

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 15, 2025**

**NEW ISSUE  
BANK QUALIFIED**

**BOOK ENTRY ONLY  
S&P'S UNDERLYING RATING "AA"  
S&P'S MINNESOTA CREDIT ENHANCEMENT PROGRAM RATING: "AAA"  
[MINNESOTA STATE CREDIT ENHANCEMENT PROGRAM]**

*In the opinion of Kennedy & Graven, Chartered, Bond Counsel, under existing laws, regulations, rulings and judicial decisions (which exclude any pending legislation which may have a retroactive effect), and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing State of Minnesota statutes, interest on the Bonds is exempt from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein for additional information.*

**CITY OF FARIBAUT, MINNESOTA  
\$6,980,000\*  
General Obligation Water Revenue Bonds, Series 2025A**

**Dated Date: Date of Delivery (Estimated to be May 22, 2025)**

**Interest Due: Each June 15 and December 15  
Commencing December 15, 2025**

<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>
12/15/26	\$245,000	___ %	___ %	___	12/15/36	\$340,000	___ %	___ %	___
12/15/27	255,000	___	___	___	12/15/37	355,000	___	___	___
12/15/28	260,000	___	___	___	12/15/38	370,000	___	___	___
12/15/29	270,000	___	___	___	12/15/39	385,000	___	___	___
12/15/30	280,000	___	___	___	12/15/40	400,000	___	___	___
12/15/31	290,000	___	___	___	12/15/41	415,000	___	___	___
12/15/32	295,000	___	___	___	12/15/42	435,000	___	___	___
12/15/33	310,000	___	___	___	12/15/43	455,000	___	___	___
12/15/34	320,000	___	___	___	12/15/44	475,000	___	___	___
12/15/35	330,000	___	___	___	12/15/45	495,000	___	___	___

The General Obligation Water Revenue Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Faribault, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds of the Bonds will be used to finance water utility improvements and to pay costs associated with issuance of the Bonds. See Authority and Purpose herein for additional information.

The Bond will be valid and binding general obligations of the City for which its full faith and credit and taxing powers are pledged. Principal and interest on the Bonds will be paid from net revenues of the City's water utility. Should the utility revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand not pledged for another purpose and/or levy ad valorem taxes for this purpose upon all of the taxable property within the City, without limitation as to rate or amount. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain city debt obligations, of the principal and interest on the Bonds, when due. See Security/Sources and Uses of Funds herein for additional information.

The Bonds maturing on December 15, 2034 and thereafter are subject to optional redemption and prepayment, in whole or in part, on December 15, 2033 and on any date thereafter at a price of par plus accrued interest to the date of optional redemption.

Principal due with respect to the Bonds is payable annually on December 15, commencing December 15, 2026. Interest due with respect to the Bonds is payable semiannually on June 15 and December 15, commencing December 15, 2025. 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, April 22, 2025 10:30 A.M., Central Time**

**Award: Tuesday, April 22, 2025 6:00 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 \$6,882,280 (98.60%) 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 \$139,600, 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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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 MAY 22, 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 Faribault, Minnesota**

**\$6,980,000 \***

**General Obligation Water Revenue Bonds, Series 2025A**

*(Book-Entry Only)*

AMOUNT -	\$6,980,000																																								
ISSUER -	City of Faribault, Minnesota (the “City” or the “Issuer”)																																								
AWARD DATE -	April 22, 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 Water Revenue Bonds, Series 2025A (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Water Revenue Bonds, Series 2025A (the “Bonds”) are being issued by the City of Faribault, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds of the Bonds will be used to finance water utility improvements and to pay costs associated with issuance of the Bonds. The Bonds will be valid and binding general obligations of the City for which its full faith and credit and taxing powers are pledged. Principal and interest on the Bonds will be paid from net revenues of the City’s water utility. Should the utility revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand not pledged for another purpose and/or levy ad valorem taxes for this purpose upon all of the taxable property within the City, without limitation as to rate or amount. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain city debt obligations, of the principal and interest on the Bonds, when due. See Authority and Purpose as well as Security/Sources and Uses of Funds herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be May 22, 2025)																																								
INTEREST PAID -	Semiannually on each June 15 and December 15, commencing December 15, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date (the “Record Date”).																																								
MATURITIES* -																																									
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OPTIONAL REDEMPTION -	The Bonds maturing on December 15, 2034 and thereafter are subject to optional redemption and prepayment, in whole or in part, on December 15, 2033 and on any date thereafter at a price of par plus accrued interest to the date of optional redemption. See Description of the Bonds 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 -	<p><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”).</p> <p><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.</p>																																								
LEGAL OPINION -	Kennedy & Graven, Chartered, 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. In addition, the Bonds were rated “AAA” by S&P Global Ratings (“S&P”) based on the State of Minnesota Credit Enhancement Program. See <i>State of Minnesota Credit Enhancement Program</i> herein for additional information.																																								
CLOSING -	Estimated to be May 22, 2025																																								
PRIMARY CONTACTS -	Jessica Kinser, City Administrator, City of Faribault, Minnesota 507-333-0355 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906																																								

\* Preliminary, subject to change.

