

Comprehensive Annual Financial Report



Photo from The City of Farmington

City of Farmington, Minnesota

Year Ended December 31, 2019

David McKnight - City Administrator

Prepared by: Finance Department

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CITY OF FARMINGTON
DAKOTA COUNTY, MINNESOTA

Comprehensive
Annual Financial Report

for the Year Ended
December 31, 2019

David McKnight
City Administrator

Report Prepared by
Finance Department

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

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CITY OF FARMINGTON

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INTRODUCTORY SECTION

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430 Third St., Farmington, MN 55024

651-280-6800

FarmingtonMN.gov

May 11, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the City of Farmington, Minnesota (the City) for the fiscal year ended December 31, 2019 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 CAFR 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, 2019, 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, 2019, 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 22,880. 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. The Federal Aviation Administration and Installed Building Solutions also employ 500 people each.

During 2019, a number of new businesses opened or expanded, construction was completed on two buildings in downtown Farmington and one in the Business Park. The City continues to partner with Dakota County to offer the Open to Business initiative, which provides financial and business advice to small and future business owners.

New residential construction was approximately the same as in 2018. In 2019, the City issued new construction permits for 33 new single-family units, one new multi-family, one new commercial, and two public structures. The new single-family permits resulted in a total new residential building valuation of \$7,215,300. The multi-family building valuation was \$851,515 and the new commercial building had a valuation of \$281,645. The number of foreclosures in the City remained relatively flat. There were 9 foreclosures in the City in 2019, down sharply from 21 in 2018.

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 2019, the City Council established five priorities for 2019, which include:

- Continue Sound Financial Practices
- Development for a Successful Future
- Build on Established Partnerships
- Delivery of High Quality Services
- Completion of 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. They 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 2019, the staff continued to review and revise various capital improvement plans (CIPs), including those for streets, trails, and equipment. The City's new fire engine was delivered in early 2019. The reconstruction of the Westview area was completed, along with a water tower reconditioning and construction of Well 9. After numerous years on hold, mill and overlay street projects began again in 2019 with plans to continue in future years.

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.

Relevant Financial Policies

Operating Budgets

The annual budget serves as the foundation for the City's financial planning control. All departments of the City submit budget requests for the following year to the city administrator in the spring/summer of each year. These requests serve as a starting point for the development of a proposed budget. These requests are then presented to the City Council for review in the summer. The City Council adopts a preliminary tax levy by September 30. The City Council is required to hold hearings and obtain input on the proposed budget and to adopt a final budget and property tax levy no later than December 30 of the close of the fiscal year.

The budget of the City is prepared by fund (e.g., General Fund), function (e.g., public safety), and department (e.g., police department). Departments may request transfers of appropriations within line items in the department; however, City Council approval is required when making transfers between funds. Budget to actual comparisons are provided in this report for the General Fund, special revenue funds, capital project funds, and debt service funds (in total). The General Fund budget to actual comparison is on page 25. The remaining budget to actual comparisons are presented starting on page 94.

Revenue Policies

The City conservatively projects its annual revenues after a thorough analytical process, which involves annually reexamining existing and potential revenue sources.

Cash Management Policy and Practice

The City's Investment Policy was reviewed and updated in 2013. The primary goal of the City's investment policy is to ensure the safety of the principal invested. Idle cash during the year was invested according to the City's Investment Policy. In 2018 and 2019, the City was able to invest in some higher yields and saw its overall investment portfolio increase. As a result, the City's 2019 investment earnings were higher than prior years.

Staff monitors interest rates and continues the diligent practice of reviewing the City's cash flow needs to determine how best to invest available funds. Interest rates decreased in 2019 over 2018. The City's average investment balances were slightly higher than the previous year resulting in higher investment earnings than the previous year. Interest rates continued to decline through the end of 2019 and into 2020. Changes in interest rates will be considered as the 2020 budget is developed.

Debt Management Policy and Practice

The City Council reviewed and adopted an updated Debt Management Policy in 2013. The purpose of the policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of, and reporting on all debt obligations of the City. Staff continues to review its outstanding debt issues and advise the City Council which bonds, if any, it would make financial or program sense to refund and/or restructure.

Fund Balance Policy and Practice

The City's financial strength has improved significantly over the past six years. During 2019, for the sixth year in a row, the City's General Fund cash flow was positive each calendar month during the year. No interfund borrowing was required. Further evidence of the General Fund's improved financial strength can be seen in the General Fund's unassigned fund balance, which increased from 28 percent of the subsequent years' budgeted expenditures, and transfers out as of December 31, 2013, to 42 percent as of December 31, 2019. This increase has been accomplished through sound budgeting, long-term financial planning, and conservative spending by staff.

In April 2015, the City adopted an updated fund balance policy, effective as of December 31, 2014. This policy acknowledges the progress the City has made in strengthening its General Fund balance and challenged the City to continue to improve by increasing the minimum General Fund balance. The updated policy states the City will strive to maintain the fund balance in the General Fund between 40 and 50 percent of the subsequent years' 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). The City Council and staff have worked diligently to strengthen the City's financial position and as of December 31, 2015, reached and have since maintained the minimum recommended fund balance level set forth in this policy.

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 preliminary plat for the new Sapphire Lake 131 single-family lot development including a final plat for 36 of those lots. The City Council also approved a final plat for 97 lots in the Fairhill Estate at North Creek development. The City continued implementation of the Downtown Redevelopment Plan, including a Downtown Facade Improvement Grant Program, and master plan development of a downtown community plaza. Work was completed on a small area study for the redevelopment of the Highway 3 corridor.

The City Council further strengthened the organization by hiring its first full-time deputy fire chief in July 2019. The fire department has implemented large-scale capital improvement plans for vehicles and equipment, created strategic planning and mission development, and maintains 50 volunteer firefighters. The fire department took delivery of Engine 11 in 2019 and has ordered the City's first ladder truck, which will be delivered in 2020.

Farmington Municipal Liquor Operations have made tremendous improvements over the past eight 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 eight years, the stores have produced an average of over \$300,000 per year in profits. Notably, the liquor stores have been able to provide over \$1 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.

Awards

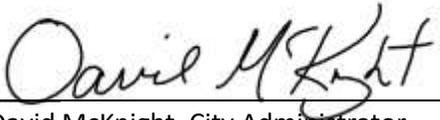
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the year ended December 31, 2018. This is the 10th year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a city must publish an easily readable and efficiently organized CAFR. 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 CAFR 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,

A handwritten signature in black ink, appearing to read "David McKnight", written over a horizontal line.

David McKnight, City Administrator

A handwritten signature in black ink, appearing to read "Teah Malecha", written over a horizontal line.

Teah Malecha, Finance Director



Government Finance Officers Association

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Achievement
for Excellence
in Financial
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Presented to

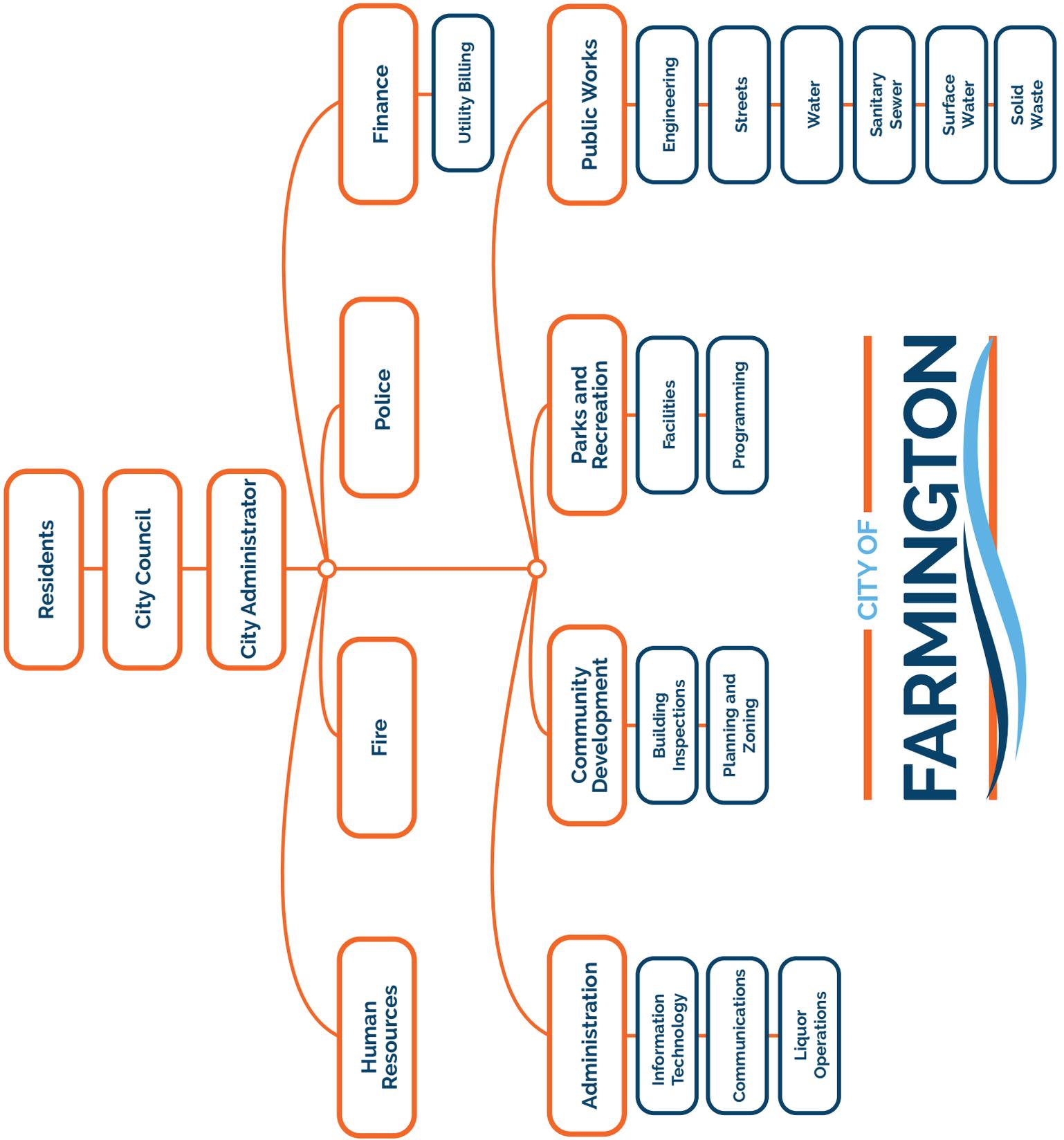
**City of Farmington
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO



CITY OF FARMINGTON

Elected Officials and Executive Staff
December 31, 2019

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

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FINANCIAL SECTION

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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, 2019, 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, 2019, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

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 GASB, 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, 2020 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, 2020

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CITY OF FARMINGTON

Management's Discussion and Analysis Year Ended December 31, 2019

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, 2019. 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 \$116,538,895 (net position) at the close of the most recent fiscal year. Of this amount, \$21,188,796 (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 \$3,175,965 in 2019, including an increase of \$1,507,959 attributable to governmental activities, and an increase of \$1,668,006 attributable to business-type activities.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year. As a result, certain privately financed activity previously accounted for in a fiduciary (agency) fund, is now being accounted for in a governmental (capital projects) fund, and included within the governmental activities in the City's government-wide financial statements.
- The City's outstanding bonded debt decreased by \$790,000, or 5.4 percent, during the fiscal year, due to a combination of the issuance of \$1,645,000 of general obligations bonds and annual bond principal payments.
- The City's governmental funds reported combined ending fund balances of \$16,365,587 at December 31, 2019, an increase of \$1,046,928 from the prior year. Approximately 79.8 percent of this total amount, \$13,059,850, 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 \$5,761,747, or 42.2 percent, of 2020 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.

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.

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.

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, special revenue funds, 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 and internal service funds, which are presented immediately following the basic financial statements.

Furthermore, a statistical section has been included as part of the Comprehensive Annual Financial Report (CAFR) 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 \$116,538,895 at December 31, 2019.

City of Farmington's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 24,474,467	\$ 23,120,625	\$ 17,390,560	\$ 18,275,116	\$ 41,865,027	\$ 41,395,741
Capital assets, net	47,612,477	48,183,984	54,488,632	50,747,479	102,101,109	98,931,463
Total assets	\$ 72,086,944	\$ 71,304,609	\$ 71,879,192	\$ 69,022,595	\$ 143,966,136	\$ 140,327,204
Deferred outflows of resources	\$ 3,536,176	\$ 4,525,492	\$ 63,273	\$ 112,331	\$ 3,599,449	\$ 4,637,823
Current liabilities	\$ 2,607,326	\$ 1,473,994	\$ 936,857	\$ 579,717	\$ 3,544,183	\$ 2,053,711
Long-term liabilities	21,129,967	22,519,969	1,577,512	758,004	22,707,479	23,277,973
Total liabilities	\$ 23,737,293	\$ 23,993,963	\$ 2,514,369	\$ 1,337,721	\$ 26,251,662	\$ 25,331,684
Deferred inflows of resources	\$ 4,673,210	\$ 6,131,480	\$ 101,818	\$ 138,933	\$ 4,775,028	\$ 6,270,413
Net position						
Net investment in capital assets	\$ 33,867,761	\$ 32,909,853	\$ 53,677,776	\$ 50,747,479	\$ 87,545,537	\$ 83,657,332
Restricted	5,343,074	4,797,191	2,461,488	2,316,500	7,804,562	7,113,691
Unrestricted	8,001,782	7,997,614	13,187,014	14,594,293	21,188,796	22,591,907
Total net position	\$ 47,212,617	\$ 45,704,658	\$ 69,326,278	\$ 67,658,272	\$ 116,538,895	\$ 113,362,930

The largest portion of the City's net position, \$87,545,537, or 75 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 \$7,804,562 comprised 7 percent of net position at the close of the fiscal year ended December 31, 2019. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$21,188,796, or approximately 18 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, 2019 with comparative totals for the year ended December 31, 2018. The City's net position increased by \$3,175,965, or 2.8 percent, during the current fiscal year.

City of Farmington's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Charges for services	\$ 1,680,536	\$ 1,859,036	\$ 13,609,842	\$ 12,190,215	\$ 15,290,378	\$ 14,049,251
Operating grants and contributions	838,569	702,853	34,190	30,263	872,759	733,116
Capital grants and contributions	869,849	942,627	81,634	–	951,483	942,627
Property taxes	12,916,115	12,659,480	–	–	12,916,115	12,659,480
Other taxes	262,148	266,324	–	–	262,148	266,324
Unrestricted grants	317,172	316,100	–	–	317,172	316,100
Investment earnings	657,977	239,714	548,310	200,144	1,206,287	439,858
Gain on disposal of capital assets	17,218	531	–	–	17,218	531
Total revenues	17,559,584	16,986,665	14,273,976	12,420,622	31,833,560	29,407,287
Expenses						
General government	2,609,059	2,511,818	–	–	2,609,059	2,511,818
Public safety	6,118,203	5,728,925	–	–	6,118,203	5,728,925
Public works	5,612,872	4,358,465	–	–	5,612,872	4,358,465
Parks and recreation	2,202,631	1,772,351	–	–	2,202,631	1,772,351
Economic development	50,000	30,000	–	–	50,000	30,000
Interest on long-term debt	404,893	350,431	–	–	404,893	350,431
Liquor	–	–	5,257,236	4,890,304	5,257,236	4,890,304
Sewer	–	–	2,326,630	1,931,276	2,326,630	1,931,276
Solid waste	–	–	1,913,258	2,092,844	1,913,258	2,092,844
Storm water	–	–	557,749	521,465	557,749	521,465
Water	–	–	1,439,178	1,246,667	1,439,178	1,246,667
Street light	–	–	165,886	180,254	165,886	180,254
Total expenses	16,997,658	14,751,990	11,659,937	10,862,810	28,657,595	25,614,800
Change in net position before transfers	561,926	2,234,675	2,614,039	1,557,812	3,175,965	3,792,487
Transfers	946,033	1,110,880	(946,033)	(1,110,880)	–	–
Change in net position	1,507,959	3,345,555	1,668,006	446,932	3,175,965	3,792,487
Net position – beginning	45,704,658	42,359,103	67,658,272	67,211,340	113,362,930	109,570,443
Net position – ending	\$ 47,212,617	\$ 45,704,658	\$ 69,326,278	\$ 67,658,272	\$ 116,538,895	\$ 113,362,930

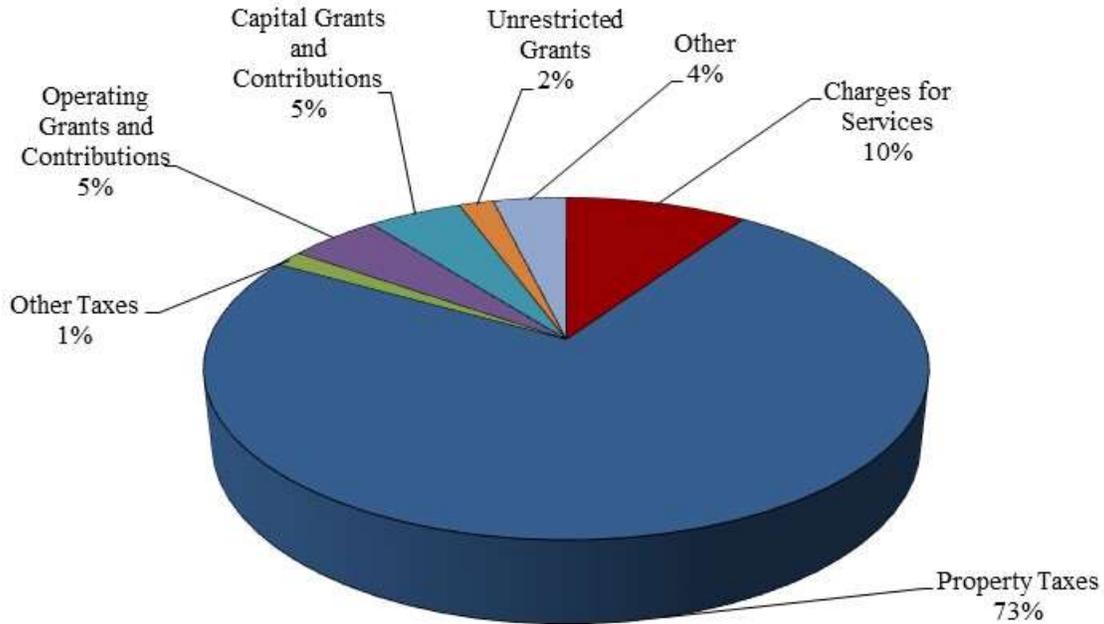
Governmental Activities – Governmental activities increased the City's net position before transfers by \$561,926, primarily due to the increase in the City's investment earnings as a result of an overall increase in funds available for investment and the increase in market value of the City's investments.

Business-Type Activities – Business-type activities increased the City's net position before transfers by \$2,614,039, as program revenues exceeded expenses for all activities but the Sewer Fund.

