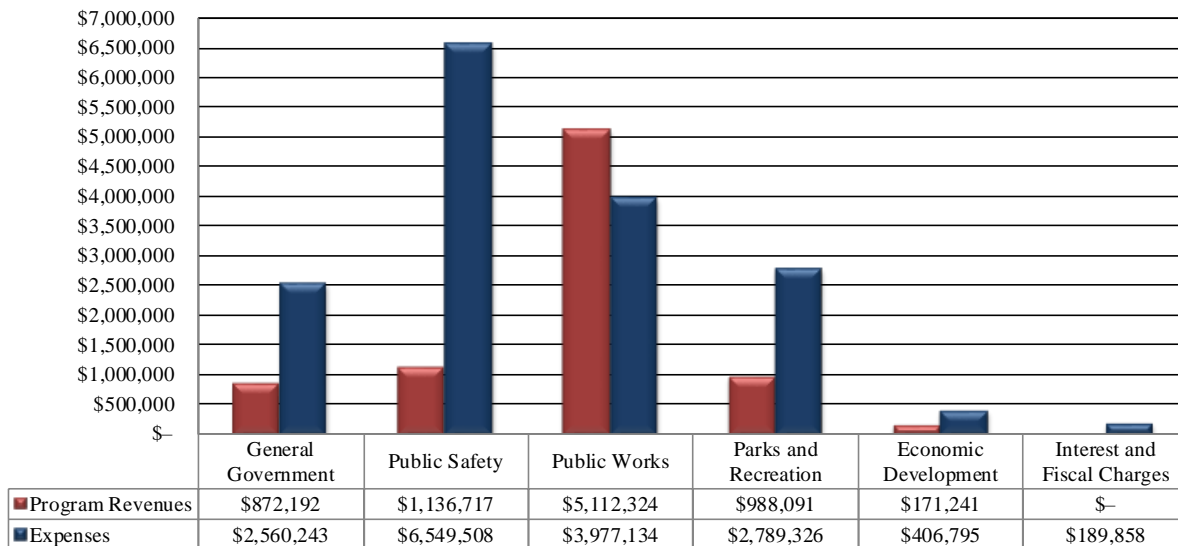
*Revenues* – The following chart illustrates the City’s revenues by source for its governmental activities:

**Revenues by Source – Governmental Activities**



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

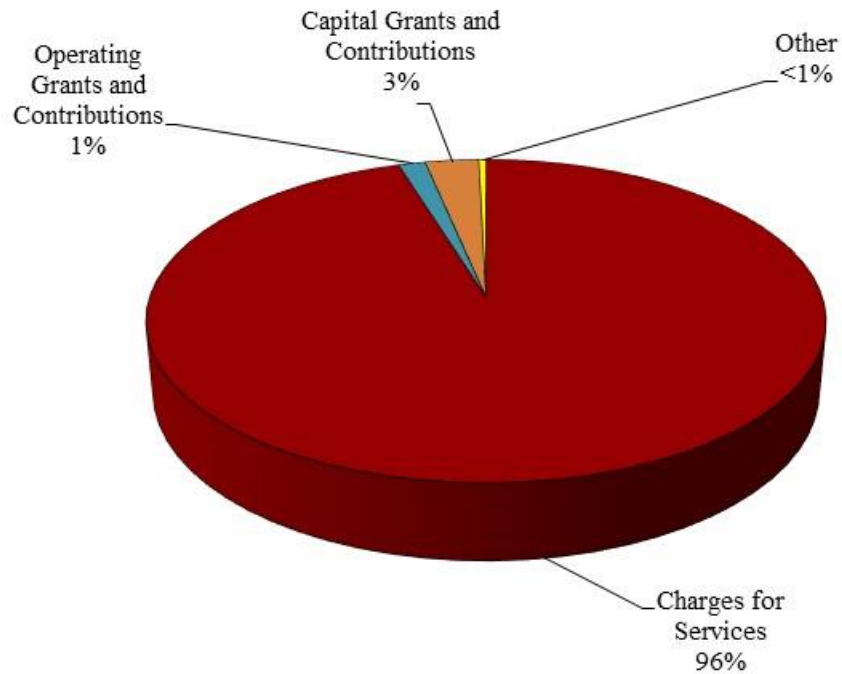
**Expenses and Program Revenues – Governmental Activities**



## BUSINESS-TYPE ACTIVITIES

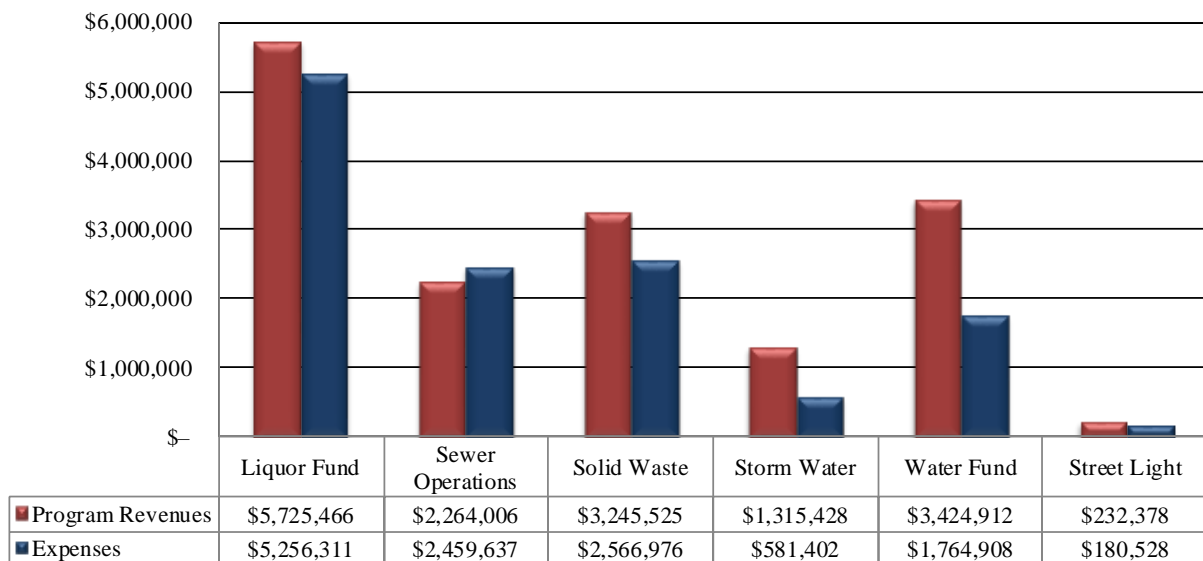
*Revenues* – The following chart illustrates the City’s revenues by source for its business-type activities:

**Revenues by Source – Business-Type Activities**



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

**Expenses and Program Revenues – 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 \$20,186,036, a 4 percent increase of \$806,051 from 2020. The increase is mainly attributable to positive operating results in the General Fund.

Committed and unassigned fund balances, which are available for spending at the government's discretion, had a combined balance of \$15,689,870 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 (\$84,453); or restricted: 1) to pay debt service (\$3,146,223), 2) for economic development (\$292,836), 3) for various police programs (\$48,028), 4) for park or recreational capital improvements (\$715,797), or 5) to pay for future cable communication expenditures (\$208,829).

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 2021, the unassigned fund balance of the General Fund was \$6,843,396. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The 2021 unassigned fund balance represents 43.5 percent of total 2022 General Fund budgeted expenditures and transfers out, down slightly from 43.8 percent for the December 31, 2020 unassigned fund balance as a percentage of the 2021 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 from 20.8 percent as of December 31, 2011 to 43.5 percent as of December 31, 2021. 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 an improving economy and tight budgetary control of expenditures, which has resulted in 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, 2021, the City's General Fund balance meets the minimum fund balance guideline.

Total fund balances increased by \$724,418 in the General Fund during the 2021 fiscal year. Higher than anticipated revenues from licenses and permits, intergovernmental sources, and charges for services; along with expenditures being held under budget in total, contributed to this increase.

**Federal Aid Special Revenue Fund** – The decrease of \$13,763 in fund balance was due to allocated investment charges related to the fair value decline of the City's investment portfolio in 2021.

**Debt Service Fund** – During the year, the City repaid \$2,155,000 in bond principal. The fund balance in the Debt Service Fund increased \$468,855, because revenues from property taxes, special assessments, and investment charges exceeded the total principal and interest due.



**Maintenance Capital Projects Fund** – The decrease of \$88,226 in fund balance was due to the street project costs incurred in 2021, exceeding state aid construction revenues, investment charges, charges for services, and transfers in received during the current year.

**Private Capital Projects Fund** – There were no new projects in this fund during 2021. There was a slight decrease in the fund balance of \$8,131 from special assessments received offset by investment charges.

Total fund balances in the City's nonmajor governmental funds decreased \$277,102 in fiscal 2021, to a year-end total of \$8,450,681. Financial highlights for some of the significant changes in the City's nonmajor governmental funds are as follows:

**Economic Development Authority Special Revenue Fund** – The decrease in fund balance of \$91,377 is due to current year economic development expenditures exceeding intergovernmental revenues and investment earnings.

**Park Improvement Special Revenue Fund** – The increase in fund balance of \$475,143 is mainly a result of increased park development and dedication fees received from new developments.

**Sanitary Sewer Trunk Capital Projects Fund** – During 2021, charges for services revenues and investment charges exceeded the public works expenditures needed, resulting in a net increase in fund balance of \$101,825.

**Fire Capital Projects Fund** – During 2021, expenditures exceeded revenues by \$1,188,411 for the purchase of an aerial fire truck, which were partially offset by a transfer in of \$135,000, resulting in a total decrease of \$1,053,411.

**Storm Water Trunk Capital Projects Fund** – There were no new projects in this fund in the current year. The increase of \$609,295 in fund balance is mainly due to property taxes and increased trunk charges received from new developments.

**General Capital Equipment Capital Projects Fund** – The decrease in fund balance of \$325,380 is mainly a result of current year expenditures for public safety vehicle and equipment needs exceeding transfers in and other revenues used to support these expenditures.

**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 \$465,819, an increase of \$29,148 from the prior year, due to a 5.2 percent increase in gross sales. The net position of the Liquor Operations Fund at the end of 2021 totaled \$1,807,133, an increase of \$300,409, which is net of the \$75,000 in funds contributed to community projects noted above. The cash position for both stores increased from \$1,406,830 at December 31, 2020 to \$1,530,326 as of December 31, 2021.

**Sewer Operations Fund** – The decrease in net position of \$494,040 is primarily due to charges for services not being sufficient to cover depreciation expense. The City began to address the structural pricing deficit by implementing a rate increase, which went into effect January 1, 2016 and is designed to provide sufficient funds over time, along with other planned future rate increases, including the current year rate increase effective January 1, 2021, to cover both operations and depreciation. This fund continues to maintain a significant unrestricted net position of \$3,187,173.

**Solid Waste Fund** – The Solid Waste Fund net position increased by \$397,598, due to a fee increase that went into effect in January 2021 to address anticipated cost increases.

**Storm Water Fund** – The increase in net position of \$203,432 is primarily due to charges for services being sufficient to cover operating expenses. This fund continues to maintain a significant unrestricted net position of \$2,538,442.

**Water Fund** – The increase in net position of \$1,043,583 is primarily due to an increase in operating revenue related to increased consumption and water availability charges, due to a significant increase in permits issued. In conjunction with a long-term financial analysis of this fund performed in 2014, which does take into consideration the long-term need to cover depreciation expense, a fee increase went into effect in January 2017. Over time, this increase, along with other planned fee increases, is designed to cover depreciation. This fund continues to maintain a significant unrestricted net position of \$8,691,519.

**Street Light Fund** – The Street Light Fund was established in 2010. By making this a utility fund, all properties, including tax-exempt properties, within the City pay for street lighting. This fund has achieved a modest positive net position of \$327,581

## **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 \$702,807 over budget. Revenue variances from final budget to actual include:

- Licenses and permits were \$272,889 over budget, due to increased development within the City.
- Intergovernmental revenue was \$295,850 over budget, mainly due to street maintenance, training reimbursements, and other miscellaneous grants in excess of budget.
- Charges for services were \$181,935 more than the City's conservative budget.

Expenditures were \$200,611 less than the budgeted amount, mainly in the public works area. The City benefited from lower salaries and benefits costs partially attributable to vacant positions. Expenditures were also under budget, due to decreases in materials used.

## 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, 2021 was \$97,965,900 (net of accumulated depreciation). 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 decreased by 1.4 percent, mainly due to depreciation exceeding a relatively small amount of additions capitalized in the current year.

### City of Farmington’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and easements	\$ 1,658,302	\$ 1,749,824	\$ 498,376	\$ 498,376	\$ 2,156,678	\$ 2,248,200
Buildings	13,732,405	14,167,799	1,538,759	1,743,890	15,271,164	15,911,689
Improvements other than buildings	350,780	408,286	1,591,499	1,419,454	1,942,279	1,827,740
Machinery and equipment	3,746,498	2,579,622	1,110,177	1,138,309	4,856,675	3,717,931
Infrastructure	27,038,251	27,776,518	–	–	27,038,251	27,776,518
Collection/distribution systems	–	–	46,700,853	47,911,974	46,700,853	47,911,974
Total (net of depreciation)	<u>\$ 46,526,236</u>	<u>\$ 46,682,049</u>	<u>\$ 51,439,664</u>	<u>\$ 52,712,003</u>	<u>\$ 97,965,900</u>	<u>\$ 99,394,052</u>

Additional information on the City’s capital assets can be found in Note 4 of the notes to basic financial statements.

**Long-Term Debt** – At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,855,000. All city debt is general obligation debt, which is backed by the full faith and credit of the government. Furthermore, the City has long-term liabilities of \$518,184 for unamortized bond premiums, \$1,167,530 for compensated absences, \$4,754,347 for net pension liabilities, and \$1,169,857 for other post-employment benefits.

### City of Farmington’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation improvement bonds	\$ 4,120,000	\$ 5,770,000	\$ –	\$ –	\$ 4,120,000	\$ 5,770,000
Capital improvement bonds	4,035,000	4,540,000	–	–	4,035,000	4,540,000
Equipment certificates	1,105,000	1,105,000	–	–	1,105,000	1,105,000
General obligation revenue bonds	–	–	595,000	655,000	595,000	655,000
Total bonds outstanding	<u>\$ 9,260,000</u>	<u>\$ 11,415,000</u>	<u>\$ 595,000</u>	<u>\$ 655,000</u>	<u>\$ 9,855,000</u>	<u>\$ 12,070,000</u>

Bond principal repayments during 2021 totaled \$2,215,000. The City’s credit rating from Standard & Poor’s was raised from “AA” to “AA+” in April 2019, which was affirmed in 2020.

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 \$67,432,095, 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 2022 by \$764,000. The final city total net tax levy for 2022 of \$12,032,524 is 6.8 percent higher than the comparable 2021 levy. Of the total General Fund budgeted revenues, including transfers in for 2022, 77.0 percent are from property taxes, including \$2.4 million in fiscal disparities revenue. The remaining General Fund budgeted revenues were adjusted to better reflect increased projected building activity and a reduction in intergovernmental-related revenues.

Proposed 2022 General Fund expenditures, including transfers out, are estimated at \$15,729,719, an increase of 13.7 percent compared to the 2021 budget. The 2022 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 replacement of police vehicles, along with continued replacement of public safety equipment in 2022.

For 2022, the City is focused on continuing implementation of the recently adopted 2040 Comprehensive Plan. This plan aims to outline the future for development within the community and offers a vision that will guide the next stage of planning and development investment. There were 6 subdivisions approved for new homes in 2021 and 2 more currently proposed for 2022, which will result in 1,147 new housing units.

The COVID-19 pandemic caused substantial volatility in the economy and changes to the City's operations in 2020. However, in 2021, the City began to show signs of recovery from the economic effects of the pandemic and expects to continue the recovery into 2022 as the impacts of the pandemic lessen.

## **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 ACFR or requests for additional financial information should be directed to the City's Finance Director at the City of Farmington, 430 Third Street, Farmington, Minnesota 55024; by calling (651) 280-6800; or emailing the request to [cregis@FarmingtonMN.gov](mailto:cregis@FarmingtonMN.gov).

