

Comprehensive Annual Financial Report



Photo from Megan Chase

City of Farmington, Minnesota

Year Ended December 31, 2020

David McKnight - City Administrator

Prepared by: Finance Department

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON
DAKOTA COUNTY, MINNESOTA

Comprehensive
Annual Financial Report

for the Year Ended
December 31, 2020

David McKnight
City Administrator

Report Prepared by
Finance Department

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i–v
GFOA Certificate of Achievement	vi
Organizational Chart	vii
Elected Officials and Executive Staff	viii
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1–3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4–15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17–18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	19–20
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22–23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	25
Proprietary Funds	
Statement of Net Position	26–27
Statement of Revenues, Expenses, and Changes in Fund Net Position	28–29
Statement of Cash Flows	30–31
Notes to Basic Financial Statements	32–65
REQUIRED SUPPLEMENTARY INFORMATION	
PERA – General Employees Retirement Fund	
Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability	66
Schedule of City Contributions	66
PERA – Public Employees Police and Fire Fund	
Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability	67
Schedule of City Contributions	67
Farmington Fire Fighters’ Relief Association	
Schedule of Changes in the Relief Association’s Net Pension Liability (Asset) and Related Ratios	68
Schedule of City Contributions	69
Other Post-Employment Benefits Plan	
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	70
Notes to Required Supplementary Information	71–78

CITY OF FARMINGTON

Table of Contents (continued)

	Page
SUPPLEMENTAL INFORMATION	
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	79
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	81
Nonmajor Special Revenue Funds	82
Combining Balance Sheet	83–84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85–86
Nonmajor Capital Projects Funds	87
Combining Balance Sheet	88–89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	90–91
Debt Service Fund	92
Combining Balance Sheet by Account	93–94
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances by Account	95–96
Budgetary Comparison Schedules	97
Debt Service Fund	98
State Aid Construction Capital Projects Fund	99
Storm Water Trunk Capital Projects Fund	100
Permanent Improvement Revolving Capital Projects Fund	101
Maintenance Capital Projects Fund	102
Private Capital Projects Fund	103
Nonmajor Special Revenue Funds	
Police Donations and Forfeitures	104
Park Improvement	105
Arena	106
Nonmajor Capital Projects Funds	
Sanitary Sewer Trunk	107
Cable Communications	108
Fire	109
Recreation	110
General Capital Equipment	111
Internal Service Funds	112
Combining Statement of Net Position	113
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	114
Combining Statement of Cash Flows	115
Discretely Presented Component Unit – EDA	116
Combining Balance Sheet	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	118

CITY OF FARMINGTON

Table of Contents (continued)

	Page
STATISTICAL SECTION (UNAUDITED)	
STATISTICAL TABLES	119
Net Position by Component	120–121
Changes in Net Position	122–125
Fund Balances of Governmental Funds	126–127
Changes in Fund Balances of Governmental Funds	128–129
Tax Capacity Value and Estimated Actual Value of Taxable Property	130–131
Property Tax Rates	132
Principal Property Taxpayers	133
Property Tax Levies and Collections	134
Ratios of Outstanding Debt by Type	135–136
Ratios of General Bonded Debt Outstanding	137–138
Direct and Overlapping Governmental Activities Debt	139
Legal Debt Margin Information	140–141
Pledged Revenue Coverage	142
Demographic and Economic Statistics	143
Principal Employers	144
Full-Time Equivalent City Government Employees by Function	145–146
Operating Indicators by Function	147–148
Capital Asset Statistics by Function/Program	149–150

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION



May 11, 2021

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

The Comprehensive Annual Financial Report (Annual Report) of the City of Farmington, Minnesota (the City) for the fiscal year ended December 31, 2020 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 Annual Report 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, 2020, 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 financial statements, for the year ended December 31, 2020, 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 23,123. 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. The City also contributes to the senior center operations, ice arena, limited 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 925 people. Installed Building Solutions and The Federal Aviation Administration employ 500 and 498 people each, respectively.

During 2020, a number of new businesses opened or expanded, construction was completed on three building expansions in downtown Farmington and one along Highway 3. 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 significantly higher than 2019. In 2020, the City issued new construction permits for 82 new single-family units and one new commercial building. The new single-family permits resulted in a total new residential building valuation of \$17,737,900. The new commercial building had a valuation of \$2,263,280. The number of foreclosures in the City remained relatively flat. There were 8 foreclosures in the City in 2020, compared to 9 in 2019.

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 March 2020, the City Council established four priorities for 2020, which include:

- Sound Financial Practices
- Development for a Successful Future
- Build on Established Partnerships
- Quality Service Delivery and Special Projects

These priorities are intentionally broad, high level goals that the City Council believes will make the City an even stronger community. During the year, the city administrator formally updates the City Council on the staff's progress. The City achieved its goal of increasing the bond rating with S&P when it was upgraded from AA to AA+ in April 2019. The AA+ rating was affirmed in 2020. The City Council will continue to strive to maintain financial excellence by strengthening the fund balance in the General Fund and continuing to use the liquor store profits for projects benefiting the community.

During 2020, the staff continued to review and revise various capital improvement plans including those for streets, trails, and equipment. The City's new aerial truck was ordered in early 2020, with delivery scheduled for mid-2021. After numerous years on hold, mill and overlay street projects began again in 2019, with plans to continue in future years along with street reconstruction projects.

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.

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 second addition of the Sapphire Lake development for 33 lots, and a third addition with 32 lots was recently approved in January 2021. The City Council also approved the second and third addition for 35 and 36 lots, respectively, in the Fairhill Estate at North Creek development. Lastly, the City Council approved a new market rate apartment building consisting of 52 units planned for construction in 2021. The City continued implementation of the Downtown Redevelopment Plan, including a Downtown Facade Improvement Grant Program. Implementation has also begun 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. With new management in 2012, an emphasis was placed on improving store operations, expectations, and profits. Store profits benefit the community and over the past nine years, the stores have produced an average of over \$200,000 per year in profits. Notably, the liquor stores have been able to provide roughly \$1.5 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 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 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 awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Report for the year ended December 31, 2019. This is the 11th 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 Annual Report. 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 Annual Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA 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,



David McKnight, City Administrator



Teah Malecha, Finance Director

THIS PAGE INTENTIONALLY LEFT BLANK



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

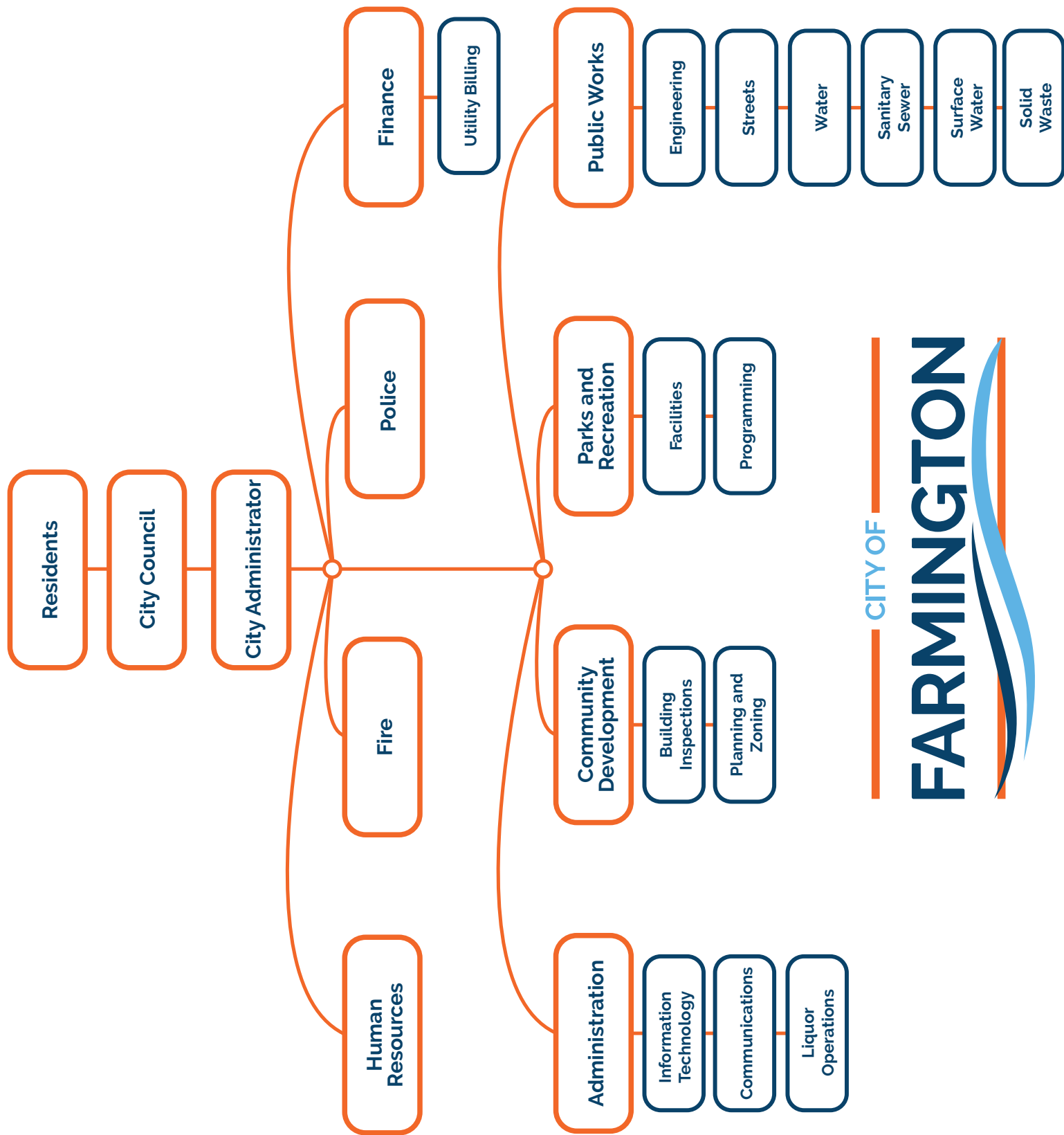
**City of Farmington
Minnesota**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO



CITY OF FARMINGTON

Elected Officials and Executive Staff
December 31, 2020

ELECTED OFFICIALS

		<u>Term Expires</u>
Todd Larson	Mayor	December 31, 2020
Katie Bernhjelm	Councilmember	December 31, 2022
Robyn Craig	Councilmember	December 31, 2020
Terry Donnelly	Councilmember	December 31, 2020
Joshua Hoyt	Councilmember	December 31, 2022

EXECUTIVE STAFF

David McKnight	City Administrator
Adam Kienberger	Community Development Director
Katy Gehler	Engineer
Teah Malecha	Finance Director
Justin Elvestad	Fire Chief
Jennifer Gabbard	Human Resources Director
Todd Reiten	Municipal Services Director
Randy Distad	Parks and Recreation Director
Gary Rutherford	Police Chief

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Farmington, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, 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.

OTHER MATTERS

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, 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.

Other 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 introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental 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. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021 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 11, 2021

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Management's Discussion and Analysis Year Ended December 31, 2020

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, 2020. 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 \$120,200,544 (net position) at the close of the most recent fiscal year. Of this amount, \$24,655,671 (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 \$3,661,649 in 2020, including an increase of \$3,131,469 attributable to governmental activities, and an increase of \$530,180 attributable to business-type activities.
- The City's outstanding bonded debt decreased by \$1,870,000, or 13.4 percent, during the fiscal year, due to a combination of the issuance of \$1,105,000 of general obligations equipment certificates and annual bond principal payments.
- The City's governmental funds reported combined ending fund balances of \$19,050,065 at December 31, 2020, an increase of \$2,684,478 from the prior year. Approximately 76.1 percent of this total amount, \$14,488,475, 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 \$6,060,870, or 43.8 percent, of 2021 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 discretely presented 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 seven individual major governmental funds. They are as follows:

- General Fund
- Debt Service Fund
- State Aid Construction Capital Projects Fund
- Storm Water Trunk Capital Projects Fund
- Permanent Improvement Revolving Capital Projects 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 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, internal service funds, and the discretely presented component unit, which are presented immediately following the basic financial statements.

Furthermore, a statistical section has been included as part of the Comprehensive Annual Financial Report 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 \$120,200,544 at December 31, 2020.

City of Farmington's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 26,943,704	\$ 24,474,467	\$ 19,458,340	\$ 17,390,560	\$ 46,402,044	\$ 41,865,027
Capital assets, net	46,682,049	47,612,477	52,712,003	54,488,632	99,394,052	102,101,109
Total assets	<u>\$ 73,625,753</u>	<u>\$ 72,086,944</u>	<u>\$ 72,170,343</u>	<u>\$ 71,879,192</u>	<u>\$145,796,096</u>	<u>\$143,966,136</u>
Deferred outflows of resources	<u>\$ 2,743,559</u>	<u>\$ 3,536,176</u>	<u>\$ 95,316</u>	<u>\$ 63,273</u>	<u>\$ 2,838,875</u>	<u>\$ 3,599,449</u>
Current liabilities	\$ 2,574,853	\$ 2,607,326	\$ 770,714	\$ 936,857	\$ 3,345,567	\$ 3,544,183
Long-term liabilities	20,341,217	21,129,967	1,573,584	1,577,512	21,914,801	22,707,479
Total liabilities	<u>\$ 22,916,070</u>	<u>\$ 23,737,293</u>	<u>\$ 2,344,298</u>	<u>\$ 2,514,369</u>	<u>\$ 25,260,368</u>	<u>\$ 26,251,662</u>
Deferred inflows of resources	<u>\$ 3,109,156</u>	<u>\$ 4,673,210</u>	<u>\$ 64,903</u>	<u>\$ 101,818</u>	<u>\$ 3,174,059</u>	<u>\$ 4,775,028</u>
Net position						
Net investment in capital assets	\$ 35,883,311	\$ 33,867,761	\$ 51,976,059	\$ 53,677,776	\$ 87,859,370	\$ 87,545,537
Restricted	5,224,015	5,343,074	2,461,488	2,461,488	7,685,503	7,804,562
Unrestricted	9,236,760	8,001,782	15,418,911	13,187,014	24,655,671	21,188,796
Total net position	<u>\$ 50,344,086</u>	<u>\$ 47,212,617</u>	<u>\$ 69,856,458</u>	<u>\$ 69,326,278</u>	<u>\$120,200,544</u>	<u>\$116,538,895</u>

The largest portion of the City's net position, \$87,859,730, or 73 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 \$7,685,503 comprised 6 percent of net position at the close of the fiscal year ended December 31, 2020. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$24,655,671, or approximately 21 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, 2020, with comparative totals for the year ended December 31, 2019. The City's total net position increased by \$3,661,649, or 3.1 percent, during the current fiscal year.

City of Farmington's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Charges for services	\$ 1,635,983	\$ 1,680,536	\$ 14,116,565	\$ 13,609,842	\$ 15,752,548	\$ 15,290,378
Operating grants and contributions	713,470	838,569	26,710	34,190	740,180	872,759
Capital grants and contributions	50,478	869,849	—	81,634	50,478	951,483
Property taxes	13,044,381	12,916,115	—	—	13,044,381	12,916,115
Other taxes	244,839	262,148	—	—	244,839	262,148
Unrestricted grants	2,042,381	317,172	18,136	—	2,060,517	317,172
Investment earnings	526,283	657,977	411,349	548,310	937,632	1,206,287
Gain on disposal of capital assets	16,174	17,218	—	—	16,174	17,218
Total revenues	18,273,989	17,559,584	14,572,760	14,273,976	32,846,749	31,833,560
Expenses						
General government	2,933,062	2,609,059	—	—	2,933,062	2,609,059
Public safety	6,834,253	6,118,203	—	—	6,834,253	6,118,203
Public works	5,262,979	5,612,872	—	—	5,262,979	5,612,872
Parks and recreation	1,430,839	2,202,631	—	—	1,430,839	2,202,631
Economic development	276,900	50,000	—	—	276,900	50,000
Interest on long-term debt	193,167	404,893	—	—	193,167	404,893
Liquor	—	—	4,958,705	5,257,236	4,958,705	5,257,236
Sewer	—	—	2,334,000	2,326,630	2,334,000	2,326,630
Solid waste	—	—	2,630,874	1,913,258	2,630,874	1,913,258
Storm water	—	—	530,438	557,749	530,438	557,749
Water	—	—	1,626,279	1,439,178	1,626,279	1,439,178
Street light	—	—	173,604	165,886	173,604	165,886
Total expenses	16,931,200	16,997,658	12,253,900	11,659,937	29,185,100	28,657,595
Change in net position before transfers	1,342,789	561,926	2,318,860	2,614,039	3,661,649	3,175,965
Transfers	1,788,680	946,033	(1,788,680)	(946,033)	—	—
Change in net position	3,131,469	1,507,959	530,180	1,668,006	3,661,649	3,175,965
Net position – beginning	47,212,617	45,704,658	69,326,278	67,658,272	116,538,895	113,362,930
Net position – ending	\$ 50,344,086	\$ 47,212,617	\$ 69,856,458	\$ 69,326,278	\$120,200,544	\$116,538,895

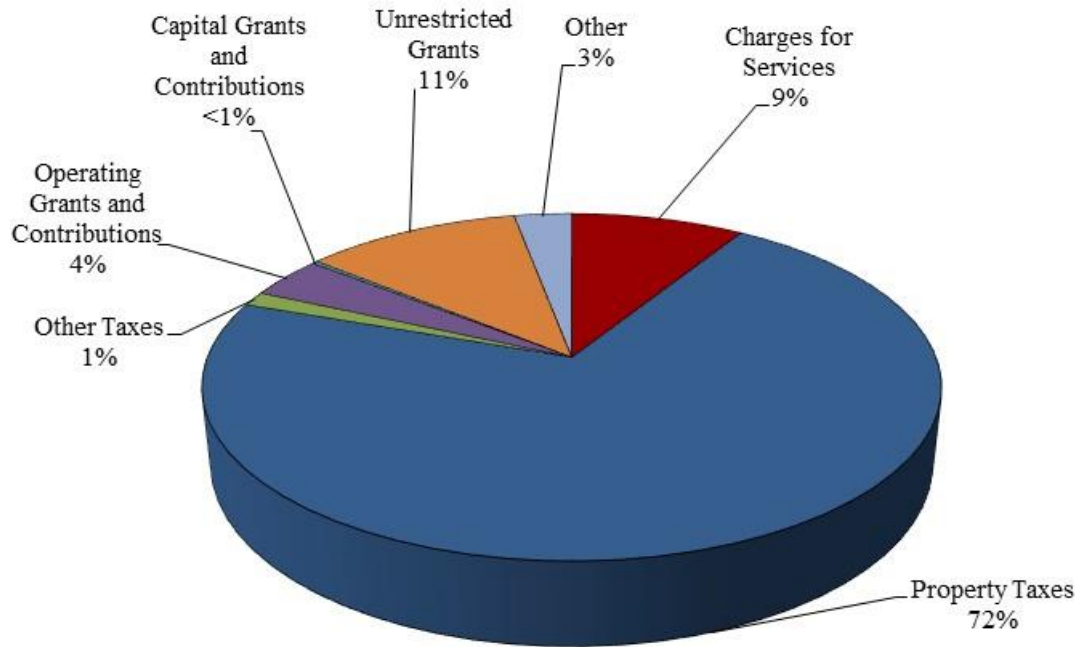
Governmental Activities – Governmental activities increased the City's net position before transfers by \$1,342,789, primarily due to the increase in unrestricted grants, as the City received a \$1,723,785 federal Coronavirus Relief Fund (CRF) grant entitlement in 2020 to provide assistance to the community and fund unanticipated COVID-19-related expenses.

Business-Type Activities – Business-type activities increased the City's net position before transfers by \$2,318,860, as program revenues exceeded expenses for all activities but sewer operations.

