

## PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 25, 2025

NEW ISSUE  
BANK QUALIFIED

BOOK ENTRY ONLY  
S&P'S RATING "AA+"

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "Tax Considerations" herein.*

*The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "Tax Considerations" herein.*

### CITY OF FARMINGTON, MINNESOTA \$3,230,000\* General Obligation Street Reconstruction Bonds, Series 2025A

**Dated Date: Date of Delivery (Estimated to be September 30, 2025)**

**Interest Due: Each February 1 and August 1  
Commencing August 1, 2026**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2027	\$120,000	_____ %	_____ %	_____	2/1/2033	\$335,000	_____ %	_____ %	_____
2/1/2028	280,000	_____	_____	_____	2/1/2034	345,000	_____	_____	_____
2/1/2029	290,000	_____	_____	_____	2/1/2035	360,000	_____	_____	_____
2/1/2030	300,000	_____	_____	_____	2/1/2036	375,000	_____	_____	_____
2/1/2031	310,000	_____	_____	_____	2/1/2037	195,000	_____	_____	_____
2/1/2032	320,000	_____	_____	_____					

The General Obligation Street Reconstruction Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Farmington, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 and Section 475.58 subdivision 3b, as amended. Proceeds of the Bonds will be used to finance the City's 2025 and 2026 street reconstruction projects, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the bond fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be U.S. Bank Trust Company, National Association, St. Paul, Minnesota.

**Proposals: Tuesday, September 2, 2025 10:30 A.M., Central Time**

**Award: Tuesday, September 2, 2025 7:00 P.M., Central Time**

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$3,188,010 (98.70%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$64,600, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

\* Preliminary, subject to change.



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### APPENDIX A – FORM OF LEGAL OPINION

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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE SEPTEMBER 30, 2025.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

## **SUMMARY OF OFFERING**

**City of Farmington, Minnesota**  
**\$3,230,000 \***  
**General Obligation Street Reconstruction Bonds, Series 2025A**  
*(Book-Entry Only)*

AMOUNT -	\$3,230,000*																								
ISSUER -	City of Farmington, Minnesota (the “City” or the “Issuer”)																								
AWARD DATE -	September 2, 2025																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																								
TYPE OF ISSUE -	General Obligation Street Reconstruction Bonds, Series 2025A (the “Bonds” or the “Issue”)																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Street Reconstruction Bonds, Series 2025A (the “Bonds”) are being issued by the City of Farmington, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and Section 475.58 subdivision 3b, as amended. Proceeds of the Bonds will be used to finance the City's 2025 and 2026 street reconstruction projects, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the bond fund established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																								
DATE OF ISSUE -	Date of Delivery (Estimated to be September 30, 2025)																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																								
MATURITIES* -	<table><tr><td>2/1/2027</td><td>\$120,000</td><td>2/1/2030</td><td>\$300,000</td><td>2/1/2033</td><td>\$335,000</td><td>2/1/2036</td><td>\$375,000</td></tr><tr><td>2/1/2028</td><td>280,000</td><td>2/1/2031</td><td>310,000</td><td>2/1/2034</td><td>345,000</td><td>2/1/2037</td><td>195,000</td></tr><tr><td>2/1/2029</td><td>290,000</td><td>2/1/2032</td><td>320,000</td><td>2/1/2035</td><td>360,000</td><td></td><td></td></tr></table>	2/1/2027	\$120,000	2/1/2030	\$300,000	2/1/2033	\$335,000	2/1/2036	\$375,000	2/1/2028	280,000	2/1/2031	310,000	2/1/2034	345,000	2/1/2037	195,000	2/1/2029	290,000	2/1/2032	320,000	2/1/2035	360,000		
2/1/2027	\$120,000	2/1/2030	\$300,000	2/1/2033	\$335,000	2/1/2036	\$375,000																		
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2/1/2029	290,000	2/1/2032	320,000	2/1/2035	360,000																				
REDEMPTION -	The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																								
PAYING AGENT/REGISTRAR -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”).  <u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																								
LEGAL OPINION -	Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”)																								
BOND RATING -	The City received an underlying rating of “AA+” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																								
CLOSING -	Estimated to be September 30, 2025																								
PRIMARY CONTACTS -	Kim Sommerland, Finance Director, City of Farmington, Minnesota 651-280-6880 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930																								

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\* Preliminary, subject to change.

## CITY OF FARMINGTON, MINNESOTA

### PRINCIPAL CITY OFFICIALS

#### Elected Officials

<u>City Council</u>		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Joshua Hoyt	Mayor	12/31/28
Holly Bernatz	Council Member	12/31/26
Jake Cordes	Council Member	12/31/28
Steve Wilson	Council Member	12/31/28
Nick Lien	Council Member	12/31/26

#### Primary Contacts

David Chanski	Interim City Administrator
Kim Sommerland	Finance Director

### BOND COUNSEL

Dorsey & Whitney LLP  
Minneapolis, Minnesota

### MUNICIPAL ADVISOR

Northland Securities, Inc.  
Minneapolis, Minnesota

## **NOTICE OF SALE**

\$3,230,000\*

GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2025A

CITY OF FARMINGTON, MINNESOTA  
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

### **TIME AND PLACE:**

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Director, or designee, on Tuesday, September 2, 2025, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, September 2, 2025 at 7:00 P.M., CT.

### **SUBMISSION OF PROPOSALS**

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- c) emailed to [PublicSale@northlandsecurities.com](mailto:PublicSale@northlandsecurities.com)
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5918, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Tuesday, September 2, 2025. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2<sup>nd</sup> floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

### **BOOK-ENTRY SYSTEM**

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

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\* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

**DATE OF ORIGINAL ISSUE OF BONDS**

Date of Delivery (Estimated to be September 30, 2025)

**AUTHORITY/PURPOSE/SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.58 subd. 3b, as amended. Proceeds will be used to finance street reconstruction projects, and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the bond fund established for this issue in the resolution awarding the sale of the Bonds (the “Bond Resolution”).

**INTEREST PAYMENTS**

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

**MATURITIES**

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$120,000	2031	\$310,000	2035	\$360,000
2028	280,000	2032	320,000	2036	375,000
2029	290,000	2033	335,000	2037	195,000
2030	300,000	2034	345,000		

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

**INTEREST RATES**

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE  
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

In order to establish the issue price of the Bonds for federal income tax purposes, the Issuer requires bidders to agree to the following, and by submitting a bid, each bidder agrees to the following.

If a bid is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the “initial offering price”) for each maturity as set forth in the bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters of the Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Bonds.

If, however, a bid is submitted for the bidder’s own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the Issuer to that effect at the time it submits its bid and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the Issuer shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies, as described in the following paragraph.

If the Issuer advises the winning bidder that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the winning bidder shall (1) upon the request of the Issuer confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the Issuer a certification substantially in the form attached hereto as Exhibit A, together with a copy of the pricing wire.

If the Issuer advises the winning bidder that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the winning bidder will be required to deliver to the Issuer at or prior to closing a certification, substantially in the form attached hereto as Exhibit B, as to the reasonably expected initial offering price as of the award date.

Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received on behalf of the Issuer by the Municipal Advisor.

**Bidders should prepare their bids on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any bid submitted pursuant to the Notice of Sale shall be considered a firm offer for the purchase of the Bonds, and bids submitted will not be subject to cancellation or withdrawal.**

## **ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS**

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

## **OPTIONAL REDEMPTION**

Bonds maturing on February 1, 2034 through 2037 are subject to redemption and prepayment at the option of the City on February 1, 2033 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

## **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

## **DELIVERY**

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Dorsey and Whitney, LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

## **TYPE OF PROPOSAL**

Proposals of not less than \$3,188,010 (98.70%) and accrued interest on the principal sum of \$3,230,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Kim Sommerland, Finance Director  
430 3rd St.  
Farmington, MN 55024

A good faith deposit (the "Deposit") in the amount of \$64,600 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.



The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

### **INFORMATION FROM SUCCESSFUL BIDDER**

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

### **OFFICIAL STATEMENT**

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

### **FULL CONTINUING DISCLOSURE UNDERTAKING**

The City will covenant in the Bond Resolution to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

### **BANK QUALIFICATION**

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **BOND INSURANCE AT UNDERWRITER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: July 21, 2025

BY ORDER OF THE FARMINGTON CITY COUNCIL

/s/ Kim Sommerland  
Finance Director

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5<sup>th</sup> Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

## EXHIBIT A

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### ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

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**[\$[PRINCIPAL AMOUNT]  
[BOND CAPTION]  
ISSUE PRICE CERTIFICATE]**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.*** For purposes of this Issue Price Certificate:

(a) *Issuer* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: [ISSUE DATE]

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**ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS  
FROM ESTABLISHED UNDERWRITERS**

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\$[PRINCIPAL AMOUNT]  
[BOND CAPTION]  
**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([ "[SHORT NAME OF UNDERWRITER]" ])[the "Representative"]], on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group"), hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]'s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

3. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means [DESCRIBE ISSUER].

(c) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

## **AUTHORITY AND PURPOSE**

The General Obligation Street Reconstruction Bonds, Series 2025A (the “Bonds” or the “Issue”) are being issued by the City of Farmington, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and Section 475.58 subdivision 3b, as amended. Proceeds from issuance of the Bonds will be used to finance the City's 2025 and 2026 street reconstruction projects, and to pay costs associated with issuance of the Bonds.

## **SECURITY/SOURCES AND USES OF FUNDS**

### **Security**

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the bond fund established for this Issue in the resolution awarding the sale of the Bonds (the “Bond Resolution”), the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

### **Sources and Uses of Funds**

Following are the sources and uses of funds in connection with the issuance of the Bonds.

#### *Sources of Funds*

Par Amount of Bonds	\$ <u>3,230,00</u> *
Total Sources of Funds:	\$ <u>3,230,00</u>

#### *Uses of Funds*

Deposit to Project Fund	\$ 3,020,000
Capitalized Interest	81,843
Costs of Issuance/Underwriter's Discount	127,090
Rounding Amount	<u>1,067</u>
Total Uses of Funds:	\$ <u>3,230,000</u>

## **BONDHOLDERS' RISKS**

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

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\* Preliminary, subject to change.

## **Ratings Loss**

S&P Global Ratings has assigned a rating of “AA+” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

## **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

## **Tax Exemption, Bank Qualification and Loss of Tax Exemption**

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as “qualified tax-exempt obligations” under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

## **Pending Federal and State Tax Legislation**

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability

or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

### **Tax Levy Procedures**

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

### **Factors Beyond Issuer's Control**

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

### **Cybersecurity**

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

### **Suitability of Investment**

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

### **Summary**

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

## **DESCRIPTION OF THE BONDS**

### **Details of Certain Terms**

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be September 30, 2025), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing



August 1, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the “Registered Holder”), as nominee of The Depository Trust Company, New York, New York (“DTC”), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

### **Registration, Transfer and Exchange**

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond Resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

### **Optional Redemption**

Bonds maturing on or after February 1, 2034, are subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in multiples of \$5,000, on February 1, 2033, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The City Administrator is required to cause notice of the call for redemption thereof to be published if and as required by law, and, at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, and cause notice of call for redemption to be mailed, by first class mail, to the Registrar and registered holders of any Bonds to be redeemed at their addresses as they appear on the register described in the Bond Resolution; provided that notice will be given to any securities depository in accordance with its operational arrangements.

No defect in or failure to give such mailed notice of redemption will affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City defaults in the payment of the redemption price) such Bonds or portions of Bonds will cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

## **Book-Entry System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtcc.org](http://www.dtcc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC

mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Farmington takes no responsibility for the accuracy thereof.

### **FULL CONTINUING DISCLOSURE**

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to the Bond Resolution, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB (the "Undertaking"). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in in substantially the same form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

The City has retained a Dissemination Agent for its continuing disclosure filings.

### **UNDERWRITER**

The Bonds are being purchased by \_\_\_\_\_ (the "Underwriter") at a purchase price of \$ \_\_\_\_\_, which is the par amount of the Bonds of \$ \_\_\_\_\_ less the Underwriter's discount of \$ \_\_\_\_\_, plus the original issue premium of \$ \_\_\_\_\_.

## **MUNICIPAL ADVISOR**

The City has retained Northland Securities, Inc. as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

## **FUTURE FINANCING**

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

## **BOND RATING**

The City received an underlying rating of “AA+” from S&P Global Ratings (“S&P”). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

## **LITIGATION**

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## **CERTIFICATION**

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

## **LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

## **TAX EXEMPTION**

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

**Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.**

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the “issue price” of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

### **The Bonds**

#### ***Tax-Exempt Interest***

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be

included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

### ***Original Issue Discount***

Bonds may be issued with original issue discount (“OID”). A Bond will be treated as issued with OID (a “Discount Bond”) if its “stated redemption price at maturity” (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the OID that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that OID on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

### ***Market Discount***

If a Bond is purchased for a cost that is less than the Bond’s issue price (plus accrued OID), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

### ***Bond Premium***

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity generally must, from time to time, reduce the holder’s federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder’s constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

## ***Related Tax Considerations***

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

## ***Sale or Other Disposition***

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

## **Information Reporting and Backup Withholding**

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

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## CITY OF FARMINGTON, MINNESOTA

### GENERAL INFORMATION

#### Location/Access/Transportation

Farmington, situated in Dakota County, is located in the east central portion of Minnesota. The City is located approximately 30 miles to the south of the cities of Minneapolis and St. Paul and is part of the Twin Cities metropolitan area. Access is provided via County Roads 31 and 50, and Minnesota Highways 50 and 3.

#### Area

9,560 Acres  
(14.94 Square Miles)

#### Population

2000 Census	12,365	2020 Census	23,632
2010 Census	21,086	2025 Estimate <sup>†</sup>	24,970

#### Labor Force Data<sup>1</sup>

Comparative average labor force and unemployment rate figures for 2025 (through April) and year-end 2024 are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	<u>2025 (April)</u>		<u>2024</u>	
	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>
Dakota County	251,366	3.1%	249,927	2.7%
Minneapolis-St. Paul MSA	2,081,442	3.3	2,070,359	2.9
Minnesota	3,148,301	3.7	3,129,802	3.0

#### Income Data<sup>2</sup>

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	<u><i>Farmington</i></u>	<u><i>State of Minnesota</i></u>	<u><i>United States</i></u>
Median Family Income	\$137,634	\$111,492	\$96,922
Per Capita Income	45,883	46,957	43,289

#### City Government

Farmington was established in 1872. The City operates under the Optional Plan A form of government consisting of an elected mayor and four council members. The Mayor is elected at large for a four-year term and Council members are elected to overlapping four-year terms.

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<sup>†</sup> Source: City of Farmington.

<sup>1</sup> Source: Minnesota Department of Employment and Economic Development

<sup>2</sup> Source: 2019-2023 American Community Survey, U.S. Census Bureau.

**Municipal Enterprise Services**

Municipal enterprise services provided by the City include the water, sewer, and storm sewer utilities, along with a municipal liquor store.

**Bargaining Units/Labor Contracts**

The labor unions representing certain City employee groups are shown below.

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Law Enforcement Labor Services Police Office Unit	December 31, 2025
Law Enforcement Labor Services Police Sergeant Unit	December 31, 2025
AFSCME Clerical, Technical & Professional	December 31, 2025
AFSCME Maintenance Unit	December 31, 2025

**Employee Pension Programs**

The City employs a total of 197 people, 93 full-time and 104 part-time. All eligible full-time and part-time employees are covered by the pension plan.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute. State Statute requires the City to fund current service pension cost as it accrues.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly “PERF”) and PEPFF. That report may be obtained at [www.mnpera.org](http://www.mnpera.org), or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2024. PEPFF members were required to contribute 11.8% of their annual covered salary in 2024. State statute requires the City to contribute 17.7% for PEPFF members. City Contributions to GERF and PEPFF have been as follows:

Audited City contributions to GERF and PEPFF for the past five years have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$1,004,732	2021	\$897,953
2023	956,689	2020	888,726
2022	897,364		

Volunteer firefighters of the City are eligible for pension benefits through membership in the Association organized under Minnesota Statutes, Chapter 69, and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan.

**Other Postemployment Benefits (OPEB)**

*Plan Description*

The City operates a single-employer retiree benefit plan which provides post-employment insurance benefits. All post-employment benefits are based on contractual agreements with employee groups. There are 74 active plan members and 11 retirees and beneficiaries receiving benefits. 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.

*Changes in Total OPEB Liability*

	Total OPEB <u>Liability</u>
Beginning balance – January 1, 2024	<u>\$ 1,092,823</u>
Changes for the year:	
Service Cost	\$ 100,500
Interest	47,265
Differences between expected and actual experience	1,938
Changes in assumptions	27,044
Benefit payments	<u>(52,531)</u>
Net Changes	<u>124,216</u>
Ending balance – December 31, 2024	<u>\$ 1,217,039</u>

Additional information regarding the City’s OPEB obligations is provided in the City’s Comprehensive Annual Financial Report, excerpts of which are provided in *Appendix C* of this Official Statement, with particular reference to Note 10.

**Cash and Investment Balances as of June 25, 2025 (unaudited)**

<u>Fund</u>	
General Fund	\$6,997,583
Special Revenue Funds	3,851,146
Debt Service Funds	2,035,647
Capital Projects Funds	21,082,416
Enterprise Funds	21,616,722
EDA Funds	620,927
Internal Service Funds	<u>2,072,508</u>
Total Estimated Cash and Investment Balances	<u>\$58,276,949</u>

## General Fund Budget Summary

	2024 Budget	2024 Actual	2025 Budget
Revenues:			
Property Taxes	\$14,193,707	\$14,127,525	\$15,321,211
Licenses and Permits	779,050	1,212,437	843,765
Intergovernmental Revenue	769,110	1,022,621	846,310
Charges for Services	609,930	880,393	715,287
Fines and Forfeits	55,000	63,011	57,500
Franchise Fees	120,000	120,000	120,000
Miscellaneous	73,100	653,465	109,400
Transfers In	2,284,510	2,284,510	1,792,306
Total Revenues	\$18,884,407	\$20,363,962	\$19,805,780
Expenditures:			
General Government	\$ 2,814,304	\$2,888,190	\$ 3,069,894
Community Development	1,446,254	1,347,136	1,404,093
Public Safety	7,998,928	7,502,432	8,411,024
Parks & Recreation	1,785,914	1,756,517	1,900,810
Public Works	2,970,007	2,570,518	3,153,959
Transfers Out	1,869,000	1,928,456	1,866,000
Total Expenditures	\$18,884,407	\$17,993,249	\$19,805,780
Revenues Over (Under) Expenditures	0	2,370,713	0
Beginning Fund Balance (January 1)	\$ 8,988,437	\$ 8,988,437	\$11,359,150
Ending Fund Balance (December 31)	<u>\$ 8,988,437</u>	<u>\$11,359,150</u>	<u>\$11,359,150</u>

## Residential Development

There are approximately 6,378 single-family homes, 1,618 townhouses, and 826 multifamily units located within the City. In addition, there have been 203 single-family homes/townhomes, and 242 multi-family units constructed within the past 12 months.