## BASIC FINANCIAL STATEMENTS

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## CITY OF FARMINGTON

Statement of Net Position  
as of December 31, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 25,832,407	\$ 17,212,179	\$ 43,044,586
Receivables			
Accounts	651,147	2,148,760	2,799,907
Interest	64,905	50,682	115,587
Property taxes	1,198,705	—	1,198,705
Special assessments	3,743,088	305,018	4,048,106
Due from other governments	993,088	70,284	1,063,372
Loan	80,271	—	80,271
Inventory	—	552,672	552,672
Prepaid items	49,866	3,595	53,461
Restricted assets – temporarily restricted			
Cash for future drinking water treatment plant	—	2,461,488	2,461,488
Net pension asset – fire relief	1,545,208	—	1,545,208
Capital assets			
Not depreciated	1,658,302	498,376	2,156,678
Depreciated, net of accumulated depreciation	44,867,934	50,941,288	95,809,222
Total capital assets, net of accumulated depreciation	<u>46,526,236</u>	<u>51,439,664</u>	<u>97,965,900</u>
Total assets	80,684,921	74,244,342	154,929,263
<b>Deferred outflows of resources</b>			
Pension plan deferments – PERA	5,346,655	349,568	5,696,223
Pension plan deferments – fire relief	505,724	—	505,724
OPEB plan deferments	50,810	5,495	56,305
Total deferred outflows of resources	<u>5,903,189</u>	<u>355,063</u>	<u>6,258,252</u>
Total assets and deferred outflows of resources	<u>\$ 86,588,110</u>	<u>\$ 74,599,405</u>	<u>\$ 161,187,515</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 942,202	\$ 483,067	\$ 1,425,269
Accrued salaries and employee benefits payable	257,620	—	257,620
Accrued interest payable	114,727	11,649	126,376
Deposits payable	2,241,962	83,076	2,325,038
Due to other governments	947	110,218	111,165
Unearned revenue	1,261,718	775,103	2,036,821
Long-term liabilities			
Due within one year	2,978,961	151,687	3,130,648
Due in more than one year	7,780,139	629,927	8,410,066
Net pension liability – due in more than one year	4,294,505	459,842	4,754,347
Total OPEB liability – due in more than one year	1,055,679	114,178	1,169,857
Total long-term liabilities	<u>16,109,284</u>	<u>1,355,634</u>	<u>17,464,918</u>
Total liabilities	20,928,460	2,818,747	23,747,207
<b>Deferred inflows of resources</b>			
Pension plan deferments – PERA	6,885,268	422,340	7,307,608
Pension plan deferments – fire relief	521,904	—	521,904
Total deferred inflows of resources	<u>7,407,172</u>	<u>422,340</u>	<u>7,829,512</u>
<b>Net position</b>			
Net investment in capital assets	36,819,084	50,773,632	87,592,716
Restricted for			
Debt service	6,106,097	—	6,106,097
Economic development	294,201	—	294,201
Police programs	48,028	—	48,028
Park improvements	666,571	—	666,571
Capital projects	258,055	—	258,055
State-funded street projects	939,933	—	939,933
Fire relief pensions	1,529,028	—	1,529,028
Water Fund – future drinking water treatment plant	—	2,461,488	2,461,488
Unrestricted	11,591,481	18,123,198	29,714,679
Total net position	<u>58,252,478</u>	<u>71,358,318</u>	<u>129,610,796</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 86,588,110</u>	<u>\$ 74,599,405</u>	<u>\$ 161,187,515</u>

## CITY OF FARMINGTON

Statement of Activities  
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,560,243	\$ 855,812	\$ 16,125	\$ 255
Public safety	6,549,508	560,518	546,099	30,100
Public works	3,977,134	708,197	328,261	4,075,866
Parks and recreation	2,789,326	987,028	1,063	—
Economic development	406,795	—	171,241	—
Interest and fiscal charges	189,858	—	—	—
Total governmental activities	16,472,864	3,111,555	1,062,789	4,106,221
Business-type activities				
Liquor operations	5,256,311	5,724,828	638	—
Sewer operations	2,459,637	2,264,006	—	—
Solid waste	2,566,976	2,858,958	235,290	151,277
Storm water	581,402	1,158,564	—	156,864
Water	1,764,908	3,251,453	4,670	168,789
Street light	180,528	232,378	—	—
Total business-type activities	12,809,762	15,490,187	240,598	476,930
Total government	\$ 29,282,626	\$ 18,601,742	\$ 1,303,387	\$ 4,583,151

General revenues  
  Property taxes  
  Franchise taxes  
  Grants and contributions not restricted  
  to specific programs  
  Investment earnings (charges)  
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
\$ (1,688,051)	\$ —	\$ (1,688,051)
(5,412,791)	—	(5,412,791)
1,135,190	—	1,135,190
(1,801,235)	—	(1,801,235)
(235,554)	—	(235,554)
(189,858)	—	(189,858)
<u>(8,192,299)</u>	<u>—</u>	<u>(8,192,299)</u>
—	469,155	469,155
—	(195,631)	(195,631)
—	678,549	678,549
—	734,026	734,026
—	1,660,004	1,660,004
—	51,850	51,850
<u>—</u>	<u>3,397,953</u>	<u>3,397,953</u>
<u>(8,192,299)</u>	<u>3,397,953</u>	<u>(4,794,346)</u>
13,692,990	—	13,692,990
229,355	—	229,355
107,962	—	107,962
(91,107)	(64,522)	(155,629)
1,831,571	(1,831,571)	—
<u>15,770,771</u>	<u>(1,896,093)</u>	<u>13,874,678</u>
7,578,472	1,501,860	9,080,332
<u>50,674,006</u>	<u>69,856,458</u>	<u>120,530,464</u>
<u>\$ 58,252,478</u>	<u>\$ 71,358,318</u>	<u>\$ 129,610,796</u>

## CITY OF FARMINGTON

Balance Sheet  
Governmental Funds  
as of December 31, 2021

	General	Special Revenue – Federal Aid	Debt Service Fund
	<u>General</u>	<u>Federal Aid</u>	<u>Fund</u>
Assets			
Cash and investments	\$ 5,619,633	\$ 1,244,494	\$ 3,445,243
Receivables			
Accounts	325,217	–	–
Interest	13,172	3,461	8,878
Property taxes			
Unremitted	1,095,906	–	–
Delinquent	102,799	–	–
Special assessments			
Delinquent	–	–	1,350
Noncurrent	1,430	–	3,073,251
Due from other funds	–	–	–
Due from other governments	8,758	–	–
Loan	80,271	–	–
Prepaid items	2,817	–	–
	<u>2,817</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 7,250,003</u>	<u>\$ 1,247,955</u>	<u>\$ 6,528,722</u>
Liabilities			
Accounts and contracts payable	\$ 189,138	\$ –	\$ 7,898
Deposits payable	29,502	–	–
Due to other governments	650	–	–
Due to other funds	–	–	300,000
Unearned revenue	–	1,261,718	–
Total liabilities	<u>219,290</u>	<u>1,261,718</u>	<u>307,898</u>
Deferred inflows of resources			
Unavailable revenue – property taxes	102,799	–	–
Unavailable revenue – special assessments	1,430	–	3,074,601
Unavailable revenue – long-term receivable	–	–	–
Total deferred inflows of resources	<u>104,229</u>	<u>–</u>	<u>3,074,601</u>
Fund balances (deficits)			
Nonspendable	83,088	–	–
Restricted	–	–	3,146,223
Committed	–	–	–
Unassigned	6,843,396	(13,763)	–
Total fund balances (deficits)	<u>6,926,484</u>	<u>(13,763)</u>	<u>3,146,223</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,250,003</u>	<u>\$ 1,247,955</u>	<u>\$ 6,528,722</u>

Capital Projects – Maintenance	Capital Projects – Private	Nonmajor	Total
\$ 1,857,759	\$ 2,292,530	\$ 8,154,363	\$ 22,614,022
122,387	6,000	181,054	634,658
4,787	5,909	20,660	56,867
–	–	–	1,095,906
–	–	–	102,799
–	–	–	1,350
–	486	666,571	3,741,738
–	–	300,000	300,000
939,933	–	44,397	993,088
–	–	–	80,271
–	–	1,365	4,182
<u>\$ 2,924,866</u>	<u>\$ 2,304,925</u>	<u>\$ 9,368,410</u>	<u>\$ 29,624,881</u>
\$ 412,609	\$ –	\$ 241,716	\$ 851,361
–	2,200,352	9,145	2,238,999
–	–	297	947
–	–	–	300,000
–	–	–	1,261,718
<u>412,609</u>	<u>2,200,352</u>	<u>251,158</u>	<u>4,653,025</u>
–	–	–	102,799
–	486	666,571	3,743,088
939,933	–	–	939,933
<u>939,933</u>	<u>486</u>	<u>666,571</u>	<u>4,785,820</u>
–	–	1,365	84,453
–	–	1,265,490	4,411,713
1,572,324	104,087	7,199,895	8,876,306
–	–	(16,069)	6,813,564
<u>1,572,324</u>	<u>104,087</u>	<u>8,450,681</u>	<u>20,186,036</u>
<u>\$ 2,924,866</u>	<u>\$ 2,304,925</u>	<u>\$ 9,368,410</u>	<u>\$ 29,624,881</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, 2021

Total fund balances – governmental funds	\$ 20,186,036
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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	92,841,147
Less accumulated depreciation	(46,323,502)

Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.

1,545,208

Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.

Bonds	(9,260,000)
Unamortized bond premiums	(447,152)
Compensated absences	(1,008,059)
Net pension liability	(4,294,505)
Total OPEB liability	(1,055,679)

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.

(114,727)

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.

2,901,874

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	102,799
Delinquent and deferred special assessments	3,743,088
Long-term receivable	939,933

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	5,852,379
Deferred outflows of resources – OPEB plan deferments	50,810
Deferred inflows of resources – pension plan deferments	(7,407,172)

Total net position – governmental activities	<u>\$ 58,252,478</u>
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## CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2021

	General	Special Revenue – Federal Aid	Debt Service Fund
	<u>General</u>	<u>Federal Aid</u>	<u>Debt Service Fund</u>
Revenues			
Property taxes	\$ 10,555,567	\$ –	\$ 2,737,093
Franchise taxes	145,000	–	–
Special assessments	255	–	269,415
Licenses and permits	789,965	–	–
Intergovernmental	963,762	–	–
Charges for services	613,132	–	–
Fines and forfeits	52,340	–	–
Investment earnings (charges)	(23,493)	(13,763)	(29,165)
Other	59,054	–	–
Total revenues	<u>13,155,582</u>	<u>(13,763)</u>	<u>2,977,343</u>
Expenditures			
Current			
General government	2,605,354	–	–
Public safety	6,346,605	–	–
Public works	2,470,005	–	–
Parks and recreation	1,297,574	–	–
Economic development	–	–	–
Capital outlay			
General government	14,832	–	–
Public safety	65,299	–	–
Public works	4,363	–	–
Parks and recreation	5,470	–	–
Economic development	–	–	–
Debt service			
Principal	–	–	2,155,000
Interest and fiscal charges	–	–	353,488
Total expenditures	<u>12,809,502</u>	<u>–</u>	<u>2,508,488</u>
Excess (deficiency) of revenues over expenditures	346,080	(13,763)	468,855
Other financing sources (uses)			
Sale of capital assets	1,000	–	–
Transfers in	1,379,689	–	–
Transfers out	(1,002,351)	–	–
Total other financing sources (uses)	<u>378,338</u>	<u>–</u>	<u>–</u>
Net change in fund balances	724,418	(13,763)	468,855
Fund balances (deficits)			
Beginning of year	<u>6,202,066</u>	<u>–</u>	<u>2,677,368</u>
End of year	<u>\$ 6,926,484</u>	<u>\$ (13,763)</u>	<u>\$ 3,146,223</u>

See notes to basic financial statements

Capital Projects – Maintenance	Capital Projects – Private	Nonmajor	Total
\$ –	\$ –	\$ 408,127	\$ 13,700,787
–	–	84,355	229,355
–	861	9,048	279,579
–	–	–	789,965
122,387	–	171,028	1,257,177
111,348	–	973,228	1,697,708
–	–	–	52,340
(6,005)	(8,733)	(664)	(81,823)
–	–	541,226	600,280
<u>227,730</u>	<u>(7,872)</u>	<u>2,186,348</u>	<u>18,525,368</u>
–	259	87,815	2,693,428
–	–	92,254	6,438,859
152,091	–	17,839	2,639,935
160,165	–	427,107	1,884,846
–	–	385,434	385,434
–	–	3,309	18,141
–	–	1,864,393	1,929,692
38,093	–	125,438	167,894
791,063	–	105,808	902,341
–	–	27,744	27,744
–	–	–	2,155,000
–	–	15,250	368,738
<u>1,141,412</u>	<u>259</u>	<u>3,152,391</u>	<u>19,612,052</u>
(913,682)	(8,131)	(966,043)	(1,086,684)
255	–	83,407	84,662
825,201	–	649,901	2,854,791
–	–	(44,367)	(1,046,718)
<u>825,456</u>	<u>–</u>	<u>688,941</u>	<u>1,892,735</u>
(88,226)	(8,131)	(277,102)	806,051
<u>1,660,550</u>	<u>112,218</u>	<u>8,727,783</u>	<u>19,379,985</u>
<u>\$ 1,572,324</u>	<u>\$ 104,087</u>	<u>\$ 8,450,681</u>	<u>\$ 20,186,036</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, 2021

Total net change in fund balances – governmental funds	\$ 806,051
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 expense.	
Capital outlay	1,651,823
Capital contributions	577,184
Depreciation expense	(2,282,879)
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 balance.	
Net book value of capital assets disposed	(99,546)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	401,127
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.	
Principal payments for debt	2,155,000
Debt premiums	131,677
Compensated absences	42,851
Net pension liability	2,165,724
Total OPEB liability	(254,264)
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.	
	47,203
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.	
	284,371
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	(7,797)
Delinquent and deferred special assessments	2,158,400
Long-term receivable	939,933
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	3,231,517
Deferred outflows of resources – OPEB plan deferments	(71,887)
Deferred inflows of resources – pension plan deferments	(4,678,717)
Deferred inflows of resources – OPEB plan deferments	380,701
Change in net position – governmental activities	<u>\$ 7,578,472</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, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 10,534,120	\$ 10,555,567	\$ 21,447
Franchise taxes	145,000	145,000	–
Special assessments	–	255	255
Licenses and permits	517,076	789,965	272,889
Intergovernmental	667,912	963,762	295,850
Charges for services	431,197	613,132	181,935
Fines and forfeits	49,000	52,340	3,340
Investment earnings (charges)	29,100	(23,493)	(52,593)
Other	79,370	59,054	(20,316)
Total revenues	<u>12,452,775</u>	<u>13,155,582</u>	<u>702,807</u>
Expenditures			
Current			
General government	2,647,041	2,605,354	(41,687)
Public safety	6,273,481	6,346,605	73,124
Public works	2,761,850	2,470,005	(291,845)
Parks and recreation	1,307,541	1,297,574	(9,967)
Capital outlay			
General government	–	14,832	14,832
Public safety	8,000	65,299	57,299
Public works	2,400	4,363	1,963
Parks and recreation	9,800	5,470	(4,330)
Total expenditures	<u>13,010,113</u>	<u>12,809,502</u>	<u>(200,611)</u>
Excess (deficiency) of revenues over expenditures	(557,338)	346,080	903,418
Other financing sources (uses)			
Sale of capital assets	–	1,000	1,000
Transfers in	1,379,689	1,379,689	–
Transfers out	(822,351)	(1,002,351)	(180,000)
Total other financing sources (uses)	<u>557,338</u>	<u>378,338</u>	<u>(179,000)</u>
Net change in fund balances	<u>\$ –</u>	724,418	<u>\$ 724,418</u>
Fund balances			
Beginning of year		<u>6,202,066</u>	
End of year		<u>\$ 6,926,484</u>	

## CITY OF FARMINGTON

Statement of Net Position  
Proprietary Funds  
as of December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Assets				
Current assets				
Cash and investments	\$ 1,530,326	\$ 2,368,023	\$ 2,390,772	\$ 2,271,474
Cash restricted for drinking water treatment plant	–	–	–	–
Receivables				
Accounts	49,354	536,415	690,575	275,766
Interest	3,934	6,101	6,160	5,872
Delinquent special assessments	–	13,743	–	–
Deferred special assessments	–	291,275	–	–
Due from other governments	–	–	69,441	–
Inventory	552,672	–	–	–
Prepaid items	3,595	–	–	–
Total current assets	2,139,881	3,215,557	3,156,948	2,553,112
Noncurrent assets				
Capital assets				
Land	–	85,000	–	84,992
Buildings	–	–	–	–
Improvements other than buildings	347,172	–	–	–
Machinery and equipment	297,625	999,791	1,450,548	433,883
Distribution system	–	–	–	–
Collection system	–	29,103,326	–	20,992,558
Less accumulated depreciation	(324,861)	(14,049,886)	(1,111,646)	(8,717,149)
Total capital assets (net of accumulated depreciation)	319,936	16,138,231	338,902	12,794,284
Total assets	2,459,817	19,353,788	3,495,850	15,347,396
Deferred outflows of resources				
Pension plan deferments – PERA	196,632	–	152,936	–
OPEB plan deferments	3,018	–	2,477	–
Total deferred outflows of resources	199,650	–	155,413	–
Total assets and deferred outflows of resources	\$ 2,659,467	\$ 19,353,788	\$ 3,651,263	\$ 15,347,396
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 191,546	\$ 6,019	\$ 108,364	\$ 14,670
Accrued salaries and employee benefits payable	–	–	–	–
Deposits payable	–	–	700	–
Due to other governments	54,907	22,365	30,847	–
Accrued interest payable	–	–	–	–
Unearned revenue	–	–	775,103	–
Compensated absences payable – current	35,213	–	51,474	–
Bonds payable – current	–	–	–	–
Total current liabilities	281,666	28,384	966,488	14,670
Noncurrent liabilities				
Compensated absences payable	11,737	–	17,158	–
Bonds payable (net of unamortized premiums)	–	–	–	–
Net pension liability – PERA	258,661	–	201,181	–
Total OPEB liability	62,704	–	51,474	–
Total noncurrent liabilities	333,102	–	269,813	–
Total liabilities	614,768	28,384	1,236,301	14,670
Deferred inflows of resources				
Pension plan deferments – PERA	237,566	–	184,774	–
Net position				
Net investment in capital assets	319,936	16,138,231	338,902	12,794,284
Restricted for drinking water treatment plant	–	–	–	–
Unrestricted	1,487,197	3,187,173	1,891,286	2,538,442
Total net position	1,807,133	19,325,404	2,230,188	15,332,726
Total liabilities, deferred inflows of resources, and net position	\$ 2,659,467	\$ 19,353,788	\$ 3,651,263	\$ 15,347,396

See notes to basic financial statements

Water	Street Light	Total	Governmental Activities – Internal Service
\$ 8,319,800	\$ 331,784	\$ 17,212,179	\$ 3,218,385
2,461,488	–	2,461,488	–
570,979	25,671	2,148,760	16,489
27,760	855	50,682	8,038
–	–	13,743	–
–	–	291,275	–
843	–	70,284	–
–	–	552,672	–
–	–	3,595	45,684
11,380,870	358,310	22,804,678	3,288,596
328,384	–	498,376	–
5,290,137	–	5,290,137	–
1,534,818	–	1,881,990	–
523,357	–	3,705,204	99,124
33,365,710	–	33,365,710	–
–	–	50,095,884	–
(19,194,095)	–	(43,397,637)	(90,533)
21,848,311	–	51,439,664	8,591
33,229,181	358,310	74,244,342	3,297,187
–	–	349,568	–
–	–	5,495	–
–	–	355,063	–
\$ 33,229,181	\$ 358,310	\$ 74,599,405	\$ 3,297,187
\$ 131,739	\$ 30,729	\$ 483,067	\$ 90,841
–	–	–	257,620
82,376	–	83,076	2,963
2,099	–	110,218	–
11,649	–	11,649	–
–	–	775,103	–
–	–	86,687	43,889
65,000	–	65,000	–
292,863	30,729	1,614,800	395,313
–	–	28,895	–
601,032	–	601,032	–
–	–	459,842	–
–	–	114,178	–
601,032	–	1,203,947	–
893,895	30,729	2,818,747	395,313
–	–	422,340	–
21,182,279	–	50,773,632	8,591
2,461,488	–	2,461,488	–
8,691,519	327,581	18,123,198	2,893,283
32,335,286	327,581	71,358,318	2,901,874
\$ 33,229,181	\$ 358,310	\$ 74,599,405	\$ 3,297,187