GOVERNMENTAL ACTIVITIES

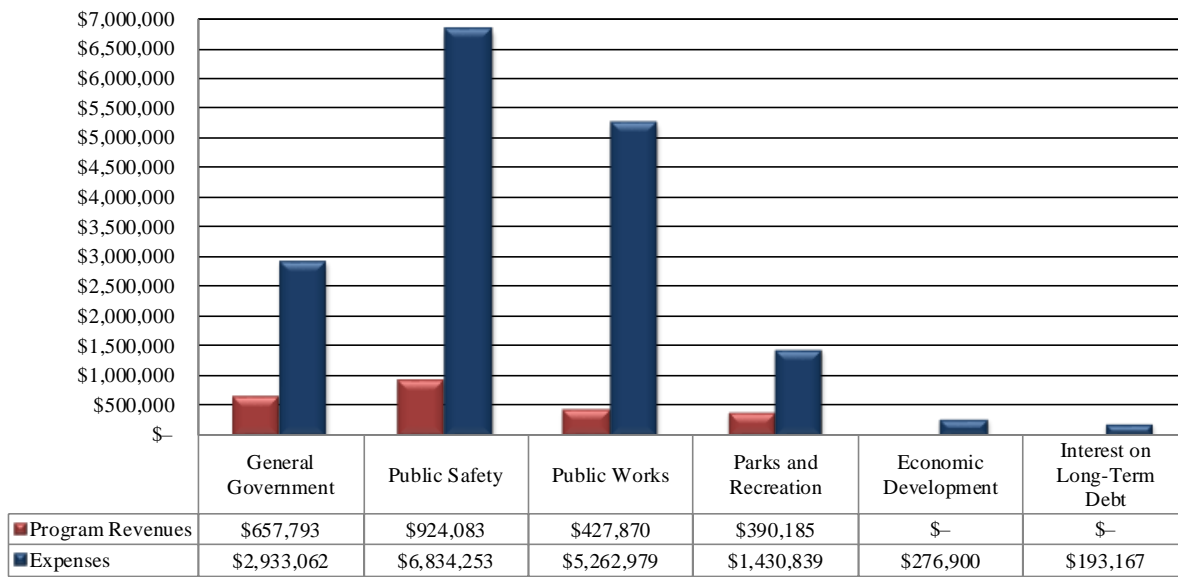
Revenues – The following chart illustrates the City’s revenues by source for its governmental activities:

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:

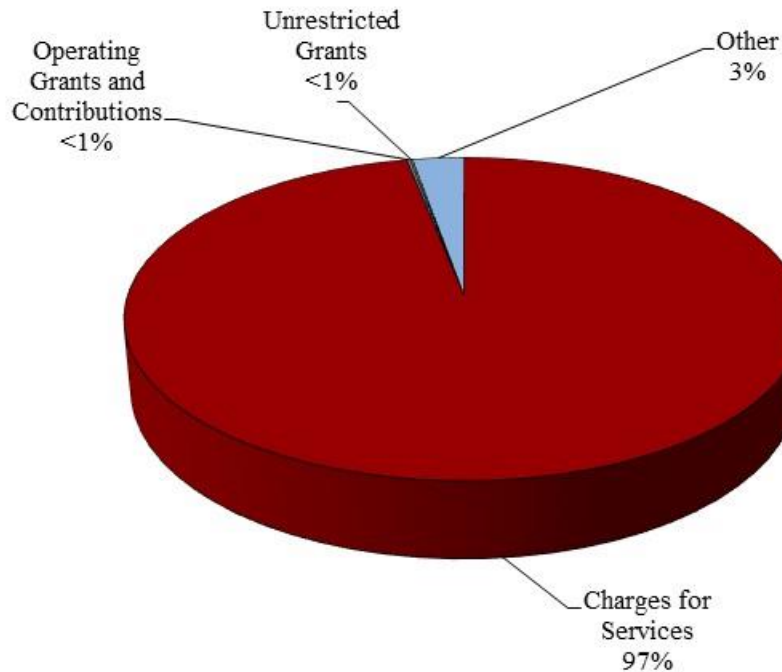
Expenses and Program Revenues – Governmental Activities



BUSINESS-TYPE ACTIVITIES

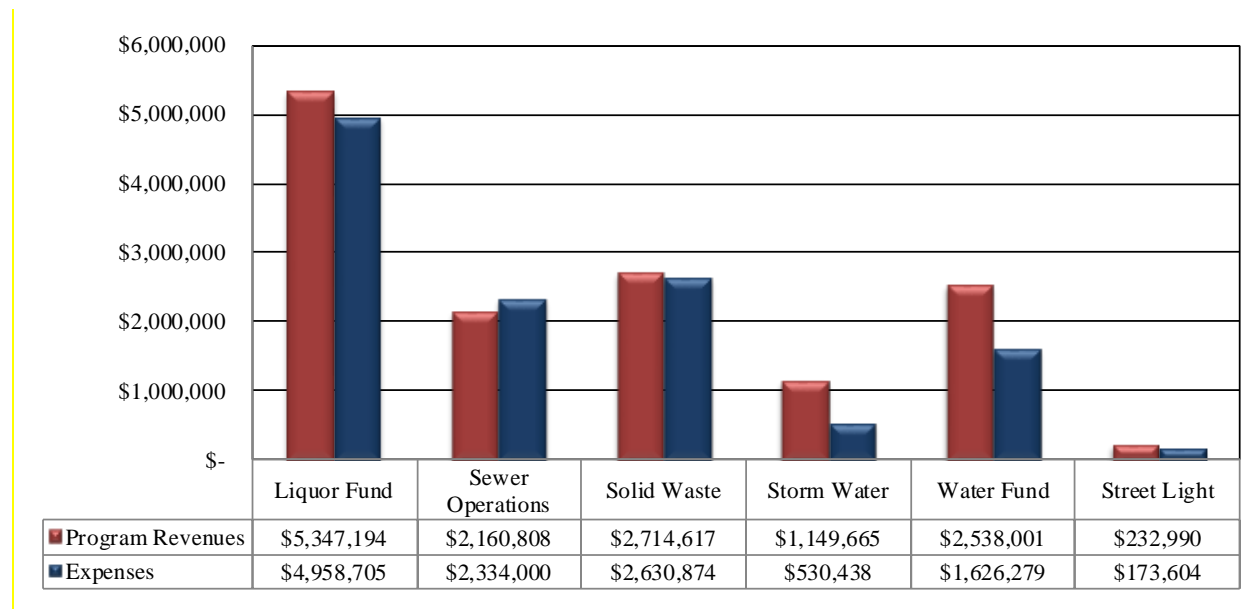
Revenues – The following chart illustrates the City’s revenues by source for its business-type activities:

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 \$19,050,065, a 16.4 percent increase of \$2,684,478 from 2019. The increase is mainly attributable to the proceeds from the City's 2020A Equipment Certificates that were used to make a prepayment on the purchase of an aerial fire truck that will be constructed and received in 2021 (in the nonmajor funds), and increased transfers committed for pavement management in the Maintenance Capital Projects Fund.

Committed and unassigned fund balances, which are available for spending at the government's discretion, had a combined balance of \$14,488,475 at year-end. The remainder of the fund balance is either nonspendable (\$1,325,873); or restricted to indicate that it is not available for new spending because it has already been obligated: 1) to pay debt service (\$2,677,368), 2) for various police programs (\$62,545), 3) to pay for future cable communication expenditures (\$185,017), 4) for park or recreational capital improvements (\$272,370), and 5) for fire capital equipment purchases (\$38,417).

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 2020, the unassigned fund balance of the General Fund was \$6,060,870. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The 2020 unassigned fund balance represents 43.8 percent of total 2021 General Fund budgeted expenditures and transfers out, up from 42.2 percent for the December 31, 2019 unassigned fund balance as a percentage of the 2020 General Fund budgeted expenditures and transfers out. Total fund balances increased by \$330,796 in the General Fund during the 2020 fiscal year. The reason for the increase in fund balance is mainly due to the CRF federal grant received for 2020, the majority of which was used for General Fund purposes.

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 43.8 percent as of December 31, 2020. 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, 2020, the City's General Fund balance meets the minimum fund balance guideline.

Debt Service Fund – During the year, the City repaid \$2,910,000 in bond principal. The fund balance in the Debt Service Fund decreased \$99,255, primarily because the premium received in conjunction with the issuance of the 2020A equipment certificates, property taxes, special assessments, and investment earnings were less than needed to pay the total principal and interest due.

State Aid Construction Capital Projects Fund – As the City currently has no significant improvement projects in process on eligible state aid streets, there was a modest increase in the fund balance of \$3,358 from investment income received.

Storm Water Trunk Capital Projects Fund – To reduce future interest costs, avoid incurring costs of issuance, and provide the City with more repayment flexibility, the City also utilized interfund loans from the Storm Water Trunk Capital Projects Fund to redeem several outstanding bond issues in recent years. The interfund advances will be repaid with interest through future tax levies. The increase of \$135,037 in fund balance is due to revenues exceeding project costs in the current year.

Permanent Improvement Revolving Capital Projects Fund – There were no new projects in this fund during 2020. There was a modest increase in the fund balance of \$4,870 from special assessments and investment income received.

Maintenance Capital Projects Fund – The increase of \$793,441 in fund balance was due to the state aid construction revenues, investment earnings, other miscellaneous revenues, and transfers in received during the current year exceeding street project costs incurred in 2020.

Private Capital Projects Fund – There were no new projects in this fund during 2020. There was a modest increase in the fund balance of \$35,884 from special assessments and investment income received.

Total fund balances in the City's nonmajor governmental funds increased \$1,480,347 in fiscal 2020, to a year-end total of \$4,482,729. Financial highlights for some of the significant changes in the City's nonmajor governmental funds are as follows:

Park Improvement Special Revenue Fund – The increase in fund balance of \$217,554 is mainly a result of \$197,238 of transfers into the fund in 2020 for future park improvement projects.

Sanitary Sewer Trunk Capital Projects Fund – During 2020, charges for services and investment earnings revenues exceeded the public works expenditures needed, resulting in a net increase in fund balance of \$101,072.

Fire Capital Projects Fund – During 2020, equipment certificate proceeds of \$1,195,091 were recorded in this fund and used for a prepayment on an aerial fire truck that was ordered for completion and delivery in 2021, increasing fund balance by \$1,191,071.

Recreation Capital Projects Fund – The increase in fund balance of \$121,378 is mainly a result of \$210,000 of transfers into the fund in 2020 to support recreation program capital needs.

General Capital Equipment Capital Projects Fund – The decrease in fund balance of \$214,903 is mainly a result of previously accumulated resources used to support expenditures for police vehicle and equipment needs, as well as general city vehicle replacements.

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.

The net position of the Liquor Operations Fund at the end of 2020 totaled \$1,506,724, a decrease of \$99,787, which is net of the \$475,000 in funds contributed to community projects noted above. The cash position for both stores decreased from \$1,562,043 at December 31, 2019 to \$1,406,830 as of December 31, 2020.

Sewer Operations Fund – The decrease in net position of \$438,751 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, 2020, to cover both operations and depreciation. This fund continues to maintain a significant unrestricted net position of \$3,174,710.

Solid Waste Fund – The Solid Waste Fund net position increased by \$50,552, due to a fee increase that went into effect in January 2020 to address anticipated cost increases in 2020.

Storm Water Fund – The increase in net position of \$268,271 is primarily due to a fee increase that went into effect in January 2019. This fund continues to maintain a significant unrestricted net position of \$2,157,917.

Water Fund – The increase in net position of \$684,125 is primarily due to an increase in operating revenue related to increases in both water rates and consumption. 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, including the current year fee increase effective January 2020, is designed to cover depreciation. This fund continues to maintain a significant unrestricted net position of \$6,895,688.

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. After its first decade of operation, this fund has achieved a modest positive net position of \$276,703.

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 \$1,528,704 over budget. Revenue variances from final budget to actual include:

- Licenses and permits were \$115,232 over budget, due to an increase in building permits.
- Intergovernmental revenue was \$1,339,380 over budget, mainly due to the majority of the federal CRF grant funding, which was not budgeted, being used for General Fund purposes.
- Investment earnings were \$102,761 more than the City’s conservative budget.

Expenditures were \$291,189 less than the budgeted amount. The City benefited from lower salaries and benefits costs partially attributable to vacant positions. Expenditures were also under budget in a number of areas, due to COVID-19 restrictions, and conservative spending and use of city resources by all staff.

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, 2020 was \$99,394,052 (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 2.7 percent, mainly due 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	
	2020	2019	2020	2019	2020	2019
Land and easement	\$ 1,749,824	\$ 1,749,824	\$ 498,376	\$ 498,376	\$ 2,248,200	\$ 2,248,200
Buildings	14,167,799	14,604,386	1,743,890	1,845,441	15,911,689	16,449,827
Improvements other than buildings	408,286	369,682	1,419,454	1,496,363	1,827,740	1,866,045
Machinery and equipment	2,579,622	2,056,722	1,138,309	1,048,594	3,717,931	3,105,316
Infrastructure	27,776,518	28,831,863	–	–	27,776,518	28,831,863
Collection/distribution systems	–	–	47,911,974	49,599,858	47,911,974	49,599,858
Total (net of depreciation)	<u>\$ 46,682,049</u>	<u>\$ 47,612,477</u>	<u>\$ 52,712,003</u>	<u>\$ 54,488,632</u>	<u>\$ 99,394,052</u>	<u>\$102,101,109</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 \$12,070,000. 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 \$659,773 for unamortized bond premiums, \$1,213,321 for compensated absences, \$7,085,676 for net pension liabilities, and \$886,031 for other post-employment benefits.

City of Farmington’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation improvement bonds	\$ 5,770,000	\$ 8,135,000	\$ –	\$ –	\$ 5,770,000	\$ 8,135,000
Capital improvement bonds	4,540,000	5,085,000	–	–	4,540,000	5,085,000
Equipment certificates	1,105,000	–	–	–	1,105,000	–
General obligation revenue bonds	–	–	655,000	720,000	655,000	720,000
Total bonds outstanding	<u>\$ 11,415,000</u>	<u>\$ 13,220,000</u>	<u>\$ 655,000</u>	<u>\$ 720,000</u>	<u>\$ 12,070,000</u>	<u>\$ 13,940,000</u>

Bond principal repayments during 2020 totaled \$2,975,000. 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 \$62,796,446, 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 2021 by \$526,000. The final city total net tax levy for 2021 of \$11,268,554 is 4.9 percent higher than the comparable 2020 levy. Of the total General Fund budgeted revenues, including transfers in for 2021, 76.2 percent are from property taxes, including \$2.3 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 2021 General Fund expenditures, including transfers out, are estimated at \$13,832,464, an increase of 1.4 percent compared to the 2020 budget. The 2021 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 2021. The City will also take delivery of its first ladder truck, Ladder 1, in 2021.

For 2021, 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 are several new subdivisions approved for new home construction in 2021, along with a new market rate apartment building.

The COVID-19 pandemic caused substantial volatility in the economy and changes to the City's operations in 2020, and is expected to continue to impact the City's finances and operations in fiscal 2021 and beyond. Significant uncertainty remains about the breadth and duration of the pandemic. At this time, the City is unable to determine what effect this may have on its future financial condition.

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report 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 tmalecha@FarmingtonMN.gov.

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Statement of Net Position
as of December 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets				
Cash and investments	\$ 21,236,787	\$ 14,219,373	\$ 35,456,160	\$ 335,685
Receivables				
Accounts	256,385	1,782,797	2,039,182	—
Interest	45,541	36,790	82,331	736
Property taxes	1,339,708	—	1,339,708	—
Special assessments	1,584,688	330,548	1,915,236	—
Due from other governments	4,379	19,560	23,939	54,202
Loan	90,845	—	90,845	—
Inventory	—	603,944	603,944	—
Prepaid items	1,241,290	3,840	1,245,130	—
Restricted assets – temporarily restricted				
Cash for future drinking water treatment plant	—	2,461,488	2,461,488	—
Net pension asset – fire relief	1,144,081	—	1,144,081	—
Capital assets				
Not depreciated	1,749,824	498,376	2,248,200	—
Depreciated, net of accumulated depreciation	44,932,225	52,213,627	97,145,852	—
Total capital assets, net of accumulated depreciation	<u>46,682,049</u>	<u>52,712,003</u>	<u>99,394,052</u>	<u>—</u>
Total assets	73,625,753	72,170,343	145,796,096	390,623
Deferred outflows of resources				
Pension plan deferments – PERA	2,117,677	82,362	2,200,039	—
Pension plan deferments – fire relief	503,185	—	503,185	—
OPEB plan deferments	<u>122,697</u>	<u>12,954</u>	<u>135,651</u>	<u>—</u>
Total deferred outflows of resources	<u>2,743,559</u>	<u>95,316</u>	<u>2,838,875</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 76,369,312</u>	<u>\$ 72,265,659</u>	<u>\$ 148,634,971</u>	<u>\$ 390,623</u>
Liabilities				
Accounts and contracts payable	\$ 734,852	\$ 533,019	\$ 1,267,871	\$ 60,703
Accrued salaries and employee benefits payable	171,885	—	171,885	—
Accrued interest payable	161,930	12,825	174,755	—
Deposits payable	1,506,011	108,739	1,614,750	—
Due to other governments	175	116,131	116,306	—
Long-term liabilities				
Due within one year	2,969,308	155,683	3,124,991	—
Due in more than one year	10,110,265	707,838	10,818,103	—
Net pension liability – due in more than one year	6,460,229	625,447	7,085,676	—
Total OPEB liability – due in more than one year	<u>801,415</u>	<u>84,616</u>	<u>886,031</u>	<u>—</u>
Total long-term liabilities	<u>20,341,217</u>	<u>1,573,584</u>	<u>21,914,801</u>	<u>—</u>
Total liabilities	22,916,070	2,344,298	25,260,368	60,703
Deferred inflows of resources				
Pension plan deferments – PERA	2,360,874	24,707	2,385,581	—
Pension plan deferments – fire relief	367,581	—	367,581	—
OPEB plan deferments	<u>380,701</u>	<u>40,196</u>	<u>420,897</u>	<u>—</u>
Total deferred inflows of resources	<u>3,109,156</u>	<u>64,903</u>	<u>3,174,059</u>	<u>—</u>
Net position				
Net investment in capital assets	35,883,311	51,976,059	87,859,370	—
Restricted for				
Debt service	3,424,398	—	3,424,398	—
Capital projects	207,857	—	207,857	—
Police programs	62,545	—	62,545	—
Park improvements	249,530	—	249,530	—
Fire relief pensions	1,279,685	—	1,279,685	—
Water Fund – future drinking water treatment plant	—	2,461,488	2,461,488	—
Unrestricted	<u>9,236,760</u>	<u>15,418,911</u>	<u>24,655,671</u>	<u>329,920</u>
Total net position	<u>50,344,086</u>	<u>69,856,458</u>	<u>120,200,544</u>	<u>329,920</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 76,369,312</u>	<u>\$ 72,265,659</u>	<u>\$ 148,634,971</u>	<u>\$ 390,623</u>

CITY OF FARMINGTON

Statement of Activities
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,933,062	\$ 631,118	\$ 26,297	\$ 378
Public safety	6,834,253	413,594	460,389	50,100
Public works	5,262,979	201,401	226,469	—
Parks and recreation	1,430,839	389,870	315	—
Economic development	276,900	—	—	—
Interest and fiscal charges	193,167	—	—	—
Total governmental activities	16,931,200	1,635,983	713,470	50,478
Business-type activities				
Liquor operations	4,958,705	5,347,194	—	—
Sewer operations	2,334,000	2,160,808	—	—
Solid waste	2,630,874	2,692,155	22,462	—
Storm water	530,438	1,149,665	—	—
Water	1,626,279	2,533,753	4,248	—
Street light	173,604	232,990	—	—
Total business-type activities	12,253,900	14,116,565	26,710	—
Total primary government	\$ 29,185,100	\$ 15,752,548	\$ 740,180	\$ 50,478
Component unit				
Economic development authority	\$ 337,506	\$ —	\$ 209,469	\$ —