Subdivisions planned or constructed within the past three years are as follows:

<i>Subdivision Name</i>	<i>Total Number of Lots/Units</i>	<i>Number of Lots/Units Completed</i>	<i>Remaining Lots/Units Available</i>
Sapphire Lake 3 <sup>rd</sup>	32	24	8
Sapphire Lake 4 <sup>th</sup>	30	22	8
Fairhill Estate 4 <sup>th</sup>	20	20	0
Fairhill Estate 5 <sup>th</sup>	13	12	1
Fairhill Estate 6 <sup>th</sup>	45	38	7
Whispering Fields	60	58	2
Whispering Fields 2 <sup>nd</sup>	56	10	46
Vermillion Commons 1 <sup>st</sup>	76	76	0
Vermillion Commons 2 <sup>nd</sup>	58	58	0
Vermillion Commons 3 <sup>rd</sup>	67	27	40

Vermillion Commons 4 <sup>th</sup>	66	9	57
Denmark Housing Addition	40	0	40
Vita Attiva 1 <sup>st</sup> Addition	42	42	0
Vita Attiva 2 <sup>nd</sup> Addition	8	8	0
Vita Attiva 3 <sup>rd</sup> Addition	59	28	31
Vita Attiva 4 <sup>th</sup> Addition	54	0	54
Vita Attiva 5 <sup>th</sup> Addition	16	0	16
Meadowview Preserve 1 <sup>st</sup> Addition	63	15	48
Meadowview Preserve 2 <sup>nd</sup> Addition	75	0	75
Dakota Meadows Preserve 1 <sup>st</sup> Addition	42	0	42
The Emery Apartments	74	74	0
Vermillion River Crossings 3 <sup>rd</sup> Add. (Rye Apartments)	168	0	168

### Commercial/Industrial Development

Building construction and commercial/industrial development completed from the past three years have been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Hobo Warehouse	Commercial Storage	New Construction
Sweet Kneads	Bakery	Building Expansion
Airlake Truck Body & Paint	Vehicle Body Repair	New Construction
Holiday Gas Station	Service Station	Demo/New Construction
Aerospace Fabrication	Manufacturer	Addition
ISD 192-Ticket/Restrooms Bldg	Education	New Construction
ISD 192-Team Storage Facility	Education	New Construction
The Emery	Apartment Building	New Construction
Valmont	Manufacturer	Addition
Great Oaks Academy	Education	Remodel/Addition
ISD 192-Loading Dock	Education	New Construction
Vita Attiva Amenities Building	Housing 55+ Community	New Construction
ISD 192-ADA Ramp	Education	New Construction
Creative Wonder	Childcare/Daycare	Interior Remodel
Vita Attiva	Pool	New Construction
The Community Room	Event Center/Venue	Interior Remodel
Dakota County Lumber	Lumber Supplier/Office	New Construction
McDonald's	Restaurant	Interior Remodel
The "Rye" Apartments	Apartment Building	New Construction – 168 units
Rambling River Center	Senior Center	Interior Remodel
Action Behavior Center	Autistic Care Center	Interior Remodel
Farmington Eye Clinic	Eye Care	New Construction
Chill Ice Cream Studio	Ice Cream Shop	Interior Remodel
Boots & Beans	Coffee Shop	Interior Remodel
Pinball Plus	Pinball Repair/Sales	Interior Remodel
Comic Ferret	Bookstore/Collectibles Shop	New Tenant
Evergreen Landscapes	Lawn care/Storage	New Tenant

## Building Permits

Building permits, excluding plumbing, mechanical and electrical permits, issued for the past five years and a portion of the current year have been as follows:

<u>Year</u>	<u>Commercial/ Industrial Number of Permits</u>	<u>Residential Number of Units</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2025 (As of 6/25/2025)	15	293	308	\$21,505,458
2024	79	885	964	92,621,836
2023	12	1,273	1,285	50,684,075
2022	36	998	1,034	42,021,502
2021	31	1021	1,052	39,650,568
2020	21	709	730	27,398,711

## Education

Independent School District No. 192, Farmington serves the City which operates five elementary schools, two middle schools, and one high school.

## Banking/Financial Institutions

Banking and financial services provided within the City include the following: Minnwest Bank, Castle Rock Bank, Old National Bank, and Premier Bank Minnesota.

## Major/Leading Employers<sup>1</sup>

Following are some of the major/leading employers within the City.

<u>Employer</u>	<u>Product/ Service</u>	<u>Number of Employees<sup>1</sup></u>
ISD No. 192, Farmington	Public Education	775
Federal Aviation Administration	Government	368
Installed Building Solutions	Home Improvement	284
Dakota Electric Association	Utility	206
Trinity Care Center and Trinity Terrace	Home Health Services	201
Marschall Line Inc.	Transportation	201
City of Farmington	Government	197
R&L Carriers	Shipping & Logistics	160
Valmont Industries	Coating Services	150
Kemps LLC	Dairy	134

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<sup>1</sup> Sources: The City and Data Axle Reference Solutions.

<sup>1</sup> Includes full-time, part-time, and seasonal employees.

## Largest Taxpayers<sup>1</sup>

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2024/2025 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$32,743,069)<sup>2</sup></u>
Northern Natural Gas Co.	Utility	\$ 1,211,408	3.70%
Xcel Energy	Utility	144,762	0.44
Minnesota Energy Resources Corp.	Utility	139,836	0.43
Dakota Storage LLC	Commercial	135,596	0.41
RLR Investment LLC	Industrial	129,915	0.40
Valmont Industries Inc	Industrial	122,458	0.37
Legacy Partners of Farmington LLC	Multi-unit Housing	116,834	0.36
Dakota Electric Association	Utility	115,570	0.35
Seeger Properties, LLC	Multi-unit Housing	97,299	0.30
B7L Adventures LLC	Agricultural	<u>88,776</u>	<u>0.27</u>
		<u>\$ 2,302,454</u>	<u>7.03%</u>

*(Remainder of page intentionally left blank)*

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<sup>1</sup> As reported by Dakota County.

<sup>2</sup> Before tax increment adjustment.

## **MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS**

### **Market Value**

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

### **Taxable Market Value**

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

### **Market Value Exclusion**

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

### **Sales Ratio**

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

### **Economic and Indicated Market Value**

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

### **Net Tax Capacity**

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.



## **Tax Cycle**

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

## **Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)**

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

## **Levy Limits**

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

*Property Tax Classifications*

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2022/ 2023</u>	<u>2023/ 2024</u>	<u>2024/ 2025</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 <sup>†</sup>	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,890,000	0.50		
	Over \$1,890,000	1.00		
	First \$2,150,000		0.50	
	Over \$2,150,000		1.00	
	First \$3,500,000			.50
	Over \$3,500,000			1.00
2b	<u>Non-Homestead Rural Vacant Land</u> <sup>1</sup>	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 <sup>†</sup>	1.50	1.50	1.50
	Over \$150,000 <sup>†</sup>	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> <sup>†</sup>			
	(Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> <sup>†</sup>			
	Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000	.75	.75	.25
	Over \$100,000	.25	.25	.25

<sup>†</sup> Subject to the state general property tax.

\* Exempt from referendum market value-based taxes.

<sup>1</sup> Homestead remainder & non-homestead; includes minor ancillary structures.

# CITY OF FARMINGTON, MINNESOTA

## ECONOMIC AND FINANCIAL INFORMATION<sup>1</sup>

### Valuations

	<i>Estimated Market Value 2024/2025</i>	<i>Net Tax Capacity 2024/2025</i>
Real Property	\$ 3,198,556,700	\$ 32,430,493
Personal Property	15,918,700	312,576
Less Tax Increment Deduction	---	( 125,936)
Fiscal Disparities <sup>2</sup>	---	
(Contribution to Pool)	---	( 1,654,789)
Distribution from Pool	---	5,359,694
Total Adjusted Valuation	<u>\$ 3,214,475,400</u>	<u>\$ 36,322,038</u>

### Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2024/2025	\$3,438,861,452	93.90%	\$3,214,475,400	\$3,050,678,639	\$32,743,069	\$36,322,038
2023/2024	3,337,728,373	94.86	3,162,127,900	3,053,265,771	32,712,009	35,969,844
2022/2023	3,221,022,274	93.60	2,997,634,400	2,893,627,784	30,905,790	34,453,465
2021/2022	2,774,293,689	89.67	2,476,300,200	2,357,314,320	25,059,264	28,543,281
2020/2021	2,481,472,785	95.71	2,369,134,800	2,247,736,496	23,983,304	27,348,467

### Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$ 27,229,010	83.16%
Agricultural	399,837	1.22
Commercial & Industrial	2,922,155	8.92
Public Utility	1,243,148	3.80
Rural Vacant	33,308	0.10
Apartments	555,311	1.70
Railroads	47,724	0.15
Personal Property	<u>312,576</u>	<u>0.95</u>
Totals:	<u>\$ 32,743,069</u>	<u>100.00%</u>

<sup>1</sup> Property valuations, tax rates, and tax levies and collections are provided by Dakota County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

<sup>2</sup> Fiscal Disparities Law

The 1971 Legislature enacted a “fiscal disparities law” which allows all the Twin City Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality’s growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

## Tax Capacity Rates

Tax capacity rates for a City resident for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2020/2021 Tax Capacity Rates</i>	<i>2021/2022 Tax Capacity Rates</i>	<i>2022/2023 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>	<i>2024/25 Tax Capacity Rates</i>
Dakota County	22.716%	21.630%	18.816%	18.323%	19.948%
City of Farmington	49.251	50.623	42.933	45.069	47.908
ISD No. 192, Farmington	50.805	49.481	38.497	36.439	37.634
Metropolitan Council	0.635	0.649	0.564	0.620	0.549
Mosquito Abatement	0.384	0.372	0.325	0.315	0.320
Transit District	1.038	0.969	0.849	0.000	0.000
Dakota County CDA	1.375	1.391	1.176	1.309	1.360
Vermillion River Watershed	<u>0.370</u>	<u>0.348</u>	<u>0.287</u>	<u>0.270</u>	<u>0.271</u>
Totals:	<u>126.574%</u>	<u>125.463%</u>	<u>103.447%</u>	<u>102.345%</u>	<u>107.990%</u>
<i>Market Value Rates:</i>	<i>2020/2021</i>	<i>2021/2022</i>	<i>2022/2023</i>	<i>2023/2024</i>	<i>2024/2025</i>
ISD No. 192 (Farmington)	0.18392%	0.18244%	0.18725%	0.19446%	0.15974%

## Tax Levies and Collections<sup>1</sup>

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 6/30/2025</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2024/2025	\$14,833,393		In Process of Collection		
2023/2024	14,000,282	\$13,887,066	99.19%	\$13,943,670	99.60%
2022/2023	12,743,669	12,653,747	99.29	12,712,013	99.75
2021/2022	12,033,396	11,962,786	99.41	12,021,343	99.90
2020/2021	11,256,345	11,192,879	99.44	11,239,294	99.85

<sup>1</sup> 2024/2025 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Dakota County.

## SUMMARY OF DEBT AND DEBT STATISTICS

### **Statutory Debt Limit<sup>1</sup>**

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of August 2, 2025:

2024/2025 Estimated Market Value	\$ 3,214,475,400
Multiplied by 3%	<u>x .03</u>
Statutory Debt Limit	<u>\$ 96,434,262</u>

Less outstanding debt applicable to debt limit:

\$3,050,000 General Obligation Street Reconstruction Bonds, Series 2015A	\$ 1,100,000
\$4,540,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2016B	1,830,000
\$1,105,000 G.O. Equipment Certificates of Indebtedness, Series 2020A	245,000
\$3,650,000 General Obligation Bonds, Series 2022A	1,865,000
\$3,115,000 General Obligation Bonds, Series 2024A	1,420,000
\$3,115,000 General Obligation Bonds, Series 2024A (this issue)	<u>3,230,000</u>
Total Debt applicable to debt limit:	\$ 9,690,000
Legal debt margin	<u>\$ 86,744,262</u>

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<sup>1</sup> Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

**CITY OF FARMINGTON, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM TAXES**  
**(As of August 2, 2025, Plus This Issue)**

Purpose:	This Issue							
	G.O. Street Reconstruction Bonds, Series 2015A	G.O. Capital Improvement Plan Refunding Bonds, Series 2016B	G.O. Equipment Certificates of Indebtedness, Series 2020A	G.O. Bonds Series 2022A	G.O. Bonds Series 2024A	G.O. Street Reconstruction Bonds Series, 2025A		
<b>Dated:</b>	10/15/15	12/01/16	02/19/20	07/06/22	08/15/24	09/30/25		
<b>Original Amount:</b>	\$3,050,000	\$4,540,000	\$1,105,000	\$2,235,000	\$1,420,000	\$3,230,000		
<b>Maturity:</b>	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	<b>TOTAL</b>	<b>TOTAL</b>
<b>Interest Rates:</b>	2.00-3.00%	2.00-3.00%	5.00%	3.00-5.00%	4.00-5.00%		<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>
2025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2026	250,000	595,000	245,000	195,000	85,000	0	1,370,000	1,674,639
2027	250,000	610,000	0	205,000	120,000	120,000	1,305,000	1,585,250
2028	260,000	625,000	0	215,000	125,000	280,000	1,505,000	1,743,130
2029	265,000	0	0	230,000	135,000	290,000	920,000	1,117,599
2030	75,000	0	0	240,000	140,000	300,000	755,000	919,046
2031	0	0	0	250,000	150,000	310,000	710,000	844,013
2032	0	0	0	260,000	155,000	320,000	735,000	841,225
2033	0	0	0	270,000	165,000	335,000	770,000	848,318
2034	0	0	0	0	170,000	345,000	515,000	568,990
2035	0	0	0	0	175,000	360,000	535,000	568,515
2036	0	0	0	0	0	375,000	375,000	390,495
2037	0	0	0	0	0	195,000	195,000	198,998
	\$1,100,000	\$1,830,000	\$245,000	\$1,865,000	\$1,420,000	\$3,230,000	\$9,690,000	\$11,300,217
		(1)		(2)	(3)			

**NOTE: 89% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.**

- (1) These bonds current refunded a portion of the General Obligation Capital Improvement Plan Bonds, Series 2007A, dated June 28, 2007. Maturities 2018 through 2028, inclusive, were called for redemption on February 1, 2017, at a price of par plus accrued interest.
- (2) This schedule represents a portion of the \$3,650,000 General Obligation Bonds, Series 2022A, consisting of \$1,415,000 backed by tax abatement levies and \$2,235,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$3,115,000 General Obligation Bonds, Series 2024A, consisting of \$1,695,000 backed by tax abatement levies and \$1,420,000 backed by ad valorem taxes.

**CITY OF FARMINGTON, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS**  
**(As of August 2, 2025)**

<b>Purpose:</b>	<b>G.O. Bonds Series 2022A</b>	<b>G.O. Bonds Series 2024A</b>			
<b>Dated:</b>	07/06/22	08/15/24			
<b>Original Amount:</b>	\$1,415,000	\$1,695,000			
<b>Maturity:</b>	1-Feb	1-Feb	<b>TOTAL</b>	<b>TOTAL</b>	
<b>Interest Rates:</b>	3.00-5.00%	4.00-5.00%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2025	\$0	\$0	\$0	\$0	2025
2026	125,000	50,000	175,000	296,625	2026
2027	130,000	85,000	215,000	326,875	2027
2028	135,000	90,000	225,000	325,875	2028
2029	145,000	95,000	240,000	329,250	2029
2030	150,000	100,000	250,000	327,000	2030
2031	160,000	105,000	265,000	329,925	2031
2032	165,000	110,000	275,000	328,875	2032
2033	170,000	115,000	285,000	328,225	2033
2034	0	120,000	120,000	155,400	2034
2035	0	125,000	125,000	155,500	2035
2036	0	130,000	130,000	155,400	2036
2037	0	135,000	135,000	155,100	2037
2038	0	140,000	140,000	154,600	2038
2039	0	145,000	145,000	153,900	2039
2040	0	150,000	150,000	153,000	2040
	\$1,180,000	\$1,695,000	<u>\$2,875,000</u>	<u>\$3,675,550</u>	
	(1)	(2)			

**NOTE: 71% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS WILL BE RETIRED WITHIN TEN YEARS.**

- (1) This schedule represents a portion of the \$3,650,000 General Obligation Bonds, Series 2022A, consisting of \$1,415,000 backed by tax abatement levies and \$2,235,000 backed by ad valorem taxes.
- (2) This schedule represents a portion of the \$3,115,000 General Obligation Bonds, Series 2024A, consisting of \$1,695,000 backed by tax abatement levies and \$1,420,000 backed by ad valorem taxes.



**CITY OF FARMINGTON, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES**  
**(As of August 2, 2025)**

<b>Purpose:</b>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>G.O. Bonds, Series 2019A</b> </div>			
<b>Dated:</b>				
<b>Original Amount:</b>	05/15/19			
	\$720,000			
<b>Maturity:</b>	1-Feb	<b>TOTAL</b>	<b>TOTAL</b>	
<b>Interest Rates:</b>	4.00-5.00%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2025	\$0	\$0	\$0	2025
2026	75,000	75,000	87,675	2026
2027	80,000	80,000	88,800	2027
2028	85,000	85,000	90,100	2028
2029	85,000	85,000	86,700	2029
	\$325,000	\$325,000	\$353,275	
	(1) (2)			

**NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.**

- (1) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) This schedule represents a portion of the \$1,645,000 General Obligation Bonds, Series 2019A, consisting of \$925,000 backed by ad valorem taxes, and \$720,000 backed by net revenues of the City's water utility.