GOVERNMENTAL ACTIVITIES

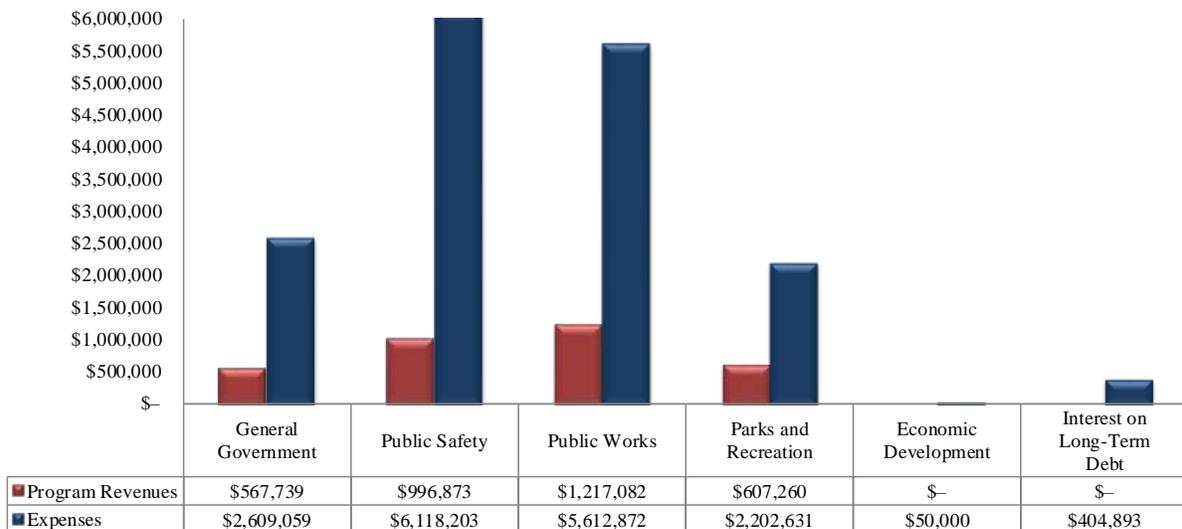
Revenues – The following chart illustrates the City’s revenues by source for its governmental activities:

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:

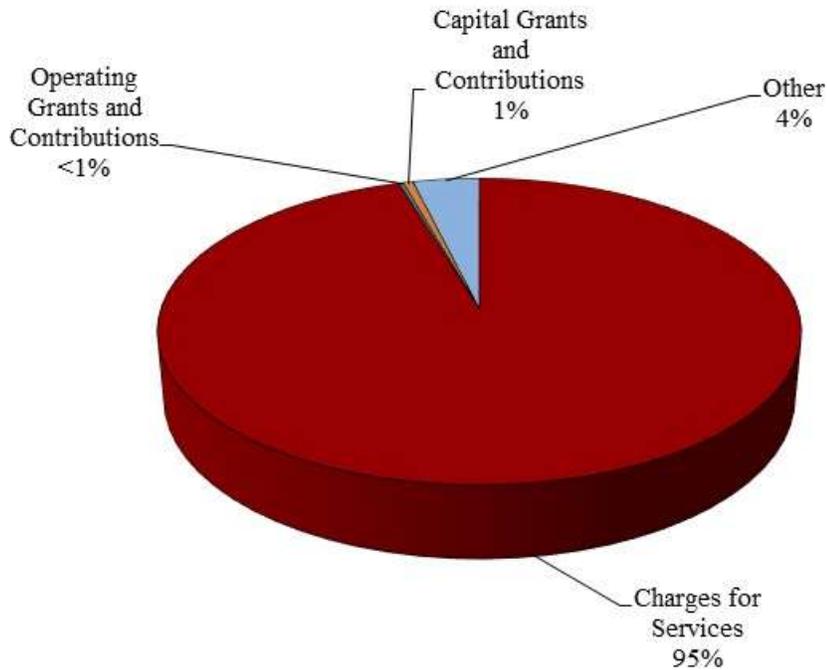
Expenses and Program Revenues – Governmental Activities



BUSINESS-TYPE ACTIVITIES

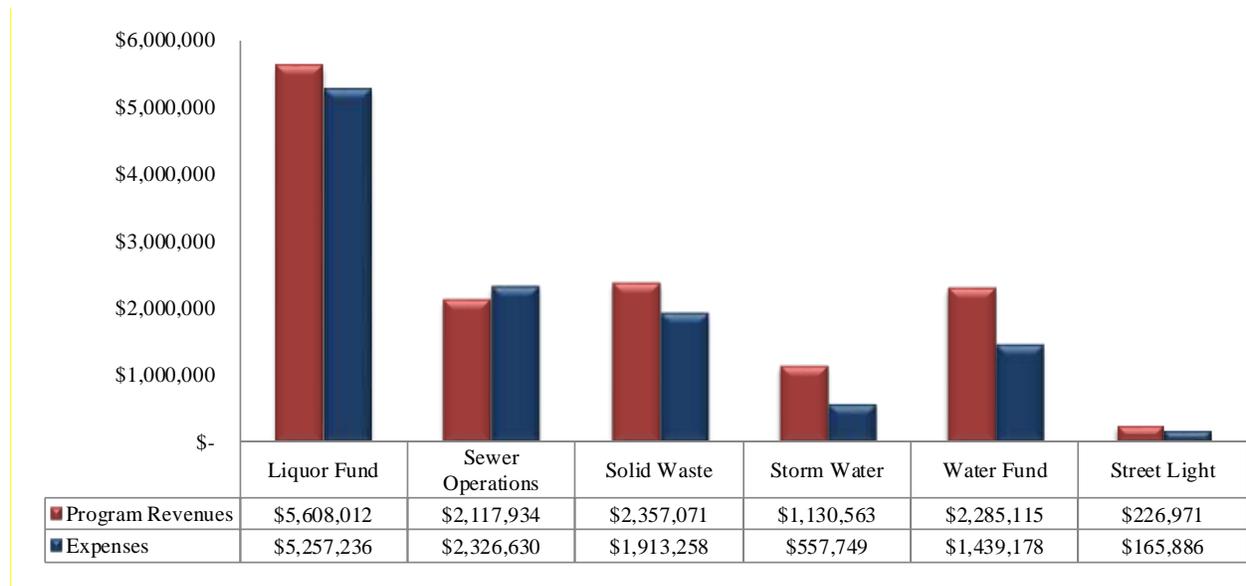
Revenues – The following chart illustrates the City’s revenues by source for its business-type activities:

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 \$16,365,587, a 6.8 percent increase of \$1,046,928 from 2018. The increase is mainly attributable to the Debt Service Fund's fund balance, which increased \$1,152,461, primarily due to the premium received in conjunction with the issuance of the 2019A bonds, increased transfers in as part of the City's long-term debt management plan, and property tax, special assessment, and investment earnings that were more than needed to pay the corresponding principal and interest due on most bonds.

Committed and unassigned fund balances, which are available for spending at the government's discretion, had a combined balance of \$13,059,850 at year-end. The remainder of the fund balance is either nonspendable (\$109,523), or restricted to indicate that it is not available for new spending because it has already been obligated: 1) to pay debt service (\$2,776,623), 2) to pay for capital improvements and future cable communication expenditures (\$193,337), 3) for park improvements (\$205,862), and 4) the remainder is from donations and other restricted funds (\$20,392).

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 2019, the unassigned fund balance of the General Fund was \$5,761,747. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The 2019 unassigned fund balance represents 42.2 percent of total 2020 General Fund budgeted expenditures and transfers out, up from 41.3 percent for the December 31, 2018 unassigned fund balance as a percentage of the 2019 General Fund budgeted expenditures and transfers out. Total fund balances increased by \$149,199 in the General Fund during the 2019 fiscal year. The reason for the increase in unassigned fund balance is mainly due to a prior year commitment of \$240,000 of General Fund balance at December 31, 2018 for reduction of the City's 2019 debt levy. There was no similar commitment at December 31, 2019.

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 42.2 percent as of December 31, 2019. 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, 2019, the City's General Fund balance meets the minimum fund balance guideline.

Debt Service Fund – During the year, the City repaid \$2,435,000 in bond principal. The fund balance in the Debt Service Fund increased \$1,152,461, primarily due to the premium received in conjunction with the issuance of the 2019A bonds, increased transfers in as part of the City’s long-term debt management plan, and property tax, special assessment, and investment earnings that were more than needed to pay the corresponding principal and interest due on most bonds.

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 \$11,310 from special assessments and investment income received.

Storm Water Trunk Capital Projects Fund – The increase of \$297,554 in fund balance is due to the City investing available fund balance to optionally repay the remaining 195th Street interfund loan. 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.

Permanent Improvement Revolving Capital Projects Fund – There were no new projects in this fund during 2019. There was a modest increase in the fund balance of \$6,923 from special assessments and investment income received.

Maintenance Capital Projects Fund – The decrease of \$629,414 in fund balance was due to the street project costs incurred in 2019 exceeding state aid construction revenues, bond proceeds, and transfers in received during the current year.

Private Capital Projects Fund – There were no new projects in this fund during 2019. There was a modest increase in the fund balance of \$30,196 from special assessments and investment income received.

Total fund balances in the City’s nonmajor governmental funds increased \$28,699 in fiscal 2019, to a year-end total of \$3,002,382. Financial highlights for some of the significant changes in the City’s nonmajor governmental funds are as follows:

Park Improvement Special Revenue Fund – The decrease in fund balance of \$168,911 is mainly a result of various planned park improvement projects that took place in 2019.

Sanitary Sewer Trunk Capital Projects Fund – During 2019, charges for services revenues exceeded the public works expenditures needed, resulting in a net increase in fund balance of \$67,610.

Cable Communications Capital Projects Fund – During 2019, franchise tax revenues exceeded operational costs, resulting in a net increase in fund balance of \$84,089.

General Capital Equipment Capital Projects Fund – The increase in fund balance of \$62,014 is mainly a result of transfers in from the General Fund to support future expenditures to address 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.

During 2019, the City’s liquor stores’ community investment fund dollars were set aside as the City Council continues to discuss project options for the funds. The net position of the Liquor Operations Fund at the end of 2019 totaled \$1,606,511, an increase of \$267,526, which is net of the \$134,088 in funds contributed to community projects noted above. The cash position for both stores has continued to strengthen, increasing from a combined total of \$1,415,691 at December 31, 2018 to \$1,562,043 as of December 31, 2019.

Sewer Operations Fund – The decrease in net position of \$296,201 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, 2019, to cover both operations and depreciation. This fund continues to maintain a significant unrestricted net position of \$3,125,551.

Solid Waste Fund – The Solid Waste Fund net position increased by \$344,928, due to a fee increase that went into effect in January 2019, as well as this fund experiencing decreased costs related to temporarily decreased disposal fees and quantities being disposed. The costs are anticipated to rise dramatically in 2020.

Storm Water Fund – The increase in net position of \$441,555 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 \$1,539,592.

Water Fund – The increase in net position of \$842,648 is primarily due to development fees paid in the current year for the Fairhill Estates development project. 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 2019, is designed to cover depreciation. This fund continues to maintain a significant unrestricted net position of \$5,405,318.

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 ninth year of operation, this fund has achieved a modest positive net position of \$210,933.

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 \$341,043 more than budgeted. Revenue variances from final budget to actual include:

- Intergovernmental revenue was \$192,800 over budget, mainly due to Community Development Block Grant revenue received that was not anticipated in the budget and higher than anticipated state aids for roads, police aid, and fire aid.
- Charges for services were \$64,022 higher than budgeted as a result of fire charges billed to a neighboring township exceeding budget.
- Investment earnings were \$120,175 more than budgeted, primarily due to an overall increase in the funds available for investment in the General Fund and the increase in fair value of the City's General Fund investments.

Expenditures were \$48,156 less than the budgeted amount. The City benefited from lower salaries and benefits costs partially attributable to vacant positions and natural attrition. Expenditures were under budget in a number of areas, due to 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, 2019 was \$102,101,109 (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 increased by 3.2 percent, mainly due to significant construction completed and capitalized in the current year.

City of Farmington's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and easement	\$ 1,749,824	\$ 1,749,824	\$ 498,376	\$ 414,576	\$ 2,248,200	\$ 2,164,400
Buildings	14,604,386	14,970,309	1,845,441	–	16,449,827	14,970,309
Improvements other than buildings	369,682	325,845	1,496,363	–	1,866,045	325,845
Machinery and equipment	2,056,722	1,918,313	1,048,594	907,864	3,105,316	2,826,177
Infrastructure	28,831,863	29,219,693	–	–	28,831,863	29,219,693
Collection/distribution systems	–	–	49,599,858	49,272,779	49,599,858	49,272,779
Construction in progress	–	–	–	152,260	–	152,260
Total (net of depreciation)	<u>\$ 47,612,477</u>	<u>\$ 48,183,984</u>	<u>\$ 54,488,632</u>	<u>\$ 50,747,479</u>	<u>\$ 102,101,109</u>	<u>\$ 98,931,463</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 \$13,940,000. 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 \$622,916 for unamortized bond premiums, \$1,079,816 for compensated absences, \$5,923,957 for net pension liabilities, and \$1,140,790 for other post-employment benefits.

City of Farmington's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation improvement bonds	\$ 8,135,000	\$ 9,115,000	\$ -	\$ -	\$ 8,135,000	\$ 9,115,000
Capital improvement bonds	5,085,000	5,615,000	-	-	5,085,000	5,615,000
General obligation revenue bonds	-	-	720,000	-	720,000	-
Total bonds outstanding	\$ 13,220,000	\$ 14,730,000	\$ 720,000	\$ -	\$ 13,940,000	\$ 14,730,000

Bond principal repayments during 2019 totaled \$2,435,000. The City's credit rating from Standard & Poor's was raised from "AA" to "AA+" in April 2019.

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 \$59,069,079, 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 2020 by \$353,862. The final city total net tax levy for 2020 is \$10,742,554, and is 0.5 percent lower than the comparable 2019 levy. Of the total General Fund budgeted revenues, including transfers in for 2020, 75.0 percent are from property taxes, including \$2.3 million in fiscal disparities revenue. The remaining General Fund budgeted revenues were adjusted to better reflect projected building activity and intergovernmental-related revenues.

Proposed 2020 General Fund expenditures, including transfers out, are estimated at \$13,642,352, an increase of 4.9 percent compared to the 2019 budget. The 2020 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 numerous fleet vehicles, that have been on hold for several years, in 2020. The City will also take delivery of its first ladder truck, Ladder 1.

For 2020, the City is focused on implementing 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 anticipated for new home construction in 2020.

Shortly after the 2019 fiscal year-end, the worldwide spread of the novel coronavirus (COVID-19) has caused significant volatility in the economy and financial markets. There is significant uncertainty about the breadth and duration of potential business disruptions related to COVID-19, and its economic impact in the U.S. and around the world. At this time, the City is unable to determine what effect this may have on its future financial condition and operations.

REQUESTS FOR INFORMATION

This CAFR 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 CAFR 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

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CITY OF FARMINGTON

Statement of Net Position
as of December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets				
Cash and investments	\$ 19,418,999	\$ 12,355,254	\$ 31,774,253	\$ 320,426
Receivables				
Accounts	367,405	1,591,647	1,959,052	–
Interest	36,799	28,179	64,978	734
Property taxes	1,164,805	–	1,164,805	–
Special assessments	2,634,963	334,276	2,969,239	–
Due from other governments	34,677	–	34,677	65,398
Loan	101,101	–	101,101	–
Inventory	–	616,383	616,383	–
Prepaid items	20,128	3,333	23,461	300
Restricted assets – temporarily restricted				
Cash for future drinking water treatment plant	–	2,461,488	2,461,488	–
Net pension asset – fire relief	695,590	–	695,590	–
Capital assets				
Not depreciated	1,749,824	498,376	2,248,200	–
Depreciated, net of accumulated depreciation	45,862,653	53,990,256	99,852,909	–
Total capital assets, net of accumulated depreciation	47,612,477	54,488,632	102,101,109	–
Total assets	72,086,944	71,879,192	143,966,136	386,858
Deferred outflows of resources				
Pension plan deferments – PERA	2,852,967	55,833	2,908,800	–
Pension plan deferments – fire relief	617,990	–	617,990	–
OPEB plan deferments	65,219	7,440	72,659	–
Total deferred outflows of resources	3,536,176	63,273	3,599,449	–
Total assets and deferred outflows of resources	\$ 75,623,120	\$ 71,942,465	\$ 147,565,585	\$ 386,858
Liabilities				
Accounts and contracts payable	\$ 699,166	\$ 780,231	\$ 1,479,397	\$ 72,163
Accrued salaries and employee benefits payable	467,740	–	467,740	–
Accrued interest payable	238,463	21,342	259,805	–
Deposits payable	1,201,201	49,000	1,250,201	–
Due to other governments	756	86,284	87,040	–
Long-term liabilities				
Due within one year	3,639,181	145,683	3,784,864	–
Due in more than one year	11,085,119	772,749	11,857,868	–
Net pension liability – due in more than one year	5,381,694	542,263	5,923,957	–
Total OPEB liability – due in more than one year	1,023,973	116,817	1,140,790	–
Total long-term liabilities	21,129,967	1,577,512	22,707,479	–
Total liabilities	23,737,293	2,514,369	26,251,662	72,163
Deferred inflows of resources				
Pension plan deferments – PERA	4,439,454	96,601	4,536,055	–
Pension plan deferments – fire relief	188,025	–	188,025	–
OPEB plan deferments	45,731	5,217	50,948	–
Total deferred inflows of resources	4,673,210	101,818	4,775,028	–
Net position				
Net investment in capital assets	33,867,761	53,677,776	87,545,537	–
Restricted for				
Debt service	3,797,928	–	3,797,928	–
Capital projects	193,337	–	193,337	–
Police programs	20,392	–	20,392	–
Park improvements	205,862	–	205,862	–
Fire relief pensions	1,125,555	–	1,125,555	–
Water Fund – future drinking water treatment plant	–	2,461,488	2,461,488	–
Unrestricted	8,001,782	13,187,014	21,188,796	314,695
Total net position	47,212,617	69,326,278	116,538,895	314,695
Total liabilities, deferred inflows of resources, and net position	\$ 75,623,120	\$ 71,942,465	\$ 147,565,585	\$ 386,858

CITY OF FARMINGTON

Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,609,059	\$ 471,569	\$ 95,934	\$ 236
Public safety	6,118,203	437,054	485,627	74,192
Public works	5,612,872	189,282	232,379	795,421
Parks and recreation	2,202,631	582,631	24,629	—
Economic development	50,000	—	—	—
Interest and fiscal charges	404,893	—	—	—
Total governmental activities	<u>16,997,658</u>	<u>1,680,536</u>	<u>838,569</u>	<u>869,849</u>
Business-type activities				
Liquor operations	5,257,236	5,608,012	—	—
Sewer operations	2,326,630	2,117,934	—	—
Solid waste	1,913,258	2,244,569	30,868	81,634
Storm water	557,749	1,130,563	—	—
Water	1,439,178	2,281,793	3,322	—
Street light	165,886	226,971	—	—
Total business-type activities	<u>11,659,937</u>	<u>13,609,842</u>	<u>34,190</u>	<u>81,634</u>
Total primary government	<u>\$ 28,657,595</u>	<u>\$ 15,290,378</u>	<u>\$ 872,759</u>	<u>\$ 951,483</u>
Component unit				
Economic development authority	<u>\$ 266,116</u>	<u>\$ —</u>	<u>\$ 118,248</u>	<u>\$ —</u>

General revenues
 Property taxes
 Franchise taxes
 Grants and contributions not restricted to specific programs
 Investment earnings
 Gain on disposal of capital assets
 Transfers – capital assets
 Transfers – internal activities
 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
\$ (2,041,320)	\$ —	\$ (2,041,320)	\$ —
(5,121,330)	—	(5,121,330)	—
(4,395,790)	—	(4,395,790)	—
(1,595,371)	—	(1,595,371)	—
(50,000)	—	(50,000)	—
(404,893)	—	(404,893)	—
<u>(13,608,704)</u>	<u>—</u>	<u>(13,608,704)</u>	<u>—</u>
—	350,776	350,776	—
—	(208,696)	(208,696)	—
—	443,813	443,813	—
—	572,814	572,814	—
—	845,937	845,937	—
—	61,085	61,085	—
<u>—</u>	<u>2,065,729</u>	<u>2,065,729</u>	<u>—</u>
<u>(13,608,704)</u>	<u>2,065,729</u>	<u>(11,542,975)</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>(147,868)</u>
12,916,115	—	12,916,115	146,210
262,148	—	262,148	—
317,172	—	317,172	—
657,977	548,310	1,206,287	12,220
17,218	—	17,218	—
(2,024,174)	2,024,174	—	—
2,970,207	(2,970,207)	—	—
<u>15,116,663</u>	<u>(397,723)</u>	<u>14,718,940</u>	<u>158,430</u>
1,507,959	1,668,006	3,175,965	10,562
<u>45,704,658</u>	<u>67,658,272</u>	<u>113,362,930</u>	<u>304,133</u>
<u>\$ 47,212,617</u>	<u>\$ 69,326,278</u>	<u>\$ 116,538,895</u>	<u>\$ 314,695</u>