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

Change in net position

Net position – beginning

Net position – ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Authority
\$ (2,275,269)	\$ —	\$ (2,275,269)	\$ —
(5,910,170)	—	(5,910,170)	—
(4,835,109)	—	(4,835,109)	—
(1,040,654)	—	(1,040,654)	—
(276,900)	—	(276,900)	—
(193,167)	—	(193,167)	—
(14,531,269)	—	(14,531,269)	—
—	388,489	388,489	—
—	(173,192)	(173,192)	—
—	83,743	83,743	—
—	619,227	619,227	—
—	911,722	911,722	—
—	59,386	59,386	—
—	1,889,375	1,889,375	—
(14,531,269)	1,889,375	(12,641,894)	—
—	—	—	(128,037)
13,044,381	—	13,044,381	134,757
244,839	—	244,839	—
2,042,381	18,136	2,060,517	—
526,283	411,349	937,632	8,505
16,174	—	16,174	—
1,788,680	(1,788,680)	—	—
17,662,738	(1,359,195)	16,303,543	143,262
3,131,469	530,180	3,661,649	15,225
47,212,617	69,326,278	116,538,895	314,695
\$ 50,344,086	\$ 69,856,458	\$ 120,200,544	\$ 329,920

CITY OF FARMINGTON

Balance Sheet
Governmental Funds
as of December 31, 2020

	General	Debt Service Fund	Capital Projects – State Aid Construction
	<u>General</u>	<u>Fund</u>	<u>Construction</u>
Assets			
Cash and investments	\$ 4,837,575	\$ 3,261,916	\$ 130,649
Receivables			
Accounts	181,313	–	–
Interest	13,158	7,273	287
Property taxes			
Unremitted	1,229,112	–	–
Delinquent	110,596	–	–
Special assessments			
Delinquent	68	1,757	–
Noncurrent	–	907,203	232,453
Due from other funds	–	–	–
Advances to other funds	–	–	–
Due from other governments	4,379	–	–
Loan	90,845	–	–
Prepaid items	50,351	–	–
	<u>50,351</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 6,517,397</u>	<u>\$ 4,178,149</u>	<u>\$ 363,389</u>
Liabilities			
Accounts and contracts payable	\$ 186,540	\$ 2,900	\$ –
Deposits payable	18,068	–	–
Due to other governments	59	–	–
Due to other funds	–	288,921	–
Advances from other funds	–	300,000	–
Total liabilities	<u>204,667</u>	<u>591,821</u>	<u>–</u>
Deferred inflows of resources			
Unavailable revenue – property taxes	110,596	–	–
Unavailable revenue – special assessments	68	908,960	232,453
Total deferred inflows of resources	<u>110,664</u>	<u>908,960</u>	<u>232,453</u>
Fund balances			
Nonspendable	141,196	–	–
Restricted	–	2,677,368	–
Committed	–	–	130,936
Unassigned	6,060,870	–	–
Total fund balances	<u>6,202,066</u>	<u>2,677,368</u>	<u>130,936</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,517,397</u>	<u>\$ 4,178,149</u>	<u>\$ 363,389</u>

Capital Projects – Storm Water Trunk	Capital Projects – Permanent Improvement Revolving	Capital Projects – Maintenance	Capital Projects – Private	Nonmajor	Total
\$ 3,008,451	\$ 179,389	\$ 1,991,172	\$ 1,587,985	\$ 3,274,626	\$ 18,271,763
–	–	–	–	75,072	256,385
7,044	393	1,999	3,308	5,601	39,063
–	–	–	–	–	1,229,112
–	–	–	–	–	110,596
–	–	–	–	–	1,825
–	442,346	–	861	–	1,582,863
288,921	–	–	–	–	288,921
300,000	–	–	–	–	300,000
–	–	–	–	–	4,379
–	–	–	–	–	90,845
–	–	–	–	1,184,677	1,235,028
<u>\$ 3,604,416</u>	<u>\$ 622,128</u>	<u>\$ 1,993,171</u>	<u>\$ 1,592,154</u>	<u>\$ 4,539,976</u>	<u>\$ 23,410,780</u>
\$ –	\$ –	\$ 332,621	\$ –	\$ 51,950	\$ 574,011
–	–	–	1,479,075	5,181	1,502,324
–	–	–	–	116	175
–	–	–	–	–	288,921
–	–	–	–	–	300,000
–	–	332,621	1,479,075	57,247	2,665,431
–	–	–	–	–	110,596
–	442,346	–	861	–	1,584,688
–	442,346	–	861	–	1,695,284
–	–	–	–	1,184,677	1,325,873
–	–	–	–	558,349	3,235,717
3,604,416	179,782	1,660,550	112,218	2,739,703	8,427,605
–	–	–	–	–	6,060,870
<u>3,604,416</u>	<u>179,782</u>	<u>1,660,550</u>	<u>112,218</u>	<u>4,482,729</u>	<u>19,050,065</u>
<u>\$ 3,604,416</u>	<u>\$ 622,128</u>	<u>\$ 1,993,171</u>	<u>\$ 1,592,154</u>	<u>\$ 4,539,976</u>	<u>\$ 23,410,780</u>

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds as of December 31, 2020

Total fund balances – governmental funds	\$ 19,050,065
--	---------------

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	91,103,932
Less accumulated depreciation	(44,432,869)

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

1,144,081

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

Bonds	(11,415,000)
Unamortized bond premiums	(578,829)
Compensated absences	(1,050,910)
Net pension liability	(6,460,229)
Total OPEB liability	(801,415)

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.

(161,930)

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.

2,617,503

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	110,596
Delinquent and deferred special assessments	1,584,688

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	2,620,862
Deferred outflows of resources – OPEB plan deferments	122,697
Deferred inflows of resources – pension plan deferments	(2,728,455)
Deferred inflows of resources – OPEB plan deferments	(380,701)

Total net position – governmental activities	<u>\$ 50,344,086</u>
--	----------------------

CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2020

	General	Debt Service Fund	Capital Projects – State Aid Construction
Revenues			
Property taxes	\$ 10,244,358	\$ 2,639,387	\$ –
Franchise taxes	120,000	–	–
Special assessments	1,359	404,417	–
Licenses and permits	588,347	–	–
Intergovernmental	2,261,674	–	–
Charges for services	419,761	–	–
Fines and forfeits	45,959	–	–
Investment earnings	141,561	61,159	3,358
Other	40,467	–	–
Total revenues	<u>13,863,486</u>	<u>3,104,963</u>	<u>3,358</u>
Expenditures			
Current			
General government	2,530,001	–	–
Public safety	5,901,556	–	–
Public works	2,479,538	–	–
Parks and recreation	1,136,531	–	–
Economic development	40,000	–	–
Capital outlay			
General government	165,927	–	–
Public safety	192,068	–	–
Public works	4,693	–	–
Parks and recreation	8,642	–	–
Debt service			
Principal	–	2,910,000	–
Interest and fiscal charges	–	378,427	–
Interest and fiscal charges	<u>12,458,956</u>	<u>3,288,427</u>	<u>–</u>
Excess (deficiency) of revenues over expenditures	1,404,530	(183,464)	3,358
Other financing sources (uses)			
Issuance of debt	–	–	–
Premium on debt issuance	–	84,209	–
Sale of capital assets	–	–	–
Transfers in	1,307,570	–	–
Transfers out	(2,381,304)	–	–
Total other financing sources (uses)	<u>(1,073,734)</u>	<u>84,209</u>	<u>–</u>
Net change in fund balances	330,796	(99,255)	3,358
Fund balances			
Beginning of year	<u>5,871,270</u>	<u>2,776,623</u>	<u>127,578</u>
End of year	<u>\$ 6,202,066</u>	<u>\$ 2,677,368</u>	<u>\$ 130,936</u>

See notes to basic financial statements

Capital Projects – Storm Water Trunk	Capital Projects – Permanent Improvement Revolving	Capital Projects – Maintenance	Capital Projects – Private	Nonmajor	Total
\$ 166,000	\$ –	\$ –	\$ –	\$ –	\$ 13,049,745
–	–	–	–	124,839	244,839
–	263	–	1,373	–	407,412
–	–	–	–	–	588,347
–	–	450,365	–	236,900	2,948,939
79,043	–	14,487	–	377,117	890,408
–	–	–	–	–	45,959
111,359	4,607	30,821	34,806	67,562	455,233
–	–	1,140	–	120,080	161,687
<u>356,402</u>	<u>4,870</u>	<u>496,813</u>	<u>36,179</u>	<u>926,498</u>	<u>18,792,569</u>
–	–	–	295	107,649	2,637,945
–	–	–	–	15,943	5,917,499
80,323	–	234,705	–	–	2,794,566
–	–	34,935	–	389,315	1,560,781
–	–	–	–	236,900	276,900
–	–	–	–	14,789	180,716
–	–	–	–	913,050	1,105,118
–	–	1,271,869	–	–	1,276,562
–	–	–	–	93,846	102,488
–	–	–	–	–	2,910,000
18,804	–	–	–	–	397,231
<u>99,127</u>	<u>–</u>	<u>1,541,509</u>	<u>295</u>	<u>1,771,492</u>	<u>19,159,806</u>
257,275	4,870	(1,044,696)	35,884	(844,994)	(367,237)
–	–	–	–	1,105,000	1,105,000
–	–	–	–	90,091	174,300
–	–	–	–	12,867	12,867
–	–	1,838,137	–	1,117,383	4,263,090
<u>(122,238)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,503,542)</u>
<u>(122,238)</u>	<u>–</u>	<u>1,838,137</u>	<u>–</u>	<u>2,325,341</u>	<u>3,051,715</u>
135,037	4,870	793,441	35,884	1,480,347	2,684,478
<u>3,469,379</u>	<u>174,912</u>	<u>867,109</u>	<u>76,334</u>	<u>3,002,382</u>	<u>16,365,587</u>
<u>\$ 3,604,416</u>	<u>\$ 179,782</u>	<u>\$ 1,660,550</u>	<u>\$ 112,218</u>	<u>\$ 4,482,729</u>	<u>\$ 19,050,065</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2020

Total net change in fund balances – governmental funds	\$ 2,684,478
--	--------------

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	1,286,174
Depreciation expense	(2,207,427)

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	(1,811)
---	---------

Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.

448,491

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for debt premiums, compensated absences, pension liabilities, and OPEB obligations.

Debt issued	(1,105,000)
Principal payments for debt	2,910,000
Debt premiums	(46,769)
Compensated absences	(102,417)
Net pension liability	(1,078,535)
Total OPEB liability	222,558

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.

76,533

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.

329,396

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	(5,364)
Delinquent and deferred special assessments	(1,050,275)

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	(850,095)
Deferred outflows of resources – OPEB plan deferments	57,478
Deferred inflows of resources – pension plan deferments	1,899,024
Deferred inflows of resources – OPEB plan deferments	(334,970)

Change in net position – governmental activities	<u>\$ 3,131,469</u>
--	---------------------

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 10,231,191	\$ 10,244,358	\$ 13,167
Franchise taxes	120,000	120,000	–
Special assessments	–	1,359	1,359
Licenses and permits	473,115	588,347	115,232
Intergovernmental	922,294	2,261,674	1,339,380
Charges for services	445,802	419,761	(26,041)
Fines and forfeits	49,000	45,959	(3,041)
Investment earnings	38,800	141,561	102,761
Other	54,580	40,467	(14,113)
Total revenues	<u>12,334,782</u>	<u>13,863,486</u>	<u>1,528,704</u>
Expenditures			
Current			
General government	2,652,299	2,530,001	(122,298)
Public safety	6,099,723	5,901,556	(198,167)
Public works	2,654,647	2,479,538	(175,109)
Parks and recreation	1,270,876	1,136,531	(134,345)
Economic development	40,000	40,000	–
Capital outlay			
General government	600	165,927	165,327
Public safety	23,500	192,068	168,568
Public works	800	4,693	3,893
Parks and recreation	7,700	8,642	942
Total expenditures	<u>12,750,145</u>	<u>12,458,956</u>	<u>(291,189)</u>
Excess (deficiency) of revenues over expenditures	(415,363)	1,404,530	1,819,893
Other financing sources (uses)			
Transfers in	1,307,570	1,307,570	–
Transfers out	(892,207)	(2,381,304)	(1,489,097)
Total other financing sources (uses)	<u>415,363</u>	<u>(1,073,734)</u>	<u>(1,489,097)</u>
Net change in fund balances	<u>\$ –</u>	330,796	<u>\$ 330,796</u>
Fund balances			
Beginning of year		<u>5,871,270</u>	
End of year		<u>\$ 6,202,066</u>	

CITY OF FARMINGTON

Statement of Net Position
Proprietary Funds
as of December 31, 2020

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Assets				
Current assets				
Cash and investments	\$ 1,406,830	\$ 2,471,296	\$ 1,343,488	\$ 1,910,767
Cash restricted for drinking water treatment plant	–	–	–	–
Receivables				
Accounts	56,741	439,431	620,815	254,118
Interest	3,525	5,421	2,767	4,191
Delinquent special assessments	–	26,267	–	–
Deferred special assessments	–	304,281	–	–
Due from other governments	–	–	16,124	–
Inventory	603,944	–	–	–
Prepaid items	3,840	–	–	–
Total current assets	<u>2,074,880</u>	<u>3,246,696</u>	<u>1,983,194</u>	<u>2,169,076</u>
Noncurrent assets				
Capital assets				
Land	–	85,000	–	84,992
Buildings	–	–	–	–
Improvements other than buildings	121,012	–	–	–
Machinery and equipment	255,266	1,051,228	1,450,548	316,644
Distribution system	–	–	–	–
Collection system	–	28,952,049	–	20,835,694
Less accumulated depreciation	(367,359)	(13,443,543)	(1,034,046)	(8,265,953)
Total capital assets (net of accumulated depreciation)	<u>8,919</u>	<u>16,644,734</u>	<u>416,502</u>	<u>12,971,377</u>
Total assets	<u>2,083,799</u>	<u>19,891,430</u>	<u>2,399,696</u>	<u>15,140,453</u>
Deferred outflows of resources				
Pension plan deferments – PERA	46,329	–	36,033	–
OPEB plan deferments	6,972	–	5,982	–
Total deferred outflows of resources	<u>53,301</u>	<u>–</u>	<u>42,015</u>	<u>–</u>
Total assets and deferred outflows of resources	<u>\$ 2,137,100</u>	<u>\$ 19,891,430</u>	<u>\$ 2,441,711</u>	<u>\$ 15,140,453</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 87,607	\$ 39,681	\$ 165,521	\$ 11,159
Accrued salaries and employee benefits payable	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	54,608	32,305	29,218	–
Accrued interest payable	–	–	–	–
Compensated absences payable – current	41,455	–	54,228	–
Bonds payable – current	–	–	–	–
Total current liabilities	<u>183,670</u>	<u>71,986</u>	<u>248,967</u>	<u>11,159</u>
Noncurrent liabilities				
Compensated absences payable	13,818	–	18,076	–
Bonds payable (net of unamortized premiums)	–	–	–	–
Net pension liability – PERA	351,814	–	273,633	–
Total OPEB liability	45,542	–	39,074	–
Total noncurrent liabilities	<u>411,174</u>	<u>–</u>	<u>330,783</u>	<u>–</u>
Total liabilities	<u>594,844</u>	<u>71,986</u>	<u>579,750</u>	<u>11,159</u>
Deferred inflows of resources				
Pension plan deferments – PERA	13,898	–	10,809	–
OPEB plan deferments	21,634	–	18,562	–
Total deferred inflows of resources	<u>35,532</u>	<u>–</u>	<u>29,371</u>	<u>–</u>
Net position				
Net investment in capital assets	8,919	16,644,734	416,502	12,971,377
Restricted for drinking water treatment plant	–	–	–	–
Unrestricted	1,497,805	3,174,710	1,416,088	2,157,917
Total net position	<u>1,506,724</u>	<u>19,819,444</u>	<u>1,832,590</u>	<u>15,129,294</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,137,100</u>	<u>\$ 19,891,430</u>	<u>\$ 2,441,711</u>	<u>\$ 15,140,453</u>

			Governmental Activities – Internal Service
Water	Street Light	Total	
\$ 6,813,927	\$ 273,065	\$ 14,219,373	\$ 2,965,024
2,461,488	–	2,461,488	–
380,765	30,927	1,782,797	–
20,304	582	36,790	6,478
–	–	26,267	–
–	–	304,281	–
3,436	–	19,560	–
–	–	603,944	–
–	–	3,840	6,262
9,679,920	304,574	19,458,340	2,977,764
328,384	–	498,376	–
5,290,137	–	5,290,137	–
1,534,818	–	1,655,830	–
523,357	–	3,597,043	93,624
33,196,921	–	33,196,921	–
–	–	49,787,743	–
(18,203,146)	–	(41,314,047)	(82,638)
22,670,471	–	52,712,003	10,986
32,350,391	304,574	72,170,343	2,988,750
–	–	82,362	–
–	–	12,954	–
–	–	95,316	–
\$ 32,350,391	\$ 304,574	\$ 72,265,659	\$ 2,988,750
\$ 201,180	\$ 27,871	\$ 533,019	\$ 160,841
–	–	–	171,885
108,739	–	108,739	3,687
–	–	116,131	–
12,825	–	12,825	–
–	–	95,683	34,834
60,000	–	60,000	–
382,744	27,871	926,397	371,247
–	–	31,894	–
675,944	–	675,944	–
–	–	625,447	–
–	–	84,616	–
675,944	–	1,417,901	–
1,058,688	27,871	2,344,298	371,247
–	–	24,707	–
–	–	40,196	–
–	–	64,903	–
21,934,527	–	51,976,059	10,986
2,461,488	–	2,461,488	–
6,895,688	276,703	15,418,911	2,606,517
31,291,703	276,703	69,856,458	2,617,503
\$ 32,350,391	\$ 304,574	\$ 72,265,659	\$ 2,988,750

CITY OF FARMINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended December 31, 2020

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Operating revenue				
Sales	\$ 5,343,145	\$ –	\$ –	\$ –
Charges for services	–	2,158,807	2,689,823	1,149,585
Insurance reimbursement	–	–	–	–
Miscellaneous	4,049	2,001	2,332	80
Total operating revenue	5,347,194	2,160,808	2,692,155	1,149,665
Cost of goods sold	3,984,504	–	–	–
Gross profit	1,362,690	2,160,808	2,692,155	1,149,665
Operating expenses				
Personal services	487,910	1,698	468,347	762
Professional services	468,826	1,652,923	1,954,317	79,062
Materials and supplies	14,909	32,026	107,016	10,193
Insurance	–	–	–	–
Depreciation	2,556	645,288	101,194	440,421
Total operating expenses	974,201	2,331,935	2,630,874	530,438
Operating income (loss)	388,489	(171,127)	61,281	619,227
Nonoperating revenues (expenses)				
Intergovernmental	7,106	1	33,489	1
Investment earnings	41,070	61,985	33,460	45,195
Gain on sale of capital assets	–	–	–	–
Interest and fiscal charges	–	(2,065)	–	–
Total nonoperating revenues (expenses)	48,176	59,921	66,949	45,196
Income (loss) before transfers	436,665	(111,206)	128,230	664,423
Transfers in	–	–	70,201	–
Transfers out	(536,452)	(327,545)	(147,879)	(396,152)
Change in net position	(99,787)	(438,751)	50,552	268,271
Net position				
Beginning of year	1,606,511	20,258,195	1,782,038	14,861,023
End of year	\$ 1,506,724	\$ 19,819,444	\$ 1,832,590	\$ 15,129,294

<u>Water</u>	<u>Street Light</u>	<u>Total</u>	<u>Governmental Activities – Internal Service</u>
\$ –	\$ –	\$ 5,343,145	\$ –
2,270,175	228,175	8,496,565	3,529,662
–	–	–	282,524
263,578	4,815	276,855	–
<u>2,533,753</u>	<u>232,990</u>	<u>14,116,565</u>	<u>3,812,186</u>
–	–	3,984,504	–
2,533,753	232,990	10,132,061	3,812,186
5,901	–	964,618	2,975,237
416,785	169,912	4,741,825	376,115
190,455	3,692	358,291	177,817
–	–	–	263,299
991,651	–	2,181,110	7,364
<u>1,604,792</u>	<u>173,604</u>	<u>8,245,844</u>	<u>3,799,832</u>
928,961	59,386	1,886,217	12,354
4,249	–	44,846	211,742
223,255	6,384	411,349	71,050
–	–	–	5,118
<u>(21,487)</u>	<u>–</u>	<u>(23,552)</u>	<u>–</u>
<u>206,017</u>	<u>6,384</u>	<u>432,643</u>	<u>287,910</u>
1,134,978	65,770	2,318,860	300,264
–	–	70,201	29,132
<u>(450,853)</u>	<u>–</u>	<u>(1,858,881)</u>	<u>–</u>
684,125	65,770	530,180	329,396
<u>30,607,578</u>	<u>210,933</u>	<u>69,326,278</u>	<u>2,288,107</u>
<u>\$ 31,291,703</u>	<u>\$ 276,703</u>	<u>\$ 69,856,458</u>	<u>\$ 2,617,503</u>