## Indirect Debt\*

<i><u>Issuer</u></i>	<i><u>2024/2025 Tax Capacity Value<sup>(1)</sup></u></i>	<i><u>2024/2025 Tax Capacity Value in City<sup>(1)</sup></u></i>	<i><u>Percentage Applicable in City</u></i>	<i><u>Outstanding General Obligation Debt<sup>(2)</sup></u></i>	<i><u>Taxpayers' Share of Debt</u></i>
ISD No. 192, Farmington	\$ 61,543,212	\$36,312,965	59.00%	\$82,410,000	\$ 48,621,900
ISD No. 196, Rosemount-Apple Valley-Eagan	308,302,768	9,073	.00	358,710,000	10,556
Metropolitan Council	6,330,160,332	36,322,038	.57	5,025,000 <sup>(3)</sup>	28,643
Metro Transit	5,538,527,403	36,322,038	.66	173,480,000 <sup>(4)</sup>	<u>1,144,968</u>
				<i>Total Indirect Debt:</i>	<u>\$ 49,806,067</u>

*(Remainder of page intentionally left blank)*

\* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

(2) Debt listed is as of August 2, 2025.

(3) Metropolitan Council has \$5,025,000 of general obligation debt outstanding as of December 31, 2024. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes \$1,166,500,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(4) Metropolitan Transit has \$173,480,000 of property tax supported general obligation debt outstanding as of December 31, 2024. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes \$227,150,000 of general obligation debt payable from revenues.

**General Obligation Debt**

Bonds secured by ad valorem taxes (includes this issue)	\$ 9,690,000
Bonds secured by tax abatements	2,875,000
Bonds secured by water/sewer revenues	<u>325,000</u>
Subtotal	\$ 12,890,000
Less bonds secured by water/sewer revenues	( <u>325,000</u> )
<i>Direct General Obligation Debt</i>	12,565,000
Add taxpayers' share of indirect debt	<u>49,806,067</u>
<i>Direct and Indirect Debt</i>	<u>\$ 62,371,067</u>

**Facts for Ratio Computations**

2024/2025 Economic Market Value (real and personal property)	\$3,438,861,452
Population (2025 estimate)	24,970

**Debt Ratios Excluding Revenue-Supported Debt**

	<i>Direct <u>Debt</u></i>	<i>Indirect <u>Debt</u></i>	<i>Direct and <u>Indirect Debt</u></i>
To Economic Market Value	.37%	1.45%	1.82%
Per Capita	\$503	\$1,995	\$2,498

## **APPENDIX A**

### **Legal Opinion**

## FORM OF LEGAL OPINION

City of Farmington  
Farmington, Minnesota

[Purchaser]  
[City, State]

Re:     \$[PAR] General Obligation Street Reconstruction Bonds, Series 2025A  
          City of Farmington, Minnesota

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Farmington, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of September [ ], 2025 (the “Bonds”). In that capacity, we have reviewed copies of certain proceedings taken by the City Council in the authorization, sale and issuance of the Bonds, including the form of the Bonds and certain other proceedings and documents furnished by the City and others. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1.       The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.
2.       The principal of and interest on the Bonds are payable from ad valorem taxes duly levied on all taxable property in the City, which ad valorem taxes are expected to produce amounts sufficient to pay the principal and interest on the Bonds when due; but, if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation as to rate or amount.
3.       Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.
4.       Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.
5.       The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this [ ]<sup>th</sup> day of September, 2025.

Very truly yours,

## **APPENDIX B**

### **Continuing Disclosure Certificate**

## FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2025, the following financial information and operating data in respect of the City (the Disclosure Information):
  - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and



- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “Economic and Financial Information—Valuations,” “—Tax Capacity Rates” and “—Tax Levies and Collections” and “Summary of Debt and Debt Statistics;” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
  - (A) principal and interest payment delinquencies;
  - (B) non-payment related defaults, if material;
  - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) substitution of credit or liquidity providers, or their failure to perform;
  - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - (G) modifications to rights of Bond holders, if material;
  - (H) Bond calls, if material and tender offers;
  - (I) defeasances;

- (J) release, substitution, or sale of property securing repayment of the Bonds if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; “financial obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

As used herein, for those events that must be reported if material, an event is material if a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also material if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
  - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
  - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
  - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
  - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change

in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

## **APPENDIX C**

### **City's Financial Report**

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2024. The complete preliminary financial report for the year 2024 and the prior two years are available for inspection at the Farmington City Hall and the office of Northland Securities. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.



June 24, 2025

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

The Annual Comprehensive Financial Report (ACFR) of the City of Farmington, Minnesota (the City) for the fiscal year ended December 31, 2024, 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 absolute assurance, that the financial statements will be free from material misstatements.

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

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

The City's financial statements have been audited by LB Carlson, 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, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's basic financial statements, for the year ended December 31, 2024, 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 of Farmington is a suburban community located approximately 30 miles southeast of downtown Minneapolis in Dakota County. Established in 1872 as a railroad center serving the surrounding agricultural area, Farmington has steadily evolved into a vibrant residential community. According to the 2010 Census, the City's population was 21,086; today, it is estimated at 23,895. The City's geographic footprint has also expanded, most recently with the annexation of a 178.58-acre parcel in 2024, bringing the total area to 16.03 square miles. This growth is driven by several factors, including relatively affordable homeownership compared to communities to the north and west, the appeal of locating further from the metropolitan core, and the City's authentic hometown feel, supported by its discernable traditional downtown and strong sense of community.

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 setting policy and providing leadership through actions such as passing ordinances, adopting the budget, appointing members to boards and commissions, and hiring the city administrator, department heads, and other city employees. The city administrator is charged with implementing the policies and ordinances established by the City Council, overseeing the daily operations of city government, and managing department heads and staff.

The City delivers a comprehensive array of municipal services to support both residents and businesses. These include essential services such as police and fire protection, ambulance service, and the upkeep of roads, highways, and other vital infrastructure. In addition, the City fosters community well-being through recreational and cultural programs. It manages several enterprise funds, including those for municipal liquor operations, water, sewer, storm water, and street lighting. The City also provides support for key community amenities and initiatives, such as the senior center, ice arena, recreation programs, and a variety of local events and projects that enhance quality of life.

## **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 nearly 800 people. The Federal Aviation Administration and Installed Building Solutions employ 368 and 284 people, respectively.

During 2024, a number of new businesses opened or expanded including the start of a large expansion of an existing building in the Industrial Park, a new day care, and others. 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 also continues to grow. In 2023, the City issued new construction permits for 87 new single-family units, 61 townhome units, and a 74-unit market rate apartment building, with a total building valuation of \$43,721,566. In 2024, the City issued a combined total of 203 permits for new single-family and townhomes, plus a permit for a new 168-unit apartment building. The total valuation of all residential permits in 2024 was \$54,545,614 and the total valuation of all commercial permits (including the apartment building) was \$38,089,222.

## 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. The City Council established four priorities:

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

In alignment of established objectives, the City has enhanced its procedures for new development to create a more developer-friendly environment for those considering investment in the City. During the annual budget process, the City also committed substantial resources to infrastructure priorities—including street and trail maintenance—and continued its proactive approach to managing the impacts of emerald ash borer (EAB). These actions reflect the City Council’s ongoing dedication to community well-being and quality of life.

In 2024, the City advanced its infrastructure planning efforts through a detailed review and update of capital improvement plans, with particular attention to streets, trails, and essential equipment. These updates focused on aligning near-term priorities with the City Council’s ongoing commitment to maintaining and improving critical infrastructure. The mill and overlay program, which began in 2019, remained a key part of the City’s street maintenance strategy, complemented by targeted street reconstruction projects. In support of long-term fiscal sustainability, the City also developed a comprehensive financial plan encompassing all municipal funds, providing a clearer, more coordinated approach to future investments and resource allocation.

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



## **Major Initiatives**

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

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

The City is committed to advancing its community through ongoing development and revitalization efforts. Leveraging the strength of both its community and organizational resources, the City aims to foster increased opportunities for its constituents. Regular review and updates of city ordinances facilitate new business opportunities. In 2024, the City Council approved the Third and Fourth Additions of Vermillion Commons, encompassing 67 townhome and 67 single-family lots, and the Meadowview Preserve Final Plat for 63 single-family lots. Furthermore, many other planning and zoning actions were taken to support future and proposed development initiatives that involved adoption of two Alternative Urban Areawide Reviews (AUARs) encompassing over 600 acres, approval of site plans, conditional use permits, rezoning/comprehensive plan amendment to support a data center master plan, variances, and code amendments.

Farmington Municipal Liquor Operations have shown remarkable progress over recent years, a trend that persisted through 2024. Liquor sales rose by nearly \$200,000 compared to 2023, with reported operating income reaching \$630,000. These profits have greatly enriched the community, with the liquor operation contributing more than \$1.9 million since 2005 to various city departments and community organizations over the past decade.

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

## **Relevant Financial Policies**

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

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

## Awards

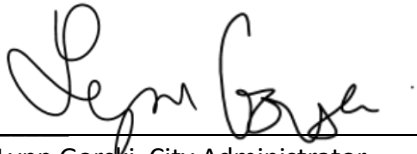
The GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the year ended December 31, 2023. This is the 15th year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a city must publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

## Acknowledgments

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

Respectively Submitted,

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

Lynn Gorski, City Administrator

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

Kim Sommerland, Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

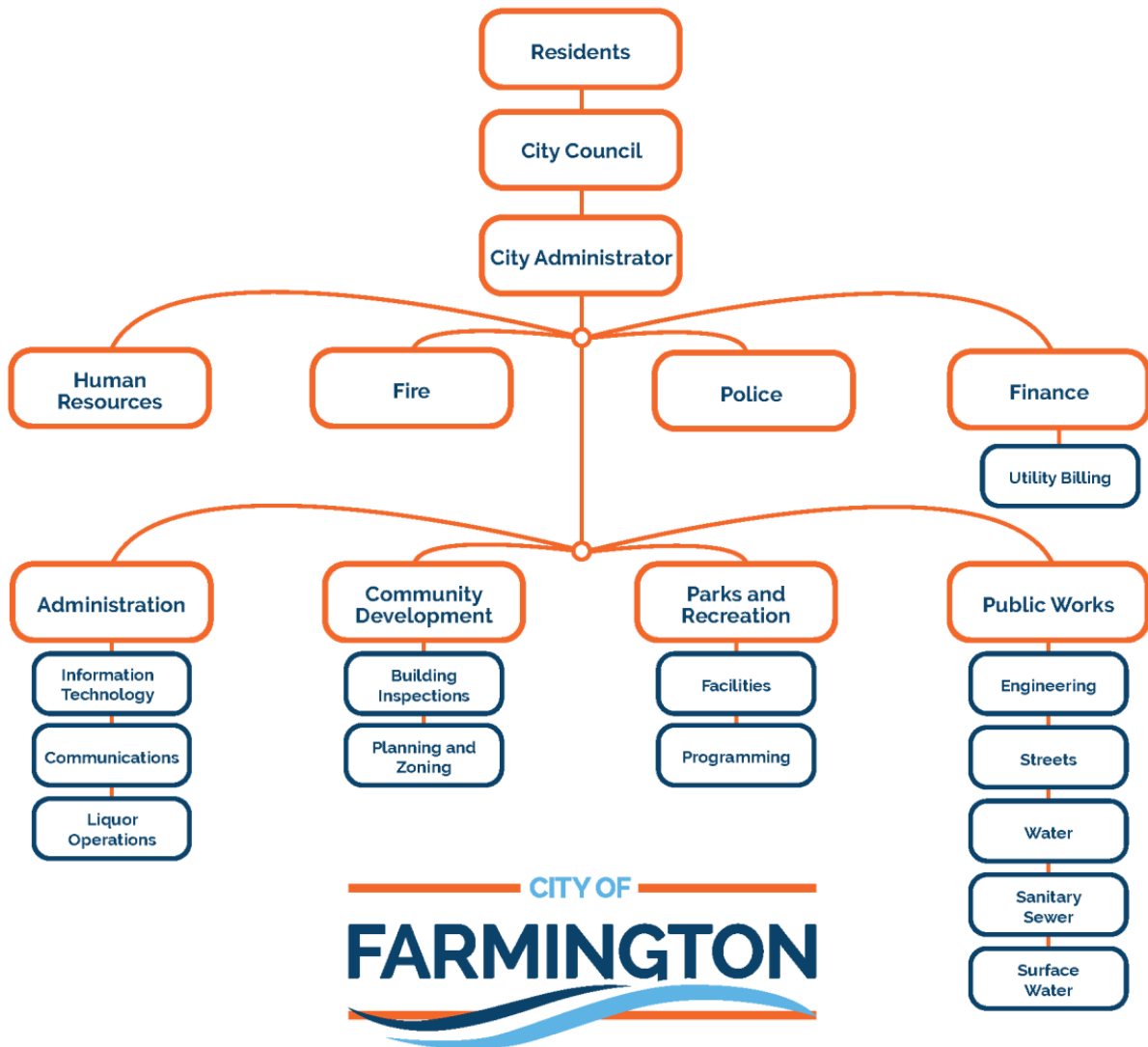
**City of Farmington  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2023

*Christopher P. Morill*

Executive Director/CEO



CITY OF FARMINGTON

Elected Officials and Executive Staff  
December 31, 2024

**ELECTED OFFICIALS**

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

**EXECUTIVE STAFF**

Lynn Gorski	City Administrator
Matthew Price	Fire Chief
Gary Rutherford	Police Chief
Kim Sommerland	Finance Director
Deanna Kuennen	Community and Economic Development Director
Kellee Omlid	Parks and Recreation Director
John Powell	Public Works Director/City Engineer

FINANCIAL SECTION  
**TAB**





## INDEPENDENT AUDITOR'S REPORT

To the City Council and Management  
City of Farmington, Minnesota

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **OPINIONS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington, Minnesota (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **BASIS FOR OPINIONS**

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

#### **RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

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

(continued)



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

## REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(continued)

## **SUPPLEMENTARY INFORMATION**

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

## **OTHER INFORMATION**

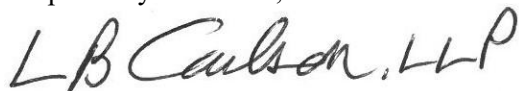
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover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

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

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2025, 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.

Respectfully submitted,

A handwritten signature in black ink that reads "LB Carlson, LLP". The signature is written in a cursive, flowing style.

LB CARLSON, LLP  
Minneapolis, Minnesota

June 24, 2025

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## CITY OF FARMINGTON

### Management's Discussion and Analysis Year Ended December 31, 2024

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, 2024. Management's discussion and analysis (MD&A) is intended to be considered in conjunction with the additional information that we have furnished in our letter of transmittal, located earlier in this report, and the City's financial statements contained within this report.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$149,658,117 (net position) at the close of the most recent fiscal year. Of this amount, \$45,728,567 (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 \$12,383,056 from fiscal 2024 activity, including an increase of \$7,142,568 attributable to governmental activities, and an increase of \$5,240,488 attributable to business-type activities.
- The City's outstanding debt, including general obligation bonds and lease liabilities, increased by \$1,570,722, or 13 percent, during the fiscal year, as new improvement and tax abatement bonds issued exceeded scheduled debt principal payments during the year.
- The City's governmental funds reported combined ending fund balances of \$37,027,237 at year-end, an increase of \$8,675,463 from fiscal 2024 activity. Approximately 83 percent of this total, or \$30,718,810, is available for use within the City's constraints and policies.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11,268,652, equal to 57 percent of 2025 General Fund budgeted expenditures and transfers out.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Position presents information on all of the City’s assets, liabilities, and deferred inflows/outflows, as applicable, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused personal leave time).

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

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

- General Fund
- Program Aid and Grants Special Revenue Fund
- Private Capital Projects Fund
- Utility Trunk Capital Projects Fund
- Pavement Management Capital Projects Fund
- Closed Bond Debt Service Fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**Proprietary Funds** – The City maintains six enterprise funds and four internal service funds within its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its liquor operations, and its sewer, solid waste, storm water, water, and street light utility operations. The City began the process of transitioning its solid waste operations to a private contractor beginning in fiscal 2022, and this fund was closed in the current year. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the enterprise funds, all of which are considered to be major funds of the City.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$149,658,117 on December 31, 2024.

### City of Farmington's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 50,923,092	\$ 40,953,662	\$ 25,200,815	\$ 25,002,090	\$ 76,123,907	\$ 65,955,752
Capital assets, net	51,760,419	49,003,064	51,418,896	49,830,438	103,179,315	98,833,502
Total assets	<u>\$ 102,683,511</u>	<u>\$ 89,956,726</u>	<u>\$ 76,619,711</u>	<u>\$ 74,832,528</u>	<u>\$ 179,303,222</u>	<u>\$ 164,789,254</u>
Deferred outflows of resources	<u>\$ 6,464,504</u>	<u>\$ 8,239,235</u>	<u>\$ 51,512</u>	<u>\$ 102,195</u>	<u>\$ 6,516,016</u>	<u>\$ 8,341,430</u>
Current liabilities	\$ 5,052,007	\$ 5,105,522	\$ 984,340	\$ 684,958	\$ 6,036,347	\$ 5,790,480
Long-term liabilities	19,466,700	20,014,829	1,526,519	1,825,000	20,993,219	21,839,829
Total liabilities	<u>\$ 24,518,707</u>	<u>\$ 25,120,351</u>	<u>\$ 2,510,859</u>	<u>\$ 2,509,958</u>	<u>\$ 27,029,566</u>	<u>\$ 27,630,309</u>
Deferred inflows of resources	<u>\$ 8,961,123</u>	<u>\$ 8,099,929</u>	<u>\$ 170,432</u>	<u>\$ 125,385</u>	<u>\$ 9,131,555</u>	<u>\$ 8,225,314</u>
Net position						
Net investment in capital assets	\$ 41,670,431	\$ 39,137,210	\$ 50,255,385	\$ 48,486,110	\$ 91,925,816	\$ 87,623,320
Restricted	9,542,246	9,132,767	2,461,488	2,461,488	12,003,734	11,594,255
Unrestricted	24,455,508	16,705,704	21,273,059	21,351,782	45,728,567	38,057,486
Total net position	<u>\$ 75,668,185</u>	<u>\$ 64,975,681</u>	<u>\$ 73,989,932</u>	<u>\$ 72,299,380</u>	<u>\$ 149,658,117</u>	<u>\$ 137,275,061</u>

The largest portion of the City's net position, \$91,925,816, or 61 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$12,003,734 comprised 8 percent of net position at the close of the current fiscal year. These assets are subject to external restrictions on how they may be used.