CITY OF FARMINGTON

Balance Sheet
 Governmental Funds
 as of December 31, 2019

	General	Debt Service Fund	Capital Projects – State Aid Construction
Assets			
Cash and investments	\$ 4,676,267	\$ 3,775,636	\$ 127,336
Receivables			
Accounts	231,180	–	–
Interest	8,596	7,639	242
Property taxes			
Unremitted	1,048,845	–	–
Delinquent	115,960	–	–
Special assessments			
Delinquent	386	99,204	–
Noncurrent	981	1,160,564	232,453
Due from other funds	–	–	–
Advances to other funds	–	–	–
Due from other governments	31,730	–	–
Loan	101,101	–	–
Prepaid items	8,422	–	–
	<u>6,223,468</u>	<u>5,043,043</u>	<u>360,031</u>
Total assets	\$ 6,223,468	\$ 5,043,043	\$ 360,031
Liabilities			
Accounts and contracts payable	\$ 167,207	\$ 11,648	\$ –
Deposits payable	67,556	–	–
Due to other governments	108	–	–
Due to other funds	–	406,082	–
Advances from other funds	–	588,922	–
	<u>234,871</u>	<u>1,006,652</u>	<u>–</u>
Total liabilities	234,871	1,006,652	–
Deferred inflows of resources			
Unavailable revenue – property taxes	115,960	–	–
Unavailable revenue – special assessments	1,367	1,259,768	232,453
	<u>117,327</u>	<u>1,259,768</u>	<u>232,453</u>
Total deferred inflows of resources	117,327	1,259,768	232,453
Fund balances			
Nonspendable	109,523	–	–
Restricted	–	2,776,623	–
Committed	–	–	127,578
Unassigned	5,761,747	–	–
	<u>5,871,270</u>	<u>2,776,623</u>	<u>127,578</u>
Total fund balances	5,871,270	2,776,623	127,578
	<u>6,223,468</u>	<u>5,043,043</u>	<u>360,031</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,223,468	\$ 5,043,043	\$ 360,031

Capital Projects – Storm Water Trunk	Capital Projects – Permanent Improvement Revolving	Capital Projects – Maintenance	Capital Projects – Private	Nonmajor	Total
\$ 2,469,677	\$ 174,580	\$ 1,148,610	\$ 1,197,156	\$ 3,000,020	\$ 16,569,282
–	–	–	–	132,123	363,303
4,698	332	2,185	1,950	5,736	31,378
–	–	–	–	–	1,048,845
–	–	–	–	–	115,960
–	181	–	–	–	99,771
–	1,140,103	–	1,091	–	2,535,192
406,082	–	–	–	–	406,082
588,922	–	–	–	–	588,922
–	–	–	–	–	31,730
–	–	–	–	–	101,101
–	–	–	–	–	8,422
<u>\$ 3,469,379</u>	<u>\$ 1,315,196</u>	<u>\$ 1,150,795</u>	<u>\$ 1,200,197</u>	<u>\$ 3,137,879</u>	<u>\$ 21,899,988</u>
\$ –	\$ –	\$ 283,686	\$ –	\$ 125,540	\$ 588,081
–	–	–	1,122,772	9,309	1,199,637
–	–	–	–	648	756
–	–	–	–	–	406,082
–	–	–	–	–	588,922
–	–	283,686	1,122,772	135,497	2,783,478
–	–	–	–	–	115,960
–	1,140,284	–	1,091	–	2,634,963
–	1,140,284	–	1,091	–	2,750,923
–	–	–	–	–	109,523
–	–	–	–	419,591	3,196,214
3,469,379	174,912	867,109	76,334	2,582,791	7,298,103
–	–	–	–	–	5,761,747
<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>\$ 3,469,379</u>	<u>\$ 1,315,196</u>	<u>\$ 1,150,795</u>	<u>\$ 1,200,197</u>	<u>\$ 3,137,879</u>	<u>\$ 21,899,988</u>

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CITY OF FARMINGTON

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2019

Total fund balances – governmental funds	\$ 16,365,587
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	89,969,093
Less accumulated depreciation	(42,374,966)
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	
	695,590
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Bonds	(13,220,000)
Unamortized bond premiums	(532,060)
Compensated absences	(948,493)
Net pension liability	(5,381,694)
Total OPEB liability	(1,023,973)
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.	
	(238,463)
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.	
	2,288,107
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	115,960
Delinquent and deferred special assessments	2,634,963
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	3,470,957
Deferred outflows of resources – OPEB plan deferments	65,219
Deferred inflows of resources – pension plan deferments	(4,627,479)
Deferred inflows of resources – OPEB plan deferments	(45,731)
Total net position – governmental activities	<u>\$ 47,212,617</u>

CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2019

	General	Debt Service Fund	Capital Projects – State Aid Construction
Revenues			
Property taxes	\$ 9,714,270	\$ 3,046,460	\$ –
Franchise taxes	120,000	–	–
Special assessments	2,005	614,900	6,973
Licenses and permits	421,578	–	–
Intergovernmental	1,085,065	–	–
Charges for services	502,902	–	–
Fines and forfeits	63,561	–	–
Investment earnings	142,075	99,255	4,359
Other	53,125	–	–
Total revenues	<u>12,104,581</u>	<u>3,760,615</u>	<u>11,332</u>
Expenditures			
Current			
General government	2,330,789	–	–
Public safety	5,698,892	–	–
Public works	2,600,928	–	22
Parks and recreation	1,196,803	–	–
Economic development	50,000	–	–
Capital outlay			
General government	39,096	–	–
Public safety	34,874	–	–
Public works	4,507	–	–
Parks and recreation	12,611	–	–
Debt service			
Principal	–	2,435,000	–
Interest and fiscal charges	–	390,099	–
Total expenditures	<u>11,968,500</u>	<u>2,825,099</u>	<u>22</u>
Excess (deficiency) of revenues over expenditures	136,081	935,516	11,310
Other financing sources (uses)			
Bond proceeds	–	–	–
Premium on debt issuance	–	21,542	–
Sale of capital assets	–	–	–
Transfers in	1,244,256	293,648	–
Transfers out	(1,231,138)	(98,245)	–
Total other financing sources (uses)	<u>13,118</u>	<u>216,945</u>	<u>–</u>
Net change in fund balances	149,199	1,152,461	11,310
Fund balances			
Beginning of year	<u>5,722,071</u>	<u>1,624,162</u>	<u>116,268</u>
End of year	<u>\$ 5,871,270</u>	<u>\$ 2,776,623</u>	<u>\$ 127,578</u>

Capital Projects – Storm Water Trunk	Capital Projects – Permanent Improvement Revolving	Capital Projects – Maintenance	Capital Projects – Private	Nonmajor	Total
\$ 166,000	\$ –	\$ –	\$ –	\$ –	\$ 12,926,730
–	–	–	–	142,148	262,148
–	815	–	615	–	625,308
–	–	–	–	–	421,578
–	–	688,143	–	23,367	1,796,575
89,707	–	39,391	–	410,292	1,042,292
–	–	–	–	–	63,561
123,130	6,108	56,854	32,307	103,451	567,539
–	–	–	–	173,191	226,316
<u>378,837</u>	<u>6,923</u>	<u>784,388</u>	<u>32,922</u>	<u>852,449</u>	<u>17,932,047</u>
–	–	–	2,726	74,417	2,407,932
–	–	–	–	6,928	5,705,820
–	–	671,363	–	–	3,272,313
–	–	209,231	–	449,227	1,855,261
–	–	–	–	–	50,000
–	–	–	–	25,820	64,916
–	–	–	–	519,120	553,994
59,009	–	3,710,203	–	–	3,773,719
–	–	–	–	310,749	323,360
–	–	–	–	–	2,435,000
22,274	–	–	–	–	412,373
<u>81,283</u>	<u>–</u>	<u>4,590,797</u>	<u>2,726</u>	<u>1,386,261</u>	<u>20,854,688</u>
297,554	6,923	(3,806,409)	30,196	(533,812)	(2,922,641)
–	–	925,000	–	–	925,000
–	–	63,013	–	–	84,555
–	–	13,973	–	4,966	18,939
–	–	2,175,009	–	567,334	4,280,247
–	–	–	–	(9,789)	(1,339,172)
–	–	<u>3,176,995</u>	–	<u>562,511</u>	<u>3,969,569</u>
297,554	6,923	(629,414)	30,196	28,699	1,046,928
<u>3,171,825</u>	<u>167,989</u>	<u>1,496,523</u>	<u>46,138</u>	<u>2,973,683</u>	<u>15,318,659</u>
<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>

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CITY OF FARMINGTON

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2019

Total net change in fund balances – governmental funds	\$ 1,046,928
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	3,573,740
Depreciation expense	(2,112,008)
Transfers of capital assets to business-type activities	(2,024,174)
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	(1,721)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	(348,274)
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.	
Bonds issued	(925,000)
Principal payments for bonds	2,435,000
Debt premiums	19,415
Compensated absences	(11,752)
Net pension liability	(101,526)
Total OPEB liability	(25,046)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(96,490)
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.	
	137,341
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	(10,615)
Delinquent and deferred special assessments	(516,813)
Governmental funds do not report additions or deletions to certain long-term amounts related to pensions that are	
Deferred outflows of resources – pension plan deferments	(995,984)
Deferred outflows of resources – OPEB plan deferments	6,668
Deferred inflows of resources – pension plan deferments	1,504,001
Deferred inflows of resources – OPEB plan deferments	(45,731)
Change in net position – governmental activities	<u>\$ 1,507,959</u>

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CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 9,808,308	\$ 9,714,270	\$ (94,038)
Franchise taxes	120,000	120,000	-
Special assessments	-	2,005	2,005
Licenses and permits	396,410	421,578	25,168
Intergovernmental	892,265	1,085,065	192,800
Charges for services	438,880	502,902	64,022
Fines and forfeits	42,000	63,561	21,561
Investment earnings	21,900	142,075	120,175
Other	43,775	53,125	9,350
Total revenues	<u>11,763,538</u>	<u>12,104,581</u>	<u>341,043</u>
Expenditures			
Current			
General government	2,478,567	2,330,789	(147,778)
Public safety	5,736,942	5,698,892	(38,050)
Public works	2,508,554	2,600,928	92,374
Parks and recreation	1,224,393	1,196,803	(27,590)
Economic development	50,000	50,000	-
Capital outlay			
General government	-	39,096	39,096
Public safety	11,000	34,874	23,874
Public works	-	4,507	4,507
Parks and recreation	7,200	12,611	5,411
Total expenditures	<u>12,016,656</u>	<u>11,968,500</u>	<u>(48,156)</u>
Excess (deficiency) of revenues over expenditures	(253,118)	136,081	389,199
Other financing sources (uses)			
Transfers in	1,244,256	1,244,256	-
Transfers out	(1,231,138)	(1,231,138)	-
Total other financing sources (uses)	<u>13,118</u>	<u>13,118</u>	<u>-</u>
Net change in fund balances	<u>\$ (240,000)</u>	149,199	<u>\$ 389,199</u>
Fund balances			
Beginning of year		<u>5,722,071</u>	
End of year		<u>\$ 5,871,270</u>	

CITY OF FARMINGTON

Statement of Net Position
Proprietary Funds
as of December 31, 2019

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Assets				
Current assets				
Cash and investments	\$ 1,562,043	\$ 2,572,214	\$ 1,306,531	\$ 1,285,003
Cash restricted for drinking water treatment plant	–	–	–	–
Receivables				
Accounts	55,874	435,803	488,790	256,542
Interest	2,964	4,893	2,485	2,445
Delinquent special assessments	–	21,546	–	–
Deferred special assessments	–	312,730	–	–
Due from other governments	–	–	–	–
Inventory	616,383	–	–	–
Prepaid items	3,333	–	–	–
Total current assets	<u>2,240,597</u>	<u>3,347,186</u>	<u>1,797,806</u>	<u>1,543,990</u>
Noncurrent assets				
Capital assets				
Land	–	85,000	–	84,992
Buildings	–	–	–	–
Improvements other than buildings	121,012	–	–	–
Machinery and equipment	255,266	919,296	1,515,714	226,277
Distribution system	–	–	–	–
Collection system	–	28,952,049	–	20,835,694
Less accumulated depreciation	(364,803)	(12,823,701)	(1,044,260)	(7,825,532)
Total capital assets (net of accumulated depreciation)	<u>11,475</u>	<u>17,132,644</u>	<u>471,454</u>	<u>13,321,431</u>
Total assets	<u>2,252,072</u>	<u>20,479,830</u>	<u>2,269,260</u>	<u>14,865,421</u>
Deferred outflows of resources				
Pension plan deferments – PERA	31,406	–	24,427	–
OPEB plan deferments	4,265	–	3,175	–
Total deferred outflows of resources	<u>35,671</u>	<u>–</u>	<u>27,602</u>	<u>–</u>
Total assets and deferred outflows of resources	<u>\$ 2,287,743</u>	<u>\$ 20,479,830</u>	<u>\$ 2,296,862</u>	<u>\$ 14,865,421</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 159,139	\$ 211,695	\$ 93,603	\$ 4,398
Accrued salaries and employee benefits payable	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	49,689	9,940	25,151	–
Accrued interest payable	–	–	–	–
Compensated absences payable – current	32,317	–	48,366	–
Bonds payable – current	–	–	–	–
Total current liabilities	<u>241,145</u>	<u>221,635</u>	<u>167,120</u>	<u>4,398</u>
Noncurrent liabilities				
Compensated absences payable	10,771	–	16,122	–
Bonds payable (net of unamortized premiums)	–	–	–	–
Net pension liability – PERA	305,023	–	237,240	–
Total OPEB liability	66,964	–	49,853	–
Total noncurrent liabilities	<u>382,758</u>	<u>–</u>	<u>303,215</u>	<u>–</u>
Total liabilities	<u>623,903</u>	<u>221,635</u>	<u>470,335</u>	<u>4,398</u>
Deferred inflows of resources				
Pension plan deferments – PERA	54,338	–	42,263	–
OPEB plan deferments	2,991	–	2,226	–
Total deferred inflows of resources	<u>57,329</u>	<u>–</u>	<u>44,489</u>	<u>–</u>
Net position				
Net investment in capital assets	11,475	17,132,644	471,454	13,321,431
Restricted for drinking water treatment plant	–	–	–	–
Unrestricted	1,595,036	3,125,551	1,310,584	1,539,592
Total net position	<u>1,606,511</u>	<u>20,258,195</u>	<u>1,782,038</u>	<u>14,861,023</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,287,743</u>	<u>\$ 20,479,830</u>	<u>\$ 2,296,862</u>	<u>\$ 14,865,421</u>

			Governmental Activities – Internal Service
Water	Street Light	Total	
\$ 5,423,278	\$ 206,185	\$ 12,355,254	\$ 2,849,717
2,461,488	–	2,461,488	–
324,202	30,436	1,591,647	4,102
15,000	392	28,179	5,421
–	–	21,546	–
–	–	312,730	–
–	–	–	2,947
–	–	616,383	–
–	–	3,333	11,706
<u>8,223,968</u>	<u>237,013</u>	<u>17,390,560</u>	<u>2,873,893</u>
328,384	–	498,376	–
5,185,996	–	5,185,996	–
1,534,818	–	1,655,830	–
517,003	–	3,433,556	116,173
33,196,921	–	33,196,921	–
–	–	49,787,743	–
<u>(17,211,494)</u>	<u>–</u>	<u>(39,269,790)</u>	<u>(97,823)</u>
<u>23,551,628</u>	<u>–</u>	<u>54,488,632</u>	<u>18,350</u>
<u>31,775,596</u>	<u>237,013</u>	<u>71,879,192</u>	<u>2,892,243</u>
–	–	55,833	–
–	–	7,440	–
<u>–</u>	<u>–</u>	<u>63,273</u>	<u>–</u>
<u>\$ 31,775,596</u>	<u>\$ 237,013</u>	<u>\$ 71,942,465</u>	<u>\$ 2,892,243</u>
\$ 285,316	\$ 26,080	\$ 780,231	\$ 111,085
–	–	–	467,740
49,000	–	49,000	1,564
1,504	–	86,284	–
21,342	–	21,342	–
–	–	80,683	23,747
<u>65,000</u>	<u>–</u>	<u>65,000</u>	<u>–</u>
<u>422,162</u>	<u>26,080</u>	<u>1,082,540</u>	<u>604,136</u>
–	–	26,893	–
745,856	–	745,856	–
–	–	542,263	–
–	–	116,817	–
<u>745,856</u>	<u>–</u>	<u>1,431,829</u>	<u>–</u>
<u>1,168,018</u>	<u>26,080</u>	<u>2,514,369</u>	<u>604,136</u>
–	–	96,601	–
–	–	5,217	–
<u>–</u>	<u>–</u>	<u>101,818</u>	<u>–</u>
22,740,772	–	53,677,776	18,350
2,461,488	–	2,461,488	–
<u>5,405,318</u>	<u>210,933</u>	<u>13,187,014</u>	<u>2,269,757</u>
<u>30,607,578</u>	<u>210,933</u>	<u>69,326,278</u>	<u>2,288,107</u>
<u>\$ 31,775,596</u>	<u>\$ 237,013</u>	<u>\$ 71,942,465</u>	<u>\$ 2,892,243</u>

CITY OF FARMINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended December 31, 2019

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Operating revenue				
Sales	\$ 5,604,602	\$ –	\$ –	\$ –
Charges for services	–	2,116,965	2,240,717	1,130,563
Insurance reimbursement	–	–	–	–
Miscellaneous	3,410	969	3,852	–
Total operating revenue	<u>5,608,012</u>	<u>2,117,934</u>	<u>2,244,569</u>	<u>1,130,563</u>
Cost of goods sold	<u>4,183,615</u>	<u>–</u>	<u>–</u>	<u>–</u>
Gross profit	1,424,397	2,117,934	2,244,569	1,130,563
Operating expenses				
Personal services	561,014	3,326	443,770	6,160
Professional services	492,050	1,674,115	1,291,668	93,991
Materials and supplies	19,279	19,309	129,748	15,433
Insurance	–	–	–	–
Depreciation	1,278	613,562	75,916	438,000
Total operating expenses	<u>1,073,621</u>	<u>2,310,312</u>	<u>1,941,102</u>	<u>553,584</u>
Operating income (loss)	350,776	(192,378)	303,467	576,979
Nonoperating revenues (expenses)				
Intergovernmental	–	–	30,868	–
Investment earnings	50,838	100,386	41,819	44,925
Gain on sale of capital assets	–	–	28,000	–
Loss on sale of capital assets	–	(14,277)	–	(4,115)
Interest and fiscal charges	–	(2,041)	(156)	(50)
Total nonoperating revenues (expenses)	<u>50,838</u>	<u>84,068</u>	<u>100,531</u>	<u>40,760</u>
Income (loss) before transfers and capital contributions	401,614	(108,310)	403,998	617,739
Transfers and capital contributions				
Capital contributions – from other funds	–	786,989	–	449,994
Capital contributions – from others	–	–	–	81,634
Transfers in	–	11,149	86,244	5,575
Transfers out	(134,088)	(986,029)	(145,314)	(713,387)
Total transfers and capital contributions	<u>(134,088)</u>	<u>(187,891)</u>	<u>(59,070)</u>	<u>(176,184)</u>
Change in net position	267,526	(296,201)	344,928	441,555
Net position				
Beginning of year	<u>1,338,985</u>	<u>20,554,396</u>	<u>1,437,110</u>	<u>14,419,468</u>
End of year	<u>\$ 1,606,511</u>	<u>\$ 20,258,195</u>	<u>\$ 1,782,038</u>	<u>\$ 14,861,023</u>

See notes to basic financial statements

Water	Street Light	Total	Governmental Activities – Internal Service
\$ –	\$ –	\$ 5,604,602	\$ –
2,038,703	226,971	7,753,919	3,215,908
–	–	–	268,409
243,090	–	251,321	–
2,281,793	226,971	13,609,842	3,484,317
–	–	4,183,615	–
2,281,793	226,971	9,426,227	3,484,317
10,495	–	1,024,765	2,715,913
372,556	164,811	4,089,191	265,237
173,423	1,075	358,267	197,128
–	–	–	291,713
837,094	–	1,965,850	7,344
1,393,568	165,886	7,438,073	3,477,335
888,225	61,085	1,988,154	6,982
3,322	–	34,190	10,789
303,877	6,465	548,310	90,438
–	–	28,000	–
(13,179)	–	(31,571)	–
(32,431)	–	(34,678)	–
261,589	6,465	544,251	101,227
1,149,814	67,550	2,532,405	108,209
787,191	–	2,024,174	–
–	–	81,634	–
11,149	–	114,117	29,132
(1,105,506)	–	(3,084,324)	–
(307,166)	–	(864,399)	29,132
842,648	67,550	1,668,006	137,341
29,764,930	143,383	67,658,272	2,150,766
\$ 30,607,578	\$ 210,933	\$ 69,326,278	\$ 2,288,107