CITY OF FARMINGTON

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Cash flows from operating activities				
Cash received from customers	\$ 5,346,327	\$ 2,160,908	\$ 2,544,006	\$ 1,152,089
Cash receipts from other funds and reimbursements	–	–	–	–
Cash payments to suppliers	(4,522,920)	(1,834,598)	(1,985,348)	(82,494)
Cash payments to employees for services	(489,783)	(1,698)	(464,448)	(762)
Cash payments for interfund services used	–	–	–	–
Net cash flows from operating activities	333,624	324,612	94,210	1,068,833
Cash flows from noncapital financing activities				
Intergovernmental revenue	7,106	1	33,489	1
Transfers in	–	–	70,201	–
Transfers out	(136,452)	(327,545)	(147,879)	(396,152)
Net cash flows from noncapital financing activities	(129,346)	(327,544)	(44,189)	(396,151)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	–	(157,378)	(46,242)	(90,367)
Principal payment on bonds	–	–	–	–
Proceeds from the disposal of capital assets	–	–	–	–
Interest and fiscal charges paid	–	(2,065)	–	–
Transfers out	(400,000)	–	–	–
Net cash flows from capital and related financing activities	(400,000)	(159,443)	(46,242)	(90,367)
Cash flows from investing activities				
Interest received and changes in fair value on investments	40,509	61,457	33,178	43,449
Net increase in cash and cash equivalents	(155,213)	(100,918)	36,957	625,764
Cash and cash equivalents				
Beginning of year	1,562,043	2,572,214	1,306,531	1,285,003
End of year	<u>\$ 1,406,830</u>	<u>\$ 2,471,296</u>	<u>\$ 1,343,488</u>	<u>\$ 1,910,767</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 388,489	\$ (171,127)	\$ 61,281	\$ 619,227
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	2,556	645,288	101,194	440,421
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Accounts receivable	(867)	(3,628)	(132,025)	2,424
Special assessments	–	3,728	–	–
Due from other governments	–	–	(16,124)	–
Inventory	12,439	–	–	–
Prepaid items	(507)	–	–	–
Deferred outflows of resources – pension plan deferments	(14,923)	–	(11,606)	–
Deferred outflows of resources – OPEB plan deferments	(2,707)	–	(2,807)	–
Accounts and contracts payable	(71,532)	(172,014)	71,918	6,761
Accrued salaries and employee benefits	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	4,919	22,365	4,067	–
Compensated absences	12,185	–	7,816	–
Net pension liability	46,791	–	36,393	–
Total OPEB liability	(21,422)	–	(10,779)	–
Deferred inflows of resources – pension plan deferments	(40,440)	–	(31,454)	–
Deferred inflows of resources – OPEB plan deferments	18,643	–	16,336	–
Net cash flows from operating activities	<u>\$ 333,624</u>	<u>\$ 324,612</u>	<u>\$ 94,210</u>	<u>\$ 1,068,833</u>
Schedule of noncash capital and related financing activities				
Amortization of bond premium	\$ –	\$ –	\$ –	\$ –

See notes to basic financial statements

Water	Street Light	Total	Governmental Activities – Internal Service
\$ 2,473,754	\$ 232,499	\$ 13,909,583	\$ –
–	–	–	3,819,235
(633,141)	(171,813)	(9,230,314)	–
(5,901)	–	(962,592)	(3,216,583)
–	–	–	(803,330)
1,834,712	60,686	3,716,677	(200,678)
4,249	–	44,846	211,742
–	–	70,201	29,132
(450,853)	–	(1,458,881)	–
(446,604)	–	(1,343,834)	240,874
(110,494)	–	(404,481)	–
(65,000)	–	(65,000)	–
–	–	–	5,118
(39,916)	–	(41,981)	–
–	–	(400,000)	–
(215,410)	–	(911,462)	5,118
217,951	6,194	402,738	69,993
1,390,649	66,880	1,864,119	115,307
7,884,766	206,185	14,816,742	2,849,717
<u>\$ 9,275,415</u>	<u>\$ 273,065</u>	<u>\$ 16,680,861</u>	<u>\$ 2,965,024</u>
\$ 928,961	\$ 59,386	\$ 1,886,217	\$ 12,354
991,651	–	2,181,110	7,364
(56,563)	(491)	(191,150)	4,102
–	–	3,728	–
(3,436)	–	(19,560)	2,947
–	–	12,439	–
–	–	(507)	5,444
–	–	(26,529)	–
–	–	(5,514)	–
(84,136)	1,791	(247,212)	49,756
–	–	–	(295,855)
59,739	–	59,739	2,123
(1,504)	–	29,847	–
–	–	20,001	11,087
–	–	83,184	–
–	–	(32,201)	–
–	–	(71,894)	–
–	–	34,979	–
<u>\$ 1,834,712</u>	<u>\$ 60,686</u>	<u>\$ 3,716,677</u>	<u>\$ (200,678)</u>
\$ 9,912	\$ –	\$ 9,912	\$ –

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Notes to Basic Financial Statements December 31, 2020

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:

Discretely Presented Component Unit – The Farmington Economic Development Authority (EDA) is the City's official decision-making body regarding economic development. It 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 two City Council members, one Independent School District No. 192 School Board member, and four residents appointed by the City Council, and the City has ability to impose its will on the EDA. The EDA does not issue separate financial statements. Information on the EDA's governmental funds is presented as supplemental information elsewhere in this report.

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.

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.

State Aid Construction Capital Projects Fund – This fund, also referred to as the Road and Bridge Fund, accounts for street construction and road/street rehabilitation or reconstruction projects related to municipal state aids.

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

Permanent Improvement Revolving Capital Projects Fund – This fund accounts for street construction projects financed with multiple funding sources.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2020 budget was adopted for the Police Public Outreach, K-9, or Federal Aid Special Revenue Funds. 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, 2020, 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		
Storm Water Trunk Capital Projects	\$ –	\$ 99,127
Maintenance Capital Projects	\$ 1,153,107	\$ 1,541,509
Private Capital Projects	\$ –	\$ 295
Nonmajor special revenue funds		
Police Donations and Forfeitures	\$ 3,100	\$ 5,784
Arena	\$ 368,200	\$ 369,559
Nonmajor capital projects funds		
Recreation	\$ 9,600	\$ 101,191
General Capital Equipment	\$ 728,256	\$ 860,547

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, differences 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 two sources: property taxes and special assessments. 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 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 11,038,909
Investments	27,213,924
Petty cash	<u>500</u>
Total	<u><u>\$ 38,253,333</u></u>

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

Primary government	
Statement of Net Position	
Cash and investments	\$ 35,456,160
Restricted assets – temporarily restricted	
Cash for future drinking water treatment plant	2,461,488
Component unit	
Statement of Net Position	
Cash and investments	<u>335,685</u>
Total	<u><u>\$ 38,253,333</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 \$11,038,909, while the balance on the bank records was \$11,212,188. At December 31, 2020, 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. agency securities	AA	S&P	Level 2	\$ 477,869	\$ 301,254	\$ 600,600	\$ 1,379,723
Municipal bonds	AAA	S&P	Level 2	–	882,685	150,687	1,033,372
Municipal bonds	AA	Moody’s	Level 2	–	1,939,688	1,365,991	3,305,679
Municipal bonds	AA	S&P	Level 2	–	2,378,333	3,106,338	5,484,671
Municipal bonds	A	Moody’s	Level 2	–	–	402,324	402,324
Municipal bonds	Baa	Moody’s	Level 2	–	363,128	–	363,128
Negotiable certificates of deposit	Not rated		Level 2	2,756,097	10,728,769	277,771	13,762,637
				<u>\$ 3,233,966</u>	<u>\$ 16,593,857</u>	<u>\$ 5,903,711</u>	25,731,534
Investment pools/mutual funds							
Western Asset Institutional Government Reserves	AAA	S&P	Level 1				1,482,390
Total investments							<u>\$ 27,213,924</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
Due from/to other funds			
Governmental Storm Water Trunk	Governmental Debt Service	Debt financing (1)	\$ 288,921
Advances to/from other funds			
Governmental Storm Water Trunk	Governmental Debt Service	Debt financing (2)	\$ 300,000

(1) Advance of \$1,515,000 to finance G.O. 2010A Bonds.
Annual payments through 12/30/2021. 1.755 percent interest.

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

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	\$ —	\$ 1,638,137	\$ 720,145	\$ —	\$ 23,022	\$ 2,381,304
Storm Water Trunk	—	—	122,238	—	—	122,238
Proprietary funds						
Enterprise						
Liquor Operations	61,452	200,000	275,000	—	—	536,452
Sewer Operations	307,408	—	—	18,137	2,000	327,545
Solid Waste	144,129	—	—	—	3,750	147,879
Storm Water	376,936	—	—	18,856	360	396,152
Water	417,645	—	—	33,208	—	450,853
Total	\$ 1,307,570	\$ 1,838,137	\$ 1,117,383	\$ 70,201	\$ 29,132	\$ 4,362,423

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Additions	Deletions	Transfers and Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	\$ 1,441,957	\$ –	\$ –	\$ –	\$ 1,441,957
Easements	307,867	–	–	–	307,867
Total capital assets, not depreciated	1,749,824	–	–	–	1,749,824
Capital assets, depreciated					
Buildings	21,339,531	–	–	–	21,339,531
Improvements other than buildings	1,749,812	96,370	–	–	1,846,182
Machinery and equipment	6,742,731	929,331	(285,292)	111,408	7,498,178
Infrastructure	58,503,368	260,473	–	–	58,763,841
Total capital assets, depreciated	88,335,442	1,286,174	(285,292)	111,408	89,447,732
Less accumulated depreciation on					
Buildings	6,735,145	436,587	–	–	7,171,732
Improvements other than buildings	1,380,130	57,766	–	–	1,437,896
Machinery and equipment	4,686,009	404,620	(283,481)	111,408	4,918,556
Infrastructure	29,671,505	1,315,818	–	–	30,987,323
Total accumulated depreciation	42,472,789	2,214,791	(283,481)	111,408	44,515,507
Total capital assets, depreciated	45,862,653	(928,617)	(1,811)	–	44,932,225
Net capital assets	\$ 47,612,477	\$ (928,617)	\$ (1,811)	\$ –	\$ 46,682,049

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

	Beginning Balance	Additions	Deletions	Transfers and Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	\$ 498,376	\$ –	\$ –	\$ –	\$ 498,376
Capital assets, depreciated					
Buildings	5,185,996	104,141	–	–	5,290,137
Improvements other than buildings	1,655,830	–	–	–	1,655,830
Machinery and equipment	3,433,556	300,340	(25,445)	(111,408)	3,597,043
Collection/distribution systems	82,984,664	–	–	–	82,984,664
Total capital assets, depreciated	93,260,046	404,481	(25,445)	(111,408)	93,527,674
Less accumulated depreciation on					
Buildings	3,340,555	205,692	–	–	3,546,247
Improvements other than buildings	159,467	76,909	–	–	236,376
Machinery and equipment	2,384,962	210,625	(25,445)	(111,408)	2,458,734
Collection/distribution systems	33,384,806	1,687,884	–	–	35,072,690
Total accumulated depreciation	39,269,790	2,181,110	(25,445)	(111,408)	41,314,047
Total capital assets, depreciated	53,990,256	(1,776,629)	–	–	52,213,627
Net capital assets	\$ 54,488,632	\$ (1,776,629)	\$ –	\$ –	\$ 52,712,003

NOTE 4 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 180,115
Public safety	365,894
Public works	1,491,337
Parks and recreation	<u>177,445</u>
Total depreciation expense – governmental activities	<u><u>\$ 2,214,791</u></u>
Business-type activities	
Liquor operations	\$ 2,556
Sewer operations	645,288
Solid waste	101,194
Storm water	440,421
Water	<u>991,651</u>
Total depreciation expense – business-type activities	<u><u>\$ 2,181,110</u></u>

NOTE 5 – OPERATING LEASES PAYABLE

The City has two retail liquor stores known colloquially as Downtown and Pilot Knob. The Downtown store consists of 6,250 square feet of space in the City Center. In 2017, the City approved a two-year lease extension at a monthly rent of \$8,594 plus a proportionate share of common area operating expenses. In January 2019, the City exercised their option to extend the lease one additional year at a monthly rate of \$9,115 plus a proportionate share of common area operating expenses. In August 2020, the City again exercised its option to extend the lease one additional year at a monthly rate of \$9,115 plus a proportionate share of common area operating expenses. In 2020, the City paid \$109,375 in rent for the Downtown store and \$39,360 for common area operating expenses. 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 will move to this space in July 2021 when the old City Center lease expires.

The Pilot Knob location occupies a 4,758 square foot store in the Farmington Gateway Center. In March 2016, the City renewed an existing lease for a three-year term at a monthly cost of \$6,344 plus a proportionate share of common area operating expenses. In September 2019, the City exercised its option to renew for an additional three-year term at the original rate. The City paid \$72,956 in rent for the Pilot Knob store and \$43,138 for common area operating expenses during 2020.

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

Year Ending December 31,	Amount
2021	\$ 164,597
2022	130,168
2023	62,195
2024	64,061
2025	65,983
2026	<u>38,868</u>
	<u><u>\$ 525,872</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	\$ 1,240,000
G.O. Street Reconstruction Bonds 2015A	\$ 3,050,000	2.00–3.00%	10/15/2015	02/01/2030	2,230,000
G.O. Improvement Refunding Bonds 2016A	\$ 3,450,000	2.00%	12/01/2016	02/01/2023	1,520,000
G.O. Street Reconstruction Bonds 2019A	\$ 925,000	5.00%	05/15/2019	02/01/2024	780,000
Total G.O. improvement bonds					<u>5,770,000</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	4,540,000
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					11,415,000
Unamortized premiums					578,829
Compensated absences					<u>1,085,744</u>
Total governmental activities					<u><u>\$ 13,079,573</u></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	\$ 655,000
Unamortized premiums					80,944
Compensated absences					<u>127,577</u>
Total business-type activities					<u><u>\$ 863,521</u></u>

B. Changes in Long-Term Debt

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. improvement bonds	\$ 8,135,000	\$ –	\$ 2,365,000	\$ 5,770,000	\$ 1,650,000
G.O. capital improvement bonds	5,085,000	–	545,000	4,540,000	505,000
G.O. equipment certificates	–	1,105,000	–	1,105,000	–
Unamortized bond premiums	532,060	174,300	127,531	578,829	–
Compensated absences	972,240	662,277	548,773	1,085,744	814,308
Total governmental activities	<u>14,724,300</u>	<u>1,941,577</u>	<u>3,586,304</u>	<u>13,079,573</u>	<u>2,969,308</u>
Business-type activities					
G.O. revenue bonds	720,000	–	65,000	655,000	60,000
Unamortized bond premiums	90,856	–	9,912	80,944	–
Compensated absences	107,576	64,486	44,485	127,577	95,683
Total business-type activities	<u>918,432</u>	<u>64,486</u>	<u>119,397</u>	<u>863,521</u>	<u>155,683</u>
Total government-wide	<u><u>\$ 15,642,732</u></u>	<u><u>\$ 2,006,063</u></u>	<u><u>\$ 3,705,701</u></u>	<u><u>\$ 13,943,094</u></u>	<u><u>\$ 3,124,991</u></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
2021	\$ 1,650,000	\$ 132,550	\$ 505,000	\$ 116,275	\$ –	\$ 80,113	\$ 2,155,000	\$ 328,938
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
2026–2030	1,100,000	62,913	1,830,000	58,475	245,000	6,125	3,175,000	127,513
Total	<u>\$ 5,770,000</u>	<u>\$ 421,613</u>	<u>\$ 4,540,000</u>	<u>\$ 479,725</u>	<u>\$ 1,105,000</u>	<u>\$ 223,738</u>	<u>\$ 11,415,000</u>	<u>\$ 1,125,076</u>

Business-Type Activities

Year Ending December 31,	G.O. Revenue	
	Principal	Interest
2021	\$ 60,000	\$ 29,550
2022	65,000	26,425
2023	65,000	23,175
2024	70,000	19,800
2025	70,000	16,300
2026–2029	<u>325,000</u>	<u>28,275</u>
Total	<u>\$ 655,000</u>	<u>\$ 143,525</u>

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, 2020, the City had not utilized \$55,246,446 of its net legal debt margin.

- **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	\$ 798,525	\$ 104,916	\$ 2,533,753

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	\$ —	\$ —	\$ —	\$ 1,144,081	\$ 1,144,081
Deferred outflows of resources	\$ 514,764	\$ 1,685,275	\$ 2,200,039	\$ 503,185	\$ 2,703,224
Net pension liability	\$ 3,909,039	\$ 3,176,637	\$ 7,085,676	\$ —	\$ 7,085,676
Deferred inflows of resources	\$ 154,419	\$ 2,231,162	\$ 2,385,581	\$ 367,581	\$ 2,753,162
Pension expense	\$ 282,331	\$ 382,716	\$ 665,047	\$ 148,667	\$ 813,714

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent of average salary for each of the first 10 years of service, and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be 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. For 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.

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

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. Beginning in 2019, the post-retirement increase will be 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. For 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 2020, 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, 2020, were \$372,817. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and fire member's contribution rates increased from 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the PEPFF for the year ended December 31, 2020, were \$515,909. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2020, the City reported a liability of \$3,909,039 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0652 percent at the end of the measurement period and 0.0613 percent for the beginning of the period.

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	\$ 3,909,039
State's proportionate share of the net pension liability associated with the City	\$ 120,522

For the year ended December 31, 2020, the City recognized pension expense of \$271,842 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$10,489 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, 2020, 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	\$ 33,495	\$ 14,790
Changes in actuarial assumptions	–	139,629
Differences between projected and actual investment earnings	91,815	–
Changes in proportion	194,320	–
Contributions paid to the PERA subsequent to the measurement date	195,134	–
Total	<u>\$ 514,764</u>	<u>\$ 154,419</u>

A total of \$195,134 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (120,697)
2022	\$ 63,585
2023	\$ 127,879
2024	\$ 94,444

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

2. PEPFF Pension Costs

At December 31, 2020, the City reported a liability of \$3,176,637 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.2410 percent at the end of the measurement period and 0.2381 percent for the beginning of the period.

The state of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in fire 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.

As a result, 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 \$4.5 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 Statement No. 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$359,690 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$23,026 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

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

City's proportionate share of the net pension liability	\$ 3,176,637
State's proportionate share of the net pension liability associated with the City	\$ 74,843

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 fire state aid. The City also recognized \$21,690 for the year ended December 31, 2020, 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 Police and Fire Fund.

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

At December 31, 2020, 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	\$ 138,391	\$ 152,108
Changes in actuarial assumptions	1,073,388	1,947,749
Differences between projected and actual investment earnings	110,557	–
Changes in proportion	83,318	131,305
Contributions paid to the PERA subsequent to the measurement date	279,621	–
Total	<u>\$ 1,685,275</u>	<u>\$ 2,231,162</u>

A total of \$279,621 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (234,067)
2022	\$ (897,729)
2023	\$ 141,717
2024	\$ 157,189
2025	\$ 7,382

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	GERF	PEPFF
Inflation	2.25% per year	2.50% per year
Active member payroll growth	3.00% per year	3.25% per year
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF, and 1.00 percent per year for the PEPFF.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the PEPFF was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the State Legislature.

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

1. GERF

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.

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.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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 stocks	35.50 %	5.10 %
International stocks	17.50	5.30 %
Bonds (fixed income)	20.00	0.75 %
Alternative assets (private markets)	25.00	5.90 %
Cash	2.00	– %
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 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 GERP 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.

G. 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 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
City's proportionate share of the GERP net pension liability	\$ 6,264,832	\$ 3,909,039	\$ 1,965,697
City's proportionate share of the PEPFF net pension liability	\$ 6,331,497	\$ 3,176,637	\$ 566,545

H. 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 PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

Volunteer firefighters of the City of Farmington 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, 2019, the plan covered 49 active firefighters and 11 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.