The balance of unrestricted net position, \$45,728,567, or approximately 31 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

## CHANGE IN NET POSITION

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2024, with comparative totals for the year ended December 31, 2023. The City's total net position increased by \$12,383,056, or 9 percent, during the current fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Charges for services	\$ 5,856,007	\$ 3,425,186	\$ 14,287,985	\$ 13,908,710	\$ 20,143,992	\$ 17,333,896
Operating grants and contributions	1,191,276	1,924,255	16,485	10,822	1,207,761	1,935,077
Capital grants and contributions	3,165,413	1,002,806	2,573,529	—	5,738,942	1,002,806
Property taxes	16,210,861	15,284,709	—	—	16,210,861	15,284,709
Franchise taxes	179,503	201,431	—	—	179,503	201,431
Unrestricted grants	1,117,153	944,364	—	—	1,117,153	944,364
Investment earnings (charges)	1,492,084	1,407,087	833,016	913,579	2,325,100	2,320,666
Gain on sale of capital assets	88,177	136,368	41,040	—	129,217	136,368
Total revenues	29,300,474	24,326,206	17,752,055	14,833,111	47,052,529	39,159,317
<b>Expenses</b>						
General government	5,759,500	5,200,453	—	—	5,759,500	5,200,453
Public safety	8,592,752	8,712,115	—	—	8,592,752	8,712,115
Public works	4,625,171	3,806,386	—	—	4,625,171	3,806,386
Parks and recreation	2,715,378	2,583,554	—	—	2,715,378	2,583,554
Economic development	137,901	177,927	—	—	137,901	177,927
Interest and fiscal charges	327,204	239,992	—	—	327,204	239,992
Liquor operations	—	—	6,359,443	6,256,081	6,359,443	6,256,081
Sewer	—	—	3,241,040	2,872,236	3,241,040	2,872,236
Solid waste	—	—	—	76,270	—	76,270
Storm water	—	—	680,636	725,039	680,636	725,039
Water	—	—	2,032,420	1,889,215	2,032,420	1,889,215
Street light	—	—	198,028	214,757	198,028	214,757
Total expenses	22,157,906	20,720,427	12,511,567	12,033,598	34,669,473	32,754,025
Change in net position before transfers	7,142,568	3,605,779	5,240,488	2,799,513	12,383,056	6,405,292
Transfers	3,549,936	(418,547)	(3,549,936)	418,547	—	—
Change in net position	10,692,504	3,187,232	1,690,552	3,218,060	12,383,056	6,405,292
Net position – beginning	64,975,681	61,788,449	72,299,380	149,658,117	137,275,061	211,446,566
Net position – ending	\$ 75,668,185	\$ 64,975,681	\$ 73,989,932	\$ 72,299,380	\$ 149,658,117	\$ 137,275,061

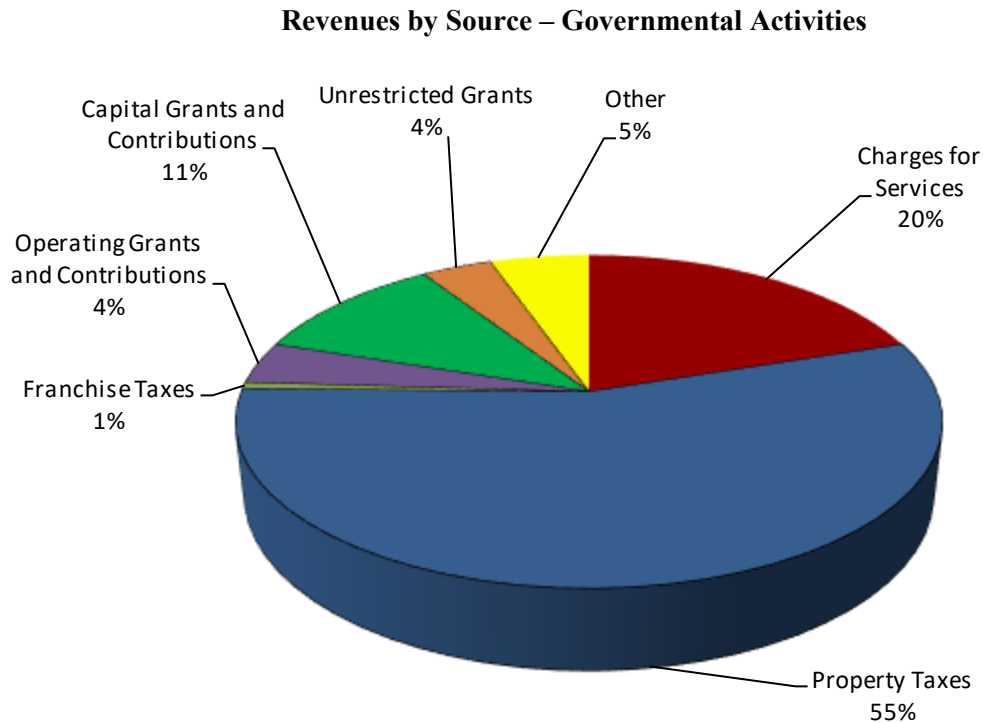
**Governmental Activities** – Governmental activities net position increased by \$10,692,504. Increases in building permits, development fees and capital contributions, state funding utilized for street improvements and maintenance, and the approved property tax levy contributed to a \$4,974,268 increase in total governmental activities revenues compared to the previous year. Governmental activities expenses were \$1,437,479 higher than the previous year, with the increase mainly in the general government and public works functions. Increased grant spending, contractual salary increases, and inflationary increases to employee benefits, utilities, supplies, and other purchased services contributed to the overall increase.

**Business-Type Activities** – Business-type activities net position increased by \$1,690,552. Increases in liquor operations gross sales, utility rate increases, and capital contributions from developers and governmental activities contributed to a \$2,918,944 increase in total business-type activities revenues compared to the previous year. Major repairs to one of the City's wells and higher sewer disposal charges were the primary factors in a \$477,969 increase in total business-type activities expenses. The City completed transitioning its solid waste and recycling collection operation to a private contractor in fiscal 2023, and there was no activity reported in this function for fiscal 2024 as the related enterprise fund was closed with a transfer during the year.

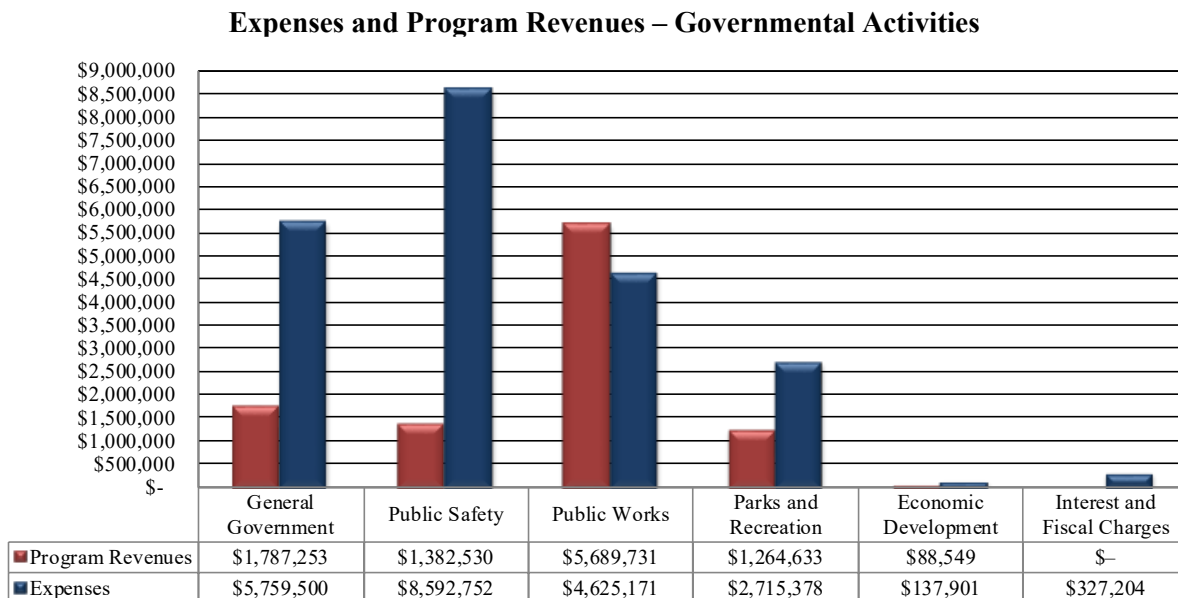


## GOVERNMENTAL ACTIVITIES

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



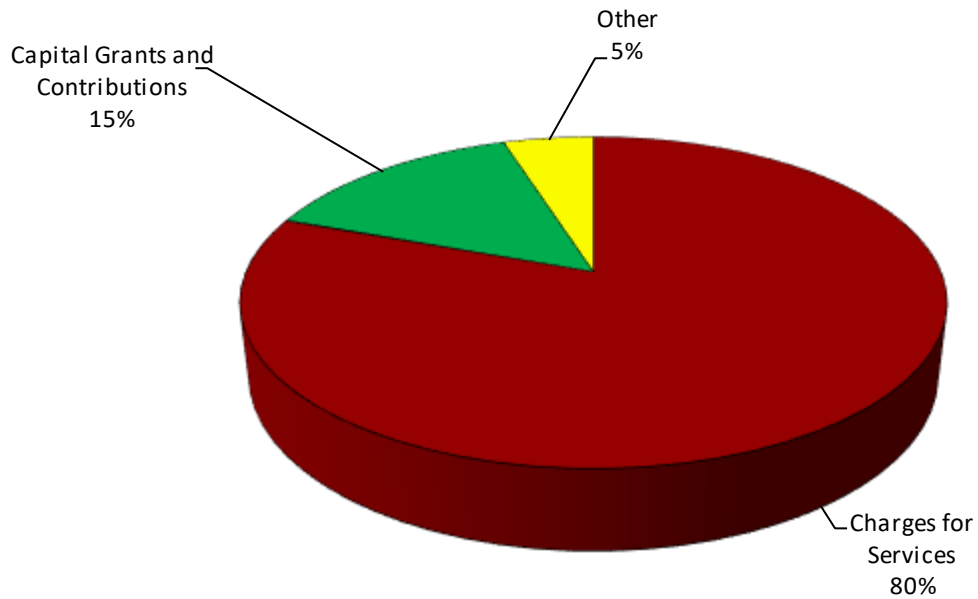
*Expenses* – The following chart illustrates the City’s governmental expenses and corresponding program revenues, excluding transfers, for its governmental activities:



## BUSINESS-TYPE ACTIVITIES

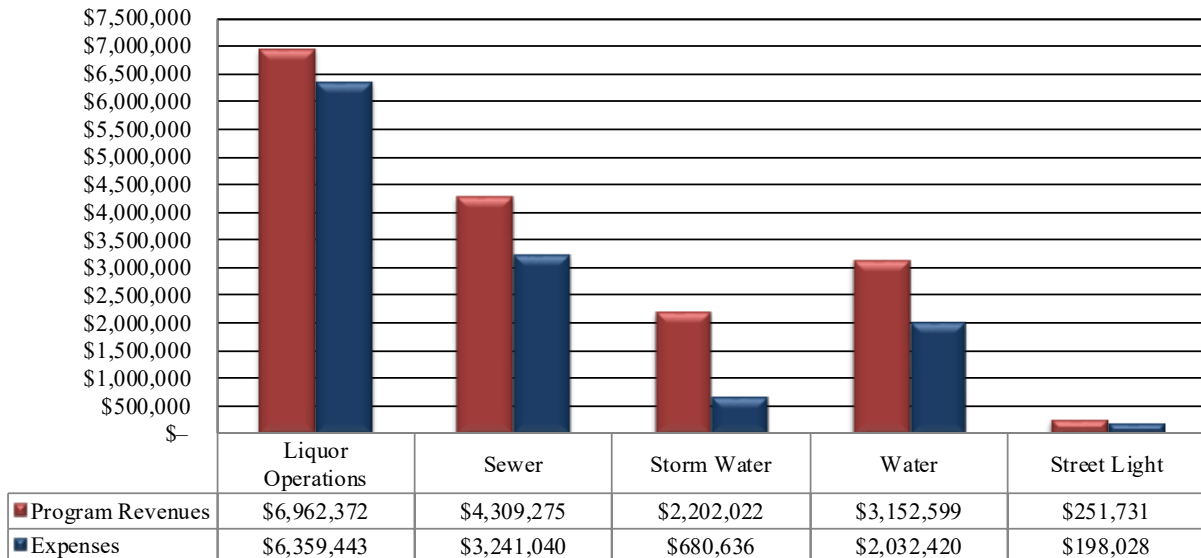
*Revenues* – The following chart illustrates the City’s revenues by source for its business-type activities:

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



*Expenses* – Below is a graph showing the City’s expenses and program revenues, 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 \$37,027,237, reflecting a 31 percent increase of \$8,675,463 from 2023 activity. The increase is mainly attributable to development fees for park and utility infrastructure improvement, unspent bond proceeds, transfers from the City's enterprise funds, and positive operating results in the General Fund.

Committed, assigned, and unassigned fund balances, which are available for spending at the City's discretion, were a combined \$30,718,810 at year-end. The remainder of the fund balance is either not available for new spending, or available for new spending but limited in use, because it is either nonspendable for prepaids (\$2,249); or restricted for: 1) Local affordable housing (\$88,549), 2) economic development (\$574,408), 3) public safety programs (\$896,376), 4) park or recreational capital improvements (\$2,593,653), 5) future cable communication expenditures (\$221,224), or 6) to pay debt service (\$1,931,968).

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 2024, the unassigned fund balance of the General Fund was \$11,268,652. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The 2024 unassigned fund balance represents approximately 57 percent of total 2025 General Fund budgeted expenditures and transfers out.

The ratio of the General Fund's unassigned fund balance to the subsequent years' budgeted expenditures and transfers out has increased steadily from 21 percent as of December 31, 2011 to 57 percent as of December 31, 2024. The City Council has increased its commitment to not only sound, comprehensive budgets, but also long-term financial planning. In addition, the City has benefitted from community growth and tight budgetary control of expenditures, which have contributed to the strengthening of the General Fund's balance over that period.

In recent years, the City Council also amended the City's fund balance policy to establish a target General Fund balance of 40–50 percent of the subsequent year's budgeted expenditures and transfers out. This level is intended to provide adequate funding to sustain operations until the receipt of semiannual tax revenues in June/July. As of December 31, 2024, the City's General Fund balance meets the minimum fund balance guideline.

Total fund balances increased by \$2,370,713 in the General Fund during the 2024 fiscal year. Higher than anticipated revenues from building permits, intergovernmental sources, charges for development related services, and investment earnings; along with expenditures being held under budget in total, contributed to this increase.

**Program Aid and Grants Special Revenue Fund** – The decrease in fund balance of \$220,907 was mainly due to a transfer of \$215,000 to fund public safety capital equipment purchased in 2024. The City utilized \$1,106,404 of available federal funding for various projects during the year.

**Private Capital Projects Fund** – There were no significant projects in this fund during 2024. The increase in fund balance of \$105,548 was due to allocated investment earnings.

**Utility Trunk Capital Projects Fund** – The increase of \$2,398,116 in fund balance was due to revenues from developer trunk fees and allocated investment earnings exceeding expenditures for fiscal 2024.

**Pavement Management Capital Projects Fund** – The increase of \$280,390 in fund balance was due to investment income and transfers in exceeding expenditures for fiscal 2024.

**Closed Bond Debt Service Fund** – The City established this fund to account for accumulated resources related to bond issues that fully matured or were called by the City using internal resources in prior years. Fund balance decreased by \$78,939, mainly due to approved transfers, bringing fund balance to \$1,519,085 at year-end, which is assigned for future debt service.

Total fund balances in the City's nonmajor governmental funds increased \$3,820,542 in fiscal 2024, to a year-end total of \$10,231,447. Financial highlights for some of the significant changes in the City's nonmajor governmental funds are as follows:

**Park Improvement Special Revenue Fund** – A \$734,469 increase in fund balance was mainly due to increased park dedication fees and an annual transfer from the Liquor Operations Enterprise Fund.

**Recreation Facilities Capital Projects Fund** – Unspent proceeds from the City's 2024A G.O. Tax Abatement Bonds, issued to finance improvements to the Rambling River Center, resulted in a \$1,631,644 increase to fund balance in 2024, as the majority of the related project costs will be incurred in 2025.

**Emerald Ash Borer Capital Projects Fund** – Transfers from the General Fund and the Solid Waste Enterprise Fund exceeded current year emerald ash borer mitigation project expenditures, increasing fund balance by \$1,298,781.

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

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

Liquor operations produced income before transfers of \$699,497, an increase of \$95,357 from the prior year, mainly due to increased sales. The net position of the Liquor Operations Fund at the end of 2024 totaled \$2,920,421, an increase of \$475,607. The cash position for both stores increased from \$2,352,268 on December 31, 2023, to \$2,852,168 as of December 31, 2024.

**Sewer Operations Fund** – The current year increase in net position of \$600,436 is primarily due to capital infrastructure asset contributions of \$1,069,664 received from developers and governmental fund activities during the year. An increase of approximately 19 percent in charges for services, due to increases in both rates and usage, was partially offset by a 13 percent increase in operating expenses. The City has implemented a series of rate increases designed to provide sufficient funds to cover both operations and depreciation. This fund continues to maintain a significant unrestricted net position of \$3,147,947.

**Solid Waste Fund** – The Solid Waste Fund was closed in fiscal 2024, with the City Council opting to transfer the residual fund equity to the Emerald Ash Borer Capital Projects Fund to help finance mitigation costs anticipated in the next few years.

**Storm Water Fund** – The increase in net position of \$1,005,646 is primarily due charges for services being sufficient to cover operating expenses, resulting in operating income of \$742,001 for the year. This fund also received capital infrastructure asset contributions of \$1,182,675 from developers and governmental fund activities during the year. This fund continues to maintain a significant unrestricted net position of \$3,546,246.

**Water Fund** – The increase in net position of \$1,003,668 is primarily due to charges for services being sufficient to cover depreciation expense, improved investment earnings, and capital infrastructure asset contributions of \$1,082,986 received from developers and governmental fund activities during the year. This fund continues to maintain a significant unrestricted net position of \$11,380,951.