**CITY OF FARIBAULT, MINNESOTA**

**PRINCIPAL CITY OFFICIALS**

**Elected Officials**

<u>City Council</u>		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Thomas Spooner	Mayor	12/31/28
John Rowan	Council Member	12/31/26
Peter van Sluis	Council Member	12/31/26
Royal Ross	Council Member	12/31/28
Mandy Barnes	Council Member	12/31/28
Adama Youhn Doumbouya	Council Member	12/31/26
Chuck Thiele	Council Member	12/31/28

**Appointed Officials**

Jessica Kinser	City Administrator
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**BOND COUNSEL**

Kennedy & Graven, Chartered  
Minneapolis, Minnesota

**MUNICIPAL ADVISOR**

Northland Securities, Inc.  
Minneapolis, Minnesota

## **NOTICE OF SALE**

\$6,980,000\*

GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2025A

CITY OF FARIBAULT, 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 Administrator or designee, on Tuesday, April 22, 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, April 22, 2025 at 6:00 P.M., CT.

### **SUBMISSION OF PROPOSALS**

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) 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 612-851-5915, 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, April 22, 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 May 22, 2025)

**AUTHORITY/PURPOSE/SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475. Proceeds will be used to finance water utility improvements and to pay the costs associated with the issuance of the Bonds. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid from net revenues of the water system which is owned and operated by the City. In accordance with Minnesota Statutes, receipt of utility revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain city debt obligations, of the principal and interest on the Bonds, when due. Should the utility revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

**INTEREST PAYMENTS**

Interest is due semiannually on each June 15 and December 15, commencing December 15, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date.

**MATURITIES**

Principal is due annually on December 15, 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>	<u>Year</u>	<u>Amount</u>
2026	\$245,000	2031	\$290,000	2036	\$340,000	2041	\$415,000
2027	255,000	2032	295,000	2037	355,000	2042	435,000
2028	260,000	2033	310,000	2038	370,000	2043	455,000
2029	270,000	2034	320,000	2039	385,000	2044	475,000
2030	280,000	2035	330,000	2040	400,000	2045	495,000

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)**

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.**

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement

to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

*Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:*

- (1) "public" means any person other than an underwriter or a related party,*
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 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 or another), (B) 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 (C) 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), and*
- (4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.*



## **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 December 15, 2034 through 2045 are subject to redemption and prepayment at the option of the City on December 15, 2033 and any date thereafter, at a price of par plus accrued interest to the date of optional redemption. 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 forty days after award, subject to an approving legal opinion by Kennedy & Graven Chartered, 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 \$6,882,280 (98.60%) and accrued interest on the principal sum of \$6,980,000 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:

Jessica Kinser, City Administrator  
208 1<sup>st</sup> Ave., NW  
Faribault, MN 55021

A good faith deposit (the "Deposit") in the amount of \$139,600 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 resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking 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: March 25, 2025

BY ORDER OF THE FARIBAULT CITY COUNCIL

/s/ Jessica Kinser  
City Administrator

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

### *(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)*

The undersigned, for and on behalf of [NAME OF PURCHASER/REPRESENTATIVE] (the [“Purchaser”] [“Representative,” on behalf of itself and other underwriters listed below (collectively, the “Underwriting Group”)]), with respect to the sale and issuance of the General Obligation Water Revenue Bonds, Series 2025A (the “Bonds”), issued by the City of Faribault, Minnesota (the “Issuer”), in the original aggregate principal amount of \$ \_\_\_\_\_, certifies as follows:

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 the [Purchaser] [Underwriting Group] are the prices listed in EXHIBIT A attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices of the Maturities of the Bonds used by the [Purchaser] [Underwriting Group] in formulating its bid to purchase the Bonds. Attached hereto as EXHIBIT B is a true and correct copy of the bid provided by the [Purchaser] [Underwriting Group] to purchase the Bonds.

(b) The [Purchaser] [Underwriting Group] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the [Purchaser] [Underwriting Group] constituted a firm offer to purchase the Bonds.