## CITY OF FARMINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Operating revenue				
Sales	\$ 5,621,602	\$ –	\$ –	\$ –
Charges for services	–	2,260,523	2,854,452	1,158,564
Insurance reimbursement	–	–	–	–
Total operating revenue	5,621,602	2,260,523	2,854,452	1,158,564
Cost of goods sold	4,192,176	–	–	–
Gross profit	1,429,426	2,260,523	2,854,452	1,158,564
Operating expenses				
Personal services	518,127	2,070	466,529	359
Professional services	451,882	1,788,758	1,930,267	110,776
Materials and supplies	72,767	26,088	92,580	19,071
Insurance	–	–	–	–
Depreciation	21,359	657,780	77,600	451,196
Total operating expenses	1,064,135	2,474,696	2,566,976	581,402
Operating income (loss)	365,291	(214,173)	287,476	577,162
Nonoperating revenues (expenses)				
Intergovernmental	638	–	235,290	–
Investment earnings (charges)	(3,336)	(5,267)	(15,611)	(5,643)
Gain on sale of capital assets	–	16,970	–	–
Other	103,226	3,483	4,506	–
Interest and fiscal charges	–	(1,911)	–	–
Total nonoperating revenues (expenses)	100,528	13,275	224,185	(5,643)
Income (loss) before transfers and capital contributions	465,819	(200,898)	511,661	571,519
Transfers and capital contributions				
Capital contributions – from others	–	151,277	–	156,864
Transfers in	–	–	35,196	–
Transfers out	(165,410)	(444,419)	(149,259)	(524,951)
Total transfers and capital contributions	(165,410)	(293,142)	(114,063)	(368,087)
Change in net position	300,409	(494,040)	397,598	203,432
Net position				
Beginning of year	1,506,724	19,819,444	1,832,590	15,129,294
End of year	\$ 1,807,133	\$ 19,325,404	\$ 2,230,188	\$ 15,332,726

See notes to basic financial statements

<u>Water</u>	<u>Street Light</u>	<u>Total</u>	<u>Governmental Activities – Internal Service</u>
\$ –	\$ –	\$ 5,621,602	\$ –
2,908,352	230,479	9,412,370	3,739,865
–	–	–	331,118
<u>2,908,352</u>	<u>230,479</u>	<u>15,033,972</u>	<u>4,070,983</u>
–	–	4,192,176	–
2,908,352	230,479	10,841,796	4,070,983
5,473	–	992,558	3,063,665
534,394	180,055	4,996,132	360,602
215,630	473	426,609	62,464
–	–	–	307,947
990,949	–	2,198,884	7,895
<u>1,746,446</u>	<u>180,528</u>	<u>8,614,183</u>	<u>3,802,573</u>
1,161,906	49,951	2,227,613	268,410
4,670	–	240,598	1,720
(33,693)	(972)	(64,522)	(9,284)
–	–	16,970	27
343,101	1,899	456,215	–
<u>(18,462)</u>	<u>–</u>	<u>(20,373)</u>	<u>–</u>
<u>295,616</u>	<u>927</u>	<u>628,888</u>	<u>(7,537)</u>
1,457,522	50,878	2,856,501	260,873
168,789	–	476,930	–
–	–	35,196	23,498
<u>(582,728)</u>	<u>–</u>	<u>(1,866,767)</u>	<u>–</u>
<u>(413,939)</u>	<u>–</u>	<u>(1,354,641)</u>	<u>23,498</u>
1,043,583	50,878	1,501,860	284,371
<u>31,291,703</u>	<u>276,703</u>	<u>69,856,458</u>	<u>2,617,503</u>
<u>\$ 32,335,286</u>	<u>\$ 327,581</u>	<u>\$ 71,358,318</u>	<u>\$ 2,901,874</u>

## CITY OF FARMINGTON

Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Cash flows from operating activities				
Cash received from customers	\$ 5,732,215	\$ 2,192,552	\$ 2,735,881	\$ 1,136,916
Cash receipts from other funds and reimbursements	—	—	—	—
Cash payments to suppliers	(4,561,070)	(1,858,448)	(2,077,675)	(126,336)
Cash payments to employees for services	(546,756)	(2,070)	(488,248)	(359)
Cash payments for interfund services used	—	—	—	—
Net cash flows from operating activities	624,389	332,034	169,958	1,010,221
Cash flows from noncapital financing activities				
Intergovernmental revenue	638	—	235,290	—
Transfers in	—	—	35,196	—
Transfers out	(165,410)	(333,103)	(149,259)	(402,576)
Net cash flows from noncapital financing activities	(164,772)	(333,103)	121,227	(402,576)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(332,376)	—	—	(117,239)
Principal payment on bonds	—	—	—	—
Proceeds from the disposal of capital assets	—	16,970	—	—
Prepayment received on future disposal of capital assets	—	—	775,103	—
Interest and fiscal charges paid	—	(1,911)	—	—
Transfers out	—	(111,316)	—	(122,375)
Net cash flows from capital and related financing activities	(332,376)	(96,257)	775,103	(239,614)
Cash flows from investing activities				
Interest received and changes in fair value on investments	(3,745)	(5,947)	(19,004)	(7,324)
Net increase in cash and cash equivalents	123,496	(103,273)	1,047,284	360,707
Cash and cash equivalents				
Beginning of year	1,406,830	2,471,296	1,343,488	1,910,767
End of year	\$ 1,530,326	\$ 2,368,023	\$ 2,390,772	\$ 2,271,474
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 365,291	\$ (214,173)	\$ 287,476	\$ 577,162
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	21,359	657,780	77,600	451,196
Other	103,226	3,483	4,506	—
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Accounts receivable	7,387	(96,984)	(69,760)	(21,648)
Special assessments	—	25,530	—	—
Due from other governments	—	—	(53,317)	—
Inventory	51,272	—	—	—
Prepaid items	245	—	—	—
Deferred outflows of resources – pension plan deferments	(150,303)	—	(116,903)	—
Deferred outflows of resources – OPEB plan deferments	3,954	—	3,505	—
Accounts and contracts payable	103,939	(33,662)	(57,157)	3,511
Accrued salaries and employee benefits	—	—	—	—
Deposits payable	—	—	700	—
Due to other governments	299	(9,940)	1,629	—
Compensated absences	(8,323)	—	(3,672)	—
Net pension liability	(93,153)	—	(72,452)	—
Total OPEB liability	17,162	—	12,400	—
Deferred inflows of resources – pension plan deferments	223,668	—	173,965	—
Deferred inflows of resources – OPEB plan deferments	(21,634)	—	(18,562)	—
Net cash flows from operating activities	\$ 624,389	\$ 332,034	\$ 169,958	\$ 1,010,221
Schedule of noncash capital and related financing activities				
Capital assets contributed from others	\$ —	\$ 151,277	\$ —	\$ 156,864
Amortization of bond premium	\$ —	\$ —	\$ —	\$ —

See notes to basic financial statements



Water	Street Light	Total	Governmental Activities – Internal Service
\$ 3,063,832	\$ 237,634	\$ 15,099,030	\$ –
–	–	–	4,054,494
(843,729)	(177,670)	(9,644,928)	–
(5,473)	–	(1,042,906)	(3,014,616)
–	–	–	(795,418)
<u>2,214,630</u>	<u>59,964</u>	<u>4,411,196</u>	<u>244,460</u>
4,670	–	240,598	1,720
–	–	35,196	23,498
(444,037)	–	(1,494,385)	–
(439,367)	–	(1,218,591)	25,218
–	–	(449,615)	(5,500)
(60,000)	–	(60,000)	–
–	–	16,970	27
–	–	775,103	–
(29,550)	–	(31,461)	–
(138,691)	–	(372,382)	–
(228,241)	–	(121,385)	(5,473)
<u>(41,149)</u>	<u>(1,245)</u>	<u>(78,414)</u>	<u>(10,844)</u>
1,505,873	58,719	2,992,806	253,361
<u>9,275,415</u>	<u>273,065</u>	<u>16,680,861</u>	<u>2,965,024</u>
<u>\$ 10,781,288</u>	<u>\$ 331,784</u>	<u>\$ 19,673,667</u>	<u>\$ 3,218,385</u>
\$ 1,161,906	\$ 49,951	\$ 2,227,613	\$ 268,410
990,949	–	2,198,884	7,895
343,101	1,899	456,215	–
(190,214)	5,256	(365,963)	(16,489)
–	–	25,530	–
2,593	–	(50,724)	–
–	–	51,272	–
–	–	245	(39,422)
–	–	(267,206)	–
–	–	7,459	–
(69,441)	2,858	(49,952)	(70,000)
–	–	–	85,735
(26,363)	–	(25,663)	(724)
2,099	–	(5,913)	–
–	–	(11,995)	9,055
–	–	(165,605)	–
–	–	29,562	–
–	–	397,633	–
–	–	(40,196)	–
<u>\$ 2,214,630</u>	<u>\$ 59,964</u>	<u>\$ 4,411,196</u>	<u>\$ 244,460</u>
\$ 168,789	\$ –	\$ 476,930	\$ –
\$ 9,912	\$ –	\$ 9,912	\$ –

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## CITY OF FARMINGTON

### Notes to Basic Financial Statements December 31, 2021

#### **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 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 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 the federal funding awarded during the COVID-19 pandemic.

**Debt Service Fund** – This fund accounts for the financial resources accumulated and payments made for principal and interest on long-term debt of the City, other than enterprise fund debt.

**Maintenance Capital Projects Fund** – This fund accounts for operations and activities related to maintenance of city roads, trails, and buildings.

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

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.

**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.

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

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, special revenue funds, Debt Service Fund (in total), capital projects funds, and enterprise funds. No 2021 budget was adopted for the Federal Aid, Dakota Broadband, Police Public Outreach, or K-9 Special Revenue Funds, or for the Spruce Street Reconstruction Capital Projects 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 amounts 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, 2021, 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.

	Budgeted Expenditures	Actual Expenditures
Major funds		
Maintenance Capital Projects	\$ 638,225	\$ 1,141,412
Private Capital Projects	\$ —	\$ 259
Nonmajor special revenue funds		
Economic Development Authority	\$ 205,190	\$ 243,573
Police Donations and Forfeitures	\$ 2,000	\$ 8,876
Park Improvement	\$ 15,000	\$ 18,601
Arena	\$ 373,917	\$ 405,835
Nonmajor capital projects funds		
Sanitary Sewer Trunk	\$ —	\$ 125,438
Fire	\$ —	\$ 1,217,937
Storm Water Trunk	\$ —	\$ 17,020
Recreation	\$ 24,500	\$ 108,479
General Capital Equipment	\$ 511,148	\$ 678,069

### 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. All receivables other than deferred special assessments are expected to be collected within one year.

### **H. Interfund Receivables and Payables**

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is 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.” 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, and 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. 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. 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.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements.

Land, easements, and construction in progress are not depreciated. 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 or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of 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 Statement 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.

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 three sources: 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.

### **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.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 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.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### 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.

### V. Change in Reporting Entity

In 2021, a change was made to reconfigure the EDA's governing board to be comprised entirely of the City's mayor and councilmembers. Due to this change in governance, under GASB guidelines the EDA became a blended component unit of the City, where it had been reported as a discretely presented component unit in prior years. The EDA's activity and balances for the current year are included in these financial statements as a blended component unit, reported within the (nonmajor) Economic Development Authority Special Revenue Fund and the (nonmajor) Trident Housing Tax Increment Special Revenue Fund. The City's governmental fund balances and governmental activities net position as of January 1, 2021, both increased by \$329,920 as a result of this change.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 8,678,345
Investments	36,823,697
Petty cash	<u>4,032</u>
Total	<u><u>\$ 45,506,074</u></u>

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

Statement of Net Position	
Cash and investments	\$ 43,044,586
Restricted assets – temporarily restricted	
Cash for future drinking water treatment plant	<u>2,461,488</u>
Total	<u><u>\$ 45,506,074</u></u>

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### 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 \$8,678,345, while the balance on the bank records was \$8,694,412. At December 31, 2021, 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.

### 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	6 to 10	
U.S. treasury securities	Not rated		Level 2	\$ 1,994,640	\$ 1,991,330	\$ –	\$ 3,985,970
U.S. agency securities	AA	S&P	Level 2	–	584,847	289,524	874,371
Municipal bonds	AAA	S&P	Level 2	–	1,256,603	323,460	1,580,063
Municipal bonds	Aa	Moody’s	Level 2	100,654	2,910,216	1,063,692	4,074,562
Municipal bonds	AA	S&P	Level 2	2,971,486	7,028,927	1,279,428	11,279,841
Municipal bonds	A	Moody’s	Level 2	–	398,816	–	398,816
Municipal bonds	Baa	Moody’s	Level 2	–	374,798	–	374,798
Negotiable certificates of deposit	Not rated		Level 2	3,864,949	8,558,009	–	12,422,958
				<u>\$ 8,931,729</u>	<u>\$ 23,103,546</u>	<u>\$ 2,956,104</u>	34,991,379
Investment pools/mutual funds	AAA	S&P	Level 1				<u>1,832,318</u>
Total investments							<u>\$ 36,823,697</u>

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

**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.

**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:

Receivable Fund	Payable Fund	Purpose	Amount
<b>Due from/to other funds</b>			
Governmental Storm Water Trunk	Governmental Debt Service	Debt financing (1)	<u>\$ 300,000</u>

(1) Advance of \$300,000 to finance G.O. 2010C Bonds.  
Principal due 12/31/2022. Interest at 2.3 percent.

### B. Interfund Transfers

The following transfers were made during the year in accordance with budget appropriations or as approved by City Council resolution to fund administrative overhead costs, fund debt service payments, or close funds:

Transfers Out	Transfers In					
	Governmental Funds			Proprietary Funds		Total
	General	Maintenance	Nonmajor	Solid Waste Enterprise	Internal Service	
Governmental funds						
General	\$ –	\$ 452,819	\$ 530,534	\$ –	\$ 18,998	\$ 1,002,351
Nonmajor	–	–	44,367	–	–	44,367
Proprietary funds						
Enterprise						
Liquor Operations	88,910	–	75,000	–	1,500	165,410
Sewer Operations	323,791	111,316	–	6,812	2,500	444,419
Solid Waste	148,759	–	–	–	500	149,259
Storm Water	395,764	122,375	–	6,812	–	524,951
Water	422,465	138,691	–	21,572	–	582,728
Total	<u>\$ 1,379,689</u>	<u>\$ 825,201</u>	<u>\$ 649,901</u>	<u>\$ 35,196</u>	<u>\$ 23,498</u>	<u>\$ 2,913,485</u>

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

### A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,441,957	\$ –	\$ (91,522)	\$ 1,350,435
Easements	307,867	–	–	307,867
Total capital assets, not depreciated	1,749,824	–	(91,522)	1,658,302
Capital assets, depreciated				
Buildings	21,339,531	–	–	21,339,531
Improvements other than buildings	1,846,182	2,180	–	1,848,362
Machinery and equipment	7,498,178	1,655,143	(400,270)	8,753,051
Infrastructure	58,763,841	577,184	–	59,341,025
Total capital assets, depreciated	89,447,732	2,234,507	(400,270)	91,281,969
Less accumulated depreciation on				
Buildings	7,171,732	435,394	–	7,607,126
Improvements other than buildings	1,437,896	59,686	–	1,497,582
Machinery and equipment	4,918,556	480,243	(392,246)	5,006,553
Infrastructure	30,987,323	1,315,451	–	32,302,774
Total accumulated depreciation	44,515,507	2,290,774	(392,246)	46,414,035
Total capital assets, depreciated	44,932,225	(56,267)	(8,024)	44,867,934
Net capital assets	\$ 46,682,049	\$ (56,267)	\$ (99,546)	\$ 46,526,236

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not depreciated				
Land	\$ 498,376	\$ –	\$ –	\$ 498,376
Capital assets, depreciated				
Buildings	5,290,137	–	–	5,290,137
Improvements other than buildings	1,655,830	262,226	(36,066)	1,881,990
Machinery and equipment	3,597,043	187,389	(79,228)	3,705,204
Collection/distribution systems	82,984,664	476,930	–	83,461,594
Total capital assets, depreciated	93,527,674	926,545	(115,294)	94,338,925
Less accumulated depreciation on				
Buildings	3,546,247	205,131	–	3,751,378
Improvements other than buildings	236,376	90,181	(36,066)	290,491
Machinery and equipment	2,458,734	215,521	(79,228)	2,595,027
Collection/distribution systems	35,072,690	1,688,051	–	36,760,741
Total accumulated depreciation	41,314,047	2,198,884	(115,294)	43,397,637
Total capital assets, depreciated	52,213,627	(1,272,339)	–	50,941,288
Net capital assets	\$ 52,712,003	\$ (1,272,339)	\$ –	\$ 51,439,664



## NOTE 4 – CAPITAL ASSETS (CONTINUED)

### C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 185,432
Public safety	376,892
Public works	1,517,474
Parks and recreation	<u>210,976</u>
Total depreciation expense – governmental activities	<u><u>\$ 2,290,774</u></u>
Business-type activities	
Liquor operations	\$ 21,359
Sewer operations	657,780
Solid waste	77,600
Storm water	451,196
Water	<u>990,949</u>
Total depreciation expense – business-type activities	<u><u>\$ 2,198,884</u></u>

## NOTE 5 – OPERATING LEASES PAYABLE

The City has two retail liquor stores known colloquially as Downtown and Pilot Knob. In March 2021, the City entered into a new lease agreement for the Downtown store for an approximately 7,400 square foot space in the Farmington Mall through July 2026. The agreement commenced May 1, 2021, and provides for monthly lease payments of \$4,933 beginning in August 2021, increasing by 3 percent each May, and sharing of common expenses. The Downtown store moved into the new space in July 2021, when the old City Center lease expired. In 2021, the City paid \$88,093 in rent for the Downtown store and \$32,586 for common area operating expenses.

The Pilot Knob location occupies a 4,758 square foot store in the Farmington Gateway Center. In September 2019, the City exercised its option to renew an existing lease for an additional three-year term at the original rate of a monthly cost of \$6,344 plus a proportionate share of common area operating expenses. The City paid \$76,128 in rent for the Pilot Knob store and \$45,623 for common area operating expenses during 2021.