**Street Light Fund** – The Street Light Fund was established in 2010. By making this a utility fund, all properties within the City, including tax-exempt properties, pay for street lighting. This fund has accumulated a modest positive net position of \$454,057 at year-end, an increase of \$70,284 from last year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

Actual revenues were \$1,479,045 over budget. Revenue variances from final budget to actual include:

- Licenses and permits were \$433,387 over budget, due to several large valuation building permits.
- Intergovernmental revenue was \$253,511 over budget, mainly due to an unanticipated new local affordable housing state grant received in 2024, and other miscellaneous grants exceeding budget.
- Charges for services were \$270,463 more than the City's conservative budget, with higher than expected charges for engineering due to increased development.
- Investment earnings were \$344,282 over budget, mainly due to improvements in the fair values of the City's investment portfolio. As the City generally intends to hold investments to maturity, it is anticipated that this temporary market gain will fluctuate before the investments mature.
- Other revenue sources exceeded budget by \$234,603, mainly due to reimbursements received for tenant improvements under an amended lease agreement in City Hall.

Expenditures were \$950,614 under budget, mainly in the public safety and public works areas. The City realized reduced salary and benefits cost, influenced by both position vacancies and staffing adjustments across departments after the budget was adopted. Spending on public works supplies and materials, some of which can be significant in cost, were also lower than anticipated.

## CAPITAL ASSETS AND LONG-TERM DEBT

**Capital Assets** – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2023, was \$103,179,315 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, improvements other than buildings, park facilities, machinery and equipment, vehicles, roads, bridges, infrastructure, intangibles, water mains, water reservoirs, sewer mains, lift stations, and storm water mains. The City’s investment in capital assets for the current fiscal year increased by 4 percent, mainly due to capitalized street and utility infrastructure and lease asset additions, offset by current year depreciation/amortization.

### City of Farmington’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land and easements	\$ 1,658,302	\$ 1,658,302	\$ 498,376	\$ 498,376	\$ 2,156,678	\$ 2,156,678
Construction in progress	272,806	554,953	–	–	272,806	554,953
Buildings	12,430,592	12,863,478	922,807	1,128,499	13,353,399	13,991,977
Improvements other than buildings	2,218,584	824,468	1,285,987	1,392,088	3,504,571	2,216,556
Machinery and equipment	3,980,369	3,626,858	961,995	510,021	4,942,364	4,136,879
Infrastructure	30,462,565	28,762,779	–	–	30,462,565	28,762,779
Collection/distribution systems	–	–	47,095,883	45,526,648	47,095,883	45,526,648
Leases – vehicles	737,201	712,226	–	–	737,201	712,226
Leases – buildings	–	–	653,848	774,806	653,848	774,806
Total (net of depreciation)	<u>\$ 51,760,419</u>	<u>\$ 49,003,064</u>	<u>\$ 51,418,896</u>	<u>\$ 49,830,438</u>	<u>\$103,179,315</u>	<u>\$ 98,833,502</u>

Most capital asset additions in 2024 related to ongoing street and utility improvement activity. Additional information on the City’s capital assets can be found in Note 5 of the notes to basic financial statements.

**Long-Term Debt** – At the end of the current fiscal year, the City had total debt (bonds and lease liabilities) outstanding of \$13,271,136. All City bonded debt is general obligation debt, which is backed by the full faith and credit of the government. Furthermore, at year-end, the City has long-term liabilities of \$1,065,823 for compensated absences, \$5,439,221 for net pension liabilities, and \$1,217,039 for other post-employment benefits.

### City of Farmington’s Outstanding Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
G.O. improvement bonds	\$ 6,115,000	\$ 5,435,000	\$ –	\$ –	\$ 6,115,000	\$ 5,435,000
G.O. capital improvement bonds	2,405,000	2,965,000	–	–	2,405,000	2,965,000
G.O. tax abatement bonds	1,695,000	–	–	–	1,695,000	–
G.O. equipment certificates	475,000	695,000	–	–	475,000	695,000
G.O. revenue bonds	–	–	395,000	465,000	395,000	465,000
Unamortized premiums	663,305	544,915	41,297	51,207	704,602	596,122
Lease liabilities	754,320	716,171	727,214	828,121	1,481,534	1,544,292
Total debt outstanding	<u>\$ 12,107,625</u>	<u>\$ 10,356,086</u>	<u>\$ 1,163,511</u>	<u>\$ 1,344,328</u>	<u>\$ 13,271,136</u>	<u>\$ 11,700,414</u>

Bond principal repayments during 2024 totaled \$1,590,000. The City issued \$1,420,000 of G.O. improvement bonds and \$1,695,000 of G.O. tax abatement bonds in 2024. The City’s credit rating from Standard & Poor’s of “AA+” was affirmed in 2024.

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 \$91,597,973, 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 operating levy for 2025 by \$1,127,504. The final total city net tax levy of \$14,883,351 represents a 5.9 percent increase over the 2024 levy. Of the total budgeted General Fund revenues for 2025, including transfers in, 77.4 percent is derived from property taxes, which includes \$2.4 million in fiscal disparities revenue. The remaining General Fund budgeted revenues were adjusted to reflect anticipated development activity, increased state aid and service charges, and changes in internal transfers.

Proposed General Fund expenditures for 2025, including transfers out, are estimated at \$19,805,780, an increase of 4.9 percent compared to the 2024 budget. The 2025 budget continues to support core services such as police and fire protection, street maintenance and snow removal, parks and recreation, and general administration. It also maintains long-term funding commitments for seal coating, trail and building maintenance, and police and fire equipment replacement.

The City's Capital Improvement Plan for 2025 includes ongoing investments in police vehicles and public safety equipment, as well as the scheduled replacement of public works and parks equipment, and continued investment in street and infrastructure improvements.

The City remains firmly committed to its four strategic priorities: fostering business growth, enhancing community engagement, supporting critical infrastructure, and strengthening employee engagement. In doing so, the City aims to provide high-quality essential services to current residents while promoting new development to expand the tax base and support long-term community vitality.

## **REQUESTS FOR INFORMATION**

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

## BASIC FINANCIAL STATEMENTS



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## CITY OF FARMINGTON

Statement of Net Position  
as of December 31, 2024

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 42,812,028	\$ 20,102,496	\$ 62,914,524
Receivables			
Accounts	400,380	1,582,544	1,982,924
Interest	242,915	131,925	374,840
Property taxes	1,244,360	–	1,244,360
Special assessments	2,573,861	271,372	2,845,233
Due from other governments	1,301,782	229	1,302,011
Lease	787,372	–	787,372
Inventory	–	650,721	650,721
Prepaid items	2,249	40	2,289
Restricted assets – temporarily restricted			
Cash for future drinking water treatment plant	–	2,461,488	2,461,488
Net pension asset – fire relief	1,558,145	–	1,558,145
Capital assets			
Not depreciated/amortized	1,931,108	498,376	2,429,484
Depreciated/amortized, net	49,829,311	50,920,520	100,749,831
Total capital assets, net	<u>51,760,419</u>	<u>51,418,896</u>	<u>103,179,315</u>
Total assets	102,683,511	76,619,711	179,303,222
<b>Deferred outflows of resources</b>			
Pension plan deferments – PERA	5,563,269	49,118	5,612,387
Pension plan deferments – fire relief	863,732	–	863,732
OPEB plan deferments	37,503	2,394	39,897
Total deferred outflows of resources	<u>6,464,504</u>	<u>51,512</u>	<u>6,516,016</u>
Total assets and deferred outflows of resources	<u>\$ 109,148,015</u>	<u>\$ 76,671,223</u>	<u>\$ 185,819,238</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 1,178,470	\$ 422,087	\$ 1,600,557
Accrued salaries and employee benefits payable	332,031	–	332,031
Accrued interest payable	162,268	7,496	169,764
Deposits payable	3,002,195	31,800	3,033,995
Due to other governments	1,402	522,957	524,359
Unearned revenue	375,641	–	375,641
Long-term liabilities			
Due within one year			
Bonds, certificates, lease liabilities, and compensated absences	2,344,602	208,095	2,552,697
Total OPEB liability	39,897	–	39,897
Due in more than one year			
Bonds, certificates, lease liabilities, and compensated absences	10,780,301	1,003,961	11,784,262
Net pension liability	5,197,780	241,441	5,439,221
Total OPEB liability	1,104,120	73,022	1,177,142
Total long-term liabilities	<u>19,466,700</u>	<u>1,526,519</u>	<u>20,993,219</u>
Total liabilities	24,518,707	2,510,859	27,029,566
<b>Deferred inflows of resources</b>			
Pension plan deferments – PERA	7,530,893	170,432	7,701,325
Pension plan deferments – fire relief	642,858	–	642,858
Lease revenue for subsequent years	787,372	–	787,372
Total deferred inflows of resources	<u>8,961,123</u>	<u>170,432</u>	<u>9,131,555</u>
<b>Net position</b>			
Net investment in capital assets	41,670,431	50,255,385	91,925,816
Restricted for			
Local affordable housing	88,549	–	88,549
Debt service	3,921,702	–	3,921,702
Economic development	574,408	–	574,408
Public safety programs	896,376	–	896,376
Park improvements	886,457	–	886,457
Capital projects	401,015	–	401,015
State-funded street projects	1,215,594	–	1,215,594
Fire relief pensions	1,558,145	–	1,558,145
Water Fund – future drinking water treatment plant	–	2,461,488	2,461,488
Unrestricted	<u>24,455,508</u>	<u>21,273,059</u>	<u>45,728,567</u>
Total net position	<u>75,668,185</u>	<u>73,989,932</u>	<u>149,658,117</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 109,148,015</u>	<u>\$ 76,671,223</u>	<u>\$ 185,819,238</u>

CITY OF FARMINGTON

Statement of Activities  
Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 5,759,500	\$ 1,675,600	\$ 111,653	\$ —
Public safety	8,592,752	602,687	634,543	145,300
Public works	4,625,171	2,332,256	337,362	3,020,113
Parks and recreation	2,715,378	1,245,464	19,169	—
Economic development	137,901	—	88,549	—
Interest and fiscal charges	327,204	—	—	—
Total governmental activities	<u>22,157,906</u>	<u>5,856,007</u>	<u>1,191,276</u>	<u>3,165,413</u>
Business-type activities				
Liquor operations	6,359,443	6,951,096	11,276	—
Sewer	3,241,040	3,284,422	—	1,024,853
Storm water	680,636	1,422,651	—	779,371
Water	2,032,420	2,378,085	5,209	769,305
Street light	198,028	251,731	—	—
Total business-type activities	<u>12,511,567</u>	<u>14,287,985</u>	<u>16,485</u>	<u>2,573,529</u>
Total government	<u>\$ 34,669,473</u>	<u>\$ 20,143,992</u>	<u>\$ 1,207,761</u>	<u>\$ 5,738,942</u>

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

Change in net position

Net position – beginning

Net position – ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,972,247)	\$ —	\$ (3,972,247)
(7,210,222)	—	(7,210,222)
1,064,560	—	1,064,560
(1,450,745)	—	(1,450,745)
(49,352)	—	(49,352)
(327,204)	—	(327,204)
<u>(11,945,210)</u>	<u>—</u>	<u>(11,945,210)</u>
—	602,929	602,929
—	1,068,235	1,068,235
—	1,521,386	1,521,386
—	1,120,179	1,120,179
—	53,703	53,703
<u>—</u>	<u>4,366,432</u>	<u>4,366,432</u>
<u>(11,945,210)</u>	<u>4,366,432</u>	<u>(7,578,778)</u>
16,210,861	—	16,210,861
179,503	—	179,503
1,117,153	—	1,117,153
1,492,084	833,016	2,325,100
88,177	41,040	129,217
3,549,936	(3,549,936)	—
<u>22,637,714</u>	<u>(2,675,880)</u>	<u>19,961,834</u>
10,692,504	1,690,552	12,383,056
<u>64,975,681</u>	<u>72,299,380</u>	<u>137,275,061</u>
<u>\$ 75,668,185</u>	<u>\$ 73,989,932</u>	<u>\$ 149,658,117</u>

## CITY OF FARMINGTON

Balance Sheet  
Governmental Funds  
as of December 31, 2024

	General	Special Revenue – Program Aid and Grants	Capital Projects – Private	Capital Projects – Utility Trunk
<b>Assets</b>				
Cash and investments	\$ 10,227,320	\$ 1,297,124	\$ 2,929,113	\$ 9,798,884
Receivables				
Accounts	172,944	–	–	–
Interest	66,238	3,038	17,122	57,278
Property taxes				
Unremitted	1,038,532	–	–	–
Delinquent	205,828	–	–	–
Special assessments				
Delinquent	261	–	–	–
Noncurrent	–	–	–	–
Due from other funds	55,151	–	–	47,692
Due from other governments	86,158	–	–	–
Lease	787,372	–	–	–
Prepaid items	1,949	–	–	–
<b>Total assets</b>	<b>\$ 12,641,753</b>	<b>\$ 1,300,162</b>	<b>\$ 2,946,235</b>	<b>\$ 9,903,854</b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 257,872	\$ 117,568	\$ –	\$ 24,621
Deposits payable	30,205	–	2,714,862	–
Due to other governments	1,065	–	–	–
Due to other funds	–	–	–	–
Unearned revenue	–	375,641	–	–
<b>Total liabilities</b>	<b>289,142</b>	<b>493,209</b>	<b>2,714,862</b>	<b>24,621</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue – property taxes	205,828	–	–	–
Unavailable revenue – special assessments	261	–	–	–
Unavailable revenue – long-term receivable	–	–	–	–
Lease revenue for subsequent years	787,372	–	–	–
<b>Total deferred inflows of resources</b>	<b>993,461</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fund balances</b>				
Nonspendable	1,949	–	–	–
Restricted	88,549	806,953	–	–
Committed	–	–	231,373	9,879,233
Assigned	–	–	–	–
Unassigned	11,268,652	–	–	–
<b>Total fund balances</b>	<b>11,359,150</b>	<b>806,953</b>	<b>231,373</b>	<b>9,879,233</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,641,753</b>	<b>\$ 1,300,162</b>	<b>\$ 2,946,235</b>	<b>\$ 9,903,854</b>

Capital Projects – Pavement Management	Debt Service – Closed Bond	Nonmajor	Total
\$ 2,910,340	\$ 1,510,309	\$ 11,075,074	\$ 39,748,164
–	–	224,617	397,561
17,011	8,776	55,544	225,007
–	–	–	1,038,532
–	–	–	205,828
–	7,417	–	7,678
–	2,144,584	421,599	2,566,183
84,035	–	1,800	188,678
1,215,594	–	30	1,301,782
–	–	–	787,372
–	–	300	2,249
<u>\$ 4,226,980</u>	<u>\$ 3,671,086</u>	<u>\$ 11,778,964</u>	<u>\$ 46,469,034</u>
\$ 11,390	\$ –	\$ 684,101	\$ 1,095,552
–	–	252,802	2,997,869
–	–	337	1,402
–	–	188,678	188,678
–	–	–	375,641
<u>11,390</u>	<u>–</u>	<u>1,125,918</u>	<u>4,659,142</u>
–	–	–	205,828
–	2,152,001	421,599	2,573,861
1,215,594	–	–	1,215,594
–	–	–	787,372
<u>1,215,594</u>	<u>2,152,001</u>	<u>421,599</u>	<u>4,782,655</u>
–	–	300	2,249
–	–	5,410,676	6,306,178
2,999,996	–	5,264,337	18,374,939
–	1,519,085	–	1,519,085
–	–	(443,866)	10,824,786
<u>2,999,996</u>	<u>1,519,085</u>	<u>10,231,447</u>	<u>37,027,237</u>
<u>\$ 4,226,980</u>	<u>\$ 3,671,086</u>	<u>\$ 11,778,964</u>	<u>\$ 46,469,034</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, 2024

Total fund balances – governmental funds	\$ 37,027,237
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.

Cost of capital assets	103,722,383
Less accumulated depreciation/amortization	(51,963,610)

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

1,558,145

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

Bonds	(10,690,000)
Unamortized bond premiums	(663,305)
Lease liability	(754,320)
Compensated absences	(962,738)
Net pension liability	(5,197,780)
Total OPEB liability	(1,144,017)

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.

(162,268)

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.