(d) Capitalized terms that are used herein that are otherwise not defined shall have the meanings assigned to such terms in Section 5 hereof.

2. Purchase Price. The [Purchaser] [Representative] acknowledges that it is purchasing the Bonds for an aggregate purchase price of \$ \_\_\_\_\_ (par amount of Bonds of \$ \_\_\_\_\_, plus original issue premium of \$ \_\_\_\_\_, less original issue discount of \$ \_\_\_\_\_, less [a Purchaser’s] [an underwriter’s] discount of \$ \_\_\_\_\_).

3. Receipt of Bonds. The undersigned hereby acknowledges receipt of \$ \_\_\_\_\_ in original aggregate principal amount of the Bonds from the Issuer, fully executed and authenticated. [The [Purchaser] [Representative] has paid to [NAME OF INSURER] the sum of \$ \_\_\_\_\_ as a premium for an insurance policy for the Bonds.]

4. Representations. The representations set forth in this Certificate of Purchaser (the “Certificate”) are limited to factual matters only. Nothing in this Certificate represents the interpretation by the [Purchaser] [Representative] of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The undersigned understands that the foregoing information will be relied upon by: (i) the Issuer with respect to certain of the representations set forth in a tax

certificate of the Issuer executed on the date hereof with respect to compliance with the federal income tax rules affecting the Bonds; and (ii) Kennedy & Graven, Chartered, 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 Information Return for Tax-Exempt Governmental Bonds, Form 8038-G (Rev. September 2018), and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

5. Defined Terms.

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

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate means, with respect to a purchaser of the Bonds, if the Underwriter and the purchaser are subject, directly or indirectly, to (i) more than fifty percent (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 fifty percent (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 fifty percent (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).

(c) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_.

(d) “Underwriter” 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).

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

**[PURCHASER] [REPRESENTATIVE]**

By \_\_\_\_\_

Name \_\_\_\_\_

Its \_\_\_\_\_

[Account Members:]

*(ISSUE PRICE CERTIFICATE – HOLD THE PRICE)*

The undersigned, for and on behalf of [NAME OF PURCHASER/REPRESENTATIVE] (the [“Purchaser”] [“Representative,” on behalf of itself and other underwriters listed below (collectively, the “Underwriting Group”)]), with respect to the sale and issuance of the General Obligation Water Revenue Bonds, Series 2025A (the “Bonds”), by the City of Faribault, Minnesota (the “Issuer”), in the original aggregate principal amount of \$ \_\_\_\_\_, certifies as follows:

1. Initial Offering Price for the Bonds.

(a) The [Purchaser] [Underwriting Group] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in EXHIBIT A attached hereto (the “Initial Offering Prices”). A copy of the pricing wire or equivalent communication for the Bonds is attached hereto as EXHIBIT A. Capitalized terms used herein that are otherwise not defined shall have the meanings assigned to such terms in Section 5 hereof.

(b) As set forth in the Notice of Sale and the bid award, the [Purchaser has] [members of the Underwriting Group have] agreed in writing that, (i) for each Maturity of the Bonds, [it] [they] 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 selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Purchase Price. The [Purchaser] [Representative] acknowledges that it is purchasing the Bonds for an aggregate purchase price of \$ \_\_\_\_\_ (par amount of Bonds of \$ \_\_\_\_\_, plus original issue premium of \$ \_\_\_\_\_, less original issue discount of \$ \_\_\_\_\_, less [a Purchaser’s] [an underwriter’s] discount of \$ \_\_\_\_\_).

3. Receipt of Bonds. The undersigned hereby acknowledges receipt of \$ \_\_\_\_\_ in original aggregate principal amount of the Bonds from the Issuer, fully executed and authenticated.

4. Representations. The representations set forth in this Certificate of Purchaser (the “Certificate”) are limited to factual matters only. Nothing in this Certificate represents the interpretation by the [Purchaser] [Representative] of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The undersigned understands that the foregoing information will be relied upon by: (i) the Issuer with respect to certain of the representations set forth in a tax certificate of the Issuer executed on the date hereof with respect to compliance with the federal income tax rules affecting the Bonds; and (ii) Kennedy & Graven, Chartered, 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 Information Return for Tax-Exempt Governmental Bonds, Form 8038-G (Rev. September 2018), and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

5. Defined Terms.

(a) “Holding Period” means, with respect to each Maturity of the Bonds, 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, or (ii) the date on which the [Purchaser has] [Underwriters have] sold at least ten percent (10%) of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

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

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate means, with respect to a purchaser of the Bonds, if the Underwriter and the purchaser are subject, directly or indirectly, to (i) more than fifty percent (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 fifty percent (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 fifty percent (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).