CITY OF FARMINGTON

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Cash flows from operating activities				
Cash received from customers	\$ 5,600,540	\$ 2,071,542	\$ 2,208,609	\$ 1,037,469
Cash receipts from other funds and reimbursements	–	–	–	–
Cash payments to suppliers	(4,807,984)	(1,487,939)	(1,421,251)	(114,836)
Cash payments to employees for services	(550,594)	(3,326)	(433,595)	(6,160)
Cash payments for interfund services used	–	–	–	–
Net cash flows from operating activities	<u>241,962</u>	<u>580,277</u>	<u>353,763</u>	<u>916,473</u>
Cash flows from noncapital financing activities				
Intergovernmental revenue	–	–	30,868	–
Transfers in	–	11,149	86,244	5,575
Transfers out	(134,088)	(310,356)	(145,314)	(385,768)
Net cash flows from noncapital financing activities	<u>(134,088)</u>	<u>(299,207)</u>	<u>(28,202)</u>	<u>(380,193)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(12,753)	(109,192)	(166,128)	(2,166)
Sale of bonds	–	–	–	–
Proceeds from the disposal of capital assets	–	–	28,000	–
Interest and fiscal charges paid	–	(2,041)	(156)	(50)
Transfers out	–	(675,673)	–	(327,619)
Net cash flows from capital and related financing activities	<u>(12,753)</u>	<u>(786,906)</u>	<u>(138,284)</u>	<u>(329,835)</u>
Cash flows from investing activities				
Interest received and changes in fair value on investments	51,231	102,473	41,860	44,905
Net increase in cash and cash equivalents	<u>146,352</u>	<u>(403,363)</u>	<u>229,137</u>	<u>251,350</u>
Cash and cash equivalents				
Beginning of year	<u>1,415,691</u>	<u>2,975,577</u>	<u>1,077,394</u>	<u>1,033,653</u>
End of year	<u>\$ 1,562,043</u>	<u>\$ 2,572,214</u>	<u>\$ 1,306,531</u>	<u>\$ 1,285,003</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 350,776	\$ (192,378)	\$ 303,467	\$ 576,979
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	1,278	613,562	75,916	438,000
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Accounts receivable	(7,472)	(16,318)	(35,960)	(93,094)
Special assessments	–	(30,074)	–	–
Due from other governments	–	–	–	–
Inventory	(80,354)	–	–	–
Prepaid items	(279)	–	–	–
Deferred outflows of resources – pension plan deferments	27,789	–	21,613	–
Deferred outflows of resources – OPEB plan deferments	(320)	–	(24)	–
Accounts and contracts payable	(32,331)	198,030	(2,428)	(5,412)
Accrued salaries and employee benefits	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	(76)	7,455	2,593	–
Compensated absences	(5,670)	–	7,421	–
Net pension liability	1,958	–	1,523	–
Total OPEB liability	7,484	–	(4,064)	–
Deferred inflows of resources – pension plan deferments	(23,812)	–	(18,520)	–
Deferred inflows of resources – OPEB plan deferments	2,991	–	2,226	–
Net cash flows from operating activities	<u>\$ 241,962</u>	<u>\$ 580,277</u>	<u>\$ 353,763</u>	<u>\$ 916,473</u>
Schedule of noncash capital and related financing activities				
Capital assets contributed from other funds	\$ –	\$ 786,989	\$ –	\$ 449,994
Capital assets contributed from others	\$ –	\$ –	\$ –	\$ 81,634
Net book value of capital asset disposals	\$ –	\$ 14,277	\$ –	\$ 4,115
Amortization of bond premium	\$ –	\$ –	\$ –	\$ –

Water	Street Light	Total	Governmental Activities – Internal Service
\$ 2,206,073	\$ 228,722	\$ 13,352,955	\$ –
–	–	–	3,477,457
(376,226)	(167,672)	(8,375,908)	–
(10,495)	–	(1,004,170)	(2,542,806)
–	–	–	(768,885)
<u>1,819,352</u>	<u>61,050</u>	<u>3,972,877</u>	<u>165,766</u>
3,322	–	34,190	10,789
11,149	–	114,117	29,132
(419,360)	–	(1,394,886)	–
(404,889)	–	(1,246,579)	39,921
(3,342,527)	–	(3,632,766)	–
816,638	–	816,638	–
–	–	28,000	–
(16,871)	–	(19,118)	–
(686,146)	–	(1,689,438)	–
(3,228,906)	–	(4,496,684)	–
<u>310,898</u>	<u>6,399</u>	<u>557,766</u>	<u>91,005</u>
(1,503,545)	67,449	(1,212,620)	296,692
<u>9,388,311</u>	<u>138,736</u>	<u>16,029,362</u>	<u>2,553,025</u>
<u>\$ 7,884,766</u>	<u>\$ 206,185</u>	<u>\$ 14,816,742</u>	<u>\$ 2,849,717</u>
\$ 888,225	\$ 61,085	\$ 1,988,154	\$ 6,982
837,094	–	1,965,850	7,344
(75,720)	1,751	(226,813)	(3,913)
–	–	(30,074)	–
–	–	–	(2,947)
–	–	(80,354)	–
–	–	(279)	4,131
–	–	49,402	–
–	–	(344)	–
152,238	(1,786)	308,311	70,202
–	–	–	81,430
17,000	–	17,000	1,521
515	–	10,487	(73)
–	–	1,751	1,089
–	–	3,481	–
–	–	3,420	–
–	–	(42,332)	–
–	–	5,217	–
<u>\$ 1,819,352</u>	<u>\$ 61,050</u>	<u>\$ 3,972,877</u>	<u>\$ 165,766</u>
\$ 787,191	\$ –	\$ 2,024,174	\$ –
\$ –	\$ –	\$ 81,634	\$ –
\$ 13,179	\$ –	\$ 31,571	\$ –
\$ 5,782	\$ –	\$ 5,782	\$ –

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CITY OF FARMINGTON

Notes to Basic Financial Statements December 31, 2019

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 bond-financed debt of the City.

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 2019 budget was adopted for the K-9 Special Revenue Fund, which was established during the year. 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, 2019, expenditures exceeded budget for the following funds. Expenditures in excess of budget were approved by the City Council either through the disbursement process or separate City Council action.

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>
Major funds		
State Aid Construction Capital Projects	\$ –	\$ 22
Storm Water Trunk Capital Projects	\$ –	\$ 81,283
Maintenance Capital Projects	\$ 3,894,732	\$ 4,590,797
Nonmajor special revenue funds		
Park Improvement	\$ 307,500	\$ 328,099
Arena	\$ 352,744	\$ 380,837
Nonmajor capital projects funds		
Recreation Capital Projects	\$ 14,100	\$ 51,040

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.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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 postemployment 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, except that the PERA's fiscal year-end is June 30. 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.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

V. Change in Accounting Principle

During the year ended December 31, 2019, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of the financial statements by accounting for the use of certain own-source revenues in the City's Private Capital Projects Fund and its governmental activities, rather than in a fiduciary (agency) fund as it has in the past. This change in accounting principle did not require the restatement of beginning net position or fund balances.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$	6,354,686
Investments		28,197,039
Petty cash		<u>4,442</u>
Total	\$	<u><u>34,556,167</u></u>

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

Primary government		
Statement of Net Position		
Cash and investments	\$	31,774,253
Restricted assets – temporarily restricted		
Cash for future drinking water treatment plant		2,461,488
Component unit		
Statement of Net Position		
Cash and investments		<u>320,426</u>
Total	\$	<u><u>34,556,167</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 \$6,354,686, while the balance on the bank records was \$6,286,312. At December 31, 2019, 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	Greater Than 10	
U.S. agency securities	AA	S&P	Level 2	\$ 401,200	\$ –	\$ 249,915	\$ 471,974	\$ 1,123,089
Municipal bonds	AAA	S&P	Level 2	250,073	212,708	–	–	462,781
Municipal bonds	AA	Moody’s	Level 2	–	406,916	–	–	406,916
Municipal bonds	AA	S&P	Level 2	–	361,115	–	–	361,115
Municipal bonds	Baa	Moody’s	Level 2	–	348,627	–	–	348,627
Negotiable certificates of deposit	Not rated		Level 2	4,844,441	15,093,443	1,242,897	–	21,180,781
				<u>\$ 5,495,714</u>	<u>\$ 16,422,809</u>	<u>\$ 1,492,812</u>	<u>\$ 471,974</u>	23,883,309
Investment pools/mutual funds								
Western Asset Institutional Government Reserves	AAA	S&P	Level 1					<u>4,313,730</u>
Total investments								<u>\$ 28,197,039</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	Governmental		
Storm Water Trunk	Debt Service	Debt financing (1)	\$ 16,291
Storm Water Trunk	Debt Service	Debt financing (2)	389,791
Total due from/to other funds			<u>\$ 406,082</u>
Advances to/from other funds			
Governmental	Governmental		
Storm Water Trunk	Debt Service	Debt financing (2)	\$ 288,922
Storm Water Trunk	Debt Service	Debt financing (3)	300,000
Total advances to/from other funds			<u>\$ 588,922</u>

(1) Advance of \$509,854 to finance G.O. 2010D Bonds. Annual payments through 06/30/2020. 1.8 percent interest.

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

(3) 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									Total
	Governmental Funds				Proprietary Funds					
	General	Debt Service	Maintenance	Nonmajor	Sewer Enterprise	Solid Waste Enterprise	Storm Water Enterprise	Water Enterprise	Internal Service	
Governmental funds										
General	\$ -	\$ 240,000	\$ 485,571	\$ 482,545	\$ -	\$ -	\$ -	\$ -	\$ 23,022	\$ 1,231,138
Debt Service	-	53,648	-	-	11,149	16,724	5,575	11,149	-	98,245
Nonmajor	-	-	-	9,789	-	-	-	-	-	9,789
Proprietary funds										
Enterprise										
Liquor Operations	59,088	-	-	75,000	-	-	-	-	-	134,088
Sewer Operations	290,424	-	675,673	-	-	17,932	-	-	2,000	986,029
Solid Waste	141,564	-	-	-	-	-	-	-	3,750	145,314
Storm Water	366,768	-	327,619	-	-	18,640	-	-	360	713,387
Water	386,412	-	686,146	-	-	32,948	-	-	-	1,105,506
Total	<u>\$ 1,244,256</u>	<u>\$ 293,648</u>	<u>\$ 2,175,009</u>	<u>\$ 567,334</u>	<u>\$ 11,149</u>	<u>\$ 86,244</u>	<u>\$ 5,575</u>	<u>\$ 11,149</u>	<u>\$ 29,132</u>	<u>\$ 4,423,496</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 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
Construction in progress	–	2,937,358	–	(2,937,358)	–
Total capital assets, not depreciated	1,749,824	2,937,358	–	(2,937,358)	1,749,824
Capital assets, depreciated					
Buildings	21,270,667	68,864	–	–	21,339,531
Improvements other than buildings	1,654,912	94,900	–	–	1,749,812
Machinery and equipment	6,364,688	472,618	(94,575)	–	6,742,731
Infrastructure	57,802,186	–	(212,002)	913,184	58,503,368
Total capital assets, depreciated	87,092,453	636,382	(306,577)	913,184	88,335,442
Less accumulated depreciation on					
Buildings	6,300,358	434,787	–	–	6,735,145
Improvements other than buildings	1,329,067	51,063	–	–	1,380,130
Machinery and equipment	4,446,375	334,210	(94,576)	–	4,686,009
Infrastructure	28,582,493	1,299,292	(210,280)	–	29,671,505
Total accumulated depreciation	40,658,293	2,119,352	(304,856)	–	42,472,789
Total capital assets, depreciated	46,434,160	(1,482,970)	(1,721)	913,184	45,862,653
Net capital assets	\$ 48,183,984	\$ 1,454,388	\$ (1,721)	\$ (2,024,174)	\$ 47,612,477

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	\$ 414,576	\$ 83,800	\$ –	\$ –	\$ 498,376
Construction in progress	152,260	3,325,351	–	(3,477,611)	–
Total capital assets, not depreciated	566,836	3,409,151	–	(3,477,611)	498,376
Capital assets, depreciated					
Buildings	3,243,203	–	–	1,942,793	5,185,996
Improvements other than buildings	121,012	–	–	1,534,818	1,655,830
Machinery and equipment	3,347,616	305,249	(219,309)	–	3,433,556
Collection/distribution systems	81,196,072	–	(235,582)	2,024,174	82,984,664
Total capital assets, depreciated	87,907,903	305,249	(454,891)	5,501,785	93,260,046
Less accumulated depreciation on					
Buildings	3,243,203	97,352	–	–	3,340,555
Improvements other than buildings	121,012	38,455	–	–	159,467
Machinery and equipment	2,439,752	164,519	(219,309)	–	2,384,962
Collection/distribution systems	31,923,293	1,665,524	(204,011)	–	33,384,806
Total accumulated depreciation	37,727,260	1,965,850	(423,320)	–	39,269,790
Total capital assets, depreciated	50,180,643	(1,660,601)	(31,571)	5,501,785	53,990,256
Net capital assets	\$ 50,747,479	\$ 1,748,550	\$ (31,571)	\$ 2,024,174	\$ 54,488,632

NOTE 4 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	\$ 191,540
Public safety	320,204
Public works	1,458,429
Parks and recreation	<u>149,179</u>
Total depreciation expense – governmental activities	<u>\$ 2,119,352</u>
Business-type activities	
Liquor operations	\$ 1,278
Sewer operations	613,562
Solid waste	75,916
Storm water	438,000
Water	<u>837,094</u>
Total depreciation expense – business-type activities	<u>\$ 1,965,850</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 2019, the City paid \$105,729 in rent for the Downtown store and \$39,360 for common area operating expenses.

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 \$76,128 in rent for the Pilot Knob store and \$41,395 for common area operating expenses during 2019.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 139,930
2021	76,128
2022	<u>69,784</u>
	<u>\$ 285,842</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	\$ 1,955,000
G.O. Street Reconstruction Bonds 2013B	\$ 1,495,000	0.45–1.95%	10/09/2013	02/01/2020	410,000
G.O. Street Reconstruction Bonds 2015A	\$ 3,050,000	2.00–3.00%	10/15/2015	02/01/2030	2,445,000
G.O. Improvement Refunding Bonds 2016A	\$ 3,450,000	2.00%	12/01/2016	02/01/2023	2,400,000
G.O. Street Reconstruction Bonds 2019A	\$ 925,000	5.00%	05/15/2019	02/01/2024	925,000
Total G.O. improvement bonds					<u>8,135,000</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
G.O. Capital Improvement Refunding Bonds 2016C	\$ 1,630,000	2.00%	12/01/2016	02/01/2020	545,000
Total G.O. capital improvement bonds					<u>5,085,000</u>
Total governmental activities bonds					13,220,000
Unamortized premiums					532,060
Compensated absences					<u>972,240</u>
Total governmental activities					<u>\$ 14,724,300</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	\$ 720,000
Unamortized premiums					90,856
Compensated absences					<u>107,576</u>
Total business-type activities					<u>\$ 918,432</u>

B. Changes in Long-Term Debt

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. improvement bonds	\$ 9,115,000	\$ 925,000	\$ 1,905,000	\$ 8,135,000	\$ 2,365,000
G.O. capital improvement bonds	5,615,000	–	530,000	5,085,000	545,000
Unamortized bond premiums	551,475	84,555	103,970	532,060	–
Compensated absences	959,399	640,370	627,529	972,240	729,181
Total governmental activities	16,240,874	1,649,925	3,166,499	14,724,300	3,639,181
Business-type activities					
G.O. revenue bonds	–	720,000	–	720,000	65,000
Unamortized bond premiums	–	96,638	5,782	90,856	–
Compensated absences	105,825	58,691	56,940	107,576	80,683
Total business-type activities	105,825	875,329	62,722	918,432	145,683
Total government-wide	<u>\$ 16,346,699</u>	<u>\$ 2,525,254</u>	<u>\$ 3,229,221</u>	<u>\$ 15,642,732</u>	<u>\$ 3,784,864</u>

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

Governmental Activities

Year Ending December 31,	G.O. Improvement		G.O. Capital Improvement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,365,000	\$ 189,361	\$ 545,000	\$ 129,300	\$ 2,910,000	\$ 318,661
2021	1,650,000	132,550	505,000	116,275	2,155,000	248,825
2022	1,465,000	93,700	525,000	100,825	1,990,000	194,525
2023	870,000	62,275	545,000	84,775	1,415,000	147,050
2024	445,000	40,675	560,000	68,200	1,005,000	108,875
2025–2029	1,265,000	91,381	2,405,000	109,650	3,670,000	201,031
2030	75,000	1,032	–	–	75,000	1,032
Total	<u>\$ 8,135,000</u>	<u>\$ 610,974</u>	<u>\$ 5,085,000</u>	<u>\$ 609,025</u>	<u>\$13,220,000</u>	<u>\$ 1,219,999</u>

Business-Type Activities

Year Ending December 31,	G.O. Revenue	
	Principal	Interest
2020	\$ 65,000	\$ 39,916
2021	60,000	29,550
2022	65,000	26,425
2023	65,000	23,175
2024	70,000	19,800
2025–2029	395,000	44,575
Total	<u>\$ 720,000</u>	<u>\$ 183,441</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, 2019, the City had not utilized \$50,204,079 of its net legal debt margin.

- **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	\$ 903,441	\$ –	\$ 2,281,793

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	\$ –	\$ –	\$ –	\$ 695,590	\$ 695,590
Deferred outflows of resources	\$ 348,959	\$ 2,559,841	\$ 2,908,800	\$ 617,990	\$ 3,526,790
Net pension liability	\$ 3,389,141	\$ 2,534,816	\$ 5,923,957	\$ –	\$ 5,923,957
Deferred inflows of resources	\$ 603,760	\$ 3,932,295	\$ 4,536,055	\$ 188,025	\$ 4,724,080
Pension expense	\$ 414,163	\$ 375,115	\$ 789,278	\$ 318,725	\$ 1,108,003

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.

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.

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

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 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.

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 percent after five years, up to 100 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 percent after 10 years, up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be fixed at 1 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 2019. 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, 2019, were \$340,100. 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 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the PEPFF for the year ended December 31, 2019, were \$442,727. The City's contributions were equal to the required contributions as set by state statutes.

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

D. Pension Costs

1. GERF Pension Costs

At December 31, 2019, the City reported a liability of \$3,389,141 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0613 percent at the end of the measurement period and 0.0607 percent for the beginning of the period.

The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. 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	\$ 3,389,141
State’s proportionate share of the net pension liability associated with the City	\$ 105,329

For the year ended December 31, 2019, the City recognized pension expense of \$406,275 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$7,888 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

At December 31, 2019, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 92,777	\$ –
Changes in actuarial assumptions	–	262,188
Differences between projected and actual investment earnings	–	341,572
Changes in proportion	85,302	–
Contributions paid to the PERA subsequent to the measurement date	<u>170,880</u>	<u>–</u>
Total	<u>\$ 348,959</u>	<u>\$ 603,760</u>

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

A total of \$170,880 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, 2020. 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>Pension Expense Amount</u>
2020	\$ (129,197)
2021	\$ (243,114)
2022	\$ (58,832)
2023	\$ 5,462

2. PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$2,534,816 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.2381 percent at the end of the measurement period and 0.2300 percent for the beginning of the period.

For the year ended December 31, 2019, the City recognized pension expense of \$342,972 for its proportionate share of the PEPFF’s pension expense. The City also recognized \$32,143 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the PEPFF. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the PEPFF each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 106,249	\$ 394,503
Changes in actuarial assumptions	2,146,781	2,830,858
Differences between projected and actual investment earnings	–	508,758
Changes in proportion	71,948	198,176
Contributions paid to the PERA subsequent to the measurement date	<u>234,863</u>	<u>–</u>
Total	<u><u>\$ 2,559,841</u></u>	<u><u>\$ 3,932,295</u></u>

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

A total of \$234,863 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, 2020. 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>Pension Expense Amount</u>
2020	\$ (194,643)
2021	\$ (379,012)
2022	\$ (1,042,674)
2023	\$ (3,228)
2024	\$ 12,240

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	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, 2019 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 most recent four-year experience study for the PEPFF was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.90 %
Cash equivalents	2.0	– %
Total	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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	\$ 5,571,563	\$ 3,389,141	\$ 1,587,115
City’s proportionate share of the PEPFF net pension liability	\$ 5,540,635	\$ 2,534,816	\$ 49,051

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, 2018, the plan covered 50 active firefighters and 9 vested terminated firefighters whose pension benefits are deferred. The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership.

B. Benefits Provided

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

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

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 \$152,797 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2019, 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, 2019 were \$0; however, the City made a voluntary contribution of \$150,000 to the plan.