2,612,422

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	205,828
Delinquent and deferred special assessments	2,573,861
Long-term receivables	1,215,594

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	6,427,001
Deferred outflows of resources – OPEB plan deferments	37,503
Deferred inflows of resources – pension plan deferments	<u>(8,173,751)</u>

Total net position – governmental activities	<u>\$ 75,668,185</u>
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## CITY OF FARMINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2024

	General	Special Revenue – Program Aid and Grants	Capital Projects – Private	Capital Projects – Utility Trunk
Revenues				
Property taxes	\$ 14,127,525	\$ –	\$ –	\$ –
Franchise taxes	120,000	–	–	–
Special assessments	970	–	–	–
Licenses and permits	1,212,437	–	–	–
Intergovernmental	1,022,621	1,106,404	250,000	–
Charges for services	880,393	–	–	2,242,116
Fines and forfeits	63,011	–	–	–
Investment earnings	354,282	36,818	105,548	356,053
Other	297,703	–	–	–
Total revenues	<u>18,078,942</u>	<u>1,143,222</u>	<u>355,548</u>	<u>2,598,169</u>
Expenditures				
Current				
General government	3,355,264	1,106,405	250,000	–
Public safety	7,463,149	34,415	–	–
Public works	3,188,601	–	–	200,053
Parks and recreation	1,729,974	–	–	–
Economic development	–	–	–	–
Capital outlay				
General government	235,750	–	–	–
Public safety	39,283	8,309	–	–
Public works	26,229	–	–	–
Parks and recreation	26,543	–	–	–
Debt service				
Principal	–	–	–	–
Interest and fiscal charges	–	–	–	–
Total expenditures	<u>16,064,793</u>	<u>1,149,129</u>	<u>250,000</u>	<u>200,053</u>
Excess (deficiency) of revenues over expenditures	2,014,149	(5,907)	105,548	2,398,116
Other financing sources (uses)				
Sale of capital assets	510	–	–	–
Bonds issued	–	–	–	–
Premiums on bonds issued	–	–	–	–
Leases issued	–	–	–	–
Transfers in	2,284,510	–	–	–
Transfers out	(1,928,456)	(215,000)	–	–
Total other financing sources (uses)	<u>356,564</u>	<u>(215,000)</u>	<u>–</u>	<u>–</u>
Net change in fund balances	2,370,713	(220,907)	105,548	2,398,116
Fund balances (deficits)				
Beginning of year, as previously reported	8,988,437	(7,246)	125,825	5,368,207
Change in reporting entity – change in fund structure	–	1,035,106	–	2,112,910
Change in reporting entity – nonmajor funds to major	–	–	–	–
Beginning of year, as restated	<u>8,988,437</u>	<u>1,027,860</u>	<u>125,825</u>	<u>7,481,117</u>
End of year	<u>\$ 11,359,150</u>	<u>\$ 806,953</u>	<u>\$ 231,373</u>	<u>\$ 9,879,233</u>

See notes to basic financial statements

Capital Projects – Pavement Management	Debt Service – Closed Bond	Nonmajor	Total
\$ –	\$ –	\$ 2,028,020	\$ 16,155,545
–	–	59,503	179,503
–	278,113	–	279,083
–	–	–	1,212,437
10,395	–	170,738	2,560,158
53,240	–	429,853	3,605,602
–	–	–	63,011
131,151	54,760	337,033	1,375,645
–	–	822,554	1,120,257
<u>194,786</u>	<u>332,873</u>	<u>3,847,701</u>	<u>26,551,241</u>
–	–	103,668	4,815,337
–	–	76,112	7,573,676
718,396	–	833,507	4,940,557
–	–	715,823	2,445,797
–	–	137,901	137,901
–	–	688	236,438
–	–	1,192,892	1,240,484
–	–	2,103,695	2,129,924
–	–	87,372	113,915
–	–	1,712,484	1,712,484
–	–	412,062	412,062
<u>718,396</u>	<u>–</u>	<u>7,376,204</u>	<u>25,758,575</u>
(523,610)	332,873	(3,528,503)	792,666
–	–	87,667	88,177
–	–	3,115,000	3,115,000
–	–	231,831	231,831
–	–	230,633	230,633
804,000	51,308	3,835,222	6,975,040
–	(463,120)	(151,308)	(2,757,884)
<u>804,000</u>	<u>(411,812)</u>	<u>7,349,045</u>	<u>7,882,797</u>
280,390	(78,939)	3,820,542	8,675,463
–	1,598,024	12,278,527	28,351,774
–	–	(3,148,016)	–
2,719,606	–	(2,719,606)	–
<u>2,719,606</u>	<u>1,598,024</u>	<u>6,410,905</u>	<u>28,351,774</u>
<u>\$ 2,999,996</u>	<u>\$ 1,519,085</u>	<u>\$ 10,231,447</u>	<u>\$ 37,027,237</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, 2024

Total net change in fund balances – governmental funds	\$ 8,675,463
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.	
Capital outlay	6,372,816
Transfer of capital assets to business-type activities	(761,796)
Depreciation/amortization expense	(2,832,961)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	
	(19,601)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	21,592
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for debt premiums, compensated absences, pension liabilities, and OPEB obligations.	
Debt issued	(3,345,633)
Principal payments for debt	1,712,484
Debt premiums	(118,390)
Compensated absences	38,441
Net pension liability	2,380,093
Total OPEB liability	(116,108)
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.	
	(28,583)
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.	
	(35,769)
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	55,316
Delinquent and deferred special assessments	(176,155)
Long-term receivable	821,384
Governmental funds do not report additions or deletions to certain long-term amounts related to pensions that are included in the change in net position.	
Deferred outflows of resources – pension plan deferments	(1,778,988)
Deferred outflows of resources – OPEB plan deferments	4,257
Deferred inflows of resources – pension plan deferments	(175,358)
Change in net position – governmental activities	<u>\$ 10,692,504</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, 2024

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
Property taxes	\$ 14,193,707	\$ 14,127,525	\$ (66,182)
Franchise taxes	120,000	120,000	–
Special assessments	–	970	970
Licenses and permits	779,050	1,212,437	433,387
Intergovernmental	769,110	1,022,621	253,511
Charges for services	609,930	880,393	270,463
Fines and forfeits	55,000	63,011	8,011
Investment earnings	10,000	354,282	344,282
Other	63,100	297,703	234,603
Total revenues	<u>16,599,897</u>	<u>18,078,942</u>	<u>1,479,045</u>
Expenditures			
Current			
General government	3,486,985	3,355,264	(131,721)
Public safety	7,973,660	7,463,149	(510,511)
Public works	3,735,946	3,188,601	(547,345)
Parks and recreation	1,768,414	1,729,974	(38,440)
Capital outlay			
General government	2,000	235,750	233,750
Public safety	25,268	39,283	14,015
Public works	5,634	26,229	20,595
Parks and recreation	17,500	26,543	9,043
Total expenditures	<u>17,015,407</u>	<u>16,064,793</u>	<u>(950,614)</u>
Excess (deficiency) of revenues over expenditures	(415,510)	2,014,149	2,429,659
Other financing sources (uses)			
Sale of capital assets	–	510	510
Transfers in	2,284,510	2,284,510	–
Transfers out	(1,869,000)	(1,928,456)	(59,456)
Total other financing sources (uses)	<u>415,510</u>	<u>356,564</u>	<u>(58,946)</u>
Net change in fund balances	<u>\$ –</u>	2,370,713	<u>\$ 2,370,713</u>
Fund balances			
Beginning of year		<u>8,988,437</u>	
End of year		<u>\$ 11,359,150</u>	

## CITY OF FARMINGTON

Statement of Net Position  
Proprietary Funds  
as of December 31, 2024

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Assets				
Current assets				
Cash and investments	\$ 2,852,168	\$ 2,610,512	\$ –	\$ 3,216,226
Cash restricted for drinking water treatment plant	–	–	–	–
Receivables				
Accounts	52,756	718,299	–	318,337
Interest	16,651	15,259	–	18,800
Delinquent special assessments	–	16,132	–	–
Deferred special assessments	–	255,240	–	–
Due from other governments	–	–	–	–
Inventory	650,721	–	–	–
Prepaid items	40	–	–	–
Total current assets	<u>3,572,336</u>	<u>3,615,442</u>	<u>–</u>	<u>3,553,363</u>
Noncurrent assets				
Capital assets				
Land	–	85,000	–	84,992
Buildings	–	–	–	–
Improvements other than buildings	358,276	–	–	–
Machinery and equipment	332,626	1,359,158	–	433,883
Distribution system	–	–	–	–
Collection system	–	30,772,782	–	22,890,354
Leases – buildings	951,551	–	–	–
Less accumulated depreciation/amortization	<u>(738,676)</u>	<u>(15,813,648)</u>	<u>–</u>	<u>(10,037,007)</u>
Total capital assets (net of accumulated depreciation/amortization)	<u>903,777</u>	<u>16,403,292</u>	<u>–</u>	<u>13,372,222</u>
Total assets	<u>4,476,113</u>	<u>20,018,734</u>	<u>–</u>	<u>16,925,585</u>
Deferred outflows of resources				
Pension plan deferments – PERA	49,118	–	–	–
OPEB plan deferments	<u>2,394</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total deferred outflows of resources	<u>51,512</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets and deferred outflows of resources	<u>\$ 4,527,625</u>	<u>\$ 20,018,734</u>	<u>\$ –</u>	<u>\$ 16,925,585</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 278,047	\$ 15,225	\$ –	\$ 7,117
Accrued salaries and employee benefits payable	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	68,503	452,270	–	–
Accrued interest payable	–	–	–	–
Compensated absences payable – current	36,409	–	–	–
Bonds payable – current	–	–	–	–
Lease liability – current	<u>101,686</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total current liabilities	<u>484,645</u>	<u>467,495</u>	<u>–</u>	<u>7,117</u>
Noncurrent liabilities				
Compensated absences payable	12,136	–	–	–
Bonds payable (net of unamortized premiums)	–	–	–	–
Lease liability	625,528	–	–	–
Net pension liability – PERA	241,441	–	–	–
Total OPEB liability	<u>73,022</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total noncurrent liabilities	<u>952,127</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>1,436,772</u>	<u>467,495</u>	<u>–</u>	<u>7,117</u>
Deferred inflows of resources				
Pension plan deferments – PERA	<u>170,432</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net position				
Net investment in capital assets	176,563	16,403,292	–	13,372,222
Restricted for drinking water treatment plant	–	–	–	–
Unrestricted	<u>2,743,858</u>	<u>3,147,947</u>	<u>–</u>	<u>3,546,246</u>
Total net position	<u>2,920,421</u>	<u>19,551,239</u>	<u>–</u>	<u>16,918,468</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,527,625</u>	<u>\$ 20,018,734</u>	<u>\$ –</u>	<u>\$ 16,925,585</u>

			Governmental Activities – Internal Service
Water	Street Light	Total	
\$ 10,980,284	\$ 443,306	\$ 20,102,496	\$ 3,063,864
2,461,488	–	2,461,488	–
468,188	24,964	1,582,544	2,819
78,624	2,591	131,925	17,908
–	–	16,132	–
–	–	255,240	–
229	–	229	–
–	–	650,721	–
–	–	40	–
13,988,813	470,861	25,200,815	3,084,591
328,384	–	498,376	–
5,290,137	–	5,290,137	–
1,534,818	–	1,893,094	–
559,247	–	2,684,914	99,124
35,149,460	–	35,149,460	–
–	–	53,663,136	–
–	–	951,551	–
(22,122,441)	–	(48,711,772)	(97,478)
20,739,605	–	51,418,896	1,646
34,728,418	470,861	76,619,711	3,086,237
–	–	49,118	–
–	–	2,394	–
–	–	51,512	–
\$ 34,728,418	\$ 470,861	\$ 76,671,223	\$ 3,086,237
\$ 104,894	\$ 16,804	\$ 422,087	\$ 82,918
–	–	–	332,031
31,800	–	31,800	4,326
2,184	–	522,957	–
7,496	–	7,496	–
–	–	36,409	54,540
70,000	–	70,000	–
–	–	101,686	–
216,374	16,804	1,192,435	473,815
–	–	12,136	–
366,297	–	366,297	–
–	–	625,528	–
–	–	241,441	–
–	–	73,022	–
366,297	–	1,318,424	–
582,671	16,804	2,510,859	473,815
–	–	170,432	–
20,303,308	–	50,255,385	1,646
2,461,488	–	2,461,488	–
11,380,951	454,057	21,273,059	2,610,776
34,145,747	454,057	73,989,932	2,612,422
\$ 34,728,418	\$ 470,861	\$ 76,671,223	\$ 3,086,237



## CITY OF FARMINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Year Ended December 31, 2024

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Operating revenue				
Sales	\$ 6,946,827	\$ –	\$ –	\$ –
Charges for services	–	3,278,646	–	1,422,637
Insurance reimbursement	–	–	–	–
Total operating revenue	6,946,827	3,278,646	–	1,422,637
Cost of goods sold	5,083,818	–	–	–
Gross profit	1,863,009	3,278,646	–	1,422,637
Operating expenses				
Personal services	723,987	2,807	–	2,640
Professional services	326,946	2,507,620	–	159,574
Materials and supplies	20,173	35,519	–	28,084
Insurance	–	–	–	–
Depreciation/amortization	165,402	692,820	–	490,338
Total operating expenses	1,236,508	3,238,766	–	680,636
Operating income (loss)	626,501	39,880	–	742,001
Nonoperating revenues (expenses)				
Intergovernmental	11,276	–	–	–
Investment earnings	96,568	82,575	–	123,018
Gain (loss) on sale of capital assets	–	41,200	–	(160)
Other	4,269	5,776	–	14
Interest and fiscal charges	(39,117)	(2,274)	–	–
Total nonoperating revenues (expenses)	72,996	127,277	–	122,872
Income (loss) before contributions and transfers	699,497	167,157	–	864,873
Capital contributions	–	1,069,664	–	1,182,675
Transfers in	–	–	–	–
Transfers out	(223,890)	(636,385)	(1,465,089)	(1,041,902)
Change in net position	475,607	600,436	(1,465,089)	1,005,646
Net position				
Beginning of year	2,444,814	18,950,803	1,465,089	15,912,822
End of year	\$ 2,920,421	\$ 19,551,239	\$ –	\$ 16,918,468

<u>Water</u>	<u>Street Light</u>	<u>Total</u>	<u>Governmental Activities – Internal Service</u>
\$ –	\$ –	\$ 6,946,827	\$ –
2,089,774	249,441	7,040,498	4,231,211
–	–	–	351,110
<u>2,089,774</u>	<u>249,441</u>	<u>13,987,325</u>	<u>4,582,321</u>
–	–	5,083,818	–
2,089,774	249,441	8,903,507	4,582,321
4,487	–	733,921	3,685,986
586,665	191,236	3,772,041	603,178
409,949	6,792	500,517	133,826
–	–	–	405,012
1,022,728	–	2,371,288	1,103
<u>2,023,829</u>	<u>198,028</u>	<u>7,377,767</u>	<u>4,829,105</u>
65,945	51,413	1,525,740	(246,784)
5,209	–	16,485	–
514,274	16,581	833,016	116,439
–	–	41,040	–
288,311	2,290	300,660	–
(8,591)	–	(49,982)	–
<u>799,203</u>	<u>18,871</u>	<u>1,141,219</u>	<u>116,439</u>
865,148	70,284	2,666,959	(130,345)
1,082,986	–	3,335,325	–
–	–	–	344,576
<u>(944,466)</u>	<u>–</u>	<u>(4,311,732)</u>	<u>(250,000)</u>
1,003,668	70,284	1,690,552	(35,769)
<u>33,142,079</u>	<u>383,773</u>	<u>72,299,380</u>	<u>2,648,191</u>
<u>\$ 34,145,747</u>	<u>\$ 454,057</u>	<u>\$ 73,989,932</u>	<u>\$ 2,612,422</u>

## CITY OF FARMINGTON

Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2024

	Business-Type Activities – Enterprise Funds			
	Liquor Operations	Sewer Operations	Solid Waste	Storm Water
Cash flows from operating activities				
Cash received from customers	\$ 6,989,298	\$ 3,165,869	\$ 734	\$ 1,392,271
Cash receipts from other funds and reimbursements	–	–	–	–
Cash payments to suppliers	(5,439,335)	(2,176,446)	–	(193,753)
Cash payments to employees for services	(745,921)	(2,807)	–	(2,640)
Cash payments for interfund services used	–	–	–	–
Net cash flows from operating activities	804,042	986,616	734	1,195,878
Cash flows from noncapital financing activities				
Intergovernmental revenue	11,276	–	–	–
Transfers in	–	–	–	–
Transfers out	(223,890)	(636,385)	(1,465,089)	(1,041,902)
Net cash flows from noncapital financing activities	(212,614)	(636,385)	(1,465,089)	(1,041,902)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	–	41,513	–	–
Acquisition and construction of capital assets	(41,112)	(583,782)	–	–
Principal payment on bonds and leases	(100,907)	–	–	–
Interest and fiscal charges paid	(39,117)	(2,274)	–	–
Net cash flows from capital and related financing activities	(181,136)	(544,543)	–	–
Cash flows from investing activities				
Interest received and changes in fair value on investments	89,608	78,565	6,017	116,373
Net increase in cash and cash equivalents	499,900	(115,747)	(1,458,338)	270,349
Cash and cash equivalents				
Beginning of year	2,352,268	2,726,259	1,458,338	2,945,877
End of year	\$ 2,852,168	\$ 2,610,512	\$ –	\$ 3,216,226
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 626,501	\$ 39,880	\$ –	\$ 742,001
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation/amortization	165,402	692,820	–	490,338
Other	4,269	5,776	–	14
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Accounts receivable	38,202	(118,105)	734	(30,380)
Special assessments	–	(448)	–	–
Due from other governments	–	–	–	–
Inventory	3,710	–	–	–
Prepaid items	–	–	–	–
Deferred outflows of resources – pension plan deferments	50,978	–	–	–
Deferred outflows of resources – OPEB plan deferments	(295)	–	–	–
Accounts and contracts payable	(11,770)	(11,027)	–	(6,095)
Accrued salaries and employee benefits	–	–	–	–
Deposits payable	–	–	–	–
Due to other governments	(338)	377,720	–	–
Compensated absences	3,529	–	–	–
Net pension liability	(129,301)	–	–	–
Total OPEB liability	8,108	–	–	–
Deferred inflows of resources – pension plan deferments	45,047	–	–	–
Net cash flows from operating activities	\$ 804,042	\$ 986,616	\$ 734	\$ 1,195,878
Schedule of noncash capital and related financing activities				
Capital assets contributed from developers and governmental funds	\$ –	\$ 1,069,664	\$ –	\$ 1,182,675
Net book values of capital asset disposals	\$ –	\$ 313	\$ –	\$ 160
Amortization of bond premium	\$ –	\$ –	\$ –	\$ –

See notes to basic financial statements

Water	Street Light	Total	Governmental Activities – Internal Service
\$ 2,373,309	\$ 260,961	\$ 14,182,442	\$ –
–	–	–	4,595,364
(1,027,675)	(214,621)	(9,051,830)	–
(4,487)	–	(755,855)	(3,577,318)
–	–	–	(1,140,868)
<u>1,341,147</u>	<u>46,340</u>	<u>4,374,757</u>	<u>(122,822)</u>
5,209	–	16,485	–
–	–	–	344,576
<u>(944,466)</u>	<u>–</u>	<u>(4,311,732)</u>	<u>(250,000)</u>
(939,257)	–	(4,295,247)	94,576
–	–	41,513	–
–	–	(624,894)	–
(70,000)	–	(170,907)	–
<u>(19,955)</u>	<u>–</u>	<u>(61,346)</u>	<u>–</u>
(89,955)	–	(815,634)	–
487,712	15,564	793,839	110,832
799,647	61,904	57,715	82,586
12,642,125	381,402	22,506,269	2,981,278
<u>\$ 13,441,772</u>	<u>\$ 443,306</u>	<u>\$ 22,563,984</u>	<u>\$ 3,063,864</u>
\$ 65,945	\$ 51,413	\$ 1,525,740	\$ (246,784)
1,022,728	–	2,371,288	1,103
288,311	2,290	300,660	–
(5,742)	9,230	(106,061)	(2,819)
–	–	(448)	–
966	–	966	15,862
–	–	3,710	–
–	–	–	4,125
–	–	50,978	–
–	–	(295)	–
26,721	(16,593)	(18,764)	(3,215)
–	–	–	104,542
(56,785)	–	(56,785)	1,606
(997)	–	376,385	–
–	–	3,529	2,758
–	–	(129,301)	–
–	–	8,108	–
–	–	45,047	–
<u>\$ 1,341,147</u>	<u>\$ 46,340</u>	<u>\$ 4,374,757</u>	<u>\$ (122,822)</u>
\$ 1,082,986	\$ –	\$ 3,335,325	\$ –
\$ –	\$ –	\$ 473	\$ –
\$ 9,910	\$ –	\$ 9,910	\$ –

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## CITY OF FARMINGTON

### Notes to Basic Financial Statements December 31, 2024

#### 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, public improvements, planning and zoning, recreation, and general administration.