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 \$160,789 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2020, 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, 2020 were \$0; however, the City made a voluntary contribution of \$150,000 to the plan.

D. Pension Costs

At December 31, 2020, the City reported a net pension liability (asset) of (\$1,144,081) for the plan. The net pension liability (asset) was measured as of December 31, 2019. 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, 2018.

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

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, 2020	\$ 1,891,118	\$ 2,586,708	\$ (695,590)
Changes for the year			
Service cost	163,690	–	163,690
Interest	118,151	–	118,151
Changes of assumptions	61,961	–	61,961
Contributions (state and local)	–	301,797	(301,797)
Net investment income	–	508,896	(508,896)
Administrative costs	–	(18,400)	18,400
Total net changes	<u>343,802</u>	<u>792,293</u>	<u>(448,491)</u>
Ending balance – December 31, 2020	<u>\$ 2,234,920</u>	<u>\$ 3,379,001</u>	<u>\$ (1,144,081)</u>

For the year ended December 31, 2020, the City recognized pension revenue of \$152,797 and pension expense of \$148,667.

At December 31, 2020, the City reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ –	\$ 21,206
Change of assumptions	192,396	10,338
Net difference between projected and actual earnings on plan investments	–	175,248
City contributions subsequent to the measurement date	150,000	–
State aid to the City subsequent to the measurement date	<u>160,789</u>	<u>160,789</u>
Total	<u>\$ 503,185</u>	<u>\$ 367,581</u>

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

Deferred outflows of resources totaling \$310,789 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, 2021. Deferred inflows of resources totaling \$160,789 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, 2021. 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
2021	\$ (34,625)
2022	\$ (25,846)
2023	\$ 14,569
2024	\$ (52,202)
2025	\$ 19,286
Thereafter	\$ 64,422

E. Actuarial Assumptions

The total pension liability at December 31, 2019 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 the 4 percent for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service

Inflation rate	2.50% per year
Investment rate of return	5.25%
20-year municipal bond yield	2.75%

The changes in actuarial assumptions since the prior valuation included:

- The assumed investment return and single discount rate were changed from 5.75 percent to 5.25 percent.

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.

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

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	48.10 %	4.76 %	7.26 %
International equity	12.53	5.41 %	7.91 %
Fixed income	27.60	2.01 %	4.51 %
Real estate and alternatives	0.92	4.53 %	7.03 %
Cash and equivalents	10.85	0.74 %	3.24 %
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)	\$ (1,014,870)	\$ (1,144,081)	\$ (1,266,257)

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 \$45,998.

D. Membership

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

Retirees and beneficiaries receiving benefits	6
Active plan members	<u>69</u>
Total members	<u><u>75</u></u>

E. Total OPEB Liability of the City

The City's total OPEB liability of \$886,031 as of year-end was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

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 and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.74%
20-year municipal bond yield	2.74%
Inflation rate	2.00%
Salary increases	3.25%
Healthcare trend rate	7.67% grading to 5.00% over 8 years

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota city employees. The state pension plans base their assumptions on periodic experience studies. Economic assumptions are 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 2.74 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. The City discount rate used in the prior measurement date was 4.09 percent.

Mortality rates were based on the RP-2014 Mortality Table, adjusted for white collar and mortality improvements using projection scale MP-2018 from a base year of 2014 (using projection scale MP-2018 from a base year of 2014 for police and fire personnel).

Future retirees electing coverage is assumed to be 65 percent. Married future retirees electing spouse coverage is assumed to be 40 percent (60 percent for police and fire personnel).

The assumed inflation rate was changed from 2.50 percent to 2.00 percent since the prior valuation.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance – January 1, 2020	\$ 1,140,790
Changes for the year	
Service cost	74,564
Interest	49,025
Differences between expected and actual experience	(424,559)
Changes of assumptions	79,584
Benefit payments – employer-financed	(33,373)
Total net changes	(254,759)
Ending balance – December 31, 2020	\$ 886,031

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	1.74%	2.74%	3.74%
Total OPEB liability	\$ 946,891	\$ 886,031	\$ 826,677

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 cost 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	6.67% decreasing to 4.00% over 8 years	7.67% decreasing to 5.00% over 8 years	8.67% decreasing to 6.00% over 8 years
Total OPEB liability	\$ 782,320	\$ 886,031	\$ 1,009,203

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

For the current year, the City recognized OPEB expense of \$81,127. 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>
Differences between expected and actual experience	\$ —	\$ 376,134
Changes of assumptions	89,653	44,763
Contributions subsequent to the measurement date	45,998	—
	<u>\$ 135,651</u>	<u>\$ 420,897</u>

Deferred outflows of resources reported \$45,998 related to OPEB 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense Amount</u>
2021	\$ (42,463)
2022	\$ (42,463)
2023	\$ (42,463)
2024	\$ (42,463)
2025	\$ (42,463)
Thereafter	\$ (118,929)

NOTE 11 – FUND BALANCES

A. Classifications

At December 31, 2020, the City had the following governmental fund balances:

	General	Debt Service	Capital Projects –					Nonmajor	Total
			State Aid Construction	Storm Water Trunk	PIR	Maintenance	Private		
Nonspendable									
Prepaid items	\$ 50,351	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1,184,677	\$ 1,235,028
Loan	90,845	–	–	–	–	–	–	–	90,845
Total nonspendable	141,196	–	–	–	–	–	–	1,184,677	1,325,873
Restricted									
Debt service	–	2,677,368	–	–	–	–	–	–	2,677,368
Park improvements	–	–	–	–	–	–	–	249,530	249,530
Police programs	–	–	–	–	–	–	–	62,545	62,545
PEG fees	–	–	–	–	–	–	–	185,017	185,017
Recreational capital projects	–	–	–	–	–	–	–	22,840	22,840
Fire capital equipment	–	–	–	–	–	–	–	38,417	38,417
Total restricted	–	2,677,368	–	–	–	–	–	558,349	3,235,717
Committed									
Street construction	–	–	130,936	–	–	–	–	–	130,936
Storm water trunk	–	–	–	3,604,416	–	–	–	–	3,604,416
Improvement projects	–	–	–	–	179,782	–	112,218	163,670	455,670
Park improvements	–	–	–	–	–	–	–	262,675	262,675
Ice arena capital	–	–	–	–	–	–	–	64,803	64,803
Sanitary sewer trunk	–	–	–	–	–	–	–	532,177	532,177
Cable communications	–	–	–	–	–	–	–	824,413	824,413
Fire capital programs	–	–	–	–	–	–	–	145,291	145,291
Pavement management	–	–	–	–	–	1,660,550	–	–	1,660,550
Capital equipment	–	–	–	–	–	–	–	746,674	746,674
Total committed	–	–	130,936	3,604,416	179,782	1,660,550	112,218	2,739,703	8,427,605
Unassigned	6,060,870	–	–	–	–	–	–	–	6,060,870
Total	\$ 6,202,066	\$ 2,677,368	\$ 130,936	\$ 3,604,416	\$ 179,782	\$ 1,660,550	\$ 112,218	\$ 4,482,729	\$ 19,050,065

B. 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, 2020, the unassigned fund balance of the General Fund was 43.8 percent of the subsequent year's budgeted expenditures and transfers out.

NOTE 12 – 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 rental 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 2020.

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, 2020 of \$90,845 is reported as a loan receivable in the City's General Fund.

NOTE 13 – 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 caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, 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 14 – 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 \$121,281 of property tax increment in the current year. The remaining principal balance as of December 31, 2020 for this agreement was \$1,321,650. 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.

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, 2020

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%

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2020

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%

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, 2020

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	Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate 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%

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2020

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%

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

City fiscal year-end dated December 31,	2015	2016	2017	2018	2019	2020
Farmington Fire Fighters' Relief Association year-end dated (measurement date) December 31,	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 69,285	\$ 71,190	\$ 86,788	\$ 93,501	\$ 112,754	\$ 163,690
Interest	110,249	92,788	82,702	95,308	105,418	118,151
Differences between expected and actual experience	—	—	(14,504)	—	(13,870)	—
Changes of assumptions	—	116,780	(15,678)	—	86,336	61,961
Changes of benefits terms	—	—	143,662	171,894	169,797	—
Benefit payments	(265,643)	(596,137)	(1,194)	(292,064)	(156,771)	—
Net change in total pension liability	(86,109)	(315,379)	281,776	68,639	303,664	343,802
Total pension liability Beginning of year	1,638,527	1,552,418	1,237,039	1,518,815	1,587,454	1,891,118
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>
Plan fiduciary net position						
Contributions (state and local)	\$ 283,461	\$ 291,915	\$ 291,510	\$ 301,508	\$ 297,548	\$ 301,797
Net investment income	84,277	(33,543)	163,457	342,985	(168,667)	508,896
Benefit payments	(265,643)	(596,137)	(1,194)	(292,064)	(156,771)	—
Administrative costs	(10,848)	(15,756)	(17,200)	(18,282)	(16,720)	(18,400)
Net change in plan fiduciary net position	91,247	(353,521)	436,573	334,147	(44,610)	792,293
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
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>
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>
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>

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

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

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

	Fiscal Year		
	2018	2019	2020
Total OPEB liability			
Service cost	\$ 113,275	\$ 85,451	\$ 74,564
Interest	40,190	40,509	49,025
Differences between expected and actual experience	—	—	(424,559)
Changes of assumptions	28,356	(57,133)	79,584
Benefit payments	(38,891)	(40,361)	(33,373)
Net change in total OPEB liability	142,930	28,466	(254,759)
Total OPEB liability – beginning of year	969,394	1,112,324	1,140,790
Total OPEB liability – end of year	<u>\$ 1,112,324</u>	<u>\$ 1,140,790</u>	<u>\$ 886,031</u>
Covered payroll	<u>\$ 5,800,000</u>	<u>\$ 6,000,000</u>	<u>\$ 7,300,000</u>
Total OPEB liability as a percentage of covered payroll	<u>19.18%</u>	<u>19.01%</u>	<u>12.14%</u>

Note: 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, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND

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, 2020

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, 2020

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, 2020

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2020

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2020

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.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2020

FARMINGTON FIRE FIGHTERS' RELIEF ASSOCIATION

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

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, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN

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.

SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2020

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	\$ 633,474	\$ 2,641,152	\$ 3,274,626
Receivables			
Accounts	12,490	62,582	75,072
Interest	943	4,658	5,601
Prepaid items	—	1,184,677	1,184,677
Total assets	<u>\$ 646,907</u>	<u>\$ 3,893,069</u>	<u>\$ 4,539,976</u>
Liabilities			
Accounts and contracts payable	\$ 2,057	\$ 49,893	\$ 51,950
Deposits payable	5,181	—	5,181
Due to other governments	116	—	116
Total liabilities	<u>7,354</u>	<u>49,893</u>	<u>57,247</u>
Fund balances			
Nonspendable	—	1,184,677	1,184,677
Restricted	312,075	246,274	558,349
Committed	327,478	2,412,225	2,739,703
Total fund balances	<u>639,553</u>	<u>3,843,176</u>	<u>4,482,729</u>
Total liabilities and fund balances	<u>\$ 646,907</u>	<u>\$ 3,893,069</u>	<u>\$ 4,539,976</u>

CITY OF FARMINGTON

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

	Special Revenue	Capital Projects	Total
Revenue			
Franchise taxes	\$ —	\$ 124,839	\$ 124,839
Intergovernmental	236,900	—	236,900
Charges for services	288,836	88,281	377,117
Investment earnings	10,598	56,964	67,562
Other			
Donations	37,849	58,830	96,679
Rentals	8,245	—	8,245
Miscellaneous	15,156	—	15,156
Total revenues	<u>597,584</u>	<u>328,914</u>	<u>926,498</u>
Expenditures			
Current			
General government	—	107,649	107,649
Public safety	11,201	4,742	15,943
Parks and recreation	374,882	14,433	389,315
Economic development	236,900	—	236,900
Capital outlay			
General government	—	14,789	14,789
Public safety	—	913,050	913,050
Parks and recreation	7,088	86,758	93,846
Total expenditures	<u>630,071</u>	<u>1,141,421</u>	<u>1,771,492</u>
Excess (deficiency) of revenues over expenditures	(32,487)	(812,507)	(844,994)
Other financing sources			
Issuance of debt	—	1,105,000	1,105,000
Premium on debt issuance	—	90,091	90,091
Sale of capital assets	4,487	8,380	12,867
Transfers in	282,838	834,545	1,117,383
Total other financing sources	<u>287,325</u>	<u>2,038,016</u>	<u>2,325,341</u>
Net change in fund balances	254,838	1,225,509	1,480,347
Fund balances			
Beginning of year	<u>384,715</u>	<u>2,617,667</u>	<u>3,002,382</u>
End of year	<u>\$ 639,553</u>	<u>\$ 3,843,176</u>	<u>\$ 4,482,729</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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:

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.

Federal Aid – Used to account for the operations and activities related to the federal funding awarded during the COVID-19 pandemic.

CITY OF FARMINGTON

Nonmajor Special Revenue Funds
Combining Balance Sheet
as of December 31, 2020

	Police Donations and Forfeitures	Police Public Outreach	K-9
Assets			
Cash and investments	\$ 6,780	\$ 32,798	\$ 22,936
Receivables			
Accounts	—	—	—
Interest	15	—	16
	<u>15</u>	<u>—</u>	<u>16</u>
Total assets	<u>\$ 6,795</u>	<u>\$ 32,798</u>	<u>\$ 22,952</u>
Liabilities			
Accounts and contracts payable	\$ —	\$ —	\$ —
Deposits payable	—	—	—
Due to other governments	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances			
Restricted for police programs	6,795	32,798	22,952
Restricted for park improvements	—	—	—
Committed for park improvements	—	—	—
Committed for ice arena capital	—	—	—
Total fund balances	<u>6,795</u>	<u>32,798</u>	<u>22,952</u>
Total liabilities and fund balances	<u>\$ 6,795</u>	<u>\$ 32,798</u>	<u>\$ 22,952</u>

<u>Park Improvement</u>	<u>Arena</u>	<u>Federal Aid</u>	<u>Total</u>
\$ 511,351	\$ 59,609	\$ —	\$ 633,474
—	12,490	—	12,490
<u>854</u>	<u>58</u>	<u>—</u>	<u>943</u>
<u>\$ 512,205</u>	<u>\$ 72,157</u>	<u>\$ —</u>	<u>\$ 646,907</u>
\$ —	\$ 2,057	\$ —	\$ 2,057
—	5,181	—	5,181
—	116	—	116
<u>—</u>	<u>7,354</u>	<u>—</u>	<u>7,354</u>
—	—	—	62,545
249,530	—	—	249,530
262,675	—	—	262,675
—	64,803	—	64,803
<u>512,205</u>	<u>64,803</u>	<u>—</u>	<u>639,553</u>
<u>\$ 512,205</u>	<u>\$ 72,157</u>	<u>\$ —</u>	<u>\$ 646,907</u>

CITY OF FARMINGTON

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2020

	Police Donations and Forfeitures	Police Public Outreach	K-9
Revenues			
Intergovernmental	\$ —	\$ —	\$ —
Charges for services	—	—	—
Investment earnings	195	—	223
Other			
Donations	—	32,798	51
Rentals	—	—	—
Miscellaneous	—	—	—
Total revenues	<u>195</u>	<u>32,798</u>	<u>274</u>
Expenditures			
Current			
Public safety	5,784	—	5,417
Parks and recreation	—	—	—
Economic development	—	—	—
Capital outlay			
Parks and recreation	—	—	—
Total expenditures	<u>5,784</u>	<u>—</u>	<u>5,417</u>
Excess (deficiency) of revenues over expenditures	(5,589)	32,798	(5,143)
Other financing sources			
Sale of capital assets	4,487	—	—
Transfers in	—	—	15,600
Total other financing sources	<u>4,487</u>	<u>—</u>	<u>15,600</u>
Net change in fund balances	(1,102)	32,798	10,457
Fund balances			
Beginning of year	<u>7,897</u>	<u>—</u>	<u>12,495</u>
End of year	<u>\$ 6,795</u>	<u>\$ 32,798</u>	<u>\$ 22,952</u>

<u>Park Improvement</u>	<u>Arena</u>	<u>Federal Aid</u>	<u>Total</u>
\$ —	\$ —	\$ 236,900	\$ 236,900
—	288,836	—	288,836
9,326	854	—	10,598
—	5,000	—	37,849
8,245	—	—	8,245
15,156	—	—	15,156
<u>32,727</u>	<u>294,690</u>	<u>236,900</u>	<u>597,584</u>
—	—	—	11,201
11,374	363,508	—	374,882
—	—	236,900	236,900
<u>1,037</u>	<u>6,051</u>	<u>—</u>	<u>7,088</u>
<u>12,411</u>	<u>369,559</u>	<u>236,900</u>	<u>630,071</u>
20,316	(74,869)	—	(32,487)
—	—	—	4,487
197,238	70,000	—	282,838
<u>197,238</u>	<u>70,000</u>	<u>—</u>	<u>287,325</u>
217,554	(4,869)	—	254,838
<u>294,651</u>	<u>69,672</u>	<u>—</u>	<u>384,715</u>
<u>\$ 512,205</u>	<u>\$ 64,803</u>	<u>\$ —</u>	<u>\$ 639,553</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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.

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

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.

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

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
Combining Balance Sheet
as of December 31, 2020

	Sanitary Sewer Trunk	Cable Communications	Fire
Assets			
Cash and investments	\$ 531,012	\$ 959,532	\$ 183,389
Receivables			
Accounts	—	62,582	—
Interest	1,165	2,105	319
Prepaid items	—	—	1,156,674
Total assets	<u>\$ 532,177</u>	<u>\$ 1,024,219</u>	<u>\$ 1,340,382</u>
Liabilities			
Accounts and contracts payable	\$ —	\$ 14,789	\$ —
Fund balances			
Nonspendable	—	—	1,156,674
Restricted for public, educational, and governmental fees	—	185,017	—
Restricted for recreational capital projects	—	—	—
Restricted for fire capital equipment	—	—	38,417
Committed for sanitary sewer trunk	532,177	—	—
Committed for cable communications	—	824,413	—
Committed for fire capital programs	—	—	145,291
Committed for improvement projects	—	—	—
Committed for capital equipment	—	—	—
Total fund balances	<u>532,177</u>	<u>1,009,430</u>	<u>1,340,382</u>
Total liabilities and fund balances	<u>\$ 532,177</u>	<u>\$ 1,024,219</u>	<u>\$ 1,340,382</u>

<u>Recreation</u>	<u>General Capital Equipment</u>	<u>Total</u>
\$ 195,581	\$ 771,638	\$ 2,641,152
—	—	62,582
429	640	4,658
<u>28,003</u>	<u>—</u>	<u>1,184,677</u>
<u><u>\$ 224,013</u></u>	<u><u>\$ 772,278</u></u>	<u><u>\$ 3,893,069</u></u>
 \$ 9,500	 \$ 25,604	 \$ 49,893
 28,003	 —	 1,184,677
—	—	185,017
22,840	—	22,840
—	—	38,417
—	—	532,177
—	—	824,413
—	—	145,291
163,670	—	163,670
—	746,674	746,674
<u>214,513</u>	<u>746,674</u>	<u>3,843,176</u>
<u><u>\$ 224,013</u></u>	<u><u>\$ 772,278</u></u>	<u><u>\$ 3,893,069</u></u>

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2020

	Sanitary Sewer Trunk	Cable Communications	Fire
Revenues			
Franchise taxes	\$ —	\$ 124,839	\$ —
Charges for services	88,281	—	—
Investment earnings	12,791	24,490	3,125
Other			
Donations	—	—	50,100
Total revenues	<u>101,072</u>	<u>149,329</u>	<u>53,225</u>
Expenditures			
Current			
General government	—	107,649	—
Public safety	—	—	3,399
Parks and recreation	—	—	—
Capital outlay			
General government	—	14,789	—
Public safety	—	—	53,846
Parks and recreation	—	—	—
Total expenditures	<u>—</u>	<u>122,438</u>	<u>57,245</u>
Excess (deficiency) of revenues over expenditures	101,072	26,891	(4,020)
Other financing sources			
Issuance of debt	—	—	1,105,000
Premium on debt issuance	—	—	90,091
Sale of capital assets	—	—	—
Transfers in	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>1,195,091</u>
Net change in fund balances	101,072	26,891	1,191,071
Fund balances			
Beginning of year	<u>431,105</u>	<u>982,539</u>	<u>149,311</u>
End of year	<u>\$ 532,177</u>	<u>\$ 1,009,430</u>	<u>\$ 1,340,382</u>

<u>Recreation</u>	<u>General Capital Equipment</u>	<u>Total</u>
\$ —	\$ —	\$ 124,839
—	—	88,281
3,839	12,719	56,964
8,730	—	58,830
<u>12,569</u>	<u>12,719</u>	<u>328,914</u>
—	—	107,649
—	1,343	4,742
14,433	—	14,433
—	—	14,789
—	859,204	913,050
86,758	—	86,758
<u>101,191</u>	<u>860,547</u>	<u>1,141,421</u>
(88,622)	(847,828)	(812,507)
—	—	1,105,000
—	—	90,091
—	8,380	8,380
210,000	624,545	834,545
<u>210,000</u>	<u>632,925</u>	<u>2,038,016</u>
121,378	(214,903)	1,225,509
93,135	961,577	2,617,667
<u>\$ 214,513</u>	<u>\$ 746,674</u>	<u>\$ 3,843,176</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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.