D. Pension Costs

At December 31, 2019, the City reported a net pension liability (asset) of (\$695,590) for the plan. The net pension liability (asset) was measured as of December 31, 2018. 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)
	<u> </u>	<u> </u>	<u> </u>
Beginning balance – January 1, 2019	\$ 1,587,454	\$ 2,631,318	\$ (1,043,864)
Changes for the year			
Service cost	112,754	–	112,754
Interest	105,418	–	105,418
Differences between expected and actual experience	(13,870)	–	(13,870)
Changes of assumptions	86,336	–	86,336
Changes of benefit terms	169,797	–	169,797
Contributions (state and local)	–	297,548	(297,548)
Net investment income	–	(168,667)	168,667
Benefit payments	(156,771)	(156,771)	–
Administrative costs	–	(16,720)	16,720
Total net changes	<u>303,664</u>	<u>(44,610)</u>	<u>348,274</u>
Ending balance – December 31, 2019	<u>\$ 1,891,118</u>	<u>\$ 2,586,708</u>	<u>\$ (695,590)</u>

For the year ended December 31, 2019, the City recognized pension revenue of \$150,548 and pension expense of \$318,725.

At December 31, 2019, 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
	<u> </u>	<u> </u>
Difference between expected and actual liability	\$ –	\$ 23,555
Change of assumptions	153,405	11,673
Net difference between projected and actual earnings on plan investments	161,788	–
City contributions subsequent to the measurement date	150,000	–
State aid to the City subsequent to the measurement date	<u>152,797</u>	<u>152,797</u>
Total	<u>\$ 617,990</u>	<u>\$ 188,025</u>

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

Deferred outflows of resources totaling \$302,797 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, 2020. Deferred inflows of resources totaling \$152,797 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 65,023
2021	\$ 31,524
2022	\$ 40,303
2023	\$ 80,718
2024	\$ 13,945
Thereafter	\$ 48,452

E. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60 percent and increased by 4 percent for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service	
Inflation rate	2.50% per year
Investment rate of return	5.75%
20-year municipal bond yield	3.71%

For the December 31, 2018 valuation, the plan benefit per year of service increased from \$6,500 to \$7,500.

The changes in actuarial assumptions since the prior valuation included:

- The assumed investment return and single discount rate were 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.

The 5.75 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	49.43 %	4.95 %	7.45 %
International equity	14.54	5.24 %	7.74 %
Fixed income	20.52	1.99 %	4.49 %
Real estate and alternatives	0.71	4.19 %	6.69 %
Cash and equivalents	14.80	0.58 %	3.08 %
Total	<u>100.00 %</u>		5.75 %

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75 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 (4.75%)	Current (5.75%)	1% Increase (6.75%)
Net pension liability (asset)	\$ (576,293)	\$ (695,590)	\$ (807,733)

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 \$50,443.

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>64</u>
Total members	<u><u>70</u></u>

E. Total OPEB Liability of the City

The City's total OPEB liability of \$1,140,790 as of year-end was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2018.

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	4.09%
20-year municipal bond yield	4.09%
Inflation rate	2.50%
Salary increases	3.50%
Healthcare trend rate	8.00% grading to 5.00% over 9 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 4.09 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 3.44 percent.

Mortality rates were based on the RP-2014 Mortality Table, adjusted for white collar and mortality improvements using projection scale MP-2015 from a base year of 2014 (using projection scale MP-2016 from a base year of 2006 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).

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – January 1, 2019	\$ 1,112,324
Changes for the year	
Service cost	85,451
Interest	40,509
Changes of assumptions	(57,133)
Benefit payments – employer-financed	(40,361)
Total net changes	<u>28,466</u>
Ending balance – December 31, 2019	<u>\$ 1,140,790</u>

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

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.09%	4.09%	5.09%
Total OPEB liability	\$ 1,229,620	\$ 1,140,790	\$ 1,057,523

The following presents the net 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	7.00% decreasing to 4.00% over 9 years	8.00% decreasing to 5.00% over 9 years	9.00% decreasing to 6.00% over 9 years
Total OPEB liability	\$ 1,006,265	\$ 1,140,790	\$ 1,299,980

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

For the current year, the City recognized OPEB expense of \$122,846. 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>
Changes of assumptions	\$ 22,216	\$ 50,948
Contributions subsequent to the measurement date	<u>50,443</u>	<u>–</u>
	<u>\$ 72,659</u>	<u>\$ 50,948</u>

Deferred outflows of resources reported \$50,443 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, 2020. 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>
2020	\$ (3,115)
2021	\$ (3,115)
2022	\$ (3,115)
2023	\$ (3,115)
2024	\$ (3,115)
Thereafter	\$ (13,157)

NOTE 11 – FUND BALANCES

A. Classifications

At December 31, 2019, 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	\$ 8,422	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 8,422
Loan	101,101	–	–	–	–	–	–	–	101,101
Total nonspendable	109,523	–	–	–	–	–	–	–	109,523
Restricted									
Debt service	–	2,776,623	–	–	–	–	–	–	2,776,623
Police programs	–	–	–	–	–	–	20,392	–	20,392
Park improvements	–	–	–	–	–	–	–	205,862	205,862
PEG fees	–	–	–	–	–	–	–	170,838	170,838
Recreational capital projects	–	–	–	–	–	–	–	22,499	22,499
Total restricted	–	2,776,623	–	–	–	–	–	419,591	3,196,214
Committed									
Street construction	–	–	127,578	–	–	–	–	–	127,578
Storm water trunk	–	–	–	3,469,379	–	–	–	–	3,469,379
Improvement projects	–	–	–	–	174,912	–	76,334	70,636	321,882
Park improvements	–	–	–	–	–	–	–	88,789	88,789
Ice arena capital	–	–	–	–	–	–	–	69,672	69,672
Sanitary sewer trunk	–	–	–	–	–	–	–	431,105	431,105
Cable communications	–	–	–	–	–	–	–	811,701	811,701
Fire capital programs	–	–	–	–	–	–	–	149,311	149,311
Pavement management	–	–	–	–	–	867,109	–	–	867,109
Capital equipment	–	–	–	–	–	–	–	961,577	961,577
Total committed	–	–	127,578	3,469,379	174,912	867,109	76,334	2,582,791	7,298,103
Unassigned	5,761,747	–	–	–	–	–	–	–	5,761,747
Total	<u>\$ 5,871,270</u>	<u>\$ 2,776,623</u>	<u>\$ 127,578</u>	<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>

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, 2019, the unassigned fund balance of the General Fund was 42.2 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 2019.

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, 2019 of \$101,101 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. Construction Commitments

The City is committed to various construction contracts for the improvement of City property. At December 31, 2019, the City's remaining commitment under these contracts is approximately \$157,665.

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 \$131,589 of property tax increment in the current year. The remaining principal balance as of December 31, 2019 for this agreement was \$1,398,267. This amount is not included in long-term debt because of the nature of this note in that repayment is required only if sufficient tax increments are received. The EDA's position is that these are obligations to assign future and uncertain revenue sources and these obligations are not actual debt in-substance.

NOTE 15 – SUBSEQUENT EVENTS

A. Debt Issuance

In February 2019, the City approved the sale of \$1,105,000 of General Obligation Equipment Certificates, Series 2020A. The certificates bear an interest rate of 5.0 percent and have a final maturity of February 1, 2026.

B. COVID-19

Shortly after the 2019 fiscal year-end, the worldwide spread of the novel coronavirus (COVID-19) has caused significant volatility in the economy and financial markets. There is significant uncertainty about the breadth and duration of potential business disruptions related to COVID-19, and its economic impact in the U.S. and around the world. At this time, the City is unable to determine what effect this may have on its future financial condition and operations.

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, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0623%	\$ 3,228,709	\$ –	\$ 3,228,709	\$ 3,660,794	88.20%	78.20%
12/31/2016	06/30/2016	0.0583%	\$ 4,733,671	\$ 61,864	\$ 4,795,535	\$ 3,618,268	130.83%	68.90%
12/31/2017	06/30/2017	0.0597%	\$ 3,811,209	\$ 47,942	\$ 3,859,151	\$ 3,847,797	99.05%	75.90%
12/31/2018	06/30/2018	0.0607%	\$ 3,367,387	\$ 110,472	\$ 3,477,859	\$ 4,034,230	83.47%	79.50%
12/31/2019	06/30/2019	0.0613%	\$ 3,389,141	\$ 105,329	\$ 3,494,470	\$ 4,340,798	78.08%	80.20%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2019

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%

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 Proportionate Share of Net Pension Liability
 Year Ended December 31, 2019

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 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	\$ 2,242,616	124.13%	86.60%
12/31/2016	06/30/2016	0.2430%	\$ 9,752,013	\$ 2,344,593	415.94%	63.90%
12/31/2017	06/30/2017	0.2370%	\$ 3,199,781	\$ 2,431,157	131.62%	85.40%
12/31/2018	06/30/2018	0.2300%	\$ 2,451,563	\$ 2,424,781	101.10%	88.80%
12/31/2019	06/30/2019	0.2381%	\$ 2,534,816	\$ 2,513,262	100.86%	89.30%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2019

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%

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
Farmington Fire Fighters' Relief Association year-end dated (measurement date) December 31,	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 69,285	\$ 71,190	\$ 86,788	\$ 93,501	\$ 112,754
Interest	110,249	92,788	82,702	95,308	105,418
Differences between expected and actual experience	–	–	(14,504)	–	(13,870)
Changes of assumptions	–	116,780	(15,678)	–	86,336
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
Total pension liability – beginning of year	1,638,527	1,552,418	1,237,039	1,518,815	1,587,454
Total pension liability – 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>
Plan fiduciary net position					
Contributions (state and local)	\$ 283,461	\$ 291,915	\$ 291,510	\$ 301,508	\$ 297,548
Net investment income	84,277	(33,543)	163,457	342,985	(168,667)
Benefit payments	(265,643)	(596,137)	(1,194)	(292,064)	(156,771)
Administrative costs	(10,848)	(15,756)	(17,200)	(18,282)	(16,720)
Net change in plan fiduciary net position	91,247	(353,521)	436,573	334,147	(44,610)
Plan fiduciary net position – beginning of year	2,122,872	2,214,119	1,860,598	2,297,171	2,631,318
Plan fiduciary net position – 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>
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>
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>

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

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

	<u>2018</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 113,275	\$ 85,451
Interest	40,190	40,509
Changes of assumptions	28,356	(57,133)
Benefit payments	<u>(38,891)</u>	<u>(40,361)</u>
Net change in total OPEB liability	142,930	28,466
Total OPEB liability – beginning of year	<u>969,394</u>	<u>1,112,324</u>
Total OPEB liability – end of year	<u>\$ 1,112,324</u>	<u>\$ 1,140,790</u>
Covered payroll	<u>\$ 5,800,000</u>	<u>\$ 6,000,000</u>
Total OPEB liability as a percentage of covered payroll	<u>19.18%</u>	<u>19.01%</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, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

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, 2019

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.

CITY OF FARMINGTON

Notes to Required Supplementary Information (continued)
December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

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, 2019

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

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, 2019

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, 2019

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, 2019

FARMINGTON FIRE FIGHTERS' RELIEF ASSOCIATION

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 PLAN PROVISIONS

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

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.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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SUPPLEMENTAL INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF FARMINGTON

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and investments	\$ 344,939	\$ 2,655,081	\$ 3,000,020
Receivables			
Accounts	66,318	65,805	132,123
Interest	<u>685</u>	<u>5,051</u>	<u>5,736</u>
Total assets	<u>\$ 411,942</u>	<u>\$ 2,725,937</u>	<u>\$ 3,137,879</u>
Liabilities			
Accounts and contracts payable	\$ 17,270	\$ 108,270	\$ 125,540
Deposits payable	9,309	-	9,309
Due to other governments	<u>648</u>	<u>-</u>	<u>648</u>
Total liabilities	<u>27,227</u>	<u>108,270</u>	<u>135,497</u>
Fund balances			
Restricted	226,254	193,337	419,591
Committed	<u>158,461</u>	<u>2,424,330</u>	<u>2,582,791</u>
Total fund balances	<u>384,715</u>	<u>2,617,667</u>	<u>3,002,382</u>
Total liabilities and fund balances	<u>\$ 411,942</u>	<u>\$ 2,725,937</u>	<u>\$ 3,137,879</u>

CITY OF FARMINGTON

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total
Revenue			
Franchise taxes	\$ -	\$ 142,148	\$ 142,148
Intergovernmental	23,367	-	23,367
Charges for services	357,308	52,984	410,292
Investment earnings	15,550	87,901	103,451
Other			
Donations	10,380	101,571	111,951
Rentals	10,519	-	10,519
Miscellaneous	40,177	10,544	50,721
Total revenues	<u>457,301</u>	<u>395,148</u>	<u>852,449</u>
Expenditures			
Current			
General government	-	74,417	74,417
Public safety	4,162	2,766	6,928
Parks and recreation	413,845	35,382	449,227
Capital outlay			
General government	-	25,820	25,820
Public safety	-	519,120	519,120
Parks and recreation	295,091	15,658	310,749
Total expenditures	<u>713,098</u>	<u>673,163</u>	<u>1,386,261</u>
Excess (deficiency) of revenues over expenditures	(255,797)	(278,015)	(533,812)
Other financing sources (uses)			
Sale of capital assets	3,747	1,219	4,966
Transfers in	84,789	482,545	567,334
Transfers out	(9,789)	-	(9,789)
Total other financing sources (uses)	<u>78,747</u>	<u>483,764</u>	<u>562,511</u>
Net change in fund balances	(177,050)	205,749	28,699
Fund balances			
Beginning of year	<u>561,765</u>	<u>2,411,918</u>	<u>2,973,683</u>
End of year	<u>\$ 384,715</u>	<u>\$ 2,617,667</u>	<u>\$ 3,002,382</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

Nonmajor special revenue funds presently established are as follows:

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.

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

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

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

CITY OF FARMINGTON

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2019

	Police Donations and Forfeitures	K-9	Park Improvement	Arena	Total
Assets					
Cash and investments	\$ 8,237	\$ 12,598	\$ 294,063	\$ 30,041	\$ 344,939
Receivables					
Accounts	–	–	–	66,318	66,318
Interest	16	24	588	57	685
	<u>16</u>	<u>24</u>	<u>588</u>	<u>57</u>	<u>685</u>
Total assets	<u>\$ 8,253</u>	<u>\$ 12,622</u>	<u>\$ 294,651</u>	<u>\$ 96,416</u>	<u>\$ 411,942</u>
Liabilities					
Accounts and contracts payable	\$ 356	\$ 127	\$ –	\$ 16,787	\$ 17,270
Deposits payable	–	–	–	9,309	9,309
Due to other governments	–	–	–	648	648
Total liabilities	<u>356</u>	<u>127</u>	<u>–</u>	<u>26,744</u>	<u>27,227</u>
Fund balances					
Restricted for police programs	7,897	12,495	–	–	20,392
Restricted for park improvements	–	–	205,862	–	205,862
Committed for park improvements	–	–	88,789	–	88,789
Committed for ice arena capital	–	–	–	69,672	69,672
Total fund balances	<u>7,897</u>	<u>12,495</u>	<u>294,651</u>	<u>69,672</u>	<u>384,715</u>
	<u>\$ 8,253</u>	<u>\$ 12,622</u>	<u>\$ 294,651</u>	<u>\$ 96,416</u>	<u>\$ 411,942</u>
Total liabilities and fund balances	<u>\$ 8,253</u>	<u>\$ 12,622</u>	<u>\$ 294,651</u>	<u>\$ 96,416</u>	<u>\$ 411,942</u>

CITY OF FARMINGTON

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2019

	Police Donations and Forfeitures	K-9	Park Improvement	Arena	Total
Revenues					
Intergovernmental	\$ -	\$ -	\$ 23,367	\$ -	\$ 23,367
Charges for services	-	-	-	357,308	357,308
Investment earnings	315	300	13,444	1,491	15,550
Other					
Donations	-	4,780	600	5,000	10,380
Rentals	-	-	7,773	2,746	10,519
Miscellaneous	-	-	39,004	1,173	40,177
Total revenues	<u>315</u>	<u>5,080</u>	<u>84,188</u>	<u>367,718</u>	<u>457,301</u>
Expenditures					
Current					
Public safety	1,788	2,374	-	-	4,162
Parks and recreation	-	-	35,404	378,441	413,845
Capital outlay					
Parks and recreation	-	-	292,695	2,396	295,091
Total expenditures	<u>1,788</u>	<u>2,374</u>	<u>328,099</u>	<u>380,837</u>	<u>713,098</u>
Excess (deficiency) of revenues over expenditures	(1,473)	2,706	(243,911)	(13,119)	(255,797)
Other financing sources (uses)					
Sale of capital assets	3,747	-	-	-	3,747
Transfers in	-	9,789	75,000	-	84,789
Transfers out	(9,789)	-	-	-	(9,789)
Total other financing sources (uses)	<u>(6,042)</u>	<u>9,789</u>	<u>75,000</u>	<u>-</u>	<u>78,747</u>
Net change in fund balances	(7,515)	12,495	(168,911)	(13,119)	(177,050)
Fund balances					
Beginning of year	<u>15,412</u>	<u>-</u>	<u>463,562</u>	<u>82,791</u>	<u>561,765</u>
End of year	<u>\$ 7,897</u>	<u>\$ 12,495</u>	<u>\$ 294,651</u>	<u>\$ 69,672</u>	<u>\$ 384,715</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

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

Nonmajor capital projects funds presently established are as follows:

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

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

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, 2019

	Sanitary Sewer Trunk	Cable Communications	Fire
Assets			
Cash and investments	\$ 430,286	\$ 915,650	\$ 149,027
Receivables			
Accounts	-	65,147	-
Interest	819	1,742	284
	<u>431,105</u>	<u>982,539</u>	<u>149,311</u>
Total assets	<u>\$ 431,105</u>	<u>\$ 982,539</u>	<u>\$ 149,311</u>
Liabilities			
Accounts and contracts payable	\$ -	\$ -	\$ -
Fund balances			
Restricted for public, educational, and governmental fees	-	170,838	-
Restricted for recreational capital projects	-	-	-
Committed for sanitary sewer trunk	431,105	-	-
Committed for cable communications	-	811,701	-
Committed for fire capital programs	-	-	149,311
Committed for improvement projects	-	-	-
Committed for capital equipment	-	-	-
Total fund balances	<u>431,105</u>	<u>982,539</u>	<u>149,311</u>
	<u>\$ 431,105</u>	<u>\$ 982,539</u>	<u>\$ 149,311</u>
Total liabilities and fund balances	<u>\$ 431,105</u>	<u>\$ 982,539</u>	<u>\$ 149,311</u>

<u>Recreation</u>	<u>General Capital Equipment</u>	<u>Total</u>
\$ 106,998	\$ 1,053,120	\$ 2,655,081
-	658	65,805
<u>203</u>	<u>2,003</u>	<u>5,051</u>
<u>\$ 107,201</u>	<u>\$ 1,055,781</u>	<u>\$ 2,725,937</u>
\$ 14,066	\$ 94,204	\$ 108,270
-	-	170,838
22,499	-	22,499
-	-	431,105
-	-	811,701
-	-	149,311
70,636	-	70,636
-	<u>961,577</u>	<u>961,577</u>
<u>93,135</u>	<u>961,577</u>	<u>2,617,667</u>
<u>\$ 107,201</u>	<u>\$ 1,055,781</u>	<u>\$ 2,725,937</u>

CITY OF FARMINGTON

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2019

	Sanitary Sewer Trunk	Cable Communications	Fire
Revenues			
Franchise taxes	\$ -	\$ 142,148	\$ -
Charges for services	52,984	-	-
Investment earnings	14,626	31,634	4,529
Other			
Donations	-	-	74,192
Miscellaneous	-	10,544	-
Total revenues	<u>67,610</u>	<u>184,326</u>	<u>78,721</u>
Expenditures			
Current			
General government	-	74,417	-
Public safety	-	-	2,718
Parks and recreation	-	-	-
Capital outlay			
General government	-	25,820	-
Public safety	-	-	314,874
Parks and recreation	-	-	-
Total expenditures	<u>-</u>	<u>100,237</u>	<u>317,592</u>
Excess (deficiency) of revenues over expenditures	67,610	84,089	(238,871)
Other financing sources			
Sale of capital assets	-	-	470
Transfers in	-	-	250,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>250,470</u>
Net change in fund balances	67,610	84,089	11,599
Fund balances			
Beginning of year	<u>363,495</u>	<u>898,450</u>	<u>137,712</u>
End of year	<u>\$ 431,105</u>	<u>\$ 982,539</u>	<u>\$ 149,311</u>

<u>Recreation</u>	<u>General Capital Equipment</u>	<u>Total</u>
\$ -	\$ -	\$ 142,148
-	-	52,984
4,098	33,014	87,901
27,379	-	101,571
-	-	10,544
<u>31,477</u>	<u>33,014</u>	<u>395,148</u>
-	-	74,417
-	48	2,766
35,382	-	35,382
-	-	25,820
-	204,246	519,120
15,658	-	15,658
<u>51,040</u>	<u>204,294</u>	<u>673,163</u>
(19,563)	(171,280)	(278,015)
-	749	1,219
-	232,545	482,545
<u>-</u>	<u>233,294</u>	<u>483,764</u>
(19,563)	62,014	205,749
<u>112,698</u>	<u>899,563</u>	<u>2,411,918</u>
<u>\$ 93,135</u>	<u>\$ 961,577</u>	<u>\$ 2,617,667</u>

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DEBT SERVICE FUND

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

2010A General Obligation Improvement Refunding Bonds – The bonds were issued for the refinancing of the Police Station. The final payment on these bonds was made in 2018.