The following is a schedule by year of future minimum payments required under these leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 130,168
2023	62,195
2024	64,061
2025	65,983
2026	<u>38,868</u>
	<u><u>\$ 361,275</u></u>

## NOTE 6 – LONG-TERM DEBT

### A. Components of Long-Term Debt

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General obligation improvement bonds					
G.O. Improvement Refunding Bonds 2013A	\$ 5,365,000	2.00%	01/15/2013	02/01/2022	\$ 520,000
G.O. Street Reconstruction Bonds 2015A	\$ 3,050,000	2.00–3.00%	10/15/2015	02/01/2030	2,020,000
G.O. Improvement Refunding Bonds 2016A	\$ 3,450,000	2.00%	12/01/2016	02/01/2023	980,000
G.O. Street Reconstruction Bonds 2019A	\$ 925,000	5.00%	05/15/2019	02/01/2024	600,000
Total general obligation improvement bonds					<u>4,120,000</u>
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	4,035,000
General obligation equipment certificates					
G.O. Equipment Certificates of Indebtedness 2020A	\$ 1,105,000	5.00%	02/19/2020	02/01/2026	<u>1,105,000</u>
Total governmental activities bonds and certificates					9,260,000
Unamortized premiums					447,152
Compensated absences					<u>1,051,948</u>
Total governmental activities					<u>\$ 10,759,100</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	\$ 595,000
Unamortized premiums					71,032
Compensated absences					<u>115,582</u>
Total business-type activities					<u>\$ 781,614</u>

### B. Changes in Long-Term Debt

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. improvement bonds	\$ 5,770,000	\$ –	\$ 1,650,000	\$ 4,120,000	\$ 1,465,000
G.O. capital improvement bonds	4,540,000	–	505,000	4,035,000	525,000
G.O. equipment certificates	1,105,000	–	–	1,105,000	200,000
Unamortized bond premiums	578,829	–	131,677	447,152	–
Compensated absences	1,085,744	690,985	724,781	1,051,948	788,961
Total governmental activities	<u>13,079,573</u>	<u>690,985</u>	<u>3,011,458</u>	<u>10,759,100</u>	<u>2,978,961</u>
Business-type activities					
G.O. revenue bonds	655,000	–	60,000	595,000	65,000
Unamortized bond premiums	80,944	–	9,912	71,032	–
Compensated absences	127,577	54,736	66,731	115,582	86,687
Total business-type activities	<u>863,521</u>	<u>54,736</u>	<u>136,643</u>	<u>781,614</u>	<u>151,687</u>
Total government-wide	<u>\$ 13,943,094</u>	<u>\$ 745,721</u>	<u>\$ 3,148,101</u>	<u>\$ 11,540,714</u>	<u>\$ 3,130,648</u>

## NOTE 6 – LONG-TERM DEBT (CONTINUED)

### C. Minimum Debt Payments

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
2022	\$ 1,465,000	\$ 93,700	\$ 525,000	\$ 100,825	\$ 200,000	\$ 50,250	\$ 2,190,000	\$ 244,775
2023	870,000	62,275	545,000	84,775	210,000	40,000	1,625,000	187,050
2024	445,000	40,675	560,000	68,200	220,000	29,250	1,225,000	138,125
2025	240,000	29,500	575,000	51,175	230,000	18,000	1,045,000	98,675
2026	250,000	24,600	595,000	33,625	245,000	6,125	1,090,000	64,350
2027–2030	850,000	38,313	1,235,000	24,850	–	–	2,085,000	63,163
Total	\$ 4,120,000	\$ 289,063	\$ 4,035,000	\$ 363,450	\$ 1,105,000	\$ 143,625	\$ 9,260,000	\$ 796,138

#### Business-Type Activities

Year Ending December 31,	G.O. Revenue	
	Principal	Interest
2022	\$ 65,000	\$ 26,425
2023	65,000	23,175
2024	70,000	19,800
2025	70,000	16,300
2026	75,000	12,675
2027–2029	250,000	15,600
Total	\$ 595,000	\$ 113,975

### D. Descriptions of Long-Term Debt

- **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.

The City is subject to statutory limitation by the state of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2021, the City had not utilized \$60,777,095 of its legal debt limit.

- **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.
- **Other Long-Term Liabilities** – The City provides its employees with various benefits, including compensated absences, pension benefits, and OPEB as further described elsewhere in these notes. The General, Liquor Operations, and Solid Waste Funds will be used to liquidate these liabilities.

## NOTE 6 – LONG-TERM DEBT (CONTINUED)

### E. Revenue Pledged

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

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Water Revenue Bonds 2019A	Utility improvements	Utility charges	100%	2019–2029	\$ 708,975	\$ 89,550	\$ 3,251,453

### F. Ultimate Responsibility for Debt

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

## 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	\$ —	\$ —	\$ —	\$ 1,545,208	\$ 1,545,208
Deferred outflows of resources	\$ 2,184,801	\$ 3,511,422	\$ 5,696,223	\$ 505,724	\$ 6,201,947
Net pension liability	\$ 2,874,012	\$ 1,880,335	\$ 4,754,347	\$ —	\$ 4,754,347
Deferred inflows of resources	\$ 2,639,622	\$ 4,667,986	\$ 7,307,608	\$ 521,904	\$ 7,829,512
Pension expense	\$ 159,317	\$ (119,381)	\$ 39,936	\$ 61,446	\$ 101,382

## **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 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.

#### **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 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. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

### **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.

## **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 2021, 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, 2021, were \$371,254. The City's contributions were equal to the required contributions as set by state statutes.

### **2. PEPFF Contributions**

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021, 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, 2021, were \$526,699. 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. GERS Pension Costs

At December 31, 2021, the City reported a liability of \$2,874,012 for its proportionate share of the GERS'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 \$87,697. The net pension liability was measured as of June 30, 2021, 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 proportion 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0673 percent at the end of the measurement period and 0.0652 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	\$ 2,874,012
State's proportionate share of the net pension liability associated with the City	\$ 87,697

For the year ended December 31, 2021, the City recognized pension expense of \$152,231 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$7,086 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16.0 million to the GERS.

At December 31, 2021, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,083	\$ 87,635
Changes in actuarial assumptions	1,754,813	60,420
Net collective difference between projected and actual investment earnings	—	2,491,567
Changes in proportion	210,561	—
Contributions paid to the PERA subsequent to the measurement date	203,344	—
Total	<u>\$ 2,184,801</u>	<u>\$ 2,639,622</u>

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

A total of \$203,344 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, 2022. 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>
2022	\$ (24,812)
2023	\$ 39,482
2024	\$ 6,047
2025	\$ (678,882)

### 2. PEPFF Pension Costs

At December 31, 2021, the City reported a liability of \$1,880,335 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2021, 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 proportion 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.2436 percent at the end of the measurement period and 0.2410 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, 2021. The contribution consisted of \$9.0 million in direct state aid that does meet 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, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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, 2021, the City recognized negative pension expense of \$134,779 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$15,398 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9.0 million to the PEPFF.



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

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	\$ 1,880,335
State's proportionate share of the net pension liability associated with the City	\$ 84,551

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 \$21,924 for the year ended December 31, 2021 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, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 358,820	\$ –
Changes in actuarial assumptions	2,763,596	1,004,908
Net collective difference between projected and actual investment earnings	–	3,591,443
Changes in proportion	92,335	71,635
Contributions paid to the PERA subsequent to the measurement date	296,671	–
Total	<u>\$ 3,511,422</u>	<u>\$ 4,667,986</u>

A total of \$296,671 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, 2022. 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>
2022	\$ (1,265,857)
2023	\$ (226,411)
2024	\$ (210,939)
2025	\$ (360,741)
2026	\$ 610,713

## 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 Assumptions

The total pension liability in the June 30, 2021, 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 6.50 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 6.50 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 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

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 29 years of service, and 6.00 percent per year thereafter. 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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 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 occurred in 2021:

### **1. GERF**

#### **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.

### **2. PEPFF**

#### **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.

### **G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.50 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 positions of the GERF and the PEPFF 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 in the preceding paragraph, 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 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
City's proportionate share of the GERF net pension liability	\$ 5,861,516	\$ 2,874,012	\$ 422,581
City's proportionate share of the PEPFF net pension liability (asset)	\$ 5,969,742	\$ 1,880,335	\$ (1,471,968)

### 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](http://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, 2020, the plan covered 54 active firefighters and 9 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.

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 \$169,822 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2021, 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, 2021 were \$0; however, the City made a voluntary contribution of \$150,000 to the plan.

**D. Pension Costs**

At December 31, 2021, the City reported a net pension liability (asset) of (\$1,545,208) for the plan. The net pension liability (asset) was measured as of December 31, 2020. 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, 2020.

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 – January 1, 2021	\$ 2,234,920	\$ 3,379,001	\$ (1,144,081)
Changes for the year			
Service cost	177,922	–	177,922
Interest	119,981	–	119,981
Differences between expected and actual experience	(51,474)	–	(51,474)
Changes of assumptions	18,063	–	18,063
Changes of benefit terms	(368)	–	(368)
Contributions (state and local)	–	315,539	(315,539)
Net investment income	–	366,662	(366,662)
Benefit payments	(254,977)	(254,977)	–
Administrative costs	–	(16,950)	16,950
Total net changes	<u>9,147</u>	<u>410,274</u>	<u>(401,127)</u>
Ending balance – December 31, 2021	<u>\$ 2,244,067</u>	<u>\$ 3,789,275</u>	<u>\$ (1,545,208)</u>

For the year ended December 31, 2021, the City recognized pension revenue of \$160,789 and pension expense of \$61,446.

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

At December 31, 2021, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ —	\$ 65,808
Change of assumptions	185,902	9,003
Net difference between projected and actual earnings on plan investments	—	277,271
City contributions subsequent to the measurement date	150,000	—
State aid to the City subsequent to the measurement date	169,822	169,822
Total	<u>\$ 505,724</u>	<u>\$ 521,904</u>

Deferred outflows of resources totaling \$319,822 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, 2022. Deferred inflows of resources totaling \$169,822 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	\$ (67,765)
2023	\$ (27,350)
2024	\$ (94,121)
2025	\$ (22,635)
2026	\$ 15,496
Thereafter	\$ 30,195

**E. Actuarial Assumptions**

The total pension liability at December 31, 2020 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	2.25% per year
Investment rate of return	5.25%
20-year municipal bond yield	2.00%

Actuarial assumption changes since the prior valuation included an inflation rate assumption update from 2.50 percent to 2.25 percent. Mortality 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)**

Plan changes since the last valuation included a change in interest earned on deferred lump-sum amounts, which 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.

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	50.17 %	4.90 %	7.15 %
International equity	13.45	5.32 %	7.57 %
Fixed income	30.23	1.40 %	3.65 %
Real estate and alternatives	1.18	4.43 %	6.68 %
Cash and equivalents	4.97	0.09 %	2.34 %
Total	100.00 %		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 1 percent 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)	\$ (1,409,656)	\$ (1,545,208)	\$ (1,673,102)

**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 \$56,305.

### **D. Membership**

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

Retirees and beneficiaries receiving benefits	7
Active plan members	<u>89</u>
Total members	<u><u>96</u></u>

### **E. Total OPEB Liability of the City**

The City's total OPEB liability of \$1,169,857 as of year-end was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.



## 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	2.12%
20-year municipal bond yield	2.12%
Inflation rate	2.50%
Healthcare trend rate	6.50% grading to 3.90% over 54 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 2.12 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.

Mortality rates were based on the July 1, 2014 through June 30, 2018 PERA and TRA experience studies.

### G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance – January 1, 2021	\$ 886,031
Changes for the year	
Service cost	92,066
Interest	26,170
Differences between expected and actual experience	489,862
Changes of assumptions	(278,274)
Benefit payments – employer-financed	(45,998)
Total net changes	<u>283,826</u>
Ending balance – December 31, 2021	<u>\$ 1,169,857</u>

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 capital claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 2.74 percent to 2.12 percent based on recent municipal bond index rates.
- 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. This update was made to comply with the alternative measurement method standard assumptions.
- Assumed future retiree spouse participation was updated from 40.00 percent to current coverage elections. This is a simplification as allowed by the alternative measurement method process.
- The inflation rate was changed from 2.00 percent to 2.50 percent since the prior valuation.

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

Changes in plan provisions since the prior measurement date include the following:

- Medical premiums and retiree contributions were updated to current levels.

### 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>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.12%	2.12%	3.12%
Total OPEB liability	\$ 1,265,463	\$ 1,169,857	\$ 1,079,702

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>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	5.50% decreasing to 2.90% over 54 years	6.50% decreasing to 3.90% over 54 years	7.50% decreasing to 4.90% over 54 years
Total OPEB liability	\$ 1,026,011	\$ 1,169,857	\$ 1,341,019

### 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 \$1,420. 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	\$ 56,305	\$ —

Deferred outflows of resources reported \$56,305 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, 2022.

## NOTE 11 – DEFICIT FUND BALANCES

At December 31, 2021, the Federal Aid Special Revenue Fund reported a deficit fund balance of \$13,763, and the (nonmajor) Spruce Street Reconstruction Capital Projects Fund reported a deficit fund balance of \$16,069. These deficits are due to investment charges or project 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, 2021 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			
Not depreciated	\$ 1,658,302	\$ 498,376	\$ 2,156,678
Depreciated, net of accumulated depreciation	44,867,934	50,941,288	95,809,222
Less capital-related long-term debt outstanding	(9,707,152)	(666,032)	(10,373,184)
Total net investment in capital assets	<u>\$ 36,819,084</u>	<u>\$ 50,773,632</u>	<u>\$ 87,592,716</u>

### B. Governmental Fund Balance Classifications

At December 31, 2021, the City had the following governmental fund balances:

	General	Special Revenue – Federal Aid	Debt Service	Capital Projects –		Nonmajor	Total
				Maintenance	Private		
Nonspendable							
Prepaid items	\$ 2,817	\$ –	\$ –	\$ –	\$ –	\$ 1,365	\$ 4,182
Loan	80,271	–	–	–	–	–	80,271
Total nonspendable	83,088	–	–	–	–	1,365	84,453
Restricted							
Debt service	–	–	3,146,223	–	–	–	3,146,223
Economic development	–	–	–	–	–	292,836	292,836
Police programs	–	–	–	–	–	48,028	48,028
Park improvements	–	–	–	–	–	666,571	666,571
PEG fees	–	–	–	–	–	208,829	208,829
Recreational capital projects	–	–	–	–	–	49,226	49,226
Total restricted	–	–	3,146,223	–	–	1,265,490	4,411,713
Committed							
Pavement management	–	–	–	1,572,324	–	–	1,572,324
Improvement projects	–	–	–	–	104,087	282,948	387,035
Park improvements	–	–	–	–	–	320,777	320,777
Ice arena capital	–	–	–	–	–	117,352	117,352
Sanitary sewer trunk	–	–	–	–	–	634,002	634,002
Cable communications	–	–	–	–	–	792,163	792,163
Street construction	–	–	–	–	–	130,677	130,677
Fire capital programs	–	–	–	–	–	286,971	286,971
Storm water trunk	–	–	–	–	–	4,213,711	4,213,711
Capital equipment	–	–	–	–	–	421,294	421,294
Total committed	–	–	–	1,572,324	104,087	7,199,895	8,876,306
Unassigned	6,843,396	(13,763)	–	–	–	(16,069)	6,813,564
Total	<u>\$ 6,926,484</u>	<u>\$ (13,763)</u>	<u>\$ 3,146,223</u>	<u>\$ 1,572,324</u>	<u>\$ 104,087</u>	<u>\$ 8,450,681</u>	<u>\$ 20,186,036</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, 2021, the unassigned fund balance of the General Fund was 43.5 percent of the subsequent year's budgeted expenditures and transfers out.

## **NOTE 13 – OPERATING LEASE RECEIVABLE**

In 2018, the City entered into an agreement to lease space in City Hall to the U.S. Department of Agriculture (USDA) for a 20-year term, commencing October 1, 2018. The USDA may cancel the lease any time after the end of the first year of the lease term, with 120 days prior written notice. The USDA is required to make monthly payments for the space rental and operating costs that total \$16,394 annually for years 1–10 of the agreement, and \$19,575 annually for years 11–20 of the agreement. The City received rental payments totaling \$16,394 under this agreement during 2021.

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 totaling \$13,152 annually over a 10-year period, with 3.0 percent interest. The outstanding principle due on this agreement at December 31, 2021 of \$80,271 is reported as a loan receivable in the City's General Fund.

## **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. COVID-19**

The COVID-19 pandemic has had significant financial and operational impacts on the City for the last two fiscal years. Any potential impact it may have on the City's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

## **NOTE 15 – 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 \$119,815 of property tax increment in the current year. The remaining principal balance as of December 31, 2021 for this agreement was \$1,240,884. 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 16 – SUBSEQUENT EVENTS**

### **A. New Accounting Standards**

A new standard has been issued by the GASB that will result in significant changes in the reporting of leases once it becomes effective for governmental entities. This standard will be adopted by the City beginning in 2022, and will require the restatement of certain balances reported as of December 31, 2021. The effects of this change have not yet been determined and are not reflected in these financial statements.

### **B. Solid Waste Operations**

Beginning in 2022, the City will cease providing solid waste and recycling collection services directly to its residents and businesses, opting to contract with a commercial provider for these services in the future. The private contractor will purchase the City's waste haulers and garbage carts in January 2022 as part of this agreement. To facilitate this transition, and to avoid having the City's solid waste customers receive two billings in the same timeframe due to differences in billing practices, the City Council also adopted a resolution authorizing the use of a portion of the year-end net position in its Solid Waste Enterprise Fund to pay the initial first quarter billings from the new service provider to former city customers. The effects of this change have not yet been determined and are not reflected in these financial statements.

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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, 2021

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	0.0623%	\$ 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%

PERA – General Employees Retirement Fund  
Schedule of City Contributions  
Year Ended December 31, 2021

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%

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, 2021

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%

PERA – Public Employees Police and Fire Fund  
Schedule of City Contributions  
Year Ended December 31, 2021

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%

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, 2021

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

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, 2021

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

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, 2021

	Fiscal Year			
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 113,275	\$ 85,451	\$ 74,564	\$ 92,066
Interest	40,190	40,509	49,025	26,170
Differences between expected and actual experience	—	—	(424,559)	489,862
Changes of assumptions	28,356	(57,133)	79,584	(278,274)
Benefit payments	(38,891)	(40,361)	(33,373)	(45,998)
Net change in total OPEB liability	142,930	28,466	(254,759)	283,826
Total OPEB liability – beginning of year	969,394	1,112,324	1,140,790	886,031
Total OPEB liability – end of year	\$ 1,112,324	\$ 1,140,790	\$ 886,031	\$ 1,169,857
Covered-employee payroll	<u>\$ 5,800,000</u>	<u>\$ 6,000,000</u>	<u>\$ 7,300,000</u>	<u>\$ 7,300,000</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>

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, 2021

#### **PERA – GENERAL EMPLOYEES RETIREMENT FUND**

##### **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.

##### **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.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)  
December 31, 2021

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**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, 2021

**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, 2021

**PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND**

**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.

**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.



CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)  
December 31, 2021

**PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)**

**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.

**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.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)  
December 31, 2021

**PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)**

**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.

**FARMINGTON FIRE FIGHTERS' RELIEF ASSOCIATION**

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The mortality 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 member 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.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)  
December 31, 2021

**FARMINGTON FIRE FIGHTERS' RELIEF ASSOCIATION (CONTINUED)**

**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.

**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, 2021

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

**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.

**2021 CHANGES IN PLAN PROVISIONS**

- Medical premiums and retiree contributions were updated to current levels.