2010D General Obligation Equipment Certificate Bonds – The equipment certificates were issued in conjunction with the Ice Arena Rehabilitation Project. The final payment on these bonds was made in 2017.

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.

2013B General Obligation Street Construction Bonds – The bonds were issued to fund the Akin Park Estates East and West Street Reconstruction Project.

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.

2016C 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, 2020

	2010A G.O. Improvement Refunding Bonds	2010D G.O. Equipment Certificate Bonds	2013A G.O. Improvement Refunding Bonds	2013B G.O. Street Construction Bonds	2015A G.O. Street Construction Bonds
Assets					
Cash and investments	\$ 59,734	\$ —	\$ 840,992	\$ 369	\$ 393,294
Receivables					
Interest	16	—	1,845	45	863
Special assessments					
Delinquent	—	—	152	—	—
Noncurrent	—	—	142,749	—	—
	<u>—</u>	<u>—</u>	<u>142,749</u>	<u>—</u>	<u>—</u>
Total assets	<u>\$ 59,750</u>	<u>\$ —</u>	<u>\$ 985,738</u>	<u>\$ 414</u>	<u>\$ 394,157</u>
Liabilities					
Accounts and contracts payable	\$ —	\$ —	\$ 415	\$ 414	\$ 414
Due to other funds	288,921	—	—	—	—
Advances from other funds	—	—	—	—	—
Total liabilities	<u>288,921</u>	<u>—</u>	<u>415</u>	<u>414</u>	<u>414</u>
Deferred inflows of resources					
Unavailable revenue — special assessments	—	—	142,901	—	—
Fund balances (deficits)					
Restricted for debt service	<u>(229,171)</u>	<u>—</u>	<u>842,422</u>	<u>—</u>	<u>393,743</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,750</u>	<u>\$ —</u>	<u>\$ 985,738</u>	<u>\$ 414</u>	<u>\$ 394,157</u>

2016A G.O. Improvement Refunding Bonds	2016B G.O. Capital Improvement Refunding Bonds	2016C G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020A G.O. Equipment Certificates	Total
\$ 1,052,419	\$ 629,721	\$ 344	\$ 230,500	\$ 54,543	\$ 3,261,916
2,308	1,381	71	540	204	7,273
1,605	—	—	—	—	1,757
764,454	—	—	—	—	907,203
<u>\$ 1,820,786</u>	<u>\$ 631,102</u>	<u>\$ 415</u>	<u>\$ 231,040</u>	<u>\$ 54,747</u>	<u>\$ 4,178,149</u>
\$ 414	\$ 414	\$ 415	\$ 414	\$ —	\$ 2,900
—	—	—	—	—	288,921
300,000	—	—	—	—	300,000
<u>300,414</u>	<u>414</u>	<u>415</u>	<u>414</u>	<u>—</u>	<u>591,821</u>
766,059	—	—	—	—	908,960
754,313	630,688	—	230,626	54,747	2,677,368
<u>\$ 1,820,786</u>	<u>\$ 631,102</u>	<u>\$ 415</u>	<u>\$ 231,040</u>	<u>\$ 54,747</u>	<u>\$ 4,178,149</u>

CITY OF FARMINGTON

Debt Service Fund
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances by Account
Year Ended December 31, 2020

	2010A G.O. Improvement Refunding Bonds	2010D G.O. Equipment Certificate Bonds	2013A G.O. Improvement Refunding Bonds	2013B G.O. Street Construction Bonds	2015A G.O. Street Construction Bonds
Revenues					
Property taxes	\$ 400,000	\$ 16,437	\$ 669,000	\$ —	\$ 307,000
Special assessments	—	—	41,105	—	—
Investment earnings	1,725	14	14,665	539	7,348
Total revenues	<u>401,725</u>	<u>16,451</u>	<u>724,770</u>	<u>539</u>	<u>314,348</u>
Expenditures					
Debt service					
Principal	—	—	715,000	410,000	215,000
Interest and fiscal charges	10,209	146	33,894	6,413	63,739
Total expenditures	<u>10,209</u>	<u>146</u>	<u>748,894</u>	<u>416,413</u>	<u>278,739</u>
Excess (deficiency) of revenues over expenditures	391,516	16,305	(24,124)	(415,874)	35,609
Other financing sources (uses)					
Premium on debt issuance	—	—	—	—	—
Transfers in	52,232	—	—	—	—
Transfers out	—	(142)	—	(20,280)	—
Total other financing sources (uses)	<u>52,232</u>	<u>(142)</u>	<u>—</u>	<u>(20,280)</u>	<u>—</u>
Net change in fund balances	443,748	16,163	(24,124)	(436,154)	35,609
Fund balances (deficits)					
Beginning of year	<u>(672,919)</u>	<u>(16,163)</u>	<u>866,546</u>	<u>436,154</u>	<u>358,134</u>
End of year	<u>\$ (229,171)</u>	<u>\$ —</u>	<u>\$ 842,422</u>	<u>\$ —</u>	<u>\$ 393,743</u>

2016A G.O. Improvement Refunding Bonds	2016B G.O. Capital Improvement Refunding Bonds	2016C G.O. Capital Improvement Refunding Bonds	2019A G.O. Street Construction Bonds	2020A G.O. Equipment Certificates	Intra-Account Eliminations	Total
\$ 352,000	\$ 665,000	\$ —	\$ 229,950	\$ —	\$ —	\$ 2,639,387
363,312	—	—	—	—	—	404,417
19,611	10,143	827	4,027	2,260	—	61,159
<u>734,923</u>	<u>675,143</u>	<u>827</u>	<u>233,977</u>	<u>2,260</u>	<u>—</u>	<u>3,104,963</u>
880,000	—	545,000	145,000	—	—	2,910,000
47,973	124,714	6,314	53,303	31,722	—	378,427
<u>927,973</u>	<u>124,714</u>	<u>551,314</u>	<u>198,303</u>	<u>31,722</u>	<u>—</u>	<u>3,288,427</u>
(193,050)	550,429	(550,487)	35,674	(29,462)	—	(183,464)
—	—	—	—	84,209	—	84,209
—	—	—	—	—	(52,232)	—
—	—	(31,810)	—	—	52,232	—
<u>—</u>	<u>—</u>	<u>(31,810)</u>	<u>—</u>	<u>84,209</u>	<u>—</u>	<u>84,209</u>
(193,050)	550,429	(582,297)	35,674	54,747	—	(99,255)
<u>947,363</u>	<u>80,259</u>	<u>582,297</u>	<u>194,952</u>	<u>—</u>	<u>—</u>	<u>2,776,623</u>
<u>\$ 754,313</u>	<u>\$ 630,688</u>	<u>\$ —</u>	<u>\$ 230,626</u>	<u>\$ 54,747</u>	<u>\$ —</u>	<u>\$ 2,677,368</u>

THIS PAGE INTENTIONALLY LEFT BLANK

BUDGETARY COMPARISON SCHEDULES

Debt Service Fund

State Aid Construction Capital Projects Fund

Storm Water Trunk Capital Projects Fund

Permanent Improvement Revolving Capital Projects Fund

Maintenance Capital Projects Fund

Private Capital Projects Fund

Nonmajor Special Revenue Funds

Police Donations and Forfeitures

Park Improvement

Arena (Ice)

Nonmajor Capital Projects Funds

Sanitary Sewer Trunk

Cable Communications

Fire

Recreation

General Capital Equipment

CITY OF FARMINGTON

Debt Service Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 2,639,387	\$ 2,639,387	\$ —
Special assessments	369,027	404,417	35,390
Investment earnings	13,900	61,159	47,259
Total revenues	<u>3,022,314</u>	<u>3,104,963</u>	<u>82,649</u>
Expenditures			
Debt service			
Principal	2,975,000	2,910,000	(65,000)
Interest and fiscal charges	423,076	378,427	(44,649)
Total expenditures	<u>3,398,076</u>	<u>3,288,427</u>	<u>(109,649)</u>
Excess (deficiency) of revenues over expenditures	(375,762)	(183,464)	192,298
Other financing sources (uses)			
Issuance of debt	1,285,000	—	(1,285,000)
Premium on debt issuance	—	84,209	84,209
Transfers in	89,392	—	(89,392)
Transfers out	(1,623,337)	—	1,623,337
Total other financing sources (uses)	<u>(248,945)</u>	<u>84,209</u>	<u>333,154</u>
Net change in fund balances	<u>\$ (624,707)</u>	(99,255)	<u>\$ 525,452</u>
Fund balances			
Beginning of year		<u>2,776,623</u>	
End of year		<u>\$ 2,677,368</u>	

CITY OF FARMINGTON

State Aid Construction Capital Projects Fund
Budgetary Comparison Schedule
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings	\$ 1,700	\$ 3,358	\$ 1,658
Net change in fund balances	<u>\$ 1,700</u>	3,358	<u>\$ 1,658</u>
Fund balances			
Beginning of year		<u>127,578</u>	
End of year		<u>\$ 130,936</u>	

CITY OF FARMINGTON

Storm Water Trunk Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 166,000	\$ 166,000	\$ —
Charges for service	—	79,043	79,043
Investment earnings	8,600	111,359	102,759
Total revenues	174,600	356,402	181,802
Expenditures			
Current			
Public works	—	80,323	80,323
Debt service			
Interest and fiscal charges	—	18,804	18,804
Total expenditures	—	99,127	99,127
Excess of revenues over expenditures	174,600	257,275	82,675
Other financing sources (uses)			
Transfers in	423,337	—	(423,337)
Transfers out	—	(122,238)	(122,238)
Total other financing sources (uses)	423,337	(122,238)	(545,575)
Net change in fund balances	\$ 597,937	135,037	\$ (462,900)
Fund balances			
Beginning of year		3,469,379	
End of year		\$ 3,604,416	

CITY OF FARMINGTON

Permanent Improvement Revolving Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Special assessments	\$ —	\$ 263	\$ 263
Investment earnings	1,400	4,607	3,207
Total revenues	<u>1,400</u>	<u>4,870</u>	<u>3,470</u>
Net change in fund balances	<u>\$ 1,400</u>	4,870	<u>\$ 3,470</u>
Fund balances			
Beginning of year		<u>174,912</u>	
End of year		<u>\$ 179,782</u>	

CITY OF FARMINGTON

Maintenance Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Intergovernmental	\$ —	\$ 450,365	\$ 450,365
Charges for service	—	14,487	14,487
Investment earnings	13,600	30,821	17,221
Other	—	1,140	1,140
Total revenues	<u>13,600</u>	<u>496,813</u>	<u>483,213</u>
Expenditures			
Current			
Public works	890,227	234,705	(655,522)
Parks and recreation	112,880	34,935	(77,945)
Capital outlay			
Public works	<u>150,000</u>	<u>1,271,869</u>	<u>1,121,869</u>
Total expenditures	<u>1,153,107</u>	<u>1,541,509</u>	<u>388,402</u>
Excess (deficiency) of revenues over expenditures	(1,139,507)	(1,044,696)	94,811
Other financing sources			
Transfers in	<u>726,640</u>	<u>1,838,137</u>	<u>1,111,497</u>
Net change in fund balances	<u>\$ (412,867)</u>	<u>793,441</u>	<u>\$ 1,206,308</u>
Fund balances			
Beginning of year		<u>867,109</u>	
End of year		<u>\$ 1,660,550</u>	

CITY OF FARMINGTON

Private Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Special assessments	\$ —	\$ 1,373	\$ 1,373
Investment earnings	4,300	34,806	30,506
Total revenues	4,300	36,179	31,879
Expenditures			
Current			
General government	—	295	295
Net change in fund balances	\$ 4,300	35,884	\$ 31,584
Fund balances			
Beginning of year		76,334	
End of year		\$ 112,218	

CITY OF FARMINGTON

Police Donations and Forfeitures Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 100	\$ 195	\$ 95
Expenditures			
Current			
Public safety	<u>3,100</u>	<u>5,784</u>	<u>2,684</u>
Excess (deficiency) of revenues over expenditures	(3,000)	(5,589)	(2,589)
Other financing sources			
Sale of capital assets	<u>1,200</u>	<u>4,487</u>	<u>3,287</u>
Net change in fund balances	<u><u>\$ (1,800)</u></u>	(1,102)	<u><u>\$ 698</u></u>
Fund balances			
Beginning of year		<u>7,897</u>	
End of year		<u><u>\$ 6,795</u></u>	

CITY OF FARMINGTON

Park Improvement Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings	\$ 3,500	\$ 9,326	\$ 5,826
Other			
Rentals	8,245	8,245	—
Miscellaneous	25,000	15,156	(9,844)
Total revenues	36,745	32,727	(4,018)
Expenditures			
Current			
Parks and recreation	36,000	11,374	(24,626)
Capital outlay			
Parks and recreation	3,000	1,037	(1,963)
Total expenditures	39,000	12,411	(26,589)
Excess (deficiency) of revenues over expenditures	(2,255)	20,316	22,571
Other financing sources			
Transfers in	75,000	197,238	122,238
Net change in fund balances	\$ 72,745	217,554	\$ 144,809
Fund balances			
Beginning of year		294,651	
End of year		\$ 512,205	

CITY OF FARMINGTON

Arena Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Charges for services	\$ 358,700	\$ 288,836	\$ (69,864)
Investment earnings	500	854	354
Other			
Donations	5,000	5,000	—
Rentals	3,000	—	(3,000)
Miscellaneous	1,000	—	(1,000)
Total revenues	<u>368,200</u>	<u>294,690</u>	<u>(73,510)</u>
Expenditures			
Current			
Parks and recreation	368,200	363,508	(4,692)
Capital outlay			
Parks and recreation	<u>—</u>	<u>6,051</u>	<u>6,051</u>
Total expenditures	<u>368,200</u>	<u>369,559</u>	<u>1,359</u>
Excess (deficiency) of revenues over expenditures	—	(74,869)	(74,869)
Other financing sources			
Transfers in	<u>—</u>	<u>70,000</u>	<u>70,000</u>
Net change in fund balances	<u>\$ —</u>	<u>(4,869)</u>	<u>\$ (4,869)</u>
Fund balances			
Beginning of year		<u>69,672</u>	
End of year		<u>\$ 64,803</u>	

CITY OF FARMINGTON

Sanitary Sewer Trunk Capital Projects Fund
Budgetary Comparison Schedule
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Charges for services	\$ 30,240	\$ 88,281	\$ 58,041
Investment earnings	3,300	12,791	9,491
Total revenues	<u>33,540</u>	<u>101,072</u>	<u>67,532</u>
Net change in fund balances	<u>\$ 33,540</u>	101,072	<u>\$ 67,532</u>
Fund balances			
Beginning of year		<u>431,105</u>	
End of year		<u>\$ 532,177</u>	

CITY OF FARMINGTON

Cable Communications Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Franchise taxes	\$ 140,000	\$ 124,839	\$ (15,161)
Investment earnings	6,500	24,490	17,990
Total revenues	<u>146,500</u>	<u>149,329</u>	<u>2,829</u>
Expenditures			
Current			
General government	96,000	107,649	11,649
Capital outlay			
General government	<u>30,000</u>	<u>14,789</u>	<u>(15,211)</u>
Total expenditures	<u>126,000</u>	<u>122,438</u>	<u>(3,562)</u>
Net change in fund balances	<u>\$ 20,500</u>	26,891	<u>\$ 6,391</u>
Fund balances			
Beginning of year		<u>982,539</u>	
End of year		<u>\$ 1,009,430</u>	

CITY OF FARMINGTON

Fire Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ —	\$ 3,125	\$ 3,125
Other			
Donations	—	50,100	50,100
Total revenues	<u>—</u>	<u>53,225</u>	<u>53,225</u>
Expenditures			
Current			
Public safety	—	3,399	3,399
Capital outlay			
Public safety	1,200,000	53,846	(1,146,154)
Total expenditures	<u>1,200,000</u>	<u>57,245</u>	<u>(1,142,755)</u>
Excess (deficiency) of revenues over expenditures	(1,200,000)	(4,020)	1,195,980
Other financing sources			
Issuance of debt	—	1,105,000	1,105,000
Premium on debt issuance	—	90,091	90,091
Transfers in	1,200,000	—	(1,200,000)
Total other financing sources	<u>1,200,000</u>	<u>1,195,091</u>	<u>(4,909)</u>
Net change in fund balances	<u><u>\$ —</u></u>	1,191,071	<u><u>\$ 1,191,071</u></u>
Fund balances			
Beginning of year		<u>149,311</u>	
End of year		<u><u>\$ 1,340,382</u></u>	

CITY OF FARMINGTON

Recreation Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings	\$ 900	\$ 3,839	\$ 2,939
Other			
Donations	18,000	8,730	(9,270)
Total revenues	18,900	12,569	(6,331)
Expenditures			
Current			
Parks and recreation	3,600	14,433	10,833
Capital outlay			
Parks and recreation	6,000	86,758	80,758
Total expenditures	9,600	101,191	91,591
Excess (deficiency) of revenues over expenditures	9,300	(88,622)	(97,922)
Other financing sources			
Transfers in	10,000	210,000	200,000
Net change in fund balances	\$ 19,300	121,378	\$ 102,078
Fund balances			
Beginning of year		93,135	
End of year		\$ 214,513	

CITY OF FARMINGTON

General Capital Equipment Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Investment earnings	\$ 2,500	\$ 12,719	\$ 10,219
Expenditures			
Current			
Public safety	181,596	1,343	(180,253)
Capital outlay			
Public safety	546,660	859,204	312,544
Total expenditures	<u>728,256</u>	<u>860,547</u>	<u>132,291</u>
Excess (deficiency) of revenues over expenditures	(725,756)	(847,828)	(122,072)
Other financing sources			
Sale of capital assets	—	8,380	8,380
Transfers in	142,545	624,545	482,000
Total other financing sources	<u>142,545</u>	<u>632,925</u>	<u>490,380</u>
Net change in fund balances	<u>\$ (583,211)</u>	<u>(214,903)</u>	<u>\$ 368,308</u>
Fund balances			
Beginning of year		<u>961,577</u>	
End of year		<u>\$ 746,674</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2020