2010B General Obligation Utility Revenue Refunding Bonds – The bonds were issued for the refinancing of the Maintenance Facility Bonds. 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.

2011A General Obligation Improvement Refunding Bonds – The bonds were issued for the Main Street Project. The final payment on these bonds was made in 2018.

2013A General Obligation Improvement Refunding Bonds – The bonds were issued to refund the 2005B and 2006A bonds, which were originally issued for the Ash Street, Hill Dee, and Spruce Street Projects.

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.

CITY OF FARMINGTON

Debt Service Fund
 Combining Balance Sheet by Account
 as of December 31, 2019

	2010A G.O. Improvement Refunding Bonds	2010B G.O. Utility Revenue Refunding Bonds	2010D G.O. Equipment Certificate Bonds	2011A G.O. Improvement Refunding Bonds	2013A G.O. Improvement Refunding Bonds
Assets					
Cash and investments	\$ 5,327	\$ -	\$ 128	\$ -	\$ 865,313
Receivables					
Interest	467	-	-	-	1,646
Special assessments					
Delinquent	-	-	-	-	248
Noncurrent	-	-	-	-	180,173
Total assets	<u>\$ 5,794</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 1,047,380</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ 413
Due to other funds	389,791	-	16,291	-	-
Advances from other funds	288,922	-	-	-	-
Total liabilities	<u>678,713</u>	<u>-</u>	<u>16,291</u>	<u>-</u>	<u>413</u>
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	180,421
Fund balances (deficits)					
Restricted for debt service	<u>(672,919)</u>	<u>-</u>	<u>(16,163)</u>	<u>-</u>	<u>866,546</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,794</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 1,047,380</u>

2013B G.O. Street Construction Bonds	2015A G.O. Street Construction Bonds	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	Total
\$ 435,738	\$ 357,866	\$ 1,250,178	\$ 84,900	\$ 581,604	\$ 194,582	\$ 3,775,636
829	681	2,378	162	1,106	370	7,639
-	-	98,956	-	-	-	99,204
-	-	980,391	-	-	-	1,160,564
<u>\$ 436,567</u>	<u>\$ 358,547</u>	<u>\$ 2,331,903</u>	<u>\$ 85,062</u>	<u>\$ 582,710</u>	<u>\$ 194,952</u>	<u>\$ 5,043,043</u>
\$ 413	\$ 413	\$ 5,193	\$ 4,803	\$ 413	\$ -	\$ 11,648
-	-	-	-	-	-	406,082
-	-	300,000	-	-	-	588,922
413	413	305,193	4,803	413	-	1,006,652
-	-	1,079,347	-	-	-	1,259,768
436,154	358,134	947,363	80,259	582,297	194,952	2,776,623
<u>\$ 436,567</u>	<u>\$ 358,547</u>	<u>\$ 2,331,903</u>	<u>\$ 85,062</u>	<u>\$ 582,710</u>	<u>\$ 194,952</u>	<u>\$ 5,043,043</u>

CITY OF FARMINGTON

Debt Service Fund
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances by Account
 Year Ended December 31, 2019

	2010A G.O. Improvement Refunding Bonds	2010B G.O. Utility Revenue Refunding Bonds	2010D G.O. Equipment Certificate Bonds	2011A G.O. Improvement Refunding Bonds	2013A G.O. Improvement Refunding Bonds
Revenues					
Property taxes	\$ 255,677	\$ -	\$ 240,000	\$ -	\$ 684,000
Special assessments	-	-	-	-	49,851
Investment earnings	9,182	-	5	-	20,655
Total revenues	<u>264,859</u>	<u>-</u>	<u>240,005</u>	<u>-</u>	<u>754,506</u>
Expenditures					
Debt service					
Principal	-	-	-	-	695,000
Interest and fiscal charges	18,205	-	3,482	-	47,985
Total expenditures	<u>18,205</u>	<u>-</u>	<u>3,482</u>	<u>-</u>	<u>742,985</u>
Excess (deficiency) of revenues over expenditures	246,654	-	236,523	-	11,521
Other financing sources (uses)					
Premium on debt issuance	-	-	-	-	-
Transfers in	240,000	-	-	-	-
Transfers out	-	(44,597)	-	(38,648)	-
Total other financing sources (uses)	<u>240,000</u>	<u>(44,597)</u>	<u>-</u>	<u>(38,648)</u>	<u>-</u>
Net change in fund balances	486,654	(44,597)	236,523	(38,648)	11,521
Fund balances (deficits)					
Beginning of year	<u>(1,159,573)</u>	<u>44,597</u>	<u>(252,686)</u>	<u>38,648</u>	<u>855,025</u>
End of year	<u>\$ (672,919)</u>	<u>\$ -</u>	<u>\$ (16,163)</u>	<u>\$ -</u>	<u>\$ 866,546</u>

2013B G.O. Street Construction Bonds	2015A G.O. Street Construction Bonds	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	Total
\$ 372,000	\$ 297,500	\$ 351,000	\$ 125,000	\$ 530,283	\$ 191,000	\$ 3,046,460
-	-	565,049	-	-	-	614,900
10,530	8,896	30,829	1,890	13,316	3,952	99,255
<u>382,530</u>	<u>306,396</u>	<u>946,878</u>	<u>126,890</u>	<u>543,599</u>	<u>194,952</u>	<u>3,760,615</u>
480,000	205,000	525,000	-	530,000	-	2,435,000
12,748	73,039	66,929	129,104	17,065	21,542	390,099
<u>492,748</u>	<u>278,039</u>	<u>591,929</u>	<u>129,104</u>	<u>547,065</u>	<u>21,542</u>	<u>2,825,099</u>
(110,218)	28,357	354,949	(2,214)	(3,466)	173,410	935,516
-	-	-	-	-	21,542	21,542
-	-	53,648	-	-	-	293,648
-	-	(15,000)	-	-	-	(98,245)
-	-	38,648	-	-	21,542	216,945
(110,218)	28,357	393,597	(2,214)	(3,466)	194,952	1,152,461
546,372	329,777	553,766	82,473	585,763	-	1,624,162
<u>\$ 436,154</u>	<u>\$ 358,134</u>	<u>\$ 947,363</u>	<u>\$ 80,259</u>	<u>\$ 582,297</u>	<u>\$ 194,952</u>	<u>\$ 2,776,623</u>

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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, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 3,046,460	\$ 3,046,460	\$ -
Special assessments	382,453	614,900	232,447
Investment earnings	10,800	99,255	88,455
Total revenues	<u>3,439,713</u>	<u>3,760,615</u>	<u>320,902</u>
Expenditures			
Debt service			
Principal	2,435,000	2,435,000	-
Interest and fiscal charges	455,093	390,099	(64,994)
Total expenditures	<u>2,890,093</u>	<u>2,825,099</u>	<u>(64,994)</u>
Excess of revenues over expenditures	549,620	935,516	385,896
Other financing sources (uses)			
Bond proceeds	987,800	-	(987,800)
Premium on debt issuance	-	21,542	21,542
Transfers in	285,000	293,648	8,648
Transfers out	(1,775,377)	(98,245)	1,677,132
Total other financing sources (uses)	<u>(502,577)</u>	<u>216,945</u>	<u>719,522</u>
Net change in fund balances	<u>\$ 47,043</u>	1,152,461	<u>\$ 1,105,418</u>
Fund balances			
Beginning of year		<u>1,624,162</u>	
End of year		<u>\$ 2,776,623</u>	

CITY OF FARMINGTON

State Aid Construction Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Special assessments	\$ 6,948	\$ 6,973	\$ 25
Investment earnings	2,200	4,359	2,159
Total revenues	<u>9,148</u>	<u>11,332</u>	<u>2,184</u>
Expenditures			
Current			
Public works	<u>—</u>	<u>22</u>	<u>22</u>
Net change in fund balances	<u>\$ 9,148</u>	11,310	<u>\$ 2,162</u>
Fund balances			
Beginning of year		<u>116,268</u>	
End of year		<u>\$ 127,578</u>	

CITY OF FARMINGTON

Storm Water Trunk Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 166,000	\$ 166,000	\$ -
Charges for service	-	89,707	89,707
Investment earnings	7,203	123,130	115,927
Total revenues	<u>173,203</u>	<u>378,837</u>	<u>205,634</u>
Expenditures			
Capital outlay			
Public works	-	59,009	59,009
Debt service			
Interest and fiscal charges	-	22,274	22,274
Total expenditures	<u>-</u>	<u>81,283</u>	<u>81,283</u>
Excess of revenues over expenditures	173,203	297,554	124,351
Other financing sources			
Transfers in	<u>742,577</u>	<u>-</u>	<u>(742,577)</u>
Net change in fund balances	<u>\$ 915,780</u>	297,554	<u>\$ (618,226)</u>
Fund balances			
Beginning of year		<u>3,171,825</u>	
End of year		<u>\$ 3,469,379</u>	

CITY OF FARMINGTON

Permanent Improvement Revolving Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Special assessments	\$ —	\$ 815	\$ 815
Investment earnings	<u> 1,000</u>	<u> 6,108</u>	<u> 5,108</u>
Total revenues	<u> 1,000</u>	<u> 6,923</u>	<u> 5,923</u>
 Net change in fund balances	 <u> \$ 1,000</u>	 6,923	 <u> \$ 5,923</u>
 Fund balances			
Beginning of year		<u> 167,989</u>	
End of year		<u> \$ 174,912</u>	

CITY OF FARMINGTON

Maintenance Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ –	\$ 688,143	\$ 688,143
Charges for service	–	39,391	39,391
Investment earnings	13,500	56,854	43,354
Total revenues	<u>13,500</u>	<u>784,388</u>	<u>770,888</u>
Expenditures			
Current			
Public works	701,208	671,363	(29,845)
Parks and recreation	–	209,231	209,231
Capital outlay			
Public works	3,171,524	3,710,203	538,679
Parks and recreation	22,000	–	(22,000)
Total expenditures	<u>3,894,732</u>	<u>4,590,797</u>	<u>696,065</u>
Excess (deficiency) of revenues over expenditures	(3,881,232)	(3,806,409)	74,823
Other financing sources			
Bond proceeds	–	925,000	925,000
Premium on debt issuance	–	63,013	63,013
Sale of capital assets	–	13,973	13,973
Transfers in	3,657,095	2,175,009	(1,482,086)
Total other financing sources	<u>3,657,095</u>	<u>3,176,995</u>	<u>(480,100)</u>
Net change in fund balances	<u>\$ (224,137)</u>	<u>(629,414)</u>	<u>\$ (405,277)</u>
Fund balances			
Beginning of year		<u>1,496,523</u>	
End of year		<u>\$ 867,109</u>	

CITY OF FARMINGTON

Private Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Special assessments	\$ –	\$ 615	\$ 615
Charges for services	20,000	–	(20,000)
Investment earnings	<u>2,200</u>	<u>32,307</u>	<u>30,107</u>
Total revenues	22,200	32,922	10,722
Expenditures			
Current			
General government	<u>20,000</u>	<u>2,726</u>	<u>(17,274)</u>
Net change in fund balances	<u>\$ 2,200</u>	30,196	<u>\$ 27,996</u>
Fund balances			
Beginning of year		<u>46,138</u>	
End of year		<u>\$ 76,334</u>	

CITY OF FARMINGTON

Police Donations and Forfeitures Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 100	\$ 315	\$ 215
Expenditures			
Current			
Public safety	<u>6,500</u>	<u>1,788</u>	<u>(4,712)</u>
Excess (deficiency) of revenues over expenditures	(6,400)	(1,473)	4,927
Other financing sources (uses)			
Sale of capital assets	5,000	3,747	(1,253)
Transfers out	<u>—</u>	<u>(9,789)</u>	<u>(9,789)</u>
Total other financing sources (uses)	<u>5,000</u>	<u>(6,042)</u>	<u>(11,042)</u>
Net change in fund balances	<u>\$ (1,400)</u>	(7,515)	<u>\$ (6,115)</u>
Fund balances			
Beginning of year		<u>15,412</u>	
End of year		<u>\$ 7,897</u>	

CITY OF FARMINGTON

Park Improvement Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Intergovernmental	\$ –	\$ 23,367	\$ 23,367
Investment earnings	1,800	13,444	11,644
Other			
Donations	–	600	600
Rentals	5,000	7,773	2,773
Miscellaneous	21,000	39,004	18,004
Total revenues	<u>27,800</u>	<u>84,188</u>	<u>56,388</u>
Expenditures			
Current			
Parks and recreation	39,500	35,404	(4,096)
Capital outlay			
Parks and recreation	268,000	292,695	24,695
Total expenditures	<u>307,500</u>	<u>328,099</u>	<u>20,599</u>
Excess (deficiency) of revenues over expenditures	(279,700)	(243,911)	35,789
Other financing sources			
Transfers in	75,000	75,000	–
Net change in fund balances	<u>\$ (204,700)</u>	(168,911)	<u>\$ 35,789</u>
Fund balances			
Beginning of year		<u>463,562</u>	
End of year		<u>\$ 294,651</u>	

CITY OF FARMINGTON

Arena Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Charges for services	\$ 347,200	\$ 357,308	\$ 10,108
Investment earnings	400	1,491	1,091
Other			
Donations	5,000	5,000	-
Rentals	3,000	2,746	(254)
Miscellaneous	1,000	1,173	173
Total revenues	<u>356,600</u>	<u>367,718</u>	<u>11,118</u>
Expenditures			
Current			
Parks and recreation	352,744	378,441	25,697
Capital outlay			
Parks and recreation	-	2,396	2,396
Total expenditures	<u>352,744</u>	<u>380,837</u>	<u>28,093</u>
Net change in fund balances	<u>\$ 3,856</u>	<u>(13,119)</u>	<u>\$ (16,975)</u>
Fund balances			
Beginning of year		<u>82,791</u>	
End of year		<u>\$ 69,672</u>	

CITY OF FARMINGTON

Sanitary Sewer Trunk Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Charges for services	\$ 30,240	\$ 52,984	\$ 22,744
Investment earnings	2,800	14,626	11,826
Total revenues	<u>33,040</u>	<u>67,610</u>	<u>34,570</u>
Net change in fund balances	<u>\$ 33,040</u>	67,610	<u>\$ 34,570</u>
Fund balances			
Beginning of year		<u>363,495</u>	
End of year		<u>\$ 431,105</u>	

CITY OF FARMINGTON

Cable Communications Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Franchise taxes	\$ 170,000	\$ 142,148	\$ (27,852)
Investment earnings	4,900	31,634	26,734
Other			
Miscellaneous	-	10,544	10,544
Total revenues	<u>174,900</u>	<u>184,326</u>	<u>9,426</u>
Expenditures			
Current			
General government	106,000	74,417	(31,583)
Capital outlay			
General government	9,000	25,820	16,820
Total expenditures	<u>115,000</u>	<u>100,237</u>	<u>(14,763)</u>
Net change in fund balances	<u>\$ 59,900</u>	84,089	<u>\$ 24,189</u>
Fund balances			
Beginning of year		<u>898,450</u>	
End of year		<u>\$ 982,539</u>	

CITY OF FARMINGTON

Fire Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 2,900	\$ 4,529	\$ 1,629
Other			
Donations	-	74,192	74,192
Total revenues	<u>2,900</u>	<u>78,721</u>	<u>75,821</u>
Expenditures			
Current			
Public safety	-	2,718	2,718
Capital outlay			
Public safety	870,000	314,874	(555,126)
Total expenditures	<u>870,000</u>	<u>317,592</u>	<u>(552,408)</u>
Excess (deficiency) of revenues over expenditures	(867,100)	(238,871)	628,229
Other financing sources			
Sale of capital assets	-	470	470
Transfers in	250,000	250,000	-
Total other financing sources	<u>250,000</u>	<u>250,470</u>	<u>470</u>
Net change in fund balances	<u>\$ (617,100)</u>	11,599	<u>\$ 628,699</u>
Fund balances			
Beginning of year		<u>137,712</u>	
End of year		<u>\$ 149,311</u>	

CITY OF FARMINGTON

Recreation Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 300	\$ 4,098	\$ 3,798
Other			
Donations	<u>21,500</u>	<u>27,379</u>	<u>5,879</u>
Total revenues	21,800	31,477	9,677
Expenditures			
Current			
Parks and recreation	5,600	35,382	29,782
Capital outlay			
Parks and recreation	<u>8,500</u>	<u>15,658</u>	<u>7,158</u>
Total expenditures	<u>14,100</u>	<u>51,040</u>	<u>36,940</u>
Net change in fund balances	<u>\$ 7,700</u>	(19,563)	<u>\$ (27,263)</u>
Fund balances			
Beginning of year		<u>112,698</u>	
End of year		<u>\$ 93,135</u>	

CITY OF FARMINGTON

General Capital Equipment Capital Projects Fund
 Budgetary Comparison Schedule
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Investment earnings	\$ 2,300	\$ 33,014	\$ 30,714
Expenditures			
Current			
Public safety	121,786	48	(121,738)
Capital outlay			
Public safety	100,000	204,246	104,246
Total expenditures	<u>221,786</u>	<u>204,294</u>	<u>(17,492)</u>
Excess (deficiency) of revenues over expenditures	(219,486)	(171,280)	48,206
Other financing sources			
Sale of capital assets	-	749	749
Transfers in	232,545	232,545	-
Total other financing sources	<u>232,545</u>	<u>233,294</u>	<u>749</u>
Net change in fund balances	<u>\$ 13,059</u>	62,014	<u>\$ 48,955</u>
Fund balances			
Beginning of year		<u>899,563</u>	
End of year		<u>\$ 961,577</u>	

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INTERNAL SERVICE FUNDS

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

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

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

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

CITY OF FARMINGTON

Internal Service Funds
 Combining Statement of Net Position
 as of December 31, 2019

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Assets					
Current assets					
Cash and investments	\$ 1,678,681	\$ 434,761	\$ 198,919	\$ 537,356	\$ 2,849,717
Receivables					
Accounts	4,102	-	-	-	4,102
Interest	3,194	827	378	1,022	5,421
Due from other governments	2,947	-	-	-	2,947
Prepaid items	-	-	-	11,706	11,706
Total current assets	<u>1,688,924</u>	<u>435,588</u>	<u>199,297</u>	<u>550,084</u>	<u>2,873,893</u>
Noncurrent assets					
Capital assets					
Machinery and equipment	-	-	116,173	-	116,173
Less accumulated depreciation	-	-	(97,823)	-	(97,823)
Total capital assets	<u>-</u>	<u>-</u>	<u>18,350</u>	<u>-</u>	<u>18,350</u>
Total assets	<u>\$ 1,688,924</u>	<u>\$ 435,588</u>	<u>\$ 217,647</u>	<u>\$ 550,084</u>	<u>\$ 2,892,243</u>
Current liabilities					
Accounts and contracts payable	\$ 94,559	\$ 23	\$ 8,695	\$ 7,808	\$ 111,085
Accrued salaries and employee benefits payable	467,740	-	-	-	467,740
Deposits payable	1,564	-	-	-	1,564
Compensated absences payable	-	-	21,255	2,492	23,747
Total current liabilities	<u>563,863</u>	<u>23</u>	<u>29,950</u>	<u>10,300</u>	<u>604,136</u>
Net position					
Investment in capital assets	-	-	18,350	-	18,350
Unrestricted	<u>1,125,061</u>	<u>435,565</u>	<u>169,347</u>	<u>539,784</u>	<u>2,269,757</u>
Total net position	<u>1,125,061</u>	<u>435,565</u>	<u>187,697</u>	<u>539,784</u>	<u>2,288,107</u>
Total liabilities and net position	<u>\$ 1,688,924</u>	<u>\$ 435,588</u>	<u>\$ 217,647</u>	<u>\$ 550,084</u>	<u>\$ 2,892,243</u>