**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.

## 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 and capital projects funds.

## CITY OF FARMINGTON

Nonmajor Governmental Funds  
Combining Balance Sheet  
as of December 31, 2021

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	\$ 1,353,903	\$ 6,800,460	\$ 8,154,363
Receivables			
Accounts	122,379	58,675	181,054
Interest	3,485	17,175	20,660
Special assessments			
Noncurrent	—	666,571	666,571
Due from other funds	—	300,000	300,000
Due from other governments	44,397	—	44,397
Prepaid items	1,365	—	1,365
Total assets	<u>\$ 1,525,529</u>	<u>\$ 7,842,881</u>	<u>\$ 9,368,410</u>
Liabilities			
Accounts and contracts payable	\$ 69,158	\$ 172,558	\$ 241,716
Deposits payable	9,145	—	9,145
Due to other governments	297	—	297
Total liabilities	<u>78,600</u>	<u>172,558</u>	<u>251,158</u>
Deferred inflows of resources			
Unavailable revenue – special assessments	—	666,571	666,571
Fund balances (deficits)			
Nonspendable	1,365	—	1,365
Restricted	1,007,435	258,055	1,265,490
Committed	438,129	6,761,766	7,199,895
Unassigned	—	(16,069)	(16,069)
Total fund balances	<u>1,446,929</u>	<u>7,003,752</u>	<u>8,450,681</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,525,529</u>	<u>\$ 7,842,881</u>	<u>\$ 9,368,410</u>



## CITY OF FARMINGTON

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total
Revenue			
Property taxes	\$ 133,127	\$ 275,000	\$ 408,127
Franchise taxes	—	84,355	84,355
Special assessments	—	9,048	9,048
Intergovernmental	171,028	—	171,028
Charges for services	402,929	570,299	973,228
Investment earnings (charges)	(6,165)	5,501	(664)
Other			
Donations	51,564	68,821	120,385
Rentals	11,783	—	11,783
Miscellaneous	409,058	—	409,058
Total revenues	<u>1,173,324</u>	<u>1,013,024</u>	<u>2,186,348</u>
Expenditures			
Current			
General government	—	87,815	87,815
Public safety	58,064	34,190	92,254
Public works	—	17,839	17,839
Parks and recreation	409,997	17,110	427,107
Economic development	385,434	—	385,434
Capital outlay			
General government	—	3,309	3,309
Public safety	2,577	1,861,816	1,864,393
Public works	—	125,438	125,438
Parks and recreation	14,439	91,369	105,808
Economic development	27,744	—	27,744
Debt service			
Interest and fiscal charges	—	15,250	15,250
Total expenditures	<u>898,255</u>	<u>2,254,136</u>	<u>3,152,391</u>
Excess (deficiency) of revenues over expenditures	275,069	(1,241,112)	(966,043)
Other financing sources (uses)			
Sale of capital assets	42,387	41,020	83,407
Transfers in	204,367	445,534	649,901
Transfers out	(44,367)	—	(44,367)
Total other financing sources (uses)	<u>202,387</u>	<u>486,554</u>	<u>688,941</u>
Net change in fund balances	477,456	(754,558)	(277,102)
Fund balances			
Beginning of year	<u>969,473</u>	<u>7,758,310</u>	<u>8,727,783</u>
End of year	<u>\$ 1,446,929</u>	<u>\$ 7,003,752</u>	<u>\$ 8,450,681</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.

## CITY OF FARMINGTON

Nonmajor Special Revenue Funds  
Combining Balance Sheet  
as of December 31, 2021

	Economic Development Authority	Dakota Broadband	Trident Housing Tax Increment	Police Donations and Forfeitures
Assets				
Cash and investments	\$ 199,987	\$ —	\$ 107,631	\$ 11,332
Receivables				
Accounts	—	—	—	—
Interest	515	—	277	29
Due from other governments	—	44,397	—	—
Prepaid items	1,365	—	—	—
Total assets	<u>\$ 201,867</u>	<u>\$ 44,397</u>	<u>\$ 107,908</u>	<u>\$ 11,361</u>
Liabilities				
Accounts and contracts payable	\$ 20	\$ 44	\$ 59,907	\$ 1,717
Deposits payable	—	—	—	3,000
Due to other governments	—	—	—	—
Total liabilities	<u>20</u>	<u>44</u>	<u>59,907</u>	<u>4,717</u>
Fund balances				
Nonspendable	1,365	—	—	—
Restricted for economic development	200,482	44,353	48,001	—
Restricted for police programs	—	—	—	6,644
Restricted for park improvements	—	—	—	—
Committed for park improvements	—	—	—	—
Committed for ice arena capital	—	—	—	—
Total fund balances	<u>201,847</u>	<u>44,353</u>	<u>48,001</u>	<u>6,644</u>
Total liabilities and fund balances	<u>\$ 201,867</u>	<u>\$ 44,397</u>	<u>\$ 107,908</u>	<u>\$ 11,361</u>

Police Public Outreach	K-9	Park Improvement	Arena	Total
\$ 42,224	\$ 2,628	\$ 986,123	\$ 3,978	\$ 1,353,903
—	—	—	122,379	122,379
108	7	2,541	8	3,485
—	—	—	—	44,397
—	—	—	—	1,365
<u>\$ 42,332</u>	<u>\$ 2,635</u>	<u>\$ 988,664</u>	<u>\$ 126,365</u>	<u>\$ 1,525,529</u>
\$ 3,488	\$ 95	\$ 1,316	\$ 2,571	\$ 69,158
—	—	—	6,145	9,145
—	—	—	297	297
<u>3,488</u>	<u>95</u>	<u>1,316</u>	<u>9,013</u>	<u>78,600</u>
—	—	—	—	1,365
—	—	—	—	292,836
38,844	2,540	—	—	48,028
—	—	666,571	—	666,571
—	—	320,777	—	320,777
—	—	—	117,352	117,352
<u>38,844</u>	<u>2,540</u>	<u>987,348</u>	<u>117,352</u>	<u>1,446,929</u>
<u>\$ 42,332</u>	<u>\$ 2,635</u>	<u>\$ 988,664</u>	<u>\$ 126,365</u>	<u>\$ 1,525,529</u>

## CITY OF FARMINGTON

Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year Ended December 31, 2021

	Economic Development Authority	Dakota Broadband	Trident Housing Tax Increment	Police Donations and Forfeitures
Revenues				
Property taxes	\$ —	\$ —	\$ 133,127	\$ —
Intergovernmental	122,313	48,715	—	—
Charges for services	—	—	—	—
Investment earnings (charges)	250	—	(946)	(82)
Other				
Donations	—	—	—	—
Rentals	—	—	—	—
Miscellaneous	—	—	—	420
Total revenues	<u>122,563</u>	<u>48,715</u>	<u>132,181</u>	<u>338</u>
Expenditures				
Current				
Public safety	—	—	—	8,876
Parks and recreation	—	—	—	—
Economic development	215,829	48,729	120,876	—
Capital outlay				
Public safety	—	—	—	—
Parks and recreation	—	—	—	—
Economic development	27,744	—	—	—
Total expenditures	<u>243,573</u>	<u>48,729</u>	<u>120,876</u>	<u>8,876</u>
Excess (deficiency) of revenues over expenditures	(121,010)	(14)	11,305	(8,538)
Other financing sources (uses)				
Sale of capital assets	34,000	—	—	8,387
Transfers in	40,000	44,367	—	—
Transfers out	(44,367)	—	—	—
Total other financing sources (uses)	<u>29,633</u>	<u>44,367</u>	<u>—</u>	<u>8,387</u>
Net change in fund balances	(91,377)	44,353	11,305	(151)
Fund balances				
Beginning of year	<u>293,224</u>	<u>—</u>	<u>36,696</u>	<u>6,795</u>
End of year	<u>\$ 201,847</u>	<u>\$ 44,353</u>	<u>\$ 48,001</u>	<u>\$ 6,644</u>

Police Public Outreach	K-9	Park Improvement	Arena	Total
\$ —	\$ —	\$ —	\$ —	\$ 133,127
—	—	—	—	171,028
—	—	—	402,929	402,929
(264)	117	(5,595)	355	(6,165)
27,596	9,950	7,298	6,720	51,564
—	—	8,403	3,380	11,783
—	—	408,638	—	409,058
<u>27,332</u>	<u>10,067</u>	<u>418,744</u>	<u>413,384</u>	<u>1,173,324</u>
21,286	27,902	—	—	58,064
—	—	6,861	403,136	409,997
—	—	—	—	385,434
—	2,577	—	—	2,577
—	—	11,740	2,699	14,439
—	—	—	—	27,744
<u>21,286</u>	<u>30,479</u>	<u>18,601</u>	<u>405,835</u>	<u>898,255</u>
6,046	(20,412)	400,143	7,549	275,069
—	—	—	—	42,387
—	—	75,000	45,000	204,367
—	—	—	—	(44,367)
<u>—</u>	<u>—</u>	<u>75,000</u>	<u>45,000</u>	<u>202,387</u>
6,046	(20,412)	475,143	52,549	477,456
<u>32,798</u>	<u>22,952</u>	<u>512,205</u>	<u>64,803</u>	<u>969,473</u>
<u>\$ 38,844</u>	<u>\$ 2,540</u>	<u>\$ 987,348</u>	<u>\$ 117,352</u>	<u>\$ 1,446,929</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 related to municipal state aids.

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

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

Recreation – Used to account for the operations and activities related to capital improvements to the 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.

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

## CITY OF FARMINGTON

Nonmajor Capital Projects Funds  
Combining Balance Sheet  
as of December 31, 2021

	Sanitary Sewer Trunk	Cable Communications	State Aid Construction	Fire
Assets				
Cash and investments	\$ 756,935	\$ 941,044	\$ 130,341	\$ 298,780
Receivables				
Accounts	555	58,120	—	—
Interest	1,950	2,425	336	422
Special assessments				
Noncurrent	—	—	232,453	—
Due from other funds	—	—	—	—
Total assets	<u>\$ 759,440</u>	<u>\$ 1,001,589</u>	<u>\$ 363,130</u>	<u>\$ 299,202</u>
Liabilities				
Accounts and contracts payable	\$ 125,438	\$ 597	\$ —	\$ 12,231
Deferred inflows of resources				
Unavailable revenue – special assessments	—	—	232,453	—
Fund balances (deficits)				
Restricted for public, educational, and governmental fees	—	208,829	—	—
Restricted for recreational capital projects	—	—	—	—
Committed for sanitary sewer trunk	634,002	—	—	—
Committed for cable communications	—	792,163	—	—
Committed for street construction	—	—	130,677	—
Committed for fire capital programs	—	—	—	286,971
Committed for storm water trunk	—	—	—	—
Committed for improvement projects	—	—	—	—
Committed for capital equipment	—	—	—	—
Unassigned	—	—	—	—
Total fund balances (deficits)	<u>634,002</u>	<u>1,000,992</u>	<u>130,677</u>	<u>286,971</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 759,440</u>	<u>\$ 1,001,589</u>	<u>\$ 363,130</u>	<u>\$ 299,202</u>

<u>Storm Water Trunk</u>	<u>Recreation</u>	<u>Permanent Improvement Revolving</u>	<u>General Capital Equipment</u>	<u>Spruce Street Reconstruction</u>	<u>Total</u>
\$ 3,903,653	\$ 143,451	\$ 187,869	\$ 438,387	\$ —	\$ 6,800,460
—	—	—	—	—	58,675
10,058	370	484	1,130	—	17,175
—	—	434,118	—	—	666,571
300,000	—	—	—	—	300,000
<u>\$ 4,213,711</u>	<u>\$ 143,821</u>	<u>\$ 622,471</u>	<u>\$ 439,517</u>	<u>\$ —</u>	<u>\$ 7,842,881</u>
\$ —	\$ —	\$ —	\$ 18,223	\$ 16,069	\$ 172,558
—	—	434,118	—	—	666,571
—	—	—	—	—	208,829
—	49,226	—	—	—	49,226
—	—	—	—	—	634,002
—	—	—	—	—	792,163
—	—	—	—	—	130,677
—	—	—	—	—	286,971
4,213,711	—	—	—	—	4,213,711
—	94,595	188,353	—	—	282,948
—	—	—	421,294	—	421,294
—	—	—	—	(16,069)	(16,069)
<u>4,213,711</u>	<u>143,821</u>	<u>188,353</u>	<u>421,294</u>	<u>(16,069)</u>	<u>7,003,752</u>
<u>\$ 4,213,711</u>	<u>\$ 143,821</u>	<u>\$ 622,471</u>	<u>\$ 439,517</u>	<u>\$ —</u>	<u>\$ 7,842,881</u>

## CITY OF FARMINGTON

Nonmajor Capital Projects Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year Ended December 31, 2021

	Sanitary Sewer Trunk	Cable Communications	State Aid Construction	Fire
Revenues				
Property taxes	\$ —	\$ —	\$ —	\$ —
Franchise taxes	—	84,355	—	—
Special assessments	—	—	—	—
Charges for services	230,195	—	—	—
Investment earnings (charges)	(2,932)	(1,669)	(259)	(574)
Other				
Donations	—	—	—	30,100
Total revenues	<u>227,263</u>	<u>82,686</u>	<u>(259)</u>	<u>29,526</u>
Expenditures				
Current				
General government	—	87,815	—	—
Public safety	—	—	—	33,665
Public works	—	—	—	—
Parks and recreation	—	—	—	—
Capital outlay				
General government	—	3,309	—	—
Public safety	—	—	—	1,184,272
Public works	125,438	—	—	—
Parks and recreation	—	—	—	—
Debt service				
Interest and fiscal charges	—	—	—	—
Total expenditures	<u>125,438</u>	<u>91,124</u>	<u>—</u>	<u>1,217,937</u>
Excess (deficiency) of revenues over expenditures	101,825	(8,438)	(259)	(1,188,411)
Other financing sources				
Sale of capital assets	—	—	—	—
Transfers in	—	—	—	135,000
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>135,000</u>
Net change in fund balances	101,825	(8,438)	(259)	(1,053,411)
Fund balances (deficits)				
Beginning of year	<u>532,177</u>	<u>1,009,430</u>	<u>130,936</u>	<u>1,340,382</u>
End of year	<u>\$ 634,002</u>	<u>\$ 1,000,992</u>	<u>\$ 130,677</u>	<u>\$ 286,971</u>

Storm Water Trunk	Recreation	Permanent Improvement Revolving	General Capital Equipment	Spruce Street Reconstruction	Total
\$ 275,000	\$ —	\$ —	\$ —	\$ —	\$ 275,000
—	—	—	—	—	84,355
—	—	9,048	—	—	9,048
340,104	—	—	—	—	570,299
11,211	(144)	(477)	345	—	5,501
—	37,931	—	790	—	68,821
626,315	37,787	8,571	1,135	—	1,013,024
—	—	—	—	—	87,815
—	—	—	525	—	34,190
1,770	—	—	—	16,069	17,839
—	17,110	—	—	—	17,110
—	—	—	—	—	3,309
—	—	—	677,544	—	1,861,816
—	—	—	—	—	125,438
—	91,369	—	—	—	91,369
15,250	—	—	—	—	15,250
17,020	108,479	—	678,069	16,069	2,254,136
609,295	(70,692)	8,571	(676,934)	(16,069)	(1,241,112)
—	—	—	41,020	—	41,020
—	—	—	310,534	—	445,534
—	—	—	351,554	—	486,554
609,295	(70,692)	8,571	(325,380)	(16,069)	(754,558)
3,604,416	214,513	179,782	746,674	—	7,758,310
\$ 4,213,711	\$ 143,821	\$ 188,353	\$ 421,294	\$ (16,069)	\$ 7,003,752

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## **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. The final payment on these bonds was made in 2018.

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.

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&B and 2010C bonds, which were originally issued for the Elm Street, 195th Street Extension, and Walnut Street Reconstruction Projects.

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.

## CITY OF FARMINGTON

Debt Service Fund  
Combining Balance Sheet by Account  
as of December 31, 2021

	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	\$ 59,376	\$ 569,641	\$ 417,046	\$ 1,280,566
Receivables				
Interest	153	1,468	1,075	3,299
Special assessments				
Delinquent	—	297	—	1,053
Noncurrent	—	2,521,287	—	551,964
Total assets	<u>\$ 59,529</u>	<u>\$ 3,092,693</u>	<u>\$ 418,121</u>	<u>\$ 1,836,882</u>
Liabilities				
Accounts and contracts payable	\$ —	\$ 483	\$ 483	\$ 2,983
Due to other funds	—	—	—	300,000
Total liabilities	<u>—</u>	<u>483</u>	<u>483</u>	<u>302,983</u>
Deferred inflows of resources				
Unavailable revenue – special assessments	—	2,521,584	—	553,017
Fund balances				
Restricted for debt service	<u>59,529</u>	<u>570,626</u>	<u>417,638</u>	<u>980,882</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,529</u>	<u>\$ 3,092,693</u>	<u>\$ 418,121</u>	<u>\$ 1,836,882</u>



2016B G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020A G.O. Equipment Certificates	Total
\$ 635,965	\$ 243,624	\$ 239,025	\$ 3,445,243
1,639	628	616	8,878
—	—	—	1,350
—	—	—	3,073,251
<u>\$ 637,604</u>	<u>\$ 244,252</u>	<u>\$ 239,641</u>	<u>\$ 6,528,722</u>
\$ 2,983	\$ 483	\$ 483	\$ 7,898
—	—	—	300,000
<u>2,983</u>	<u>483</u>	<u>483</u>	<u>307,898</u>
—	—	—	3,074,601
<u>634,621</u>	<u>243,769</u>	<u>239,158</u>	<u>3,146,223</u>
<u>\$ 637,604</u>	<u>\$ 244,252</u>	<u>\$ 239,641</u>	<u>\$ 6,528,722</u>

## CITY OF FARMINGTON

Debt Service Fund  
Combining Schedule of Revenues, Expenditures,  
and Changes in Fund Balances by Account  
Year Ended December 31, 2021

	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	\$ 292,253	\$ 443,000	\$ 293,500	\$ 574,327
Special assessments	—	29,157	—	240,258
Investment earnings (charges)	(221)	(5,144)	(3,172)	(9,388)
Total revenues	<u>292,032</u>	<u>467,013</u>	<u>290,328</u>	<u>805,197</u>
Expenditures				
Debt service				
Principal	—	720,000	210,000	540,000
Interest and fiscal charges	<u>3,332</u>	<u>18,809</u>	<u>56,433</u>	<u>38,628</u>
Total expenditures	<u>3,332</u>	<u>738,809</u>	<u>266,433</u>	<u>578,628</u>
Net change in fund balances	288,700	(271,796)	23,895	226,569
Fund balances (deficits)				
Beginning of year	<u>(229,171)</u>	<u>842,422</u>	<u>393,743</u>	<u>754,313</u>
End of year	<u>\$ 59,529</u>	<u>\$ 570,626</u>	<u>\$ 417,638</u>	<u>\$ 980,882</u>