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Assets					
Current assets					
Cash and investments	\$ 1,559,760	\$ 470,967	\$ 210,430	\$ 723,867	\$ 2,965,024
Receivables					
Interest	3,421	1,033	462	1,562	6,478
Prepaid items	—	—	—	6,262	6,262
Total current assets	<u>1,563,181</u>	<u>472,000</u>	<u>210,892</u>	<u>731,691</u>	<u>2,977,764</u>
Noncurrent assets					
Capital assets					
Machinery and equipment	—	—	93,624	—	93,624
Less accumulated depreciation	—	—	(82,638)	—	(82,638)
Total capital assets	<u>—</u>	<u>—</u>	<u>10,986</u>	<u>—</u>	<u>10,986</u>
Total assets	<u>\$ 1,563,181</u>	<u>\$ 472,000</u>	<u>\$ 221,878</u>	<u>\$ 731,691</u>	<u>\$ 2,988,750</u>
Current liabilities					
Accounts and contracts payable	\$ 135,858	\$ —	\$ 17,823	\$ 7,160	\$ 160,841
Accrued salaries and employee benefits payable	171,885	—	—	—	171,885
Deposits payable	3,687	—	—	—	3,687
Compensated absences payable	—	—	24,987	9,847	34,834
Total current liabilities	<u>311,430</u>	<u>—</u>	<u>42,810</u>	<u>17,007</u>	<u>371,247</u>
Net position					
Investment in capital assets	—	—	10,986	—	10,986
Unrestricted	<u>1,251,751</u>	<u>472,000</u>	<u>168,082</u>	<u>714,684</u>	<u>2,606,517</u>
Total net position	<u>1,251,751</u>	<u>472,000</u>	<u>179,068</u>	<u>714,684</u>	<u>2,617,503</u>
Total liabilities and net position	<u>\$ 1,563,181</u>	<u>\$ 472,000</u>	<u>\$ 221,878</u>	<u>\$ 731,691</u>	<u>\$ 2,988,750</u>

CITY OF FARMINGTON

Internal Service Funds
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Year Ended December 31, 2020

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Operating revenues					
Charges for services	\$ 2,632,263	\$ —	\$ 297,930	\$ 599,469	\$ 3,529,662
Insurance reimbursement	—	282,524	—	—	282,524
Total operating revenues	<u>2,632,263</u>	<u>282,524</u>	<u>297,930</u>	<u>599,469</u>	<u>3,812,186</u>
Operating expenses					
Personal services	2,558,275	—	212,013	204,949	2,975,237
Professional services	58	—	30,799	345,258	376,115
Materials and supplies	—	—	61,773	116,044	177,817
Insurance	—	263,299	—	—	263,299
Depreciation	—	—	7,364	—	7,364
Total operating expenses	<u>2,558,333</u>	<u>263,299</u>	<u>311,949</u>	<u>666,251</u>	<u>3,799,832</u>
Operating income (loss)	73,930	19,225	(14,019)	(66,782)	12,354
Nonoperating revenue					
Intergovernmental	1,190	—	—	210,552	211,742
Investment earnings	38,548	11,100	5,390	16,012	71,050
Gain on sale of capital assets	—	—	—	5,118	5,118
Total nonoperating revenue	<u>39,738</u>	<u>11,100</u>	<u>5,390</u>	<u>231,682</u>	<u>287,910</u>
Income (loss) before transfers	113,668	30,325	(8,629)	164,900	300,264
Transfers in	<u>13,022</u>	<u>6,110</u>	<u>—</u>	<u>10,000</u>	<u>29,132</u>
Change in net position	126,690	36,435	(8,629)	174,900	329,396
Net position					
Beginning of year	<u>1,125,061</u>	<u>435,565</u>	<u>187,697</u>	<u>539,784</u>	<u>2,288,107</u>
End of year	<u>\$ 1,251,751</u>	<u>\$ 472,000</u>	<u>\$ 179,068</u>	<u>\$ 714,684</u>	<u>\$ 2,617,503</u>

CITY OF FARMINGTON

Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2020

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Cash flows from operating activities					
Cash receipts from other funds and reimbursements	\$ 2,639,312	\$ 282,524	\$ 297,930	\$ 599,469	\$ 3,819,235
Cash payments to employees for services	(2,810,708)	—	(208,281)	(197,594)	(3,216,583)
Cash payments for interfund services used	(58)	(263,322)	(83,444)	(456,506)	(803,330)
Net cash flows from operating activities	(171,454)	19,202	6,205	(54,631)	(200,678)
Cash flows from noncapital financing activities					
Intergovernmental	1,190	—	—	210,552	211,742
Transfers in	13,022	6,110	—	10,000	29,132
Net cash flows from noncapital financing activities	14,212	6,110	—	220,552	240,874
Cash flows from capital and related financing activities					
Proceeds from the disposal of capital assets	—	—	—	5,118	5,118
Cash flows from investing activities					
Interest received and changes in fair value on investments	38,321	10,894	5,306	15,472	69,993
Net increase in cash and cash equivalents	(118,921)	36,206	11,511	186,511	115,307
Cash and cash equivalents					
Beginning of year	1,678,681	434,761	198,919	537,356	2,849,717
End of year	<u>\$ 1,559,760</u>	<u>\$ 470,967</u>	<u>\$ 210,430</u>	<u>\$ 723,867</u>	<u>\$ 2,965,024</u>
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ 73,930	\$ 19,225	\$ (14,019)	\$ (66,782)	\$ 12,354
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	—	—	7,364	—	7,364
Change in assets and liabilities					
Accounts receivable	4,102	—	—	—	4,102
Due from other governments	2,947	—	—	—	2,947
Prepaid items	—	—	—	5,444	5,444
Accounts and contracts payable	41,299	(23)	9,128	(648)	49,756
Accrued salaries and employee benefits	(295,855)	—	—	—	(295,855)
Deposits payable	2,123	—	—	—	2,123
Compensated absences payable	—	—	3,732	7,355	11,087
Total adjustments	(245,384)	(23)	20,224	12,151	(213,032)
Net cash flows from operating activities	<u>\$ (171,454)</u>	<u>\$ 19,202</u>	<u>\$ 6,205</u>	<u>\$ (54,631)</u>	<u>\$ (200,678)</u>

DISCRETELY PRESENTED COMPONENT UNIT – EDA

The following statements present the fund based financial information for the Farmington Economic Development Authority (EDA). The EDA utilizes one General Fund and one special revenue fund to administer the resources for the EDA within the City.

CITY OF FARMINGTON

Economic Development Authority
 (Discretely Presented Component Unit)
 Combining Balance Sheet
 as of December 31, 2020

	Economic Development Authority General	Trident Housing Tax Increment Special Revenue	Total
Assets			
Cash and investments	\$ 238,561	\$ 97,124	\$ 335,685
Receivables			
Interest	523	213	736
Due from other governments	54,202	—	54,202
Total assets	<u>\$ 293,286</u>	<u>\$ 97,337</u>	<u>\$ 390,623</u>
Liabilities			
Accounts and contracts payable	\$ 62	\$ 60,641	\$ 60,703
Fund balances			
Assigned for economic development	293,224	36,696	329,920
Total liabilities and fund balances	<u>\$ 293,286</u>	<u>\$ 97,337</u>	<u>\$ 390,623</u>

CITY OF FARMINGTON

Economic Development Authority
(Discretely Presented Component Unit)Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

	Economic Development Authority General	Trident Housing Tax Increment Special Revenue	Total
Revenues			
Property taxes	\$ —	\$ 134,757	\$ 134,757
Intergovernmental	209,469	—	209,469
Investment earnings	6,697	1,808	8,505
Total revenues	<u>216,166</u>	<u>136,565</u>	<u>352,731</u>
Expenditures			
Current			
Economic development	<u>215,016</u>	<u>122,490</u>	<u>337,506</u>
Net change in fund balances	1,150	14,075	15,225
Fund balances			
Beginning of year	<u>292,074</u>	<u>22,621</u>	<u>314,695</u>
End of year	<u>\$ 293,224</u>	<u>\$ 36,696</u>	<u>\$ 329,920</u>

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL TABLES

(UNAUDITED)

This part of the City's Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report for the relevant year.

CITY OF FARMINGTON

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 20,484,140	\$ 21,263,670	\$ 23,462,934	\$ 23,383,175
Restricted	1,661,973	11,034,909	11,669,054	9,235,448
Unrestricted	14,963,297	11,131,928	9,628,139	13,150,789
Total governmental activities net position	<u>\$ 37,109,410</u>	<u>\$ 43,430,507</u>	<u>\$ 44,760,127</u>	<u>\$ 45,769,412</u>
Business-type activities				
Net investment in capital assets	\$ 60,462,689	\$ 58,728,008	\$ 57,427,060	\$ 55,685,476
Restricted	2,140,345	2,159,566	2,159,566	2,160,566
Unrestricted	6,819,607	7,845,545	8,891,769	10,396,218
Total business-type activities net position	<u>\$ 69,422,641</u>	<u>\$ 68,733,119</u>	<u>\$ 68,478,395</u>	<u>\$ 68,242,260</u>
Primary government				
Net investment in capital assets	\$ 80,946,829	\$ 79,991,678	\$ 80,889,994	\$ 79,068,651
Restricted	3,802,318	13,194,475	13,828,620	11,396,014
Unrestricted	21,782,904	18,977,473	18,519,908	23,547,007
Total primary government net position	<u>\$106,532,051</u>	<u>\$112,163,626</u>	<u>\$113,238,522</u>	<u>\$114,011,672</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.

2015	2016	2017	2018	2019	2020
\$ 21,417,203	\$ 23,684,773	\$ 28,820,307	\$ 32,909,853	\$ 33,867,761	\$ 35,883,311
9,063,587	10,441,391	6,961,837	4,797,191	5,343,074	5,224,015
8,920,144	5,142,435	6,576,959	7,997,614	8,001,782	9,236,760
<u>\$ 39,400,934</u>	<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>
\$ 54,807,938	\$ 53,225,787	\$ 51,464,649	\$ 50,747,479	\$ 53,677,776	\$ 51,976,059
2,160,566	2,231,966	2,238,206	2,316,500	2,461,488	2,461,488
11,439,369	12,575,526	13,508,485	14,594,293	13,187,014	15,418,911
<u>\$ 68,407,873</u>	<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>
\$ 76,225,141	\$ 76,910,560	\$ 80,284,956	\$ 83,657,332	\$ 87,545,537	\$ 87,859,370
11,224,153	12,673,357	9,200,043	7,113,691	7,804,562	7,685,503
20,359,513	17,717,961	20,085,444	22,591,907	21,188,796	24,655,671
<u>\$107,808,807</u>	<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>

CITY OF FARMINGTON

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental activities				
General government	\$ 1,897,429	\$ 1,865,415	\$ 1,778,549	\$ 1,940,630
Public safety	5,162,361	4,989,522	5,156,950	5,192,091
Public works	2,800,221	3,063,908	3,849,742	4,893,341
Park and recreation	1,666,466	1,719,254	1,775,967	1,730,734
Economic development	114,639	44,114	50,000	49,417
Intergovernmental donations	313,198	—	—	—
Interest and fiscal charges	1,431,468	1,302,605	1,290,439	1,020,096
Total governmental activities expenses	<u>\$ 13,385,782</u>	<u>\$ 12,984,818</u>	<u>\$ 13,901,647</u>	<u>\$ 14,826,309</u>
Business-type activities				
Liquor operations	\$ 4,091,541	\$ 4,116,030	\$ 4,206,058	\$ 4,315,834
Sewer operations	1,879,752	1,891,872	1,627,927	1,712,146
Solid waste	1,789,114	1,727,384	1,658,547	1,600,434
Storm water	745,967	734,516	513,582	615,684
Water	1,772,096	1,705,167	1,427,298	1,410,214
Street light	180,200	176,513	184,834	174,957
Total business-type activities	<u>10,458,670</u>	<u>10,351,482</u>	<u>9,618,246</u>	<u>9,829,269</u>
Total primary government expenses	<u>\$ 23,844,452</u>	<u>\$ 23,336,300</u>	<u>\$ 23,519,893</u>	<u>\$ 24,655,578</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 470,572	\$ 436,113	\$ 684,528	\$ 534,008
Public safety	461,659	423,721	482,759	409,460
Public works	306,860	225,497	115,092	94,416
Parks and recreation	520,522	581,341	596,165	607,566
Economic development	6,333	—	—	—
Operating grants and contributions	507,180	533,939	713,378	677,999
Capital grants and contributions	2,388,656	4,976,219	645,233	477,833
Total governmental activities program revenues	<u>\$ 4,661,782</u>	<u>\$ 7,176,830</u>	<u>\$ 3,237,155</u>	<u>\$ 2,801,282</u>

2015	2016	2017	2018	2019	2020
\$ 2,284,974	\$ 2,268,779	\$ 2,178,067	\$ 2,511,818	\$ 2,609,059	\$ 2,933,062
5,357,738	6,979,608	6,472,115	5,728,925	6,118,203	6,834,253
7,473,095	5,497,796	3,888,778	4,358,465	5,612,872	5,262,979
1,815,882	1,904,792	1,782,783	1,772,351	2,202,631	1,430,839
90,000	40,000	40,000	30,000	50,000	276,900
—	—	—	—	—	—
992,422	1,032,748	549,075	350,431	404,893	193,167
<u>\$ 18,014,111</u>	<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>
\$ 4,352,597	\$ 4,448,932	\$ 4,634,488	\$ 4,890,304	\$ 5,257,236	\$ 4,958,705
1,875,225	2,051,152	2,105,901	1,931,276	2,326,630	2,334,000
1,658,128	1,753,162	1,864,175	2,092,844	1,913,258	2,630,874
731,444	534,988	571,572	521,465	557,749	530,438
1,339,588	1,359,215	1,313,482	1,246,667	1,439,178	1,626,279
173,212	288,924	197,150	180,254	165,886	173,604
10,130,194	10,436,373	10,686,768	10,862,810	11,659,937	12,253,900
<u>\$ 28,144,305</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>
\$ 399,053	\$ 668,849	\$ 434,411	\$ 467,417	\$ 471,569	\$ 631,118
351,038	459,240	405,648	408,434	437,054	413,594
9,624	195,716	76,049	273,695	189,282	201,401
604,111	651,936	619,026	709,490	582,631	389,870
—	—	—	—	—	—
649,541	744,730	684,376	702,853	838,569	713,470
671,671	818,545	848,167	942,627	869,849	50,478
<u>\$ 2,685,038</u>	<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>

CITY OF FARMINGTON

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

	Fiscal Year			
	2011	2012	2013	2014
Program revenues (continued)				
Business-type activities				
Charges for services				
Liquor operations	\$ 4,199,344	\$ 4,397,572	\$ 4,521,454	\$ 4,639,194
Sewer operations	1,600,303	1,787,957	1,816,763	1,843,746
Solid waste	1,872,771	1,869,426	1,952,177	1,979,623
Storm water	467,729	475,060	565,166	559,327
Water	1,417,708	1,595,116	1,558,400	1,499,091
Street light	178,464	215,029	216,719	219,052
Operating grants and contributions	29,000	20,010	19,300	21,000
Capital grants and contributions	49,473	100,525	108,642	—
Total business-type activities program revenues	<u>9,814,792</u>	<u>10,460,695</u>	<u>10,758,621</u>	<u>10,761,033</u>
Total primary government program revenues	<u>\$ 14,476,574</u>	<u>\$ 17,637,525</u>	<u>\$ 13,995,776</u>	<u>\$ 13,562,315</u>
Net (expense) revenue				
Governmental activities	\$ (8,724,000)	\$ (5,807,988)	\$ (10,664,492)	\$ (12,025,027)
Business-type activities	<u>(643,878)</u>	<u>109,213</u>	<u>1,140,375</u>	<u>931,764</u>
Total primary government net expense	<u>\$ (9,367,878)</u>	<u>\$ (5,698,775)</u>	<u>\$ (9,524,117)</u>	<u>\$ (11,093,263)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 9,607,893	\$ 10,742,860	\$ 10,748,581	\$ 10,962,860
Tax increments	150,339	154,214	—	—
Franchise taxes	237,449	243,635	259,671	269,208
Unrestricted grants and contributions	1,500	1,816	24,845	257,386
Unrestricted investment earnings (charges)	119,632	77,276	(32,408)	130,739
Gain on sale of capital assets	75,306	—	18,268	—
Transfers	<u>(1,602,351)</u>	<u>909,284</u>	<u>1,410,114</u>	<u>1,414,119</u>
Total governmental activities	<u>\$ 8,589,768</u>	<u>\$ 12,129,085</u>	<u>\$ 12,429,071</u>	<u>\$ 13,034,312</u>
Business-type activities				
Unrestricted grants and contributions	\$ —	\$ —	\$ —	\$ —
Unrestricted investment earnings (charges)	69,117	110,549	(40,071)	246,220
Gain on disposal of capital assets	—	—	55,086	—
Transfers	<u>1,602,351</u>	<u>(909,284)</u>	<u>(1,410,114)</u>	<u>(1,414,119)</u>
Total business-type activities	<u>1,671,468</u>	<u>(798,735)</u>	<u>(1,395,099)</u>	<u>(1,167,899)</u>
Total primary government	<u>\$ 10,261,236</u>	<u>\$ 11,330,350</u>	<u>\$ 11,033,972</u>	<u>\$ 11,866,413</u>
Change in net position				
Governmental activities	\$ (134,232)	\$ 6,321,097	\$ 1,764,579	\$ 1,009,285
Business-type activities	<u>1,027,590</u>	<u>(689,522)</u>	<u>(254,724)</u>	<u>(236,135)</u>
Total primary government	<u>\$ 893,358</u>	<u>\$ 5,631,575</u>	<u>\$ 1,509,855</u>	<u>\$ 773,150</u>

2015	2016	2017	2018	2019	2020
\$ 4,607,417	\$ 4,742,313	\$ 4,967,468	\$ 5,256,645	\$ 5,608,012	\$ 5,347,194
1,957,902	2,043,859	2,068,388	2,045,728	2,117,934	2,160,808
1,991,179	2,041,561	2,061,324	2,071,672	2,244,569	2,692,155
670,353	643,479	647,767	737,115	1,130,563	1,149,665
1,439,873	1,631,643	1,681,079	1,852,381	2,281,793	2,533,753
222,159	224,781	225,570	226,674	226,971	232,990
22,000	23,000	24,000	30,263	34,190	26,710
945,938	—	—	—	81,634	—
11,856,821	11,350,636	11,675,596	12,220,478	13,725,666	14,143,275
<u>\$ 14,541,859</u>	<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>
\$ (15,329,073)	\$ (14,184,707)	\$ (11,843,141)	\$ (11,247,474)	\$ (13,608,704)	\$ (14,531,269)
1,726,627	914,263	988,828	1,357,668	2,065,729	1,889,375
<u>\$ (13,602,446)</u>	<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>
\$ 11,460,209	\$ 11,806,302	\$ 12,181,830	\$ 12,659,480	\$ 12,916,115	\$ 13,044,381
—	—	—	—	—	—
265,485	275,691	266,728	266,324	262,148	244,839
278,974	287,252	289,854	316,100	317,172	2,042,381
189,540	255,021	200,851	239,714	657,977	526,283
—	—	54,408	531	17,218	16,174
1,222,807	1,428,106	1,939,974	1,110,880	946,033	1,788,680
<u>\$ 13,417,015</u>	<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>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 18,136
152,954	139,249	129,207	200,144	548,310	411,349
—	—	—	—	—	—
(1,222,807)	(1,428,106)	(1,939,974)	(1,110,880)	(946,033)	(1,788,680)
(1,069,853)	(1,288,857)	(1,810,767)	(910,736)	(397,723)	(1,359,195)
<u>\$ 12,347,162</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>
\$ (1,912,058)	\$ (132,335)	\$ 3,090,504	\$ 3,345,555	\$ 1,507,959	\$ 3,131,469
656,774	(374,594)	(821,939)	446,932	1,668,006	530,180
<u>\$ (1,255,284)</u>	<u>\$ (506,929)</u>	<u>\$ 2,268,565</u>	<u>\$ 3,792,487</u>	<u>\$ 3,175,965</u>	<u>\$ 3,661,649</u>

CITY OF FARMINGTON

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

	2011	2012	2013	Fiscal Year 2014
General Fund				
Nonspendable	\$ 43,102	\$ 612,518	\$ 13,388	\$ 33,369
Committed	—	—	—	—
Assigned	—	—	—	81,000
Unassigned	2,093,006	2,067,246	3,079,013	3,993,191
Total General Fund	<u>\$ 2,136,108</u>	<u>\$ 2,679,764</u>	<u>\$ 3,092,401</u>	<u>\$ 4,107,560</u>
All other governmental funds				
Nonspendable	\$ 307,074	\$ 146	\$ —	\$ 160
Restricted	2,312,309	2,950,166	6,881,858	5,673,161
Committed	—	—	—	—
Assigned	6,726,928	9,134,820	7,865,678	7,531,076
Unassigned	(576,114)	—	—	—
Total all other governmental funds	<u>\$ 8,770,197</u>	<u>\$ 12,085,132</u>	<u>\$ 14,747,536</u>	<u>\$ 13,204,397</u>
Total all funds	<u>\$ 10,906,305</u>	<u>\$ 14,764,896</u>	<u>\$ 17,839,937</u>	<u>\$ 17,311,957</u>