CITY OF FARMINGTON

Internal Service Funds
 Combining Statement of Revenues, Expenses,
 and Changes in Fund Net Position
 Year Ended December 31, 2019

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Operating revenues					
Charges for services	\$ 2,361,478	\$ –	\$ 292,090	\$ 562,340	\$ 3,215,908
Insurance reimbursement	–	268,409	–	–	268,409
Total operating revenues	<u>2,361,478</u>	<u>268,409</u>	<u>292,090</u>	<u>562,340</u>	<u>3,484,317</u>
Operating expenses					
Personal services	2,381,506	–	202,181	132,226	2,715,913
Professional services	–	–	27,754	237,483	265,237
Materials and supplies	–	–	56,107	141,021	197,128
Insurance	–	291,713	–	–	291,713
Depreciation	–	–	7,344	–	7,344
Total operating expenses	<u>2,381,506</u>	<u>291,713</u>	<u>293,386</u>	<u>510,730</u>	<u>3,477,335</u>
Operating income (loss)	(20,028)	(23,304)	(1,296)	51,610	6,982
Nonoperating revenue					
Intergovernmental	10,789	–	–	–	10,789
Investment earnings	51,875	14,372	6,988	17,203	90,438
Total nonoperating revenue	<u>62,664</u>	<u>14,372</u>	<u>6,988</u>	<u>17,203</u>	<u>101,227</u>
Income (loss) before transfers	42,636	(8,932)	5,692	68,813	108,209
Transfers in	<u>13,022</u>	<u>16,110</u>	<u>–</u>	<u>–</u>	<u>29,132</u>
Change in net position	55,658	7,178	5,692	68,813	137,341
Net position					
Beginning of year	<u>1,069,403</u>	<u>428,387</u>	<u>182,005</u>	<u>470,971</u>	<u>2,150,766</u>
End of year	<u>\$ 1,125,061</u>	<u>\$ 435,565</u>	<u>\$ 187,697</u>	<u>\$ 539,784</u>	<u>\$ 2,288,107</u>

CITY OF FARMINGTON

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2019

	Employee Expense	Property and Liability Insurance	Fleet	Information Technology	Total
Cash flows from operating activities					
Cash receipts from other funds and reimbursements	\$ 2,354,429	\$ 268,409	\$ 292,180	\$ 562,439	\$ 3,477,457
Cash payments to employees for services	(2,209,488)	–	(197,956)	(135,362)	(2,542,806)
Cash payments for interfund services used	–	(308,090)	(82,148)	(378,647)	(768,885)
Net cash flows from operating activities	144,941	(39,681)	12,076	48,430	165,766
Cash flows from noncapital financing activities					
Intergovernmental	10,789	–	–	–	10,789
Transfers in	13,022	16,110	–	–	29,132
Net cash flows from noncapital financing activities	23,811	16,110	–	–	39,921
Cash flows from investing activities					
Interest received and changes in fair value on investments	52,100	14,586	7,032	17,287	91,005
Net increase in cash and cash equivalents	220,852	(8,985)	19,108	65,717	296,692
Cash and cash equivalents					
Beginning of year	1,457,829	443,746	179,811	471,639	2,553,025
End of year	\$ 1,678,681	\$ 434,761	\$ 198,919	\$ 537,356	\$ 2,849,717
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ (20,028)	\$ (23,304)	\$ (1,296)	\$ 51,610	\$ 6,982
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	–	–	7,344	–	7,344
Change in assets and liabilities					
Accounts receivable	(4,102)	–	90	99	(3,913)
Due from other governments	(2,947)	–	–	–	(2,947)
Prepaid items	–	–	–	4,131	4,131
Accounts and contracts payable	89,067	(16,377)	1,786	(4,274)	70,202
Accrued salaries and employee benefits	81,430	–	–	–	81,430
Deposits payable	1,521	–	–	–	1,521
Due to other governments	–	–	(73)	–	(73)
Compensated absences payable	–	–	4,225	(3,136)	1,089
Total adjustments	164,969	(16,377)	13,372	(3,180)	158,784
Net cash flows from operating activities	\$ 144,941	\$ (39,681)	\$ 12,076	\$ 48,430	\$ 165,766

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 economic development authority within the City.

CITY OF FARMINGTON

Economic Development Authority
 (Discretely Presented Component Unit)
 Combining Balance Sheet
 as of December 31, 2019

	Economic Development Authority General	Trident Housing Tax Increment Special Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 232,048	\$ 88,378	\$ 320,426
Receivables			
Interest	566	168	734
Due from other governments	65,398	-	65,398
Prepaid items	<u>300</u>	<u>-</u>	<u>300</u>
Total assets	<u>\$ 298,312</u>	<u>\$ 88,546</u>	<u>\$ 386,858</u>
Liabilities			
Accounts and contracts payable	\$ 6,238	\$ 65,925	\$ 72,163
Fund balances			
Nonspendable for prepaid items	300	-	300
Assigned for economic development	<u>291,774</u>	<u>22,621</u>	<u>314,395</u>
Total fund balances	<u>292,074</u>	<u>22,621</u>	<u>314,695</u>
Total liabilities and fund balances	<u>\$ 298,312</u>	<u>\$ 88,546</u>	<u>\$ 386,858</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, 2019

	Economic Development Authority General	Trident Housing Tax Increment Special Revenue	Total
Revenues			
Property taxes	\$ -	\$ 146,210	\$ 146,210
Intergovernmental	115,398	2,850	118,248
Investment earnings	10,434	1,786	12,220
Total revenues	<u>125,832</u>	<u>150,846</u>	<u>276,678</u>
Expenditures			
Current			
Economic development	<u>133,120</u>	<u>132,996</u>	<u>266,116</u>
Net change in fund balances	(7,288)	17,850	10,562
Fund balances			
Beginning of year	<u>299,362</u>	<u>4,771</u>	<u>304,133</u>
End of year	<u>\$ 292,074</u>	<u>\$ 22,621</u>	<u>\$ 314,695</u>

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STATISTICAL SECTION

(UNAUDITED)

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STATISTICAL TABLES

(UNAUDITED)

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

CITY OF FARMINGTON

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

	2010	2011	2012	Fiscal Year 2013
Governmental activities				
Net investment in capital assets	\$ 22,287,712	\$ 20,484,140	\$ 21,263,670	\$ 23,462,934
Restricted	3,757,948	1,661,973	11,034,909	11,669,054
Unrestricted	11,197,982	14,963,297	11,131,928	9,628,139
Total governmental activities net position	<u>\$ 37,243,642</u>	<u>\$ 37,109,410</u>	<u>\$ 43,430,507</u>	<u>\$ 44,760,127</u>
Business-type activities				
Net investment in capital assets	\$ 60,219,892	\$ 60,462,689	\$ 58,728,008	\$ 57,427,060
Restricted	2,108,045	2,140,345	2,159,566	2,159,566
Unrestricted	6,067,114	6,819,607	7,845,545	8,891,769
Total business-type activities net position	<u>\$ 68,395,051</u>	<u>\$ 69,422,641</u>	<u>\$ 68,733,119</u>	<u>\$ 68,478,395</u>
Primary government				
Net investment in capital assets	\$ 82,507,604	\$ 80,946,829	\$ 79,991,678	\$ 80,889,994
Restricted	5,865,993	3,802,318	13,194,475	13,828,620
Unrestricted	17,265,096	21,782,904	18,977,473	18,519,908
Total primary government net position	<u>\$105,638,693</u>	<u>\$106,532,051</u>	<u>\$112,163,626</u>	<u>\$113,238,522</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.

2014	2015	2016	2017	2018	2019
\$ 23,383,175	\$ 21,417,203	\$ 23,684,773	\$ 28,820,307	\$ 32,909,853	\$ 33,867,761
9,235,448	9,063,587	10,441,391	6,961,837	4,797,191	5,343,074
13,150,789	8,920,144	5,142,435	6,576,959	7,997,614	8,001,782
<u>\$ 45,769,412</u>	<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>
\$ 55,685,476	\$ 54,807,938	\$ 53,225,787	\$ 51,464,649	\$ 50,747,479	\$ 53,677,776
2,160,566	2,160,566	2,231,966	2,238,206	2,316,500	2,461,488
10,396,218	11,439,369	12,575,526	13,508,485	14,594,293	13,187,014
<u>\$ 68,242,260</u>	<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>
\$ 79,068,651	\$ 76,225,141	\$ 76,910,560	\$ 80,284,956	\$ 83,657,332	\$ 87,545,537
11,396,014	11,224,153	12,673,357	9,200,043	7,113,691	7,804,562
23,547,007	20,359,513	17,717,961	20,085,444	22,591,907	21,188,796
<u>\$114,011,672</u>	<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>

CITY OF FARMINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities				
General government	\$ 2,410,637	\$ 1,897,429	\$ 1,865,415	\$ 1,778,549
Public safety	4,844,128	5,162,361	4,989,522	5,156,950
Public works	3,261,582	2,800,221	3,063,908	3,849,742
Park and recreation	1,864,728	1,666,466	1,719,254	1,775,967
Economic development	83,572	114,639	44,114	50,000
Intergovernmental donations	8,526,239	313,198	-	-
Interest and fiscal charges	1,718,077	1,431,468	1,302,605	1,290,439
Total governmental activities expenses	\$ 22,708,963	\$ 13,385,782	\$ 12,984,818	\$ 13,901,647
Business-type activities				
Liquor operations	\$ 4,267,536	\$ 4,091,541	\$ 4,116,030	\$ 4,206,058
Sewer operations	1,811,992	1,879,752	1,891,872	1,627,927
Solid waste	1,773,240	1,789,114	1,727,384	1,658,547
Storm water	702,089	745,967	734,516	513,582
Water	1,732,559	1,772,096	1,705,167	1,427,298
Street light	175,050	180,200	176,513	184,834
Total business-type activities	10,462,466	10,458,670	10,351,482	9,618,246
Total primary government expenses	\$ 33,171,429	\$ 23,844,452	\$ 23,336,300	\$ 23,519,893
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 503,258	\$ 470,572	\$ 436,113	\$ 684,528
Public safety	427,593	461,659	423,721	482,759
Public works	355,506	306,860	225,497	115,092
Park and recreation	537,773	520,522	581,341	596,165
Economic development	13,374	6,333	-	-
Operating grants and contributions	551,257	507,180	533,939	713,378
Capital grants and contributions	2,449,930	2,388,656	4,976,219	645,233
Total governmental activities program revenues	\$ 4,838,691	\$ 4,661,782	\$ 7,176,830	\$ 3,237,155

2014	2015	2016	2017	2018	2019
\$ 1,940,630	\$ 2,284,974	\$ 2,268,779	\$ 2,178,067	\$ 2,511,818	\$ 2,609,059
5,192,091	5,357,738	6,979,608	6,472,115	5,728,925	6,118,203
4,893,341	7,473,095	5,497,796	3,888,778	4,358,465	5,612,872
1,730,734	1,815,882	1,904,792	1,782,783	1,772,351	2,202,631
49,417	90,000	40,000	40,000	30,000	50,000
-	-	-	-	-	-
1,020,096	992,422	1,032,748	549,075	350,431	404,893
<u>\$ 14,826,309</u>	<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>
\$ 4,315,834	\$ 4,352,597	\$ 4,448,932	\$ 4,634,488	\$ 4,890,304	\$ 5,257,236
1,712,146	1,875,225	2,051,152	2,105,901	1,931,276	2,326,630
1,600,434	1,658,128	1,753,162	1,864,175	2,092,844	1,913,258
615,684	731,444	534,988	571,572	521,465	557,749
1,410,214	1,339,588	1,359,215	1,313,482	1,246,667	1,439,178
174,957	173,212	288,924	197,150	180,254	165,886
9,829,269	10,130,194	10,436,373	10,686,768	10,862,810	11,659,937
<u>\$ 24,655,578</u>	<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>
\$ 534,008	\$ 399,053	\$ 668,849	\$ 434,411	\$ 467,417	\$ 471,569
409,460	351,038	459,240	405,648	408,434	437,054
94,416	9,624	195,716	76,049	273,695	189,282
607,566	604,111	651,936	619,026	709,490	582,631
-	-	-	-	-	-
677,999	649,541	744,730	684,376	702,853	838,569
477,833	671,671	818,545	848,167	942,627	869,849
<u>\$ 2,801,282</u>	<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>

CITY OF FARMINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
Program revenues (continued)				
Business-type activities				
Charges for services				
Liquor operations	\$ 4,285,471	\$ 4,199,344	\$ 4,397,572	\$ 4,521,454
Sewer operations	1,581,526	1,600,303	1,787,957	1,816,763
Solid waste	1,850,073	1,872,771	1,869,426	1,952,177
Storm water	464,043	467,729	475,060	565,166
Water	1,439,906	1,417,708	1,595,116	1,558,400
Street light	140,773	178,464	215,029	216,719
Operating grants and contributions	72,631	29,000	20,010	19,300
Capital grants and contributions	100,162	49,473	100,525	108,642
Total business-type activities program revenues	<u>9,934,585</u>	<u>9,814,792</u>	<u>10,460,695</u>	<u>10,758,621</u>
Total primary government program revenues	<u>\$ 14,773,276</u>	<u>\$ 14,476,574</u>	<u>\$ 17,637,525</u>	<u>\$ 13,995,776</u>
Net (expense) revenue				
Governmental activities	\$ (17,870,272)	\$ (8,724,000)	\$ (5,807,988)	\$ (10,664,492)
Business-type activities	(527,881)	(643,878)	109,213	1,140,375
Total primary government net expense	<u>\$ (18,398,153)</u>	<u>\$ (9,367,878)</u>	<u>\$ (5,698,775)</u>	<u>\$ (9,524,117)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 9,189,015	\$ 9,607,893	\$ 10,742,860	\$ 10,748,581
Tax increments	155,094	150,339	154,214	-
Franchise taxes	228,932	237,449	243,635	259,671
Unrestricted grants and contributions	927	1,500	1,816	24,845
Unrestricted investment earnings (charges)	181,943	119,632	77,276	(32,408)
Gain on sale of capital assets	25,412	75,306	-	18,268
Transfers	(1,107,882)	(1,602,351)	909,284	1,410,114
Total governmental activities	<u>\$ 8,673,441</u>	<u>\$ 8,589,768</u>	<u>\$ 12,129,085</u>	<u>\$ 12,429,071</u>
Business-type activities				
Unrestricted investment earnings (charges)	\$ 98,988	\$ 69,117	\$ 110,549	\$ (40,071)
Gain on disposal of capital assets	-	-	-	55,086
Transfers	1,107,882	1,602,351	(909,284)	(1,410,114)
Total business-type activities	<u>1,206,870</u>	<u>1,671,468</u>	<u>(798,735)</u>	<u>(1,395,099)</u>
Total primary government	<u>\$ 9,880,311</u>	<u>\$ 10,261,236</u>	<u>\$ 11,330,350</u>	<u>\$ 11,033,972</u>
Change in net position				
Governmental activities	\$ (9,196,831)	\$ (134,232)	\$ 6,321,097	\$ 1,764,579
Business-type activities	678,989	1,027,590	(689,522)	(254,724)
Total primary government	<u>\$ (8,517,842)</u>	<u>\$ 893,358</u>	<u>\$ 5,631,575</u>	<u>\$ 1,509,855</u>

2014	2015	2016	2017	2018	2019
\$ 4,639,194	\$ 4,607,417	\$ 4,742,313	\$ 4,967,468	\$ 5,256,645	\$ 5,608,012
1,843,746	1,957,902	2,043,859	2,068,388	2,045,728	2,117,934
1,979,623	1,991,179	2,041,561	2,061,324	2,071,672	2,244,569
559,327	670,353	643,479	647,767	737,115	1,130,563
1,499,091	1,439,873	1,631,643	1,681,079	1,852,381	2,281,793
219,052	222,159	224,781	225,570	226,674	226,971
21,000	22,000	23,000	24,000	30,263	34,190
–	945,938	–	–	–	81,634
<u>10,761,033</u>	<u>11,856,821</u>	<u>11,350,636</u>	<u>11,675,596</u>	<u>12,220,478</u>	<u>13,725,666</u>
<u>\$ 13,562,315</u>	<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>
\$ (12,025,027)	\$ (15,329,073)	\$ (14,184,707)	\$ (11,843,141)	\$ (11,247,474)	\$ (13,608,704)
931,764	1,726,627	914,263	988,828	1,357,668	2,065,729
<u>\$ (11,093,263)</u>	<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>
\$ 10,962,860	\$ 11,460,209	\$ 11,806,302	\$ 12,181,830	\$ 12,659,480	\$ 12,916,115
–	–	–	–	–	–
269,208	265,485	275,691	266,728	266,324	262,148
257,386	278,974	287,252	289,854	316,100	317,172
130,739	189,540	255,021	200,851	239,714	657,977
–	–	–	54,408	531	17,218
1,414,119	1,222,807	1,428,106	1,939,974	1,110,880	946,033
<u>\$ 13,034,312</u>	<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>
\$ 246,220	\$ 152,954	\$ 139,249	\$ 129,207	\$ 200,144	\$ 548,310
–	–	–	–	–	–
(1,414,119)	(1,222,807)	(1,428,106)	(1,939,974)	(1,110,880)	(946,033)
<u>(1,167,899)</u>	<u>(1,069,853)</u>	<u>(1,288,857)</u>	<u>(1,810,767)</u>	<u>(910,736)</u>	<u>(397,723)</u>
<u>\$ 11,866,413</u>	<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>
\$ 1,009,285	\$ (1,912,058)	\$ (132,335)	\$ 3,090,504	\$ 3,345,555	\$ 1,507,959
(236,135)	656,774	(374,594)	(821,939)	446,932	1,668,006
<u>\$ 773,150</u>	<u>\$ (1,255,284)</u>	<u>\$ (506,929)</u>	<u>\$ 2,268,565</u>	<u>\$ 3,792,487</u>	<u>\$ 3,175,965</u>

CITY OF FARMINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Reserved	\$ 30,314	\$ -	\$ -	\$ -
Unreserved	2,188,528	-	-	-
Nonspendable	-	43,102	612,518	13,388
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	2,093,006	2,067,246	3,079,013
Total General Fund	<u>\$ 2,218,842</u>	<u>\$ 2,136,108</u>	<u>\$ 2,679,764</u>	<u>\$ 3,092,401</u>
All other governmental funds				
Reserved	\$ 381,500	\$ -	\$ -	\$ -
Unreserved, undesignated, reported in				
Special revenue funds	(159,042)	-	-	-
Capital projects funds	6,244,182	-	-	-
Debt service funds	738,371	-	-	-
Nonspendable	-	307,074	146	-
Restricted	-	2,312,309	2,950,166	6,881,858
Committed	-	-	-	-
Assigned	-	6,726,928	9,134,820	7,865,678
Unassigned	-	(576,114)	-	-
Total all other governmental funds	<u>\$ 7,205,011</u>	<u>\$ 8,770,197</u>	<u>\$ 12,085,132</u>	<u>\$ 14,747,536</u>
Total all funds	<u>\$ 9,423,853</u>	<u>\$ 10,906,305</u>	<u>\$ 14,764,896</u>	<u>\$ 17,839,937</u>

Note 1: The City implemented GASB Statement No. 54 in fiscal 2011. Prior year information has not been restated.

Note 2: The City modified its fund balance policy in 2015, resulting in an increase in committed fund balances.