2016B G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020A G.O. Equipment Certificates	Total
\$ 635,000	\$ 231,000	\$ 268,013	\$ 2,737,093
—	—	—	269,415
(6,360)	(2,374)	(2,506)	(29,165)
<u>628,640</u>	<u>228,626</u>	<u>265,507</u>	<u>2,977,343</u>
505,000	180,000	—	2,155,000
119,707	35,483	81,096	353,488
<u>624,707</u>	<u>215,483</u>	<u>81,096</u>	<u>2,508,488</u>
3,933	13,143	184,411	468,855
<u>630,688</u>	<u>230,626</u>	<u>54,747</u>	<u>2,677,368</u>
<u>\$ 634,621</u>	<u>\$ 243,769</u>	<u>\$ 239,158</u>	<u>\$ 3,146,223</u>

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## **BUDGETARY COMPARISON SCHEDULES**

### Debt Service Fund

### Maintenance Capital Projects Fund

### Private Capital Projects Fund

### Nonmajor Special Revenue Funds

Economic Development Authority

Trident Housing Tax Increment

Police Donations and Forfeitures

Park Improvement

Arena (Ice)

### Nonmajor Capital Projects Funds

Sanitary Sewer Trunk

Cable Communications

State Aid Construction

Fire

Storm Water Trunk

Recreation

Permanent Improvement Revolving

General Capital Equipment

## CITY OF FARMINGTON

Debt Service Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 2,737,093	\$ 2,737,093	\$ —
Special assessments	345,075	269,415	(75,660)
Investment earnings (charges)	10,600	(29,165)	(39,765)
Total revenues	<u>3,092,768</u>	<u>2,977,343</u>	<u>(115,425)</u>
Expenditures			
Debt service			
Principal	2,155,000	2,155,000	—
Interest and fiscal charges	358,703	353,488	(5,215)
Total expenditures	<u>2,513,703</u>	<u>2,508,488</u>	<u>(5,215)</u>
Excess (deficiency) of revenues over expenditures	579,065	468,855	(110,210)
Other financing sources (uses)			
Transfers out	<u>(299,153)</u>	<u>—</u>	<u>299,153</u>
Net change in fund balances	<u>\$ 279,912</u>	468,855	<u>\$ 188,943</u>
Fund balances			
Beginning of year		<u>2,677,368</u>	
End of year		<u>\$ 3,146,223</u>	

## CITY OF FARMINGTON

Maintenance Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Intergovernmental	\$ 92,000	\$ 122,387	\$ 30,387
Charges for service	—	111,348	111,348
Investment earnings (charges)	11,500	(6,005)	(17,505)
Total revenues	103,500	227,730	124,230
Expenditures			
Current			
Public works	574,465	152,091	(422,374)
Parks and recreation	63,760	160,165	96,405
Capital outlay			
Public works	—	38,093	38,093
Parks and recreation	—	791,063	791,063
Total expenditures	638,225	1,141,412	503,187
Excess (deficiency) of revenues over expenditures	(534,725)	(913,682)	(378,957)
Other financing sources			
Sale of capital assets	—	255	255
Transfers in	652,819	825,201	172,382
Total other financing sources	652,819	825,456	172,637
Net change in fund balances	\$ 118,094	(88,226)	\$ (206,320)
Fund balances			
Beginning of year		1,660,550	
End of year		\$ 1,572,324	

## CITY OF FARMINGTON

Private Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Special assessments	\$ —	\$ 861	\$ 861
Investment earnings (charges)	6,200	(8,733)	(14,933)
Total revenues	6,200	(7,872)	(14,072)
Expenditures			
Current			
General government	—	259	259
Net change in fund balances	\$ 6,200	(8,131)	\$ (14,331)
Fund balances			
Beginning of year		112,218	
End of year		\$ 104,087	



## CITY OF FARMINGTON

Economic Development Authority Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Intergovernmental	\$ 180,474	\$ 122,313	\$ (58,161)
Investment earnings	2,100	250	(1,850)
Total revenues	182,574	122,563	(60,011)
Expenditures			
Current			
Economic development	205,190	215,829	10,639
Capital outlay			
Economic development	—	27,744	27,744
Total expenditures	205,190	243,573	38,383
Excess (deficiency) of revenues over expenditures	(22,616)	(121,010)	(98,394)
Other financing sources (uses)			
Sale of capital assets	—	34,000	34,000
Transfers in	40,000	40,000	—
Transfers out	—	(44,367)	(44,367)
Total other financing sources (uses)	40,000	29,633	(10,367)
Net change in fund balances	\$ 17,384	(91,377)	\$ (108,761)
Fund balances			
Beginning of year		293,224	
End of year		\$ 201,847	

## CITY OF FARMINGTON

Trident Housing Tax Increment Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 146,210	\$ 133,127	\$ (13,083)
Investment earnings (charges)	200	(946)	(1,146)
Total revenues	146,410	132,181	(14,229)
Expenditures			
Current			
Economic development	134,439	120,876	(13,563)
Net change in fund balances	\$ 11,971	11,305	\$ (666)
Fund balances			
Beginning of year		36,696	
End of year		\$ 48,001	

## CITY OF FARMINGTON

Police Donations and Forfeitures Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings (charges)	\$ 100	\$ (82)	\$ (182)
Other			
Miscellaneous	<u>—</u>	<u>420</u>	<u>420</u>
Total revenues	100	338	238
Expenditures			
Current			
Public safety	<u>2,000</u>	<u>8,876</u>	<u>6,876</u>
Excess (deficiency) of revenues over expenditures	(1,900)	(8,538)	(6,638)
Other financing sources			
Sale of capital assets	<u>2,950</u>	<u>8,387</u>	<u>5,437</u>
Net change in fund balances	<u><u>\$ 1,050</u></u>	(151)	<u><u>\$ (1,201)</u></u>
Fund balances			
Beginning of year		<u>6,795</u>	
End of year		<u><u>\$ 6,644</u></u>	

## CITY OF FARMINGTON

Park Improvement Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings (charges)	\$ 2,800	\$ (5,595)	\$ (8,395)
Other			
Donations	—	7,298	7,298
Rentals	8,400	8,403	3
Miscellaneous	25,000	408,638	383,638
Total revenues	36,200	418,744	382,544
Expenditures			
Current			
Parks and recreation	15,000	6,861	(8,139)
Capital outlay			
Parks and recreation	—	11,740	11,740
Total expenditures	15,000	18,601	3,601
Excess of revenues over expenditures	21,200	400,143	378,943
Other financing sources			
Transfers in	75,000	75,000	—
Net change in fund balances	\$ 96,200	475,143	\$ 378,943
Fund balances			
Beginning of year		512,205	
End of year		\$ 987,348	

## CITY OF FARMINGTON

Arena Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Charges for services	\$ 370,700	\$ 402,929	\$ 32,229
Investment earnings	300	355	55
Other			
Donations	5,000	6,720	1,720
Rentals	3,000	3,380	380
Miscellaneous	1,000	—	(1,000)
Total revenues	<u>380,000</u>	<u>413,384</u>	<u>33,384</u>
Expenditures			
Current			
Parks and recreation	373,417	403,136	29,719
Capital outlay			
Parks and recreation	500	2,699	2,199
Total expenditures	<u>373,917</u>	<u>405,835</u>	<u>31,918</u>
Excess of revenues over expenditures	6,083	7,549	1,466
Other financing sources			
Transfers in	—	45,000	45,000
Net change in fund balances	<u>\$ 6,083</u>	52,549	<u>\$ 46,466</u>
Fund balances			
Beginning of year		<u>64,803</u>	
End of year		<u>\$ 117,352</u>	

CITY OF FARMINGTON

Sanitary Sewer Trunk Capital Projects Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Charges for services	\$ 26,085	\$ 230,195	\$ 204,110
Investment earnings (charges)	2,900	(2,932)	(5,832)
Total revenues	28,985	227,263	198,278
Expenditures			
Capital outlay			
Public works	—	125,438	125,438
Net change in fund balances	\$ 28,985	101,825	\$ 72,840
Fund balances			
Beginning of year		532,177	
End of year		\$ 634,002	

CITY OF FARMINGTON

Cable Communications Capital Projects Fund  
Budgetary Comparison Schedule  
Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Franchise taxes	\$ 140,000	\$ 84,355	\$ (55,645)
Investment earnings (charges)	6,000	(1,669)	(7,669)
Total revenues	<u>146,000</u>	<u>82,686</u>	<u>(63,314)</u>
Expenditures			
Current			
General government	93,000	87,815	(5,185)
Capital outlay			
General government	<u>30,000</u>	<u>3,309</u>	<u>(26,691)</u>
Total expenditures	<u>123,000</u>	<u>91,124</u>	<u>(31,876)</u>
Net change in fund balances	<u>\$ 23,000</u>	<u>(8,438)</u>	<u>\$ (31,438)</u>
Fund balances			
Beginning of year		<u>1,009,430</u>	
End of year		<u>\$ 1,000,992</u>	

CITY OF FARMINGTON

State Aid Construction Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings (charges)	\$ 900	\$ (259)	\$ (1,159)
Net change in fund balances	<u>\$ 900</u>	(259)	<u>\$ (1,159)</u>
Fund balances			
Beginning of year		<u>130,936</u>	
End of year		<u>\$ 130,677</u>	



## CITY OF FARMINGTON

Fire Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings (charges)	\$ 800	\$ (574)	\$ (1,374)
Other			
Donations	—	30,100	30,100
Total revenues	<u>800</u>	<u>29,526</u>	<u>28,726</u>
Expenditures			
Current			
Public safety	—	33,665	33,665
Capital outlay			
Public safety	—	1,184,272	1,184,272
Total expenditures	<u>—</u>	<u>1,217,937</u>	<u>1,217,937</u>
Excess (deficiency) of revenues over expenditures	800	(1,188,411)	(1,189,211)
Other financing sources			
Transfers in	—	135,000	135,000
Net change in fund balances	<u>\$ 800</u>	<u>(1,053,411)</u>	<u>\$ (1,054,211)</u>
Fund balances			
Beginning of year		<u>1,340,382</u>	
End of year		<u>\$ 286,971</u>	

## CITY OF FARMINGTON

Storm Water Trunk Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 275,000	\$ 275,000	\$ —
Charges for service	—	340,104	340,104
Investment earnings	13,200	11,211	(1,989)
Total revenues	288,200	626,315	338,115
Expenditures			
Current			
Public works	—	1,770	1,770
Debt service			
Interest and fiscal charges	—	15,250	15,250
Total expenditures	—	17,020	17,020
Excess of revenues over expenditures	288,200	609,295	321,095
Other financing sources			
Transfers in	299,153	—	(299,153)
Net change in fund balances	\$ 587,353	609,295	\$ 21,942
Fund balances			
Beginning of year		3,604,416	
End of year		\$ 4,213,711	

## CITY OF FARMINGTON

Recreation Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings (charges)	\$ 900	\$ (144)	\$ (1,044)
Other			
Donations	15,000	37,931	22,931
Total revenues	15,900	37,787	21,887
Expenditures			
Current			
Parks and recreation	18,500	17,110	(1,390)
Capital outlay			
Parks and recreation	6,000	91,369	85,369
Total expenditures	24,500	108,479	83,979
Net change in fund balances	\$ (8,600)	(70,692)	\$ (62,092)
Fund balances			
Beginning of year		214,513	
End of year		\$ 143,821	

CITY OF FARMINGTON

Permanent Improvement Revolving Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Special assessments	\$ —	\$ 9,048	\$ 9,048
Investment earnings (charges)	1,200	(477)	(1,677)
Total revenues	<u>1,200</u>	<u>8,571</u>	<u>7,371</u>
Net change in fund balances	<u>\$ 1,200</u>	8,571	<u>\$ 7,371</u>
Fund balances			
Beginning of year		<u>179,782</u>	
End of year		<u>\$ 188,353</u>	

## CITY OF FARMINGTON

General Capital Equipment Capital Projects Fund  
 Budgetary Comparison Schedule  
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings	\$ 7,000	\$ 345	\$ (6,655)
Other			
Miscellaneous	—	790	790
Total revenues	<u>7,000</u>	<u>1,135</u>	<u>(5,865)</u>
Expenditures			
Current			
Public safety	—	525	525
Capital outlay			
Public safety	<u>511,148</u>	<u>677,544</u>	<u>166,396</u>
Total expenditures	<u>511,148</u>	<u>678,069</u>	<u>166,921</u>
Excess (deficiency) of revenues over expenditures	(504,148)	(676,934)	(172,786)
Other financing sources			
Sale of capital assets	—	41,020	41,020
Transfers in	<u>310,534</u>	<u>310,534</u>	<u>—</u>
Total other financing sources	<u>310,534</u>	<u>351,554</u>	<u>41,020</u>
Net change in fund balances	<u>\$ (193,614)</u>	(325,380)	<u>\$ (131,766)</u>
Fund balances			
Beginning of year		<u>746,674</u>	
End of year		<u>\$ 421,294</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, 2021

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Assets					
Current assets					
Cash and investments	\$ 1,804,035	\$ 496,330	\$ 191,591	\$ 726,429	\$ 3,218,385
Receivables					
Accounts	—	6,086	5,827	4,576	16,489
Interest	4,393	1,279	494	1,872	8,038
Prepaid items	—	—	—	45,684	45,684
Total current assets	<u>1,808,428</u>	<u>503,695</u>	<u>197,912</u>	<u>778,561</u>	<u>3,288,596</u>
Noncurrent assets					
Capital assets					
Machinery and equipment	—	—	99,124	—	99,124
Less accumulated depreciation	—	—	(90,533)	—	(90,533)
Total capital assets	<u>—</u>	<u>—</u>	<u>8,591</u>	<u>—</u>	<u>8,591</u>
Total assets	<u>\$ 1,808,428</u>	<u>\$ 503,695</u>	<u>\$ 206,503</u>	<u>\$ 778,561</u>	<u>\$ 3,297,187</u>
Current liabilities					
Accounts and contracts payable	\$ 90,841	\$ —	\$ —	\$ —	\$ 90,841
Accrued salaries and employee benefits payable	257,620	—	—	—	257,620
Deposits payable	2,963	—	—	—	2,963
Compensated absences payable	—	—	30,722	13,167	43,889
Total current liabilities	<u>351,424</u>	<u>—</u>	<u>30,722</u>	<u>13,167</u>	<u>395,313</u>
Net position					
Investment in capital assets	—	—	8,591	—	8,591
Unrestricted	<u>1,457,004</u>	<u>503,695</u>	<u>167,190</u>	<u>765,394</u>	<u>2,893,283</u>
Total net position	<u>1,457,004</u>	<u>503,695</u>	<u>175,781</u>	<u>765,394</u>	<u>2,901,874</u>
Total liabilities and net position	<u>\$ 1,808,428</u>	<u>\$ 503,695</u>	<u>\$ 206,503</u>	<u>\$ 778,561</u>	<u>\$ 3,297,187</u>



## CITY OF FARMINGTON

Internal Service Funds  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Year Ended December 31, 2021

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Operating revenues					
Charges for services	\$ 2,820,549	\$ —	\$ 300,840	\$ 618,476	\$ 3,739,865
Insurance reimbursement	—	331,118	—	—	331,118
Total operating revenues	<u>2,820,549</u>	<u>331,118</u>	<u>300,840</u>	<u>618,476</u>	<u>4,070,983</u>
Operating expenses					
Personal services	2,622,108	—	223,897	217,660	3,063,665
Professional services	2,207	—	34,790	323,605	360,602
Materials and supplies	—	—	37,234	25,230	62,464
Insurance	—	307,947	—	—	307,947
Depreciation	—	—	7,895	—	7,895
Total operating expenses	<u>2,624,315</u>	<u>307,947</u>	<u>303,816</u>	<u>566,495</u>	<u>3,802,573</u>
Operating income (loss)	196,234	23,171	(2,976)	51,981	268,410
Nonoperating revenue					
Intergovernmental	1,720	—	—	—	1,720
Investment earnings (charges)	(5,723)	(1,952)	(311)	(1,298)	(9,284)
Gain on sale of capital assets	—	—	—	27	27
Total nonoperating revenue	<u>(4,003)</u>	<u>(1,952)</u>	<u>(311)</u>	<u>(1,271)</u>	<u>(7,537)</u>
Income (loss) before transfers	192,231	21,219	(3,287)	50,710	260,873
Transfers in	<u>13,022</u>	<u>10,476</u>	<u>—</u>	<u>—</u>	<u>23,498</u>
Change in net position	205,253	31,695	(3,287)	50,710	284,371
Net position					
Beginning of year	<u>1,251,751</u>	<u>472,000</u>	<u>179,068</u>	<u>714,684</u>	<u>2,617,503</u>
End of year	<u>\$ 1,457,004</u>	<u>\$ 503,695</u>	<u>\$ 175,781</u>	<u>\$ 765,394</u>	<u>\$ 2,901,874</u>

## CITY OF FARMINGTON

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended December 31, 2021

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Cash flows from operating activities					
Cash receipts from other funds and reimbursements	\$ 2,820,549	\$ 325,032	\$ 295,013	\$ 613,900	\$ 4,054,494
Cash payments to employees for services	(2,582,114)	—	(218,162)	(214,340)	(3,014,616)
Cash payments for interfund services used	(2,207)	(307,947)	(89,847)	(395,417)	(795,418)
Net cash flows from operating activities	236,228	17,085	(12,996)	4,143	244,460
Cash flows from noncapital financing activities					
Intergovernmental	1,720	—	—	—	1,720
Transfers in	13,022	10,476	—	—	23,498
Net cash flows from noncapital financing activities	14,742	10,476	—	—	25,218
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	—	—	(5,500)	—	(5,500)
Proceeds from the disposal of capital assets	—	—	—	27	27
Net cash flows from capital and related financing activities	—	—	(5,500)	27	(5,473)
Cash flows from investing activities					
Interest received and changes in fair value on investments	(6,695)	(2,198)	(343)	(1,608)	(10,844)
Net increase (decrease) in cash and cash equivalents	244,275	25,363	(18,839)	2,562	253,361
Cash and cash equivalents					
Beginning of year	1,559,760	470,967	210,430	723,867	2,965,024
End of year	\$ 1,804,035	\$ 496,330	\$ 191,591	\$ 726,429	\$ 3,218,385
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ 196,234	\$ 23,171	\$ (2,976)	\$ 51,981	\$ 268,410
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	—	—	7,895	—	7,895
Change in assets and liabilities					
Accounts receivable	—	(6,086)	(5,827)	(4,576)	(16,489)
Prepaid items	—	—	—	(39,422)	(39,422)
Accounts and contracts payable	(45,017)	—	(17,823)	(7,160)	(70,000)
Accrued salaries and employee benefits	85,735	—	—	—	85,735
Deposits payable	(724)	—	—	—	(724)
Compensated absences payable	—	—	5,735	3,320	9,055
Total adjustments	39,994	(6,086)	(10,020)	(47,838)	(23,950)
Net cash flows from operating activities	\$ 236,228	\$ 17,085	\$ (12,996)	\$ 4,143	\$ 244,460

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			
	2012	2013	2014	2015
Governmental activities				
Net investment in capital assets	\$ 21,263,670	\$ 23,462,934	\$ 23,383,175	\$ 21,417,203
Restricted	11,034,909	11,669,054	9,235,448	9,063,587
Unrestricted	11,131,928	9,628,139	13,150,789	8,920,144
Total governmental activities net position	<u>\$ 43,430,507</u>	<u>\$ 44,760,127</u>	<u>\$ 45,769,412</u>	<u>\$ 39,400,934</u>
Business-type activities				
Net investment in capital assets	\$ 58,728,008	\$ 57,427,060	\$ 55,685,476	\$ 54,807,938
Restricted	2,159,566	2,159,566	2,160,566	2,160,566
Unrestricted	7,845,545	8,891,769	10,396,218	11,439,369
Total business-type activities net position	<u>\$ 68,733,119</u>	<u>\$ 68,478,395</u>	<u>\$ 68,242,260</u>	<u>\$ 68,407,873</u>
Primary government				
Net investment in capital assets	\$ 79,991,678	\$ 80,889,994	\$ 79,068,651	\$ 76,225,141
Restricted	13,194,475	13,828,620	11,396,014	11,224,153
Unrestricted	18,977,473	18,519,908	23,547,007	20,359,513
Total primary government net position	<u>\$112,163,626</u>	<u>\$113,238,522</u>	<u>\$114,011,672</u>	<u>\$107,808,807</u>

Note: 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.