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

##### B. Reporting Entity

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

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

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

##### C. Government-Wide Financial Statement Presentation

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

### **D. Fund Financial Statement Presentation**

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

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

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

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

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### Description of Funds

The City reports the following major governmental funds:

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

**Program Aid and Grants Special Revenue Fund** – This fund tracks program-specific revenues and expenditures for noncapital programs supported by various federal, state, or local sources.

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

**Utility Trunk Capital Projects Fund** – This fund accounts for the planning, construction, and improvement of utility trunk infrastructure, such as major water, sewer, and stormwater lines to accommodate future growth within the City.

**Pavement Management Capital Projects Fund** – This fund accounts for the maintenance of city paved surfaces, such as streets and parking lots, with a focus on resurfacing and preservation to extend the infrastructure life and functionality.

**Closed Bond Debt Service Fund** – This fund accounts for the accumulated resources related to bond issues that have fully matured or were called by the City using internal resources.

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 accounted for the operation of the City's garbage collection and recycling programs, which were transitioned to a private contractor beginning in 2022. This fund was closed in 2024.

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



## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Additionally, the City reports the following fund type:

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

### E. Budgets and Budgetary Accounting

Budgets are prepared annually on a modified accrual basis and legally adopted by the City Council for the General Fund, most special revenue funds, the debt service funds, and most capital projects funds. No fiscal 2024 budgets were adopted for the Program Aids and Grants or Public Safety Engagement Special Revenue Funds; or for the Private, Maintenance, Water Trunk, Sanitary Sewer Trunk, Fire Capital Equipment, Spruce Street Reconstruction, or 2024 Street Improvements Capital Projects Funds. Budgeted expenditure appropriations lapse at year-end.

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

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended December 31, 2024, 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		
Utility Trunk Capital Projects	\$ –	\$ 200,053
Nonmajor special revenue funds		
Park Improvement	\$ 7,000	\$ 15,330
Nonmajor capital projects funds		
Capital Equipment	\$ 926,150	\$ 1,442,898
Recreation Facilities	\$ 11,000	\$ 279,355
Emerald Ash Borer	\$ 300,000	\$ 535,153

### F. Cash and Investments

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

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

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

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

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

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

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

### **G. Receivables**

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

### **H. Interfund Balances and Transfers**

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

### **I. Property Taxes**

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

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

### **J. Special Assessments**

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

### **K. Inventories**

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

### **L. Prepaid Items**

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M. Capital Assets

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

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

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

### N. Deferred Outflows/Inflows of Resources

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

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

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

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

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

### **O. Long-Term Obligations**

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

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

### **P. Compensated Absences**

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by the employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences – vacation, sick leave, and paid time off (PTO). The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. Compensated absences are accrued in the governmental funds when matured due to use or separation. The liability for compensated absences includes salary-related benefits, where applicable.

### **Q. State-Wide Pension Plans**

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

### **R. Risk Management**

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

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

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

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### S. Net Position Classifications and Flow Assumptions

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

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

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

### T. Fund Balance Classifications and Flow Assumptions

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

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

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### U. Use of Estimates

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

### V. Changes in Reporting Entity

The City's financial statements reflect changes in reporting entity of the following types:

- 1. Change in Fund Structure** – The City reorganized and simplified the governmental funds it reports in its external financial statements, electing to combine certain similar internal accounts that had previously been reported as separate funds. The effects of these changes are reflected as additions or deletions to the applicable opinion unit beginning fund balances in the governmental fund basic financial statements.
- 2. Nonmajor Fund to Major** – The Pavement Management Capital Projects Fund, reported as a nonmajor fund in the previous year, met the quantitative threshold to be reported as a major fund in the current year. The effect of this change is reflected as an addition or deletion to the applicable opinion unit beginning fund balances in the governmental fund basic financial statements.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 6,963,601
Investments	58,408,404
Petty cash	<u>4,007</u>
Total	<u>\$ 65,376,012</u>

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

Statement of Net Position	
Cash and investments	\$ 62,914,524
Restricted assets – temporarily restricted	
Cash for future drinking water treatment plant	<u>2,461,488</u>
Total	<u>\$ 65,376,012</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 \$6,963,601, while the balance on the bank records was \$6,833,618. At December 31, 2024, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

### C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. treasury securities	Not Applicable		Level 2	\$ 995,845	\$ 3,501,545	\$ –	\$ 4,497,390
U.S. agency securities	Aaa	Moody’s	Level 2	476,040	–	–	476,040
U.S. agency securities	AA	S&P	Level 2	7,039,305	7,239,393	–	14,278,698
U.S. agency securities	Not Rated		Level 2	–	982,160	–	982,160
Municipal bonds	AAA	S&P	Level 2	234,672	2,180,893	1,403,612	3,819,177
Municipal bonds	Aaa	Moody’s	Level 2	399,668	96,847	–	496,515
Municipal bonds	AA	S&P	Level 2	1,700,291	7,743,861	2,352,580	11,796,732
Municipal bonds	Aa	Moody’s	Level 2	2,692,155	5,951,804	2,102,326	10,746,285
Municipal bonds	A	Moody’s	Level 2	–	381,896	–	381,896
Negotiable certificates of deposit	Not Rated		Level 2	3,337,071	6,877,704	–	10,214,775
				<u>\$ 16,875,047</u>	<u>\$ 34,956,103</u>	<u>\$ 5,858,518</u>	57,689,668
Investment pools/mutual funds	AAA	S&P	Level 1				718,736
Total investments							<u>\$ 58,408,404</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. Of the City's investment portfolio at December 31, 2024, 10.9 percent were issued by the Federal Home Loan Bank and 7.0 percent were issued by the Federal Farm Credit Bank.

**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 30.0 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
Governmental	Governmental		
General	Nonmajor	Cash flow	\$ 55,151
Utility Trunk	Nonmajor	Cash flow	47,692
Pavement Management	Nonmajor	Cash flow	84,035
Nonmajor	Nonmajor	Cash flow	1,800
			<u>\$ 188,678</u>

### B. Interfund Transfers

The following transfers were made during the year:

Transfers Out	Transfers In					Total
	General	Pavement Management	Closed Bond	Nonmajor	Proprietary Internal Service	
Governmental						
General	\$ –	\$ 684,000 (2)	\$ –	\$ 1,165,000 (4)	\$ 79,456 (1)	\$ 1,928,456
Program Aid and Grants	–	–	–	215,000 (5)	–	215,000
Closed Bond	200,000 (1)	–	–	–	263,120 (1)	463,120
Nonmajor	100,000 (1)	–	51,308 (3)	–	–	151,308
Proprietary – Enterprise						
Liquor Operations	97,890 (1)	–	–	125,000 (6)	1,000 (1)	223,890
Sewer Operations	536,390 (1)	40,000 (2)	–	58,995 (7)	1,000 (1)	636,385
Solid Waste	–	–	–	1,465,089 (8)	–	1,465,089
Storm Water	562,920 (1)	40,000 (2)	–	438,982 (7)	–	1,041,902
Water	537,310 (1)	40,000 (2)	–	367,156 (7)	–	944,466
Proprietary – Internal Service	250,000 (1)	–	–	–	–	250,000
Total	<u>\$ 2,284,510</u>	<u>\$ 804,000</u>	<u>\$ 51,308</u>	<u>\$ 3,835,222</u>	<u>\$ 344,576</u>	<u>\$ 7,319,616</u>

- (1) To support general City operations.
- (2) To fund pavement management program costs.
- (3) To close debt service accounts for matured or called bond issues.
- (4) For EDA operations (\$50,000), ice arena (\$20,000), emerald ash borer mitigation (\$300,000), or capital purposes (\$795,000).
- (5) To fund fire capital equipment purchases with state public safety aid.
- (6) For park improvements.
- (7) For street improvements.
- (8) To close Solid Waste Enterprise Fund, to be used for emerald ash borer mitigation.

## NOTE 4 – LEASES RECEIVABLE

In 2024, the City entered into an agreement to lease space in City Hall to the U.S. Department of Agriculture (USDA), which amended and replaced a previous space lease agreement. The USDA is required to make monthly payments for the space rental for a 169-month term maturing September 30, 2038, with a 6.0 percent interest rate. As part of this agreement, the City made improvements to the space in accordance with USDA specifications with a total cost of \$414,674. The USDA reimbursed the City for \$169,970 of the improvements during 2024, and will reimburse the City for the remaining \$244,704 through noncancelable monthly payments over a five-year period, with 6.0 percent interest. During the current year, the City received principal and interest payments of \$44,902. Additionally, the City received \$14,053 in other variable payments for common area maintenance fees, which are not a part of the lease asset.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

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

	Beginning Balance	Additions	Deletions	Completed Construction	Transfers	Ending Balance
Capital assets, not depreciated/amortized						
Land	\$ 1,350,435	\$ –	\$ –	\$ –	\$ –	\$ 1,350,435
Easements	307,867	–	–	–	–	307,867
Construction in progress	554,953	2,950,049	(19,601)	(2,450,799)	(761,796)	272,806
Total capital assets, not depreciated/amortized	2,213,255	2,950,049	(19,601)	(2,450,799)	(761,796)	1,931,108
Capital assets, depreciated/amortized						
Buildings	21,303,850	–	–	–	–	21,303,850
Improvements other than buildings	2,449,714	587,732	(187,345)	974,365	–	3,824,466
Machinery and equipment	9,253,027	917,970	(521,126)	–	8,094	9,657,965
Infrastructure	63,029,338	1,686,432	(139,038)	1,476,434	–	66,053,166
Leases – vehicles	820,319	230,633	–	–	–	1,050,952
Total capital assets, depreciated/amortized	96,856,248	3,422,767	(847,509)	2,450,799	8,094	101,890,399
Less accumulated depreciation/amortization						
Buildings	8,440,372	432,886	–	–	–	8,873,258
Improvements other than buildings	1,625,246	167,981	(187,345)	–	–	1,605,882
Machinery and equipment	5,626,169	564,459	(521,126)	–	8,094	5,677,596
Infrastructure	34,266,559	1,463,080	(139,038)	–	–	35,590,601
Leases – vehicles	108,093	205,658	–	–	–	313,751
Total accumulated depreciation/amortization	50,066,439	2,834,064	(847,509)	–	8,094	52,061,088
Net capital assets, depreciated/amortized	46,789,809	588,703	–	2,450,799	–	49,829,311
Total capital assets, net	\$ 49,003,064	\$ 3,538,752	\$ (19,601)	\$ –	\$ (761,796)	\$ 51,760,419

## NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not depreciated/amortized					
Land	\$ 498,376	\$ –	\$ –	\$ –	\$ 498,376
Capital assets, depreciated/amortized					
Buildings	5,290,137	–	–	–	5,290,137
Improvements other than buildings	1,893,094	–	–	–	1,893,094
Machinery and equipment	2,304,959	624,896	(236,847)	(8,094)	2,684,914
Collection/distribution systems	85,507,273	2,573,527	(30,000)	761,796	88,812,596
Leases – buildings	951,551	–	–	–	951,551
Total capital assets, depreciated/amortized	95,947,014	3,198,423	(266,847)	753,702	99,632,292
Less accumulated depreciation/amortization					
Buildings	4,161,638	205,692	–	–	4,367,330
Improvements other than buildings	501,006	106,101	–	–	607,107
Machinery and equipment	1,794,938	172,922	(236,847)	(8,094)	1,722,919
Collection/distribution systems	39,980,625	1,765,615	(29,527)	–	41,716,713
Leases – buildings	176,745	120,958	–	–	297,703
Total accumulated depreciation/amortization	46,614,952	2,371,288	(266,374)	(8,094)	48,711,772
Net capital assets, depreciated/amortized	49,332,062	827,135	(473)	761,796	50,920,520
Total capital assets, net	<u>\$ 49,830,438</u>	<u>\$ 827,135</u>	<u>\$ (473)</u>	<u>\$ 761,796</u>	<u>\$ 51,418,896</u>

### C. Depreciation/Amortization Expense by Function

Depreciation/amortization expense was charged to the following functions:

Governmental activities	
General government	\$ 1,726,799
Public safety	560,343
Public works	242,174
Parks and recreation	303,645
Internal Service Funds	1,103
Total depreciation/amortization expense – governmental activities	<u>\$ 2,834,064</u>
Business-type activities	
Liquor operations	\$ 165,402
Sewer operations	692,820
Storm water	490,338
Water	1,022,728
Total depreciation/amortization expense – business-type activities	<u>\$ 2,371,288</u>

## NOTE 6 – LONG-TERM LIABILITIES

### A. Components of Long-Term Liabilities

	Original Issue	Interest Rate	Issue Date	Maturity Date	Balance – End of Year
Governmental activities					
General obligation improvement bonds					
G.O. Street Reconstruction Bonds 2015A	\$ 3,050,000	2.00–3.00%	10/15/2015	02/01/2030	\$ 1,340,000
G.O. Street Reconstruction Bonds 2022A	\$ 3,650,000	3.00–5.00%	07/06/2022	02/01/2033	3,355,000
G.O. Street Reconstruction Bonds 2024A	\$ 1,420,000	4.00–5.00%	08/15/2024	02/01/2035	1,420,000
Total general obligation improvement bonds					6,115,000
General obligation capital improvement bonds					
G.O. Capital Improvement Refunding Bonds 2016B	\$ 4,540,000	2.00–3.00%	12/01/2016	02/01/2028	2,405,000
General obligation tax abatement bonds					
G.O. Tax Abatement Bonds 2024A	\$ 1,695,000	4.00–5.00%	08/15/2024	02/01/2040	1,695,000
General obligation equipment certificates					
G.O. Equipment Certificates of Indebtedness 2020A	\$ 1,105,000	5.00%	02/19/2020	02/01/2026	475,000
Total bonds and certificates					10,690,000
Unamortized premiums					663,305
Lease liabilities					
Lease – vehicle	\$ 31,238	6.62%	06/23/2022	06/30/2026	13,513
Lease – vehicle	\$ 31,238	6.62%	06/23/2022	06/30/2026	15,182
Lease – vehicle	\$ 29,970	7.71%	09/23/2022	09/30/2026	13,513
Lease – vehicle	\$ 30,637	2.68%	03/13/2023	03/31/2028	20,137
Lease – vehicle	\$ 30,590	2.68%	03/16/2023	03/31/2028	20,137
Lease – vehicle	\$ 30,590	2.68%	03/16/2023	03/31/2028	20,137
Lease – vehicle	\$ 30,590	2.68%	03/16/2023	03/31/2028	20,137
Lease – vehicle	\$ 44,510	3.53%	04/19/2023	04/30/2028	29,994
Lease – vehicle	\$ 50,395	2.31%	05/25/2023	05/31/2028	34,868
Lease – vehicle	\$ 39,285	2.79%	07/24/2023	07/31/2027	25,675
Lease – vehicle	\$ 42,292	2.74%	07/27/2023	07/31/2028	30,740
Lease – vehicle	\$ 40,296	2.74%	08/21/2023	08/31/2028	29,847
Lease – vehicle	\$ 40,296	2.74%	08/21/2023	08/31/2028	29,847
Lease – vehicle	\$ 40,296	2.74%	08/21/2023	08/31/2028	29,847
Lease – vehicle	\$ 40,129	2.74%	08/24/2023	08/31/2028	29,769
Lease – vehicle	\$ 39,267	2.79%	08/25/2023	08/31/2027	26,478
Lease – vehicle	\$ 57,934	2.74%	08/31/2023	08/31/2028	43,131
Lease – vehicle	\$ 39,264	3.53%	10/12/2023	10/31/2027	27,939
Lease – vehicle	\$ 39,302	3.53%	10/12/2023	10/31/2027	27,959
Lease – vehicle	\$ 39,302	3.53%	10/12/2023	10/31/2027	27,959
Lease – vehicle	\$ 39,264	3.53%	10/12/2023	10/31/2027	27,939
Lease – vehicle	\$ 86,768	2.62%	06/01/2024	05/01/2029	77,009
Lease – vehicle	\$ 48,349	2.62%	06/01/2024	05/01/2029	42,935
Lease – vehicle	\$ 47,758	2.32%	10/01/2024	09/01/2028	44,814
Lease – vehicle	\$ 47,758	2.32%	10/01/2024	09/01/2028	44,814
Total lease liabilities					754,320
Compensated absences					1,017,278
Total governmental activities					<u>\$ 13,124,903</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	\$ 395,000
Unamortized premiums					41,297
Lease liabilities					
Lease – buildings (Downtown liquor store)	\$ 745,373	6.62%	10/01/2021	05/31/2036	659,144
Lease – buildings (Pilot Knob liquor store)	\$ 211,684	5.00%	12/01/2022	11/30/2025	68,070
Total lease liabilities					727,214
Compensated absences					48,545
Total business-type activities					<u>\$ 1,212,056</u>

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

### B. Bonds and Certificates Payable

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

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

#### Governmental Activities

Year Ending December 31,	G.O. Bonds		G.O. Equipment Certificates		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,125,000	\$ 356,570	\$ 230,000	\$ 18,000	\$ 1,355,000	\$ 374,570
2026	1,300,000	320,550	245,000	6,125	1,545,000	326,675
2027	1,400,000	275,025	—	—	1,400,000	275,025
2028	1,450,000	228,675	—	—	1,450,000	228,675
2029	870,000	186,281	—	—	870,000	186,281
2030–2034	3,070,000	472,906	—	—	3,070,000	472,906
2035–2039	850,000	103,000	—	—	850,000	103,000
2040	150,000	3,000	—	—	150,000	3,000
Total	<u>\$ 10,215,000</u>	<u>\$ 1,946,007</u>	<u>\$ 475,000</u>	<u>\$ 24,125</u>	<u>\$ 10,690,000</u>	<u>\$ 1,970,132</u>

#### Business-Type Activities

Year Ending December 31,	G.O. Revenue	
	Principal	Interest
2025	\$ 70,000	\$ 16,300
2026	75,000	12,675
2027	80,000	8,800
2028	85,000	5,100
2029	85,000	1,700
Total	<u>\$ 395,000</u>	<u>\$ 44,575</u>

### C. Revenue Pledged

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

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	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	\$ 439,575	\$ 89,800	\$ 2,089,774

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

### D. Ultimate Responsibility for Debt

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

The City is subject to statutory limitation by the state of Minnesota for bonded indebtedness payable principally from property taxes equal to 3.0 percent of the taxable market value of property in the City. As of December 31, 2024, the City had not utilized \$80,907,973 of its \$91,597,973 legal debt limit.