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
33,369	6,034	33,762	34,529	5,045	109,523
-	-	-	-	240,000	-
81,000	4,250	-	-	-	-
3,993,191	4,734,534	5,031,529	5,666,183	5,477,026	5,761,747
<u>\$ 4,107,560</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
160	150	110	-	-	-
5,673,161	5,776,314	16,959,150	4,071,837	2,009,629	3,196,214
-	8,025,185	5,158,828	6,373,022	7,586,959	7,298,103
7,531,076	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 13,204,397</u>	<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>\$ 17,311,957</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>

CITY OF FARMINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
General property taxes	\$ 9,392,326	\$ 9,690,053	\$ 11,112,325	\$ 10,808,636
Franchise fees	228,932	237,449	243,635	259,671
Special assessments	1,450,515	720,862	3,296,216	913,313
Licenses and permits	454,769	456,791	423,153	664,673
Intergovernmental	2,657,788	2,217,217	556,496	1,329,395
Charges for services	1,141,182	1,096,174	1,015,835	865,736
Fines and forfeits	64,779	78,710	73,210	81,919
Investment earnings	176,191	20,444	158,657	46,707
Other	375,201	272,234	222,083	233,808
Total revenues	<u>15,941,683</u>	<u>14,789,934</u>	<u>17,101,610</u>	<u>15,203,858</u>
Expenditures				
Current				
General government	2,064,477	1,828,147	1,830,470	1,686,263
Public safety	4,589,650	4,705,581	4,702,399	4,850,400
Public works	1,379,325	1,382,306	1,402,838	2,081,956
Park and recreation	1,591,378	1,399,541	1,427,257	1,530,238
Economic development	84,572	112,612	91,165	50,000
Capital outlay	4,046,022	316,134	555,293	1,290,875
Debt service				
Principal	2,238,084	5,090,101	2,912,213	7,394,424
Interest and fiscal charges	1,507,873	1,527,970	1,336,414	1,379,551
Total expenditures	<u>17,501,381</u>	<u>16,362,392</u>	<u>14,258,049</u>	<u>20,263,707</u>
Excess (deficiency) of revenues over expenditures	(1,559,698)	(1,572,458)	2,843,561	(5,059,849)
Other financing sources (uses)				
Bonds issued	8,710,984	2,418,979	-	7,088,037
Payment of refunded debt	(5,948,057)	-	-	-
Sale of capital assets	25,412	139,454	105,746	26,154
Transfers in	3,359,406	2,455,874	3,997,318	7,492,556
Transfers out	(2,381,778)	(1,959,397)	(3,088,034)	(6,082,442)
Total other financing sources (uses)	<u>3,765,967</u>	<u>3,054,910</u>	<u>1,015,030</u>	<u>8,524,305</u>
Net change in fund balances	<u>\$ 2,206,269</u>	<u>\$ 1,482,452</u>	<u>\$ 3,858,591</u>	<u>\$ 3,464,456</u>
Debt service as a percentage of noncapital expenditures	<u>27.8%</u>	<u>41.2%</u>	<u>31.0%</u>	<u>46.2%</u>

	2014	2015	2016	2017	2018	2019
\$	11,031,219	\$ 11,462,986	\$ 11,852,567	\$ 12,186,789	\$ 12,665,721	\$ 12,926,730
	269,208	265,485	275,691	266,728	266,324	262,148
	821,331	661,187	545,777	532,744	314,594	625,308
	514,728	370,889	650,311	415,005	449,350	421,578
	1,011,221	2,097,509	1,633,388	1,632,170	1,768,219	1,796,575
	890,281	820,445	1,077,860	929,784	1,094,360	1,042,292
	65,482	52,299	41,750	45,102	60,182	63,561
	130,739	172,818	237,224	183,402	209,968	567,539
	174,959	160,193	260,564	201,288	305,014	226,316
	<u>14,909,168</u>	<u>16,063,811</u>	<u>16,575,132</u>	<u>16,393,012</u>	<u>17,133,732</u>	<u>17,932,047</u>
	1,717,994	1,947,768	1,996,410	2,051,143	2,311,024	2,407,932
	4,871,745	5,131,076	5,301,211	5,537,937	5,348,888	5,705,820
	2,038,161	1,971,079	2,006,606	2,381,695	2,690,271	3,272,313
	1,448,951	1,538,452	1,513,411	1,585,656	1,595,924	1,855,261
	49,417	90,000	40,000	40,000	30,000	50,000
	1,839,726	4,695,581	2,755,780	586,495	1,597,191	4,715,989
	2,376,739	2,899,162	4,411,534	6,395,000	5,180,000	2,435,000
	1,096,007	1,041,780	1,095,380	818,144	503,061	412,373
	<u>15,438,740</u>	<u>19,314,898</u>	<u>19,120,332</u>	<u>19,396,070</u>	<u>19,256,359</u>	<u>20,854,688</u>
	(529,572)	(3,251,087)	(2,545,200)	(3,003,058)	(2,122,627)	(2,922,641)
	–	3,184,641	10,120,095	–	–	1,009,555
	(1,435,000)	–	–	(9,990,000)	–	–
	22,473	157,599	13,043	54,408	11,000	18,939
	2,330,331	5,937,539	5,590,211	2,981,402	3,214,991	4,280,247
	(916,212)	(4,794,182)	(4,541,237)	(1,080,560)	(1,930,276)	(1,339,172)
	<u>1,592</u>	<u>4,485,597</u>	<u>11,182,112</u>	<u>(8,034,750)</u>	<u>1,295,715</u>	<u>3,969,569</u>
\$	<u>(527,980)</u>	<u>\$ 1,234,510</u>	<u>\$ 8,636,912</u>	<u>\$ (11,037,808)</u>	<u>\$ (826,912)</u>	<u>\$ 1,046,928</u>
	<u>24.8%</u>	<u>21.0%</u>	<u>29.5%</u>	<u>37.9%</u>	<u>31.3%</u>	<u>16.5%</u>

CITY OF FARMINGTON

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

Payable Year	Residential Property	Commercial/ Industrial, Public Utility, Railroads, and Personal Property	Apartments	Agricultural Property	Less Captured Tax Increment Tax Capacity
2010	\$ 14,657,576	\$ 2,849,385	\$ 289,447	\$ 272,170	\$ (227,913)
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)

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

Source: Dakota County

<u>Less Contributions to Fiscal Disparities Pool</u>	<u>Fiscal Disparities Distribution</u>	<u>Total Tax Capacity Value</u>	<u>Total Direct Tax Capacity Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Tax Capacity Value as a Percentage of Actual Value</u>
\$ (462,792)	\$ 1,304,003	\$ 18,681,876	49.274 %	\$ 1,661,903,500	1.12 %
(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

CITY OF FARMINGTON

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

Fiscal Year	City Direct Rates			Overlapping Rates (2)			Total Direct Overlapping Rate
	Operating	Debt Service	Total City	Dakota County	ISD No. 192	Other Special Districts	
2010	37.103	12.171	49.274	27.261	53.439	3.821	133.795
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

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

Source: Dakota County

CITY OF FARMINGTON

Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Taxpayer	2019			2010		
	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	\$ 609,598	1	2.89 %	\$ 415,950	1	2.30 %
Xcel Energy (Northern States Power)	194,474	2	0.92	158,206	2	0.88
Dakota Electric Association	145,452	3	0.69	143,002	4	0.79
Legacy Partners of Farmington LLC	110,686	4	0.52	–	–	–
Dakota Storage, LLC	81,916	5	0.39	89,298	8	0.49
Minnesota Energy Resources	79,174	6	0.38	–	–	–
Valmont Industries	76,606	7	0.36	–	–	–
St. Francis Health Systems	68,535	8	0.33	76,086	9	0.42
POR-MKR Real Estate, LLC	67,405	9	0.32	–	–	–
Seefer Properties LLC	66,512	10	0.32	–	–	–
Builder's Development and Finance	–	–	–	147,580	3	0.82
Farmington City Center, LLC	–	–	–	107,490	5	0.59
Land, LLC	–	–	–	93,088	6	0.52
Castle Rock Development Inc	–	–	–	89,898	7	0.50
RLR Investments, LLC	–	–	–	73,648	10	0.41
Total	\$ 1,500,358		7.12 %	\$ 1,394,246		7.72 %

Source: Dakota County

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CITY OF FARMINGTON

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of Levy (2)		Delinquent Tax Collections (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 9,586,323	\$ 8,826,496	92.07 %	\$ 758,988	\$ 9,585,484	99.99 %
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	88,837	11,396,761	99.95
2016	11,718,018	11,656,384	99.47	56,106	11,712,490	99.95
2017	12,133,656	12,073,701	99.51	51,768	12,125,469	99.93
2018	12,681,188	12,601,932	99.38	62,403	12,664,335	99.87
2019	13,020,768	12,950,561	99.46	–	12,950,561	99.46

(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 (1)	Special Assessment Bonds	Tax Increment Bonds	Certificates of Indebtedness	Net Premiums (Discounts)
2010	\$ 16,629,173	\$ 22,645,000	\$ 320,000	\$ 1,305,000	\$ -
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

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		of Personal	
	(Discounts)	Government	Per Capita	Income	
\$ 665,000	\$ —	\$ 41,564,173	\$ 1,971	4.4 %	
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	

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
2010	\$ 16,629,173	\$ -	\$ 16,629,173	\$ 1,661,903,500	1.00 %
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

(1) Includes all general obligations of the City, including Capital Improvement Plan Bonds, Revenue, and Lease Revenue 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
\$ 16,808,764	98.93 %	21,086	1.80 %	\$ 789
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

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CITY OF FARMINGTON

Direct and Overlapping Governmental Activities Debt
December 31, 2019

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt			
Dakota County (2)	\$ —	— %	\$ —
ISD No. 192 Farmington	181,225,000	0.593	1,074,971
ISD No. 196 Rosemount – Apple Valley – Eagan	134,115,000	—	49
Metropolitan Council (3)	265,680,000	0.040	107,562
Total overlapping debt	<u>581,020,000</u>		<u>1,182,582</u>
Direct debt			
City of Farmington direct debt	<u>13,752,060</u>	100.000	<u>13,752,060</u>
Total direct and overlapping debt	<u>\$ 594,772,060</u>		<u>\$ 14,934,642</u>

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

(2) 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

	2010	2011	2012	Fiscal Year 2013
Debt limit	\$ 33,238,070	\$ 45,675,060	\$ 40,338,008	\$ 37,998,037
Total net debt applicable to the limit	17,934,173	16,919,072	15,916,859	15,442,435
Legal debt margin	\$ 15,303,897	\$ 28,755,988	\$ 24,421,149	\$ 22,555,602
Total net debt applicable to the limit as a percentage of debt limit	53.96%	37.04%	39.46%	40.64%

2014	2015	2016	2017	2018	2019
\$ 39,352,574	\$ 44,279,096	\$ 48,043,247	\$ 50,558,628	\$ 54,324,795	\$ 59,069,079
14,520,696	16,496,534	20,115,000	12,455,000	9,155,000	8,865,000
<u>\$ 24,831,878</u>	<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>
36.90%	37.26%	41.87%	24.63%	16.85%	15.01%

Legal Debt Margin Calculations for Fiscal Year 2019

Market value	\$ 1,968,969,293
Debt limit (3% of market value)	59,069,079
Debt applicable to the limit	<u>8,865,000</u>
Legal debt margin	<u>\$ 50,204,079</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	
2010	\$ 1,581,526	\$ (1,191,274)	\$ 390,252	\$ 210,000	\$ 25,923	\$ 235,923	165.41 %
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 longer applicable – debt repaid in full in 2013				
2014			No longer applicable – debt repaid in full in 2013				
2015			No longer applicable – debt repaid in full in 2013				
2016			No longer applicable – debt repaid in full in 2013				
2017			No longer applicable – debt repaid in full in 2013				
2018			No longer applicable – debt repaid in full in 2013				
2019	2,281,793	(556,474)	1,725,319	–	–	–	N/A

(a) 2010–2012 includes gross revenues of the Sewer Operations Funds. 2019 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.

CITY OF FARMINGTON

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Households (1)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>	<u>Total Personal Income (5)</u>	<u>Per Capita Income (4)</u>
2010	21,086	7,412	6,499	6.5	\$ 934,426,090	\$ 44,315
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

(1) Numbers for 2010–2015 are from the Farmington Building Inspections Department. The 2016–2019 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

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CITY OF FARMINGTON

Principal Employers
Current Fiscal Year and Nine Years Prior

Taxpayer	2019			2010		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment
ISD No. 192, Farmington Public Schools	925	1	18.6 %	800	1	18.0 %
Federal Aviation Administration	500	2	10.0	630	2	14.2
Installed Building Solutions	500	3	10.0	–	–	–
Trinity Care Center & Trinity Terrace	204	4	4.1	117	8	2.6
Dakota Electric Association	196	5	3.9	200	4	4.5
Marshall Lines, Inc.	190	6	3.8	210	3	4.7
City of Farmington	152	7	3.0	90	10	2.0
Valmont Industries	151	8	3.0	126	7	2.8
R&L Carriers	141	9	2.8	110	9	2.5
Kemps Dairy	125	10	2.5	134	6	3.0
River Valley Home Care	–	–	–	196	5	4.4
Total	<u>3,084</u>		<u>61.9 %</u>	<u>2,613</u>		<u>58.9 %</u>

(1) Per City of Farmington records.

(2) Metropolitan Council Employment by Community as of 2018 (latest available), 4,985 total employment.

CITY OF FARMINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
General government				
Administration	6.00	5.00	5.25	3.50
Finance	3.50	2.75	2.50	4.00
Human resources/information technology/communications	3.00	2.80	1.80	3.00
Community development	4.00	3.00	1.00	2.00
Total general government	<u>16.50</u>	<u>13.55</u>	<u>10.55</u>	<u>12.50</u>
Public safety				
Police administration	6.00	6.15	6.15	5.15
Police patrol	16.00	16.00	16.50	18.00
Investigations	7.00	7.00	6.50	5.00
Fire	1.00	1.25	1.40	1.40
Total public safety	<u>30.00</u>	<u>30.40</u>	<u>30.55</u>	<u>29.55</u>
Public works				
Building inspections	3.00	3.00	2.93	2.50
Engineering	2.10	2.42	2.34	5.10
Streets	4.68	4.68	4.68	10.00
Snowplowing	0.45	0.45	0.45	-
Natural resources	1.12	1.02	1.02	1.00
Total public works	<u>11.35</u>	<u>11.57</u>	<u>11.42</u>	<u>18.60</u>
Parks and recreation				
Park maintenance	5.44	4.44	4.44	3.50
Building maintenance	-	-	-	1.00
Recreation programming	2.00	2.00	2.00	2.00
Total parks and recreation	<u>7.44</u>	<u>6.44</u>	<u>6.44</u>	<u>6.50</u>
Senior center	1.00	1.10	1.10	1.50
Swimming pool	0.40	0.40	0.40	0.40
Arena	1.86	2.11	2.11	2.35
Liquor operations	5.00	7.25	7.25	7.25
Sewer	2.41	2.60	2.59	-
Solid waste	6.38	6.38	6.38	5.00
Storm water utility	2.53	2.93	2.93	-
Water	3.64	3.83	3.83	-
Fleet	2.00	2.00	1.00	2.00
Total employees	<u><u>90.51</u></u>	<u><u>90.56</u></u>	<u><u>86.55</u></u>	<u><u>85.65</u></u>

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

Source: Various city departments

2014	2015	2016	2017	2018	2019
3.50	3.00	2.00	1.00	1.00	1.00
4.00	4.50	5.50	5.50	5.50	5.50
3.00	3.00	3.00	4.00	5.00	5.00
2.50	2.50	3.00	3.00	4.00	5.00
13.00	13.00	13.50	13.50	15.50	16.50
5.15	5.15	5.15	5.15	5.00	5.00
17.00	17.00	17.00	17.00	15.00	16.00
5.00	5.00	5.00	5.00	6.00	6.00
1.40	1.50	1.50	1.50	1.00	2.00
28.55	28.65	28.65	28.65	27.00	29.00
2.50	2.50	3.20	3.50	3.50	3.00
4.60	4.50	4.50	5.50	4.50	5.00
10.00	9.00	9.50	9.50	9.00	10.00
–	–	–	–	–	–
1.00	1.00	1.00	–	1.00	1.00
18.10	17.00	18.20	18.50	18.00	19.00
3.50	3.50	3.50	3.60	4.00	4.00
1.00	1.00	1.00	1.00	1.00	3.00
2.00	2.00	2.00	2.00	2.00	2.00
6.50	6.50	6.50	6.60	7.00	9.00
1.50	1.00	1.40	1.40	1.00	1.00
0.40	0.40	0.40	0.40	–	–
2.35	2.35	2.35	2.35	2.00	2.00
7.50	8.00	8.00	8.00	9.50	9.00
–	–	–	–	–	–
5.00	5.00	5.50	5.50	5.50	5.00
–	–	–	–	–	–
–	–	–	–	–	–
2.00	2.00	2.00	2.00	2.00	2.00
84.90	83.90	86.50	86.90	87.50	92.50

CITY OF FARMINGTON

Operating Indicators by Function
Last Ten Years

Function/Program	Fiscal Year			
	2010	2011	2012	2013
General government				
Elections	1	N/A	1	N/A
Registered voters	11,820	N/A	13,358	N/A
Number of votes cast	7,002	N/A	11,185	N/A
Voter participation (registered)	59.2%	N/A	84.0%	N/A
Public safety				
Police				
Arrests	399	527	435	403
All citations and warnings*	1,848	2,253	4,359	4,517
Calls for service	12,710	13,807	15,094	13,138
Fire				
Medical calls	257	274	290	323
Fire calls	272	227	254	235
Inspections				
Building permits	907	747	818	679
Value of building permits (in millions)	\$ 22	\$ 25	\$ 17	\$ 35
Parks and recreation				
Parks				
Park reservations	76	67	69	65
Pool (closed after 2017)				
Pool open swim admissions	13,009	11,869	13,069	11,566
Pool swim lesson registrations	405	410	407	308
Pool season passes sold	71	63	89	78
Pool punch cards sold	163	142	130	154
Swim bus riders	729	620	641	786
Rambling River Center				
Memberships	430	430	428	435
Program participation	11,738	15,817	16,198	16,875
Number of volunteers	107	108	152	94
Total volunteer hours	4,276	4,601	3,741	4,780
Ice arena				
Ice skating lessons total participants	263	195	200	215
Arena rental hours	1,171	1,271	1,197	1,147
Outdoor rinks total number of skaters	9,797	6,499	5,259	7,819
Other				
Recreation program/event participants	6,258	6,126	6,607	6,971
Youth scholarships provided	45	20	22	25

* Beginning in 2012, this figure includes warnings.

N/A – Not Available

Source: Various city departments

2014	2015	2016	2017	2018	2019
1	N/A	1	N/A	1	N/A
12,541	N/A	13,788	N/A	13,403	N/A
6,419	N/A	11,545	N/A	9,632	N/A
51.0%	N/A	84.0%	N/A	72.0%	N/A
266	153	351	281	284	253
3,383	2,494	2,070	2,021	2,484	2,176
13,035	12,085	11,943	11,221	13,033	14,005
386	359	356	452	411	480
241	361	345	407	340	370
711	619	1,184	1,036	1,059	1,049
\$ 24	\$ 15	\$ 38	\$ 19	\$ 26	\$ 22
66	66	81	71	64	59
8,032	7,652	7,372	6,302	—	—
267	256	309	136	—	—
N/A	N/A	NA	N/A	—	—
193	176	125	139	—	—
408	536	507	496	—	—
406	381	404	467	497	372
15,285	13,885	13,042	15,203	16,015	17,730
130	107	82	80	69	74
4,348	5,944	8,573	4,298	3,426	3,749
230	216	329	284	296	310
1,197	1,315	1,285	1,490	1,380	1,390
7,481	7,851	5,187	7,276	5,451	3,892
6,425	5,976	8,344	8,171	7,034	5,657
7	4	6	8	1	—

CITY OF FARMINGTON

Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	Fiscal Year			
	2010	2011	2012	2013
Public safety				
Police				
Stations	1	1	1	1
Patrol squads	18	18	17	17
Fire				
Stations	2	2	2	2
Fire trucks	7	7	7	7
Public works				
Vehicles	21	21	20	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	21
Liquor operations				
Store – building	–	–	–	–
Solid waste				
Compactor trucks	6	6	6	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: City's financial records

2014	2015	2016	2017	2018	2019
1	1	1	1	1	1
16	16	15	15	16	19
2	2	2	2	2	2
6	6	8	8	8	8
21	24	29	29	29	30
89	89	89	89	89	89
1	1	1	1	1	1
1	1	1	1	–	–
1	1	1	1	1	1
23	23	23	23	24	26
–	–	–	–	–	–
5	5	5	5	5	5
84	84	84	90	90	87
71	73	73	78	78	78
109	109	109	113	113	113
7	7	7	7	7	8
2	2	2	2	2	2

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