2016	2017	2018	2019	2020	2021
\$ 23,684,773	\$ 28,820,307	\$ 32,909,853	\$ 33,867,761	\$ 35,883,311	\$ 36,819,084
10,441,391	6,961,837	4,797,191	5,343,074	5,224,015	9,841,913
5,142,435	6,576,959	7,997,614	8,001,782	9,236,760	11,591,481
<u>\$ 39,268,599</u>	<u>\$ 42,359,103</u>	<u>\$ 45,704,658</u>	<u>\$ 47,212,617</u>	<u>\$ 50,344,086</u>	<u>\$ 58,252,478</u>
\$ 53,225,787	\$ 51,464,649	\$ 50,747,479	\$ 53,677,776	\$ 51,976,059	\$ 50,773,632
2,231,966	2,238,206	2,316,500	2,461,488	2,461,488	2,461,488
12,575,526	13,508,485	14,594,293	13,187,014	15,418,911	18,123,198
<u>\$ 68,033,279</u>	<u>\$ 67,211,340</u>	<u>\$ 67,658,272</u>	<u>\$ 69,326,278</u>	<u>\$ 69,856,458</u>	<u>\$ 71,358,318</u>
\$ 76,910,560	\$ 80,284,956	\$ 83,657,332	\$ 87,545,537	\$ 87,859,370	\$ 87,592,716
12,673,357	9,200,043	7,113,691	7,804,562	7,685,503	12,303,401
17,717,961	20,085,444	22,591,907	21,188,796	24,655,671	29,714,679
<u>\$107,301,878</u>	<u>\$109,570,443</u>	<u>\$113,362,930</u>	<u>\$116,538,895</u>	<u>\$120,200,544</u>	<u>\$129,610,796</u>

## CITY OF FARMINGTON

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

	Fiscal Year			
	2012	2013	2014	2015
Expenses				
Governmental activities				
General government	\$ 1,865,415	\$ 1,778,549	\$ 1,940,630	\$ 2,284,974
Public safety	4,989,522	5,156,950	5,192,091	5,357,738
Public works	3,063,908	3,849,742	4,893,341	7,473,095
Park and recreation	1,719,254	1,775,967	1,730,734	1,815,882
Economic development	44,114	50,000	49,417	90,000
Interest and fiscal charges	1,302,605	1,290,439	1,020,096	992,422
Total governmental activities expenses	<u>\$ 12,984,818</u>	<u>\$ 13,901,647</u>	<u>\$ 14,826,309</u>	<u>\$ 18,014,111</u>
Business-type activities				
Liquor operations	\$ 4,116,030	\$ 4,206,058	\$ 4,315,834	\$ 4,352,597
Sewer operations	1,891,872	1,627,927	1,712,146	1,875,225
Solid waste	1,727,384	1,658,547	1,600,434	1,658,128
Storm water	734,516	513,582	615,684	731,444
Water	1,705,167	1,427,298	1,410,214	1,339,588
Street light	176,513	184,834	174,957	173,212
Total business-type activities	<u>10,351,482</u>	<u>9,618,246</u>	<u>9,829,269</u>	<u>10,130,194</u>
Total primary government expenses	<u>\$ 23,336,300</u>	<u>\$ 23,519,893</u>	<u>\$ 24,655,578</u>	<u>\$ 28,144,305</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 436,113	\$ 684,528	\$ 534,008	\$ 399,053
Public safety	423,721	482,759	409,460	351,038
Public works	225,497	115,092	94,416	9,624
Parks and recreation	581,341	596,165	607,566	604,111
Operating grants and contributions	533,939	713,378	677,999	649,541
Capital grants and contributions	4,976,219	645,233	477,833	671,671
Total governmental activities program revenues	<u>\$ 7,176,830</u>	<u>\$ 3,237,155</u>	<u>\$ 2,801,282</u>	<u>\$ 2,685,038</u>



2016	2017	2018	2019	2020	2021
\$ 2,268,779	\$ 2,178,067	\$ 2,511,818	\$ 2,609,059	\$ 2,933,062	\$ 2,560,243
6,979,608	6,472,115	5,728,925	6,118,203	6,834,253	6,549,508
5,497,796	3,888,778	4,358,465	5,612,872	5,262,979	3,977,134
1,904,792	1,782,783	1,772,351	2,202,631	1,430,839	2,789,326
40,000	40,000	30,000	50,000	276,900	406,795
1,032,748	549,075	350,431	404,893	193,167	189,858
<u>\$ 17,723,723</u>	<u>\$ 14,910,818</u>	<u>\$ 14,751,990</u>	<u>\$ 16,997,658</u>	<u>\$ 16,931,200</u>	<u>\$ 16,472,864</u>
\$ 4,448,932	\$ 4,634,488	\$ 4,890,304	\$ 5,257,236	\$ 4,958,705	\$ 5,256,311
2,051,152	2,105,901	1,931,276	2,326,630	2,334,000	2,459,637
1,753,162	1,864,175	2,092,844	1,913,258	2,630,874	2,566,976
534,988	571,572	521,465	557,749	530,438	581,402
1,359,215	1,313,482	1,246,667	1,439,178	1,626,279	1,764,908
288,924	197,150	180,254	165,886	173,604	180,528
<u>10,436,373</u>	<u>10,686,768</u>	<u>10,862,810</u>	<u>11,659,937</u>	<u>12,253,900</u>	<u>12,809,762</u>
<u>\$ 28,160,096</u>	<u>\$ 25,597,586</u>	<u>\$ 25,614,800</u>	<u>\$ 28,657,595</u>	<u>\$ 29,185,100</u>	<u>\$ 29,282,626</u>
\$ 668,849	\$ 434,411	\$ 467,417	\$ 471,569	\$ 631,118	\$ 855,812
459,240	405,648	408,434	437,054	413,594	560,518
195,716	76,049	273,695	189,282	201,401	708,197
651,936	619,026	709,490	582,631	389,870	987,028
744,730	684,376	702,853	838,569	713,470	1,062,789
818,545	848,167	942,627	869,849	50,478	4,106,221
<u>\$ 3,539,016</u>	<u>\$ 3,067,677</u>	<u>\$ 3,504,516</u>	<u>\$ 3,388,954</u>	<u>\$ 2,399,931</u>	<u>\$ 8,280,565</u>

## CITY OF FARMINGTON

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

	Fiscal Year			
	2012	2013	2014	2015
Program revenues (continued)				
Business-type activities				
Charges for services				
Liquor operations	\$ 4,397,572	\$ 4,521,454	\$ 4,639,194	\$ 4,607,417
Sewer operations	1,787,957	1,816,763	1,843,746	1,957,902
Solid waste	1,869,426	1,952,177	1,979,623	1,991,179
Storm water	475,060	565,166	559,327	670,353
Water	1,595,116	1,558,400	1,499,091	1,439,873
Street light	215,029	216,719	219,052	222,159
Operating grants and contributions	20,010	19,300	21,000	22,000
Capital grants and contributions	100,525	108,642	—	945,938
Total business-type activities program revenues	<u>10,460,695</u>	<u>10,758,621</u>	<u>10,761,033</u>	<u>11,856,821</u>
Total primary government program revenues	<u>\$ 17,637,525</u>	<u>\$ 13,995,776</u>	<u>\$ 13,562,315</u>	<u>\$ 14,541,859</u>
Net (expense) revenue				
Governmental activities	\$ (5,807,988)	\$ (10,664,492)	\$ (12,025,027)	\$ (15,329,073)
Business-type activities	<u>109,213</u>	<u>1,140,375</u>	<u>931,764</u>	<u>1,726,627</u>
Total primary government net expense	<u>\$ (5,698,775)</u>	<u>\$ (9,524,117)</u>	<u>\$ (11,093,263)</u>	<u>\$ (13,602,446)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 10,897,074	\$ 10,748,581	\$ 10,962,860	\$ 11,460,209
Franchise taxes	243,635	259,671	269,208	265,485
Unrestricted grants and contributions	1,816	24,845	257,386	278,974
Unrestricted investment earnings (charges)	77,276	(32,408)	130,739	189,540
Gain on sale of capital assets	—	18,268	—	—
Transfers	<u>909,284</u>	<u>1,410,114</u>	<u>1,414,119</u>	<u>1,222,807</u>
Total governmental activities	<u>\$ 12,129,085</u>	<u>\$ 12,429,071</u>	<u>\$ 13,034,312</u>	<u>\$ 13,417,015</u>
Business-type activities				
Unrestricted grants and contributions	\$ —	\$ —	\$ —	\$ —
Unrestricted investment earnings (charges)	110,549	(40,071)	246,220	152,954
Gain on disposal of capital assets	—	55,086	—	—
Transfers	<u>(909,284)</u>	<u>(1,410,114)</u>	<u>(1,414,119)</u>	<u>(1,222,807)</u>
Total business-type activities	<u>(798,735)</u>	<u>(1,395,099)</u>	<u>(1,167,899)</u>	<u>(1,069,853)</u>
Total primary government	<u>\$ 11,330,350</u>	<u>\$ 11,033,972</u>	<u>\$ 11,866,413</u>	<u>\$ 12,347,162</u>
Change in net position				
Governmental activities	\$ 6,321,097	\$ 1,764,579	\$ 1,009,285	\$ (1,912,058)
Business-type activities	<u>(689,522)</u>	<u>(254,724)</u>	<u>(236,135)</u>	<u>656,774</u>
Total primary government	<u>\$ 5,631,575</u>	<u>\$ 1,509,855</u>	<u>\$ 773,150</u>	<u>\$ (1,255,284)</u>

2016	2017	2018	2019	2020	2021
\$ 4,742,313	\$ 4,967,468	\$ 5,256,645	\$ 5,608,012	\$ 5,347,194	\$ 5,724,828
2,043,859	2,068,388	2,045,728	2,117,934	2,160,808	2,264,006
2,041,561	2,061,324	2,071,672	2,244,569	2,692,155	2,858,958
643,479	647,767	737,115	1,130,563	1,149,665	1,158,564
1,631,643	1,681,079	1,852,381	2,281,793	2,533,753	3,251,453
224,781	225,570	226,674	226,971	232,990	232,378
23,000	24,000	30,263	34,190	26,710	240,598
—	—	—	81,634	—	476,930
11,350,636	11,675,596	12,220,478	13,725,666	14,143,275	16,207,715
<u>\$ 14,889,652</u>	<u>\$ 14,743,273</u>	<u>\$ 12,220,478</u>	<u>\$ 13,807,300</u>	<u>\$ 14,143,275</u>	<u>\$ 16,684,645</u>
\$ (14,184,707)	\$ (11,843,141)	\$ (11,247,474)	\$ (13,608,704)	\$ (14,531,269)	\$ (8,192,299)
914,263	988,828	1,357,668	2,065,729	1,889,375	3,397,953
<u>\$ (13,270,444)</u>	<u>\$ (10,854,313)</u>	<u>\$ (9,889,806)</u>	<u>\$ (11,542,975)</u>	<u>\$ (12,641,894)</u>	<u>\$ (4,794,346)</u>
\$ 11,806,302	\$ 12,181,830	\$ 12,659,480	\$ 12,916,115	\$ 13,044,381	\$ 13,692,990
275,691	266,728	266,324	262,148	244,839	229,355
287,252	289,854	316,100	317,172	2,042,381	107,962
255,021	200,851	239,714	657,977	526,283	(91,107)
—	54,408	531	17,218	16,174	—
1,428,106	1,939,974	1,110,880	946,033	1,788,680	1,831,571
<u>\$ 14,052,372</u>	<u>\$ 14,933,645</u>	<u>\$ 14,593,029</u>	<u>\$ 15,116,663</u>	<u>\$ 17,662,738</u>	<u>\$ 15,770,771</u>
\$ —	\$ —	\$ —	\$ —	\$ 18,136	\$ —
139,249	129,207	200,144	548,310	411,349	(64,522)
—	—	—	—	—	—
(1,428,106)	(1,939,974)	(1,110,880)	(946,033)	(1,788,680)	(1,831,571)
<u>(1,288,857)</u>	<u>(1,810,767)</u>	<u>(910,736)</u>	<u>(397,723)</u>	<u>(1,359,195)</u>	<u>(1,896,093)</u>
<u>\$ 12,763,515</u>	<u>\$ 13,122,878</u>	<u>\$ 13,682,293</u>	<u>\$ 14,718,940</u>	<u>\$ 16,303,543</u>	<u>\$ 13,874,678</u>
\$ (132,335)	\$ 3,090,504	\$ 3,345,555	\$ 1,507,959	\$ 3,131,469	\$ 7,578,472
(374,594)	(821,939)	446,932	1,668,006	530,180	1,501,860
<u>\$ (506,929)</u>	<u>\$ 2,268,565</u>	<u>\$ 3,792,487</u>	<u>\$ 3,175,965</u>	<u>\$ 3,661,649</u>	<u>\$ 9,080,332</u>

## CITY OF FARMINGTON

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

				Fiscal Year
	2012	2013	2014	2015
General Fund				
Nonspendable	\$ 612,518	\$ 13,388	\$ 33,369	\$ 6,034
Committed	—	—	—	—
Assigned	—	—	81,000	4,250
Unassigned	2,067,246	3,079,013	3,993,191	4,734,534
Total General Fund	<u>\$ 2,679,764</u>	<u>\$ 3,092,401</u>	<u>\$ 4,107,560</u>	<u>\$ 4,744,818</u>
All other governmental funds				
Nonspendable	\$ 146	\$ —	\$ 160	\$ 150
Restricted	2,950,166	6,881,858	5,673,161	5,776,314
Committed	—	—	—	8,025,185
Assigned	9,134,820	7,865,678	7,531,076	—
Unassigned	—	—	—	—
Total all other governmental funds	<u>\$ 12,085,132</u>	<u>\$ 14,747,536</u>	<u>\$ 13,204,397</u>	<u>\$ 13,801,649</u>
Total all funds	<u>\$ 14,764,896</u>	<u>\$ 17,839,937</u>	<u>\$ 17,311,957</u>	<u>\$ 18,546,467</u>

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

2016	2017	2018	2019	2020	2021
\$ 33,762	\$ 34,529	\$ 5,045	\$ 109,523	\$ 141,196	\$ 83,088
—	—	240,000	—	—	—
—	—	—	—	—	—
5,031,529	5,666,183	5,477,026	5,761,747	6,060,870	6,843,396
<u>\$ 5,065,291</u>	<u>\$ 5,700,712</u>	<u>\$ 5,722,071</u>	<u>\$ 5,871,270</u>	<u>\$ 6,202,066</u>	<u>\$ 6,926,484</u>
\$ 110	\$ —	\$ —	\$ —	\$ 1,184,677	\$ 1,365
16,959,150	4,071,837	2,009,629	3,196,214	3,235,717	4,411,713
5,158,828	6,373,022	7,586,959	7,298,103	8,427,605	8,876,306
—	—	—	—	—	—
—	—	—	—	—	(29,832)
<u>\$ 22,118,088</u>	<u>\$ 10,444,859</u>	<u>\$ 9,596,588</u>	<u>\$ 10,494,317</u>	<u>\$ 12,847,999</u>	<u>\$ 13,259,552</u>
<u>\$ 27,183,379</u>	<u>\$ 16,145,571</u>	<u>\$ 15,318,659</u>	<u>\$ 16,365,587</u>	<u>\$ 19,050,065</u>	<u>\$ 20,186,036</u>

## CITY OF FARMINGTON

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

	Fiscal Year			
	2012	2013	2014	2015
<b>Revenues</b>				
Property taxes	\$ 11,112,325	\$ 10,808,636	\$ 11,031,219	\$ 11,462,986
Franchise taxes	243,635	259,671	269,208	265,485
Special assessments	3,296,216	913,313	821,331	661,187
Licenses and permits	423,153	664,673	514,728	370,889
Intergovernmental	556,496	1,329,395	1,011,221	2,097,509
Charges for services	1,015,835	865,736	890,281	820,445
Fines and forfeits	73,210	81,919	65,482	52,299
Investment earnings (charges)	158,657	46,707	130,739	172,818
Other	222,083	233,808	174,959	160,193
Total revenues	17,101,610	15,203,858	14,909,168	16,063,811
<b>Expenditures</b>				
Current				
General government	1,830,470	1,686,263	1,717,994	1,947,768
Public safety	4,702,399	4,850,400	4,871,745	5,131,076
Public works	1,402,838	2,081,956	2,038,161	1,971,079
Park and recreation	1,427,257	1,530,238	1,448,951	1,538,452
Economic development	91,165	50,000	49,417	90,000
Capital outlay	555,293	1,290,875	1,839,726	4,695,581
Debt service				
Principal	2,912,213	7,394,424	2,376,739	2,899,162
Interest and fiscal charges	1,336,414	1,379,551	1,096,007	1,041,780
Total expenditures	14,258,049	20,263,707	15,438,740	19,314,898
Excess (deficiency) of revenues over expenditures	2,843,561	(5,059,849)	(529,572)	(3,251,087)
<b>Other financing sources (uses)</b>				
Debt issued	—	7,088,037	—	3,184,641
Payment of refunded debt	—	—	(1,435,000)	—
Sale of capital assets	105,746	26,154	22,473	157,599
Transfers in	3,997,318	7,492,556	2,330,331	5,937,539
Transfers out	(3,088,034)	(6,082,442)	(916,212)	(4,794,182)
Total other financing sources (uses)	1,015,030	8,524,305	1,592	4,485,597
Net change in fund balances	\$ 3,858,591	\$ 3,464,456	\$ (527,980)	\$ 1,234,510
Debt service as a percentage of noncapital expenditures	31.0%	46.2%	24.8%	21.0%