### E. Lease Liabilities

- **Leases – Vehicles** – The City is leasing a number of vehicles under agreements that are secured by the leased equipment. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 5 of the notes to basic financial statements. The leases are being paid by the (nonmajor) Capital Equipment Capital Projects Fund.
- **Leases – Buildings** – The City operates two retail liquor stores known colloquially as Downtown and Pilot Knob. The City leases building space through two agreements that are being paid by the Liquor Operations Enterprise Fund. The Downtown store lease is for an approximately 7,400 square foot space in the Farmington Mall, for which the City paid \$26,058 in common area operating expenses in 2024 that are not included in the lease liability. The Pilot Knob location occupies a 4,758 square foot store in the Farmington Gateway Center, for which the City paid \$46,549 in common area operating expenses in 2024 that are not included in the lease liability. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 5 of the notes to basic financial statements.

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

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Vehicle Leases		Liquor Store Building Leases	
	Principal	Interest	Principal	Interest
2025	\$ 226,643	\$ 19,051	\$ 101,686	\$ 33,920
2026	222,162	11,379	37,356	30,440
2027	197,153	5,356	41,348	28,482
2028	96,490	1,265	45,607	26,318
2029	11,872	74	50,147	23,935
2030–2034	–	–	329,922	75,191
2035–2036	–	–	121,148	4,621
Total	<u>\$ 754,320</u>	<u>\$ 37,125</u>	<u>\$ 727,214</u>	<u>\$ 222,907</u>

### F. Other Long-Term Liabilities

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

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

### G. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. improvement bonds	\$ 5,435,000	\$ 1,420,000	\$ 740,000	\$ 6,115,000	\$ 550,000
G.O. capital improvement bonds	2,965,000	—	560,000	2,405,000	575,000
G.O. tax abatement bonds	—	1,695,000	—	1,695,000	—
G.O. equipment certificates	695,000	—	220,000	475,000	230,000
Unamortized premiums	544,915	231,831	113,441	663,305	—
Lease liabilities	716,171	230,633	192,484	754,320	226,643
Compensated absences	1,052,961	671,614	707,297	1,017,278	762,959
Total governmental activities	11,409,047	4,249,078	2,533,222	13,124,903	2,344,602
Business-type activities					
G.O. revenue bonds	465,000	—	70,000	395,000	70,000
Unamortized premiums	51,207	—	9,910	41,297	—
Lease liabilities	828,121	—	100,907	727,214	101,686
Compensated absences	45,016	25,620	22,091	48,545	36,409
Total business-type activities	1,389,344	25,620	202,908	1,212,056	208,095
Total government-wide	\$ 12,798,391	\$ 4,274,698	\$ 2,736,130	\$ 14,336,959	\$ 2,552,697

## NOTE 7 – DEFINED BENEFIT PENSION PLANS

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

	State-Wide PERA Pension Plans			Farmington Fire Fighters' Relief Association	Total All Plans
	GERF	PEPFF	Total		
Net pension asset	\$ —	\$ —	\$ —	\$ 1,558,145	\$ 1,558,145
Deferred outflows of resources	\$ 491,177	\$ 5,121,210	\$ 5,612,387	\$ 863,732	\$ 6,476,119
Net pension liability	\$ 2,414,414	\$ 3,024,807	\$ 5,439,221	\$ —	\$ 5,439,221
Deferred inflows of resources	\$ 1,704,319	\$ 5,997,006	\$ 7,701,325	\$ 642,858	\$ 8,344,183
Pension expense	\$ 220,861	\$ 555,096	\$ 775,957	\$ 301,837	\$ 1,077,794



## **NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Descriptions**

The City participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota. These plan provisions are established and administered according to Minnesota Statutes, Chapters 353 and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. The PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

#### **1. General Employees Retirement Fund (GERF)**

Membership in the GERF includes employees of counties, cities, townships, schools in noncertified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

#### **2. Public Employees Police and Fire Fund (PEPFF)**

Membership in the PEPFF includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes Section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide PEPFF coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

### **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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

#### **1. GERF Benefits**

The GERF requires three years of service to vest. 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 GERF members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, GERF members receive 1.2 percent of the highest average salary for each of the first 10 years of service, and 1.7 percent for each additional year. Under the Level formula, GERF members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90, and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows GERF members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a prorated increase.

### **2. PEPFF Benefits**

Benefits for PEPFF members first hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50.0 percent vested after five years of service, and 100.0 percent vested after 10 years. After five years, vesting increases by 10.0 percent each full year of service until members are 100.0 percent vested after ten years. Police and Fire Plan members receive 3.0 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

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

## **C. Contributions**

Minnesota Statutes, Chapter 353 and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

### **1. GERP Contributions**

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024, and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the GERP for the year ended December 31, 2024, were \$438,852. The City's contributions were equal to the required contributions as set by state statutes.

### **2. PEPFF Contributions**

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2024, were \$565,880. 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, 2024, the City reported a liability of \$2,414,414 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$62,432.

City's proportionate share of the net pension liability	\$ 2,414,414
State's proportionate share of the net pension liability associated with the City	<u>62,432</u>
Total	<u><u>\$ 2,476,846</u></u>

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0653 percent at the end of the measurement period and 0.0663 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$219,187 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$1,674 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16.0 million to the GERF.

During the plan year ended June 30, 2024, the state of Minnesota contributed \$170.1 million to the General Employees Fund. The state of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$111,085 for the year ended December 31, 2024 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 General Employees Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 228,003	\$ –
Changes in actuarial assumptions	11,839	923,946
Net difference between projected and actual earnings on pension plan investments	–	720,645
Changes in proportion	27,720	59,728
Employer contributions subsequent to the measurement date	<u>223,615</u>	<u>–</u>
Total	<u><u>\$ 491,177</u></u>	<u><u>\$ 1,704,319</u></u>

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

The \$223,615 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (805,777)
2026	\$ (135,050)
2027	\$ (310,879)
2028	\$ (185,051)

### 2. PEPFF Pension Costs

At December 31, 2024, the City reported a liability of \$3,024,807 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.2299 percent at the end of the measurement period and 0.2456 percent for the beginning of the period.

The state of Minnesota contributed \$37.4 million to the PEPFF in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9.0 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, the \$9.0 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$115,304.

City's proportionate share of the net pension liability	\$ 3,024,807
State's proportionate share of the net pension liability associated with the City	<u>115,304</u>
Total	<u><u>\$ 3,140,111</u></u>

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

For the year ended December 31, 2024, the City recognized pension expense of \$542,199 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$12,897 as grant revenue and pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9.0 million to the PEPFF special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$65,290 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,236,026	\$ –
Changes in actuarial assumptions	3,560,642	4,757,741
Net difference between projected and actual earnings on pension plan investments	–	961,358
Changes in proportion	31,239	277,907
Employer contributions subsequent to the measurement date	293,303	–
Total	<u>\$ 5,121,210</u>	<u>\$ 5,997,006</u>

The \$293,303 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	\$ (172,132)
2026	\$ 799,329
2027	\$ (520,267)
2028	\$ (1,300,598)
2029	\$ 24,569

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

### E. Long-Term Expected Return on Investments

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

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

### F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. The PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

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

The following changes in actuarial assumptions and plan provisions occurred in 2024:

### **1. GERF**

#### **CHANGES IN ACTUARIAL ASSUMPTIONS**

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 General Mortality Table, with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

#### **CHANGES IN PLAN PROVISIONS**

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

### **2. PEPFF**

#### **CHANGES IN PLAN PROVISIONS**

- The state contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.00 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.00 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

### **G. Discount Rate**

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

### H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City's proportionate share of the GERP net pension liability	\$ 5,273,469	\$ 2,414,414	\$ 62,581
City's proportionate share of the PEPFF net pension liability (asset)	\$ 7,148,211	\$ 3,024,807	\$ (361,370)

### I. Pension Plan Fiduciary Net Position

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

## NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

### A. Plan Description

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

### B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement equivalent to \$9,500 per year of service. The plan benefit level increased from \$8,500 to \$9,500 per year of service since the previous valuation.

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



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

**C. Contributions**

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

The state of Minnesota contributed \$232,490 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2024, 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, 2024 were \$0; however, the City made a voluntary contribution of \$150,000 to the plan.

**D. Pension Costs**

At December 31, 2024, the City reported a net pension liability (asset) of (\$1,558,145) for the plan. The net pension liability (asset) was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2022. Update procedures were used to roll forward the total pension liability to the measurement date.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance	\$ 2,504,952	\$ 4,041,505	\$ (1,536,553)
Changes for the year			
Service cost	168,434	—	168,434
Interest	139,161	—	139,161
Difference between expected and actual experience	253,683	—	253,683
Changes in benefit terms	227,671	—	227,671
Contributions (state and local)	—	360,460	(360,460)
Net investment income	—	474,981	(474,981)
Benefit payments	(45,415)	(45,415)	—
Administrative costs	—	(24,900)	24,900
Total net changes	<u>743,534</u>	<u>765,126</u>	<u>(21,592)</u>
Ending balance	<u>\$ 3,248,486</u>	<u>\$ 4,806,631</u>	<u>\$ (1,558,145)</u>

For the year ended December 31, 2024, the City recognized pension revenue of \$210,460 and pension expense of \$301,837.

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

At December 31, 2024, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ 228,136	\$ 396,264
Change of assumptions	112,231	14,104
Net difference between projected and actual earnings on plan investments	140,875	–
City contributions subsequent to the measurement date	150,000	–
State aid to the City subsequent to the measurement date	232,490	232,490
Total	<u>\$ 863,732</u>	<u>\$ 642,858</u>

Deferred outflows of resources totaling \$382,490 related to pensions resulting from city contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Deferred inflows of resources totaling \$232,490 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	\$ 27,261
2026	\$ 65,392
2027	\$ 99,545
2028	\$ (58,915)
2029	\$ (4,626)
Thereafter	\$ (57,783)

**E. Actuarial Methods and Assumptions**

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

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60 percent and increased by 4 percent for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 with 20 years of service.  
Inflation rate – 2.50% per year  
Investment rate of return – 5.25%  
20-year municipal bond yield – 4.05%

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

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

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

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

**F. Discount Rate**

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

**G. Pension Liability (Asset) Sensitivity**

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

	1% Decrease in Discount Rate (4.25%)	Current Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net pension liability (asset)	\$ (1,396,855)	\$ (1,558,145)	\$ (1,711,661)

**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 GASB codification P52.101 to pay related benefits for the OPEB Plan.

### **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 \$39,897.

### **D. Membership**

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

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

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

The City's total OPEB liability of \$1,217,039 as of year-end was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2022. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

### F. Actuarial Methods and Assumptions

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

Discount rate	3.77%
20-year municipal bond yield	3.77%
Inflation rate	2.60%
Healthcare trend rate	8.00% grading to 4.04% over 52 years

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

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 3.77 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

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

Assumption changes since the prior measurement date include the following:

- The discount rate was updated from 4.05 percent to 3.77 percent based on recent municipal bond index rates.

### G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance – January 1, 2024	\$ 1,092,823
Changes for the year	
Service cost	100,500
Interest	47,265
Differences between expected and actual experience	1,938
Changes of assumptions	27,044
Benefit payments – employer-financed	(52,531)
Total net changes	<u>124,216</u>
Ending balance – December 31, 2024	<u>\$ 1,217,039</u>

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

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.77%	3.77%	4.77%
Total OPEB liability	\$ 1,317,831	\$ 1,217,039	\$ 1,122,892

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB healthcare trend rate	7.00% decreasing to 3.04% over 52 years	8.00% decreasing to 4.04% over 52 years	9.00% decreasing to 5.04% over 52 years
Total OPEB liability	\$ 1,064,887	\$ 1,217,039	\$ 1,395,654

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

For the current year, the City recognized OPEB expense of \$176,747. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	<u>\$ 39,897</u>	<u>\$ —</u>

Deferred outflows of resources reported \$39,897 related to OPEB resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2025.

## NOTE 11 – DEFICIT FUND BALANCES

At December 31, 2024, the (nonmajor) Street Improvements Capital Projects Fund reported a deficit fund balance of \$443,866. This deficit is generally due to project or other expenditures incurred in advance of funding, and will be eliminated through future revenues and other financing sources.

## NOTE 12 – NET POSITION/FUND BALANCES

### A. Net Investment in Capital Assets

The government-wide Statement of Net Position at December 31, 2024 includes the City's net investment in capital assets, calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets			
Capital assets, net	\$ 51,760,419	\$ 51,418,896	\$ 103,179,315
Less capital-related long-term debt outstanding	(12,107,625)	(1,163,511)	(13,271,136)
Add unused bond proceeds	2,017,637	—	2,017,637
Total net investment in capital assets	<u>\$ 41,670,431</u>	<u>\$ 50,255,385</u>	<u>\$ 91,925,816</u>

### B. Governmental Fund Balance Classifications

At December 31, 2024, the City had the following governmental fund balances:

	General	Program Aid and Grants	Private	Utility Trunk	Pavement Management	Closed Bond	Nonmajor	Total
Nonspendable								
Prepaid items	\$ 1,949	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 300	\$ 2,249
Restricted								
Local Affordable Housing	88,549	—	—	—	—	—	—	88,549
Economic development	—	—	—	—	—	—	574,408	574,408
Public safety programs	—	806,953	—	—	—	—	89,423	896,376
Park improvements	—	—	—	—	—	—	886,457	886,457
PEG fees	—	—	—	—	—	—	221,224	221,224
Recreational projects	—	—	—	—	—	—	1,707,196	1,707,196
Debt service	—	—	—	—	—	—	1,931,968	1,931,968
Total restricted	88,549	806,953	—	—	—	—	5,410,676	6,306,178
Committed								
Improvement projects	—	—	231,373	—	—	—	305,065	536,438
Utility trunk	—	—	—	9,879,233	—	—	—	9,879,233
Pavement management	—	—	—	—	2,999,996	—	—	2,999,996
Park improvements	—	—	—	—	—	—	1,219,338	1,219,338
Ice arena capital	—	—	—	—	—	—	120,228	120,228
Cable communications	—	—	—	—	—	—	695,962	695,962
Capital equipment	—	—	—	—	—	—	815,582	815,582
Trail maintenance	—	—	—	—	—	—	468,738	468,738
Building maintenance	—	—	—	—	—	—	358,618	358,618
Emerald ash borer mitigation	—	—	—	—	—	—	1,280,806	1,280,806
Total committed	—	—	231,373	9,879,233	2,999,996	—	5,264,337	18,374,939
Assigned								
Future debt payments	—	—	—	—	—	1,519,085	—	1,519,085
Unassigned	11,268,652	—	—	—	—	—	(443,866)	10,824,786
Total	<u>\$ 11,359,150</u>	<u>\$ 806,953</u>	<u>\$ 231,373</u>	<u>\$ 9,879,233</u>	<u>\$ 2,999,996</u>	<u>\$ 1,519,085</u>	<u>\$ 10,231,447</u>	<u>\$ 37,027,237</u>

### C. Minimum Fund Balance Policy

The City's policy is to maintain an unassigned fund balance in the General Fund in the range of 40.0–50.0 percent of the subsequent year's budgeted expenditures and transfers out. At December 31, 2024, the unassigned fund balance of the General Fund was 56.8 percent of the subsequent year's budgeted expenditures and transfers out.

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

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

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

The City rebated \$51,714 of property tax increment in the current year. The remaining principal balance as of December 31, 2024 for this agreement was \$1,060,366. This amount is not included in long-term debt because of the nature of this note in that repayment is required only if sufficient tax increments are received. The EDA's position is that these are obligations to assign future and uncertain revenue sources and these obligations are not actual debt in-substance.

## **NOTE 14 – COMMITMENTS AND CONTINGENCIES**

### **A. Federal and State Funding**

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

### **B. Legal Claims**

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

### **C. Tax Increment Districts**

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

### **D. Contracts Payable**

At December 31, 2024, the City is committed to various construction contracts for the improvement of city property. The City's remaining commitment under these contracts is approximately \$1,968,920 at year-end.



## PROPOSAL FORM

TO: City of Farmington, Minnesota  
C/O Northland Securities, Inc.  
150 South 5<sup>th</sup> Street, Suite 3300  
Minneapolis, Minnesota 55402  
Phone: 612-851-5900  
Email: [PublicSale@northlandsecurities.com](mailto:PublicSale@northlandsecurities.com)

Sale Date: September 2, 2025

For all or none of the \$3,230,000\* General Obligation Street Reconstruction Bonds, Series 2025A, in accordance with the Notice of Sale, we will pay you \$\_\_\_\_\_, (not less than \$3,188,010) plus accrued interest, if any, to date of delivery (estimated to be September 30, 2025) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2027	_____%	_____%	2031	_____%	_____%	2035	_____%	_____%
2028	_____%	_____%	2032	_____%	_____%	2036	_____%	_____%
2029	_____%	_____%	2033	_____%	_____%	2037	_____%	_____%
2030	_____%	_____%	2034	_____%	_____%			

True interest percentage: \_\_\_\_\_%

Net interest cost: \$ \_\_\_\_\_

Term Bond Option: Bonds maturing in the years:

\_\_\_\_\_ through \_\_\_\_\_  
\_\_\_\_\_ through \_\_\_\_\_  
\_\_\_\_\_ through \_\_\_\_\_  
\_\_\_\_\_ through \_\_\_\_\_  
\_\_\_\_\_ through \_\_\_\_\_

To be accumulated into a Term Bond maturing in year:

\_\_\_\_\_.  
\_\_\_\_\_.  
\_\_\_\_\_.  
\_\_\_\_\_.  
\_\_\_\_\_.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

The foregoing proposal is hereby duly accepted by and on behalf of the City of Farmington, Minnesota at \_\_\_\_\_ PM on September 2, 2025.

\_\_\_\_\_  
Finance Director

\_\_\_\_\_  
Mayor

\* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.