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

2015	2016	2017	2018	2019	2020
\$ 6,034	\$ 33,762	\$ 34,529	\$ 5,045	\$ 109,523	\$ 141,196
—	—	—	240,000	—	—
4,250	—	—	—	—	—
4,734,534	5,031,529	5,666,183	5,477,026	5,761,747	6,060,870
<u>\$ 4,744,818</u>	<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>
\$ 150	\$ 110	\$ —	\$ —	\$ —	\$ 1,184,677
5,776,314	16,959,150	4,071,837	2,009,629	3,196,214	3,235,717
8,025,185	5,158,828	6,373,022	7,586,959	7,298,103	8,427,605
—	—	—	—	—	—
—	—	—	—	—	—
<u>\$ 13,801,649</u>	<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>\$ 18,546,467</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>

CITY OF FARMINGTON

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
General property taxes	\$ 9,690,053	\$ 11,112,325	\$ 10,808,636	\$ 11,031,219
Franchise fees	237,449	243,635	259,671	269,208
Special assessments	720,862	3,296,216	913,313	821,331
Licenses and permits	456,791	423,153	664,673	514,728
Intergovernmental	2,217,217	556,496	1,329,395	1,011,221
Charges for services	1,096,174	1,015,835	865,736	890,281
Fines and forfeits	78,710	73,210	81,919	65,482
Investment earnings	20,444	158,657	46,707	130,739
Other	272,234	222,083	233,808	174,959
Total revenues	14,789,934	17,101,610	15,203,858	14,909,168
Expenditures				
Current				
General government	1,828,147	1,830,470	1,686,263	1,717,994
Public safety	4,705,581	4,702,399	4,850,400	4,871,745
Public works	1,382,306	1,402,838	2,081,956	2,038,161
Park and recreation	1,399,541	1,427,257	1,530,238	1,448,951
Economic development	112,612	91,165	50,000	49,417
Capital outlay	316,134	555,293	1,290,875	1,839,726
Debt service				
Principal	5,090,101	2,912,213	7,394,424	2,376,739
Interest and fiscal charges	1,527,970	1,336,414	1,379,551	1,096,007
Total expenditures	16,362,392	14,258,049	20,263,707	15,438,740
Excess (deficiency) of revenues over expenditures	(1,572,458)	2,843,561	(5,059,849)	(529,572)
Other financing sources (uses)				
Debt issued	2,418,979	—	7,088,037	—
Payment of refunded debt	—	—	—	(1,435,000)
Sale of capital assets	139,454	105,746	26,154	22,473
Transfers in	2,455,874	3,997,318	7,492,556	2,330,331
Transfers out	(1,959,397)	(3,088,034)	(6,082,442)	(916,212)
Total other financing sources (uses)	3,054,910	1,015,030	8,524,305	1,592
Net change in fund balances	\$ 1,482,452	\$ 3,858,591	\$ 3,464,456	\$ (527,980)
Debt service as a percentage of noncapital expenditures	41.2%	31.0%	46.2%	24.8%

2015	2016	2017	2018	2019	2020
\$ 11,462,986	\$ 11,852,567	\$ 12,186,789	\$ 12,665,721	\$ 12,926,730	\$ 13,049,745
265,485	275,691	266,728	266,324	262,148	244,839
661,187	545,777	532,744	314,594	625,308	407,412
370,889	650,311	415,005	449,350	421,578	588,347
2,097,509	1,633,388	1,632,170	1,768,219	1,796,575	2,948,939
820,445	1,077,860	929,784	1,094,360	1,042,292	890,408
52,299	41,750	45,102	60,182	63,561	45,959
172,818	237,224	183,402	209,968	567,539	455,233
160,193	260,564	201,288	305,014	226,316	161,687
16,063,811	16,575,132	16,393,012	17,133,732	17,932,047	18,792,569
1,947,768	1,996,410	2,051,143	2,311,024	2,407,932	2,637,945
5,131,076	5,301,211	5,537,937	5,348,888	5,705,820	5,917,499
1,971,079	2,006,606	2,381,695	2,690,271	3,272,313	2,794,566
1,538,452	1,513,411	1,585,656	1,595,924	1,855,261	1,560,781
90,000	40,000	40,000	30,000	50,000	276,900
4,695,581	2,755,780	586,495	1,597,191	4,715,989	2,664,884
2,899,162	4,411,534	6,395,000	5,180,000	2,435,000	2,910,000
1,041,780	1,095,380	818,144	503,061	412,373	397,231
19,314,898	19,120,332	19,396,070	19,256,359	20,854,688	19,159,806
(3,251,087)	(2,545,200)	(3,003,058)	(2,122,627)	(2,922,641)	(367,237)
3,184,641	10,120,095	—	—	1,009,555	1,279,300
—	—	(9,990,000)	—	—	—
157,599	13,043	54,408	11,000	18,939	12,867
5,937,539	5,590,211	2,981,402	3,214,991	4,280,247	4,263,090
(4,794,182)	(4,541,237)	(1,080,560)	(1,930,276)	(1,339,172)	(2,503,542)
4,485,597	11,182,112	(8,034,750)	1,295,715	3,969,569	3,051,715
\$ 1,234,510	\$ 8,636,912	\$ (11,037,808)	\$ (826,912)	\$ 1,046,928	\$ 2,684,478
21.0%	29.5%	37.9%	31.3%	16.5%	18.5%

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
2011	\$ 13,340,049	\$ 2,765,411	\$ 267,263	\$ 224,369	\$ (143,056)
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)

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
\$ (554,552)	\$ 1,537,976	\$ 17,437,460	55.730	\$ 1,522,502,000	1.15 %
(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

CITY OF FARMINGTON

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

Fiscal Year	City Direct Rates (2)			Overlapping Rates (3)			Total Direct Overlapping Rate
	Operating	Debt Service	Total City	Dakota County	ISD No. 192	Other Special Districts	
2011	38.788	16.942	55.730	29.149	52.157	3.429	140.465
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

- (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) Dakota County no longer provides a breakdown between operating and debt service tax rates beginning in 2020.
- (3) 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.

N/A – Not Available

Source: Dakota County

CITY OF FARMINGTON

Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Taxpayer	2020			2011		
	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	\$ 473,022	1	2.12 %	\$ 404,148	1	2.44 %
Xcel Energy (Northern States Power)	199,074	2	0.89	86,186	7	0.52
Dakota Electric Association	147,784	3	0.66	141,788	2	0.85
Legacy Partners of Farmington LLC	104,464	4	0.47	—	—	—
Dakota Storage, LLC	82,506	5	0.37	83,378	8	0.50
Valmont Industries	79,698	6	0.36	67,474	10	0.41
Minnesota Energy Resources	76,234	7	0.34	—	—	—
POR-MKR Real Estate, LLC	69,499	8	0.31	—	—	—
Seeger Properties LLC	67,932	9	0.30	—	—	—
Schwiness LLC	67,724	10	0.30	—	—	—
Northern States Power Co.	—	—	—	119,864	3	0.72
Builder's Development and Finance	—	—	—	109,968	4	0.66
Farmington City Center, LLC	—	—	—	99,058	5	0.60
Land, LLC	—	—	—	88,358	6	0.53
RLR Investments, LLC	—	—	—	69,744	9	0.42
Total	<u>\$ 1,367,937</u>		<u>6.14 %</u>	<u>\$ 1,269,966</u>		<u>7.65 %</u>

Source: Dakota County

THIS PAGE INTENTIONALLY LEFT BLANK

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
2011	\$ 9,869,985	\$ 9,334,157	94.57 %	\$ 531,493	\$ 9,865,650	99.96 %
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	60,396	11,716,780	99.99
2017	12,133,656	12,073,701	99.51	56,996	12,130,697	99.98
2018	12,681,188	12,601,932	99.38	69,963	12,671,895	99.93
2019	13,020,768	12,950,561	99.46	50,504	13,001,065	99.85
2020	13,036,578	12,967,610	99.47	—	12,967,610	99.47

(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)
2011	\$ 15,774,072	\$ 21,010,000	\$ 265,000	\$ 1,145,000	\$ —
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

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.

N/A – Not Available

Business-Type Activities					
Revenue	Net	Total		Percentage	
Bonds	Premiums	Primary	Per Capita	of Personal	
	(Discounts)	Government		Income	
\$ 450,000	\$ —	\$ 38,644,072	\$ 1,793	3.8	%
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	N/A	
—	—	20,555,061	920	N/A	
—	—	15,281,475	682	N/A	
720,000	90,856	14,562,916	636	N/A	
655,000	80,944	12,729,773	551	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
2011	\$ 15,774,072	\$ —	\$ 15,774,072	\$ 1,522,502,000	1.04 %
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

(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.

N/A – Not Available

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
\$ 16,454,036	95.87 %	21,558	1.61 %	\$ 732
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	N/A	544
18,171,280	56.61	22,343	N/A	460
19,457,656	38.88	22,421	N/A	337
21,083,287	34.21	22,880	N/A	315
22,295,554	28.23	23,123	N/A	272

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Direct and Overlapping Governmental Activities Debt
December 31, 2020

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt			
Dakota County (2)	\$ —	— %	\$ —
ISD No. 192 Farmington	166,590,000	0.593	988,064
ISD No. 196 Rosemount – Apple Valley – Eagan	112,785,000	0.000	40
Metropolitan Council (3)	245,380,000	0.040	97,438
Total overlapping debt	524,755,000		1,085,542
Direct debt			
City of Farmington direct debt	11,993,829	100.000	11,993,829
Total direct and overlapping debt	\$ 536,748,829		\$ 13,079,371

(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) Dakota County did not have any outstanding general obligation debt supported by taxes at year-end.

(3) 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 Comprehensive Annual Financial Reports

CITY OF FARMINGTON

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Debt limit	\$ 45,675,060	\$ 40,338,008	\$ 37,998,037	\$ 39,352,574
Total net debt applicable to the limit	16,919,072	15,916,859	15,442,435	14,520,696
Legal debt margin	<u>\$ 28,755,988</u>	<u>\$ 24,421,149</u>	<u>\$ 22,555,602</u>	<u>\$ 24,831,878</u>
Total net debt applicable to the limit as a percentage of debt limit	37.04%	39.46%	40.64%	36.90%

2015	2016	2017	2018	2019	2020
\$ 44,279,096	\$ 48,043,247	\$ 50,558,628	\$ 54,324,795	\$ 59,069,079	\$ 62,796,446
16,496,534	20,115,000	12,455,000	9,155,000	8,865,000	7,550,000
<u>\$ 27,782,562</u>	<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>
37.26%	41.87%	24.63%	16.85%	15.01%	12.02%

Legal Debt Margin Calculations for Fiscal Year 2020

Market value	\$ 2,093,214,877
Debt limit (3% of market value)	62,796,446
Debt applicable to the limit	<u>7,550,000</u>
Legal debt margin	<u>\$ 55,246,446</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	
2011	\$ 1,600,303	\$ (1,243,796)	\$ 356,507	\$ 215,000	\$ 21,760	\$ 236,760	150.58 %
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

(a) 2011–2012 includes gross revenues of the Sewer Operations Funds. 2019– 2020 includes 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.

N/A – Not Available

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)
2011	21,558	7,464	6,555	5.2	\$ 1,022,905,542	\$ 47,449
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	N/A	N/A
2017	22,343	7,691	7,126	2.7	N/A	N/A
2018	22,421	7,779	7,138	2.7	N/A	N/A
2019	22,880	7,925	7,143	3.0	N/A	N/A
2020	23,123	7,926	6,996	4.3	N/A	N/A

(1) Numbers for 2011–2015 are from the Farmington Building Inspections Department. The 2016–2020 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) Farmington School District – 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.

N/A – Not Available

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FARMINGTON

Principal Employers
Current Fiscal Year and Nine Years Prior

Taxpayer	2020			2011		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment
ISD No. 192, Farmington Public Schools	925	1	17.8 %	796	1	17.8 %
Installed Building Solutions	500	2	9.6	—	—	—
Federal Aviation Administration	498	3	9.6	486	2	10.9
Trinity Care Center & Trinity Terrace	240	4	4.6	138	6	3.1
City of Farmington	216	5	4.1	90	10	2.0
Dakota Electric Association	197	6	3.8	210	3	4.7
Marshall Lines, Inc.	190	7	3.6	183	5	4.1
Valmont Industries	154	8	3.0	115	8	2.6
R&L Carriers	150	9	2.9	95	9	2.1
Kemps Dairy	130	10	2.5	121	7	2.7
River Valley Home Care	—	—	—	196	4	4.4
Total	3,200		61.4 %	2,430		54.3 %

(1) Per City of Farmington records.

(2) Metropolitan Council Employment by Community as of 2019 (latest available), 5,211 total employment.

CITY OF FARMINGTON

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

	Fiscal Year			
	2011	2012	2013	2014
General government				
Administration	5.00	5.25	3.50	3.50
Finance	2.75	2.50	4.00	4.00
Human resources/information technology/communications	2.80	1.80	3.00	3.00
Community development	3.00	1.00	2.00	2.50
Total general government	13.55	10.55	12.50	13.00
Public safety				
Police administration	6.15	6.15	5.15	5.15
Police patrol	16.00	16.50	18.00	17.00
Investigations	7.00	6.50	5.00	5.00
Fire	1.25	1.40	1.40	1.40
Total public safety	30.40	30.55	29.55	28.55
Public works				
Building inspections	3.00	2.93	2.50	2.50
Engineering	2.42	2.34	5.10	4.60
Streets	4.68	4.68	10.00	10.00
Snowplowing	0.45	0.45	—	—
Natural resources	1.02	1.02	1.00	1.00
Total public works	11.57	11.42	18.60	18.10
Parks and recreation				
Park maintenance	4.44	4.44	3.50	3.50
Building maintenance	—	—	1.00	1.00
Recreation programming	2.00	2.00	2.00	2.00
Total parks and recreation	6.44	6.44	6.50	6.50
Senior center	1.10	1.10	1.50	1.50
Swimming pool	0.40	0.40	0.40	0.40
Arena	2.11	2.11	2.35	2.35
Liquor operations	7.25	7.25	7.25	7.50
Sewer	2.60	2.59	—	—
Solid waste	6.38	6.38	5.00	5.00
Storm water utility	2.93	2.93	—	—
Water	3.83	3.83	—	—
Fleet	2.00	1.00	2.00	2.00
Total employees	90.56	86.55	85.65	84.90

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

2015	2016	2017	2018	2019	2020
3.00	2.00	1.00	1.00	1.00	1.00
4.50	5.50	5.50	5.50	5.50	5.50
3.00	3.00	4.00	5.00	5.00	5.00
2.50	3.00	3.00	4.00	5.00	4.00
13.00	13.50	13.50	15.50	16.50	15.50
5.15	5.15	5.15	5.00	5.00	5.00
17.00	17.00	17.00	15.00	16.00	17.00
5.00	5.00	5.00	6.00	6.00	6.00
1.50	1.50	1.50	1.00	2.00	2.00
28.65	28.65	28.65	27.00	29.00	30.00
2.50	3.20	3.50	3.50	3.00	4.00
4.50	4.50	5.50	4.50	5.00	5.00
9.00	9.50	9.50	9.00	10.00	10.00
—	—	—	—	—	—
1.00	1.00	—	1.00	1.00	—
17.00	18.20	18.50	18.00	19.00	19.00
3.50	3.50	3.60	4.00	4.00	4.00
1.00	1.00	1.00	1.00	3.00	3.00
2.00	2.00	2.00	2.00	2.00	2.00
6.50	6.50	6.60	7.00	9.00	9.00
1.00	1.40	1.40	1.00	1.00	1.50
0.40	0.40	0.40	—	—	—
2.35	2.35	2.35	2.00	2.00	2.00
8.00	8.00	8.00	9.50	9.00	13.00
—	—	—	—	—	—
5.00	5.50	5.50	5.50	5.00	5.00
—	—	—	—	—	—
—	—	—	—	—	—
2.00	2.00	2.00	2.00	2.00	2.00
83.90	86.50	86.90	87.50	92.50	97.00

CITY OF FARMINGTON

Operating Indicators by Function
Last Ten Years

Function/Program	2011	2012	2013	Fiscal Year 2014
General government				
Elections	N/A	1	N/A	1
Registered voters	N/A	13,358	N/A	12,541
Number of votes cast	N/A	11,185	N/A	6,419
Voter participation (registered)	N/A	84.0%	N/A	51.0%
Public safety				
Police				
Arrests	527	435	403	266
All citations and warnings*	2,253	4,359	4,517	3,383
Calls for service	13,807	15,094	13,138	13,035
Fire				
Medical calls	274	290	323	386
Fire calls	227	254	235	241
Inspections				
Building permits	747	818	679	711
Value of building permits (in millions)	\$ 25	\$ 17	\$ 35	\$ 24
Parks and recreation				
Parks				
Park reservations	67	69	65	66
Pool (closed after 2017)				
Pool open swim admissions	11,869	13,069	11,566	8,032
Pool swim lesson registrations	410	407	308	267
Pool season passes sold	63	89	78	N/A
Pool punch cards sold	142	130	154	193
Swim bus riders	620	641	786	408
Rambling River Center				
Memberships	430	428	435	406
Program participation	15,817	16,198	16,875	15,285
Number of volunteers	108	152	94	130
Total volunteer hours	4,601	3,741	4,780	4,348
Ice arena				
Ice skating lessons total participants	195	200	215	230
Arena rental hours	1,271	1,197	1,147	1,197
Outdoor rinks total number of skaters	6,499	5,259	7,819	7,481
Other				
Recreation program/event participants	6,126	6,607	6,971	6,425
Youth scholarships provided	20	22	25	7

* Beginning in 2012, this figure includes warnings.

N/A – Not Available

Source: Various city departments

2015	2016	2017	2018	2019	2020
N/A	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%
153	351	281	284	253	232
2,494	2,070	2,021	2,484	2,176	2,319
12,085	11,943	11,221	13,033	14,005	15,413
359	356	452	411	480	467
361	345	407	340	370	284
619	1,184	1,036	1,059	1,049	1,318
\$ 15	\$ 38	\$ 19	\$ 26	\$ 22	\$ 27
66	81	71	64	59	—
7,652	7,372	6,302	—	—	—
256	309	136	—	—	—
N/A	NA	N/A	—	—	—
176	125	139	—	—	—
536	507	496	—	—	—
381	404	467	497	372	305
13,885	13,042	15,203	16,015	17,730	3,651
107	82	80	69	74	31
5,944	8,573	4,298	3,426	3,749	347
216	329	284	296	310	122
1,315	1,285	1,490	1,380	1,390	1,191
7,851	5,187	7,276	5,451	3,892	4,209
5,976	8,344	8,171	7,034	5,657	361
4	6	8	1	—	—

CITY OF FARMINGTON

Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	Fiscal Year			
	2011	2012	2013	2014
Public safety				
Police				
Stations	1	1	1	1
Patrol squads	18	17	17	16
Fire				
Stations	2	2	2	2
Fire trucks	7	7	7	6
Public works				
Vehicles	21	20	21	21
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	21	23
Liquor operations				
Store – building	—	—	—	—
Solid waste				
Compactor trucks	6	6	5	5
Sanitary sewer				
Collection system (miles)	84	84	84	84
Storm sewer				
Storm sewer (miles)	71	71	71	71
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

2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
16	15	15	16	19	19
2	2	2	2	2	2
6	8	8	8	8	8
24	29	29	29	30	31
89	89	89	89	89	90
1	1	1	1	1	1
1	1	1	—	—	—
1	1	1	1	1	1
23	23	23	24	26	26
—	—	—	—	—	—
5	5	5	5	5	6
84	84	90	90	87	90
73	73	78	78	78	81
109	109	113	113	113	116
7	7	7	7	8	9
2	2	2	2	2	2

THIS PAGE INTENTIONALLY LEFT BLANK