2016	2017	2018	2019	2020	2021
\$ 11,852,567	\$ 12,186,789	\$ 12,665,721	\$ 12,926,730	\$ 13,049,745	\$ 13,700,787
275,691	266,728	266,324	262,148	244,839	229,355
545,777	532,744	314,594	625,308	407,412	279,579
650,311	415,005	449,350	421,578	588,347	789,965
1,633,388	1,632,170	1,768,219	1,796,575	2,948,939	1,257,177
1,077,860	929,784	1,094,360	1,042,292	890,408	1,697,708
41,750	45,102	60,182	63,561	45,959	52,340
237,224	183,402	209,968	567,539	455,233	(81,823)
260,564	201,288	305,014	226,316	161,687	600,280
16,575,132	16,393,012	17,133,732	17,932,047	18,792,569	18,525,368
1,996,410	2,051,143	2,311,024	2,407,932	2,637,945	2,693,428
5,301,211	5,537,937	5,348,888	5,705,820	5,917,499	6,438,859
2,006,606	2,381,695	2,690,271	3,272,313	2,794,566	2,639,935
1,513,411	1,585,656	1,595,924	1,855,261	1,560,781	1,884,846
40,000	40,000	30,000	50,000	276,900	385,434
2,755,780	586,495	1,597,191	4,715,989	2,664,884	3,045,812
4,411,534	6,395,000	5,180,000	2,435,000	2,910,000	2,155,000
1,095,380	818,144	503,061	412,373	397,231	368,738
19,120,332	19,396,070	19,256,359	20,854,688	19,159,806	19,612,052
(2,545,200)	(3,003,058)	(2,122,627)	(2,922,641)	(367,237)	(1,086,684)
10,120,095	—	—	1,009,555	1,279,300	—
—	(9,990,000)	—	—	—	—
13,043	54,408	11,000	18,939	12,867	84,662
5,590,211	2,981,402	3,214,991	4,280,247	4,263,090	2,854,791
(4,541,237)	(1,080,560)	(1,930,276)	(1,339,172)	(2,503,542)	(1,046,718)
11,182,112	(8,034,750)	1,295,715	3,969,569	3,051,715	1,892,735
\$ 8,636,912	\$ (11,037,808)	\$ (826,912)	\$ 1,046,928	\$ 2,684,478	\$ 806,051
29.5%	37.9%	31.3%	16.5%	18.5%	14.1%

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
2012	\$ 11,604,460	\$ 2,683,032	\$ 269,378	\$ 207,859	\$ (137,147)
2013	10,805,838	2,666,688	270,394	220,247	(130,805)
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)

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



Less Contributions to Fiscal Disparities Pool	Fiscal Disparities Distribution	Total Tax Capacity Value	Total Direct Tax Capacity Rate	Estimated Actual Taxable Value	Tax Capacity Value as a Percentage of Actual Value
\$ (611,325)	\$ 2,016,261	\$ 16,032,518	63.093 %	\$ 1,344,600,257	1.19 %
(642,069)	2,195,874	15,386,167	66.821	1,266,601,230	1.21
(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

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	
2012	43.954	19.139	63.093	31.417	55.292	4.187	153.989
2013	45.597	21.224	66.821	33.411	57.208	4.426	161.866
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

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	2021			2012		
	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	\$ 482,632	1	2.01 %	\$ 404,148	1	2.74 %
Xcel Energy (Northern States Power)	207,000	2	0.86	206,050	2	1.40
Dakota Electric Association	155,540	3	0.65	141,788	3	0.96
Legacy Partners of Farmington LLC	107,724	4	0.45	—	—	—
Dakota Storage, LLC	92,014	5	0.38	83,378	9	0.56
Valmont Industries	88,692	6	0.37	—	—	—
Minnesota Energy Resources	87,188	7	0.36	—	—	—
POR-MKR Real Estate, LLC	74,958	8	0.31	—	—	—
RLR Investments, LLC	74,370	9	0.31	—	—	—
Seeger Properties, LLC	72,969	10	0.30	—	—	—
St. Francis Health Systems	—	—	—	129,831	4	0.88
Builder's Development and Finance	—	—	—	109,968	5	0.74
Farmington City Center, LLC	—	—	—	99,058	6	0.67
Valley Mining, LLC	—	—	—	92,250	7	0.62
Farmington Land, LLC	—	—	—	88,358	8	0.60
Castle Rock Development	—	—	—	73,674	10	0.50
Total	<u>\$ 1,443,087</u>		<u>6.02 %</u>	<u>\$ 1,428,503</u>		<u>9.68 %</u>

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
2012	\$ 10,582,243	\$ 10,377,369	98.06 %	\$ 200,913	\$ 10,578,282	99.96 %
2013	10,734,608	10,581,301	98.57	151,752	10,733,053	99.99
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	75,562	12,677,494	99.97
2019	13,020,768	12,950,561	99.46	62,766	13,013,327	99.94
2020	13,036,578	12,967,610	99.47	55,600	13,023,210	99.90
2021	13,546,213	13,476,144	99.48	—	13,476,144	99.48

(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	Tax Increment Bonds	Certificates of Indebtedness	Net Premiums (Discounts)
2012	\$ 14,891,859	\$ 19,160,000	\$ 205,000	\$ 1,025,000	\$ —
2013	15,467,435	18,235,000	140,000	905,000	203,702
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

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	Primary	Per Capita	of Personal	
	(Discounts)	Government		Income	
\$ 230,000	\$ —	\$ 35,511,859	\$ 1,629	3.3	%
—	—	34,951,137	1,578	3.2	
—	—	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	10,373,184	439	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 (2)	Total	Market Value of Property	Percentage of Market Value of Property
2012	\$ 14,891,859	\$ –	\$ 14,891,859	\$ 1,344,600,257	1.11 %
2013	15,467,435	606,820	14,860,615	1,266,601,230	1.17
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	6,655,000	1,296,028	5,358,972	2,247,736,496	0.24

N/A – Not Applicable

- (1) Includes all general obligations of the City, including Capital Improvement Plan Bonds.
- (2) Amounts restricted for repaying principal for years prior to 2013 are not readily available.
- (3) 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 (3)	Percentage of Personal Income (3)	Per Capita
\$ 14,764,729	100.86 %	21,806	1.38 %	\$ 683
13,963,167	106.43	22,154	1.27	671
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	22.34	23,632	N/A	227

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CITY OF FARMINGTON

Direct and Overlapping Governmental Activities Debt  
December 31, 2021

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt			
Dakota County	\$ 77,475,000	4.043 %	\$ 3,132,301
ISD No. 192, Farmington	151,275,000	59.581	90,131,626
ISD No. 196, Rosemount–Apple Valley–Eagan	110,985,000	0.004	3,968
Metropolitan Council (2)	193,320,000	4.055	7,839,312
Total overlapping debt	<u>533,055,000</u>		<u>101,107,207</u>
Direct debt			
City of Farmington direct debt	<u>9,707,152</u>	100.000	<u>9,707,152</u>
Total direct and overlapping debt	<u>\$ 542,762,152</u>		<u>\$ 110,814,359</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 and related ACFRs

CITY OF FARMINGTON

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Debt limit	\$ 40,338,008	\$ 37,998,037	\$ 39,352,574	\$ 44,279,096
Total net debt applicable to the limit	15,916,859	15,442,435	14,520,696	16,496,534
Legal debt margin	<u>\$ 24,421,149</u>	<u>\$ 22,555,602</u>	<u>\$ 24,831,878</u>	<u>\$ 27,782,562</u>
Total net debt applicable to the limit as a percentage of debt limit	39.46%	40.64%	36.90%	37.26%

2016	2017	2018	2019	2020	2021
\$ 48,043,247	\$ 50,558,628	\$ 54,324,795	\$ 59,069,079	\$ 62,796,446	\$ 67,432,095
20,115,000	12,455,000	9,155,000	8,865,000	7,550,000	6,655,000
<u>\$ 27,928,247</u>	<u>\$ 38,103,628</u>	<u>\$ 45,169,795</u>	<u>\$ 50,204,079</u>	<u>\$ 55,246,446</u>	<u>\$ 60,777,095</u>
41.87%	24.63%	16.85%	15.01%	12.02%	9.87%

Legal Debt Margin Calculations for Fiscal Year 2021

Market value	\$ 2,247,736,496
Debt limit (3% of market value)	67,432,095
Debt applicable to the limit	<u>6,655,000</u>
Legal debt margin	<u>\$ 60,777,095</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	
2012	\$ 1,787,957	\$(1,286,270)	\$ 501,687	\$ 230,000	\$ 7,360	\$ 237,360	211.36 %
2013			No revenue bonds outstanding from 2013–2018				
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

N/A – Not Applicable

(a) Fiscal year 2012 includes gross revenues of the Sewer Operations Fund. Fiscal years 2019–2021 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

Fiscal Year	Population (1)	Households (1)	School Enrollment (3)	Unemployment Rate (2)	Total Personal Income (5)	Per Capita Income (4)
2012	21,806	7,532	6,560	6.1	\$ 1,068,254,134	\$ 48,989
2013	22,154	7,806	6,877	4.7	1,097,930,086	49,559
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	N/A	N/A

N/A – Not Applicable

- (1) Numbers for 2012–2015 are from the Farmington Building Inspections Department. The 2016–2021 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	2021			2012		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment
ISD No. 192, Farmington Public Schools	900	1	20.3 %	800	1	18.1 %
Federal Aviation Administration	498	2	11.2	460	2	10.4
Installed Building Solutions	290	3	6.5	—	—	—
Trinity Care Center and Trinity Terrace	234	4	5.3	138	5	3.1
City of Farmington	232	5	5.2	86	10	1.9
Dakota Electric Association	196	6	4.4	210	3	4.7
R&L Carriers	175	7	3.9	95	9	2.1
Marshall Lines, Inc.	160	8	3.6	193	4	4.4
Valmont Industries	142	9	3.2	115	7	2.6
Kemps Dairy	130	10	2.9	124	6	2.8
River Valley Home Care	—	—	—	110	8	2.5
Total	2,957		66.7 %	2,331		52.7 %

(1) Per City of Farmington records.

(2) Metropolitan Council Employment by Community as of 2020 (latest available), 4,431 total employment.

CITY OF FARMINGTON

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

	Fiscal Year			
	2012	2013	2014	2015
General government				
Administration	5.25	3.50	3.50	3.00
Finance	2.50	4.00	4.00	4.50
Human resources/information technology/communications	1.80	3.00	3.00	3.00
Community development	1.00	2.00	2.50	2.50
Total general government	10.55	12.50	13.00	13.00
Public safety				
Police administration	6.15	5.15	5.15	5.15
Police patrol	16.50	18.00	17.00	17.00
Investigations	6.50	5.00	5.00	5.00
Fire	1.40	1.40	1.40	1.50
Total public safety	30.55	29.55	28.55	28.65
Public works				
Building inspections	2.93	2.50	2.50	2.50
Engineering	2.34	5.10	4.60	4.50
Streets	4.68	10.00	10.00	9.00
Snowplowing	0.45	—	—	—
Natural resources	1.02	1.00	1.00	1.00
Total public works	11.42	18.60	18.10	17.00
Parks and recreation				
Park maintenance	4.44	3.50	3.50	3.50
Building maintenance	—	1.00	1.00	1.00
Recreation programming	2.00	2.00	2.00	2.00
Total parks and recreation	6.44	6.50	6.50	6.50
Senior center	1.10	1.50	1.50	1.00
Swimming pool	0.40	0.40	0.40	0.40
Arena	2.11	2.35	2.35	2.35
Liquor operations	7.25	7.25	7.50	8.00
Sewer	2.59	—	—	—
Solid waste	6.38	5.00	5.00	5.00
Storm water utility	2.93	—	—	—
Water	3.83	—	—	—
Fleet	1.00	2.00	2.00	2.00
Total employees	86.55	85.65	84.90	83.90

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

2016	2017	2018	2019	2020	2021
2.00	1.00	1.00	1.00	1.00	2.00
5.50	5.50	5.50	5.50	5.50	5.50
3.00	4.00	5.00	5.00	5.00	5.00
3.00	3.00	4.00	5.00	4.00	4.00
13.50	13.50	15.50	16.50	15.50	16.50
5.15	5.15	5.00	5.00	5.00	5.00
17.00	17.00	15.00	16.00	17.00	17.00
5.00	5.00	6.00	6.00	6.00	6.00
1.50	1.50	1.00	2.00	2.00	2.00
28.65	28.65	27.00	29.00	30.00	30.00
3.20	3.50	3.50	3.00	4.00	4.00
4.50	5.50	4.50	5.00	5.00	5.00
9.50	9.50	9.00	10.00	10.00	10.00
—	—	—	—	—	—
1.00	—	1.00	1.00	—	—
18.20	18.50	18.00	19.00	19.00	19.00
3.50	3.60	4.00	4.00	4.00	4.00
1.00	1.00	1.00	3.00	3.00	3.00
2.00	2.00	2.00	2.00	2.00	2.00
6.50	6.60	7.00	9.00	9.00	9.00
1.40	1.40	1.00	1.00	1.50	1.50
0.40	0.40	—	—	—	—
2.35	2.35	2.00	2.00	2.00	2.00
8.00	8.00	9.50	9.00	13.00	13.00
—	—	—	—	—	—
5.50	5.50	5.50	5.00	5.00	5.00
—	—	—	—	—	—
—	—	—	—	—	—
2.00	2.00	2.00	2.00	2.00	2.00
86.50	86.90	87.50	92.50	97.00	98.00

## CITY OF FARMINGTON

Operating Indicators by Function  
Last Ten Years

Function/Program	Fiscal Year			
	2012	2013	2014	2015
General government				
Elections	1	N/A	1	N/A
Registered voters	13,358	N/A	12,541	N/A
Number of votes cast	11,185	N/A	6,419	N/A
Voter participation (registered)	84.0%	N/A	51.0%	N/A
Public safety				
Police				
Arrests	435	403	266	153
All citations and warnings	4,359	4,517	3,383	2,494
Calls for service	15,094	13,138	13,035	12,085
Fire				
Medical calls	290	323	386	359
Fire calls	254	235	241	361
Inspections				
Building permits	818	679	711	619
Value of building permits (in millions)	\$ 17	\$ 35	\$ 24	\$ 15
Parks and recreation				
Parks				
Park reservations	69	65	66	66
Pool (closed after 2017)				
Pool open swim admissions	13,069	11,566	8,032	7,652
Pool swim lesson registrations	407	308	267	256
Pool season passes sold	89	78	N/A	N/A
Pool punch cards sold	130	154	193	176
Swim bus riders	641	786	408	536
Rambling River Center				
Memberships	428	435	406	381
Program participation	16,198	16,875	15,285	13,885
Number of volunteers	152	94	130	107
Total volunteer hours	3,741	4,780	4,348	5,944
Ice arena				
Ice skating lessons total participants	200	215	230	216
Arena rental hours	1,197	1,147	1,197	1,315
Outdoor rinks total number of skaters	5,259	7,819	7,481	7,851
Other				
Recreation program/event participants	6,607	6,971	6,425	5,976
Youth scholarships provided	22	25	7	4

N/A – Not Available

Source: Various city departments

2016	2017	2018	2019	2020	2021
1	N/A	1	N/A	1	N/A
13,788	N/A	13,403	N/A	14,736	N/A
11,545	N/A	9,632	N/A	12,102	N/A
84.0%	N/A	72.0%	N/A	82.0%	N/A
351	281	284	253	232	268
2,070	2,021	2,484	2,176	2,319	1,982
11,943	11,221	13,033	14,005	15,413	11,361
356	452	411	480	467	712
345	407	340	370	284	353
1,184	1,036	1,059	1,049	1,318	1,705
\$ 38	\$ 19	\$ 26	\$ 22	\$ 27	\$ 40
81	71	64	59	—	78
7,372	6,302	—	—	—	—
309	136	—	—	—	—
NA	N/A	—	—	—	—
125	139	—	—	—	—
507	496	—	—	—	—
404	467	497	372	305	471
13,042	15,203	16,015	17,730	3,651	8,728
82	80	69	74	31	57
8,573	4,298	3,426	3,749	347	1,732
329	284	296	310	122	221
1,285	1,490	1,380	1,390	1,191	1,641
5,187	7,276	5,451	3,892	4,209	4,142
8,344	8,171	7,034	5,657	361	5,927
6	8	1	—	—	1

CITY OF FARMINGTON

Capital Assets Statistics by Function/Program  
Last Ten Years

Function/Program	Fiscal Year			
	2012	2013	2014	2015
Public safety				
Police				
Stations	1	1	1	1
Patrol squads	17	17	16	16
Fire				
Stations	2	2	2	2
Fire trucks	7	7	6	6
Public works				
Vehicles	20	21	21	24
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	21	21	23	23
Liquor operations				
Store – building	–	–	–	–
Solid waste				
Compactor trucks	6	5	5	5
Sanitary sewer				
Collection system (miles)	84	84	84	84
Storm sewer				
Storm sewer (miles)	71	71	71	73
Water				
Water main (miles)	109	109	109	109
Wells	7	7	7	7
Water reservoirs	2	2	2	2

Source: The City's financial records

2016	2017	2018	2019	2020	2021
1	1	1	1	1	1
15	15	16	19	19	19
2	2	2	2	2	2
8	8	8	8	8	8
29	29	29	30	31	31
89	89	89	89	90	90
1	1	1	1	1	1
1	1	—	—	—	—
1	1	1	1	1	1
23	23	24	26	26	26
—	—	—	—	—	—
5	5	5	5	6	6
84	90	90	87	90	92
73	78	78	78	81	84
109	113	113	113	116	119
7	7	7	8	9	9
2	2	2	2	2	2

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