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_.

(e) "Underwriter" 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).

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

**[PURCHASER] [REPRESENTATIVE]**

By \_\_\_\_\_

Name \_\_\_\_\_

Its \_\_\_\_\_

**AUTHORITY AND PURPOSE**

The General Obligation Water Revenue Bonds, Series 2025A (the “Bonds” or the “Issue”) are being issued by the City of Faribault, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds from issuance of the Bonds will be used to finance water utility improvements and to pay costs associated with issuance of the Bonds.

**SECURITY/SOURCES AND USES OF FUNDS**

**Security**

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid from net revenues of the water system which is owned and operated by the City. In accordance with Minnesota Statutes, receipt of utility revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain city debt obligations, of the principal and interest on the Bonds, when due. Should the utility revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or 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>6,980,000*</u>
Total Sources of Funds:	\$ <u>6,980,000</u>

*Uses of Funds*

Deposit to Project Fund	\$ 6,800,000
Costs of Issuance/Underwriter’s Discount	175,485
Rounding Amount	<u>4,515</u>
Total Uses of Funds:	\$ <u>6,980,000</u>

**MINNESOTA CREDIT ENHANCEMENT PROGRAM**

Pursuant to a resolution dated March 25, 2025 (the “Resolution”), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the “Credit Enhancement Act” or the “Act”), which provides for payment by the State of Minnesota in the event of a potential default of certain debt obligations. The provisions of the Credit Enhancement Act shall be binding on the City as long as any Bonds remain outstanding. Under the Credit Enhancement Act, if the City believes it may be unable to make a principal or interest payment for the Bonds on the due date, it must notify the Minnesota Commissioner of Management and Budget and the Minnesota Public Facilities Authority (the “Authority”) as soon as possible, but not less than 15 business days prior to the due date (which notice is to specify certain information), and would use the provisions of the Credit Enhancement Act to have the State of Minnesota, acting through the Authority, make payment of the principal and interest when due. The City also covenants in the Resolution to deposit with the paying agent for the issue three

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\* Preliminary, subject to change.

business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Authority that it will be unable to make all or a portion of the payment.

The Credit Enhancement Act also requires the paying agent for the Bonds to notify the Authority if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days before the date a payment is due, there are insufficient funds on deposit with the paying agent to make the payment.

After receipt of a notice which requests a payment pursuant to the Act, after consultation with the paying agent and the City, and after verifying the accuracy of the information provided, the Authority shall notify the Commissioner of the potential default. The Credit Enhancement Act provides that “upon receipt of this notice...the Commissioner shall issue a warrant and authorize the Authority to pay to...the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of this subdivision are annually appropriated to the Authority from the [state] general fund.”

### **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.

#### **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 will be 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 May 22, 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 December 15, commencing December 15, 2026. Interest on the Bonds will be payable semiannually on each June 15 and December 15, commencing December 15, 2025. 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 first day (whether or not a business day) of the calendar month of 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**

The Bonds maturing on December 15, 2034 and thereafter are subject to optional redemption and prepayment, in whole or in part, on December 15, 2033 and on any date thereafter at a price of par plus accrued interest to the date of optional redemption. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

### **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 Faribault 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 a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, 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 specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the 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 Certificate 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”). In addition, the Bonds were rated “AAA” by S&P Global Ratings (“S&P”) based on the Minnesota Credit Enhancement Program. The City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (State of Minnesota Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a Bonds debt obligation, of the principal and interest on the Bonds when due. These ratings reflect only the opinion of S&P and any explanation of the significance of these ratings 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. See *Minnesota Credit Enhancement Program* herein for additional information. These ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings 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 Kennedy & Graven, Chartered, 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

### **General**

In the opinion of Bond Counsel, under federal and Minnesota laws, regulations, rulings and decisions in effect on the date of issuance of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes, and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Code of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes measured by income and imposed on certain corporations (including financial institutions). Section 59(k) of the Code defines “applicable corporations” as “any corporation (other than an S Corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(i) of the Code in one or more taxable years. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain excludable from federal gross income and, to the same extent, from Minnesota taxable net income. Noncompliance with such requirements by the City may cause the interest on the Bonds to be includable in gross income for purposes of federal income taxation and, to the same extent, includable in taxable net income for purposes of Minnesota income taxation, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance is ascertained. No provision has been made for redemption of Bonds or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includable in federal gross income or Minnesota taxable income.

### **Other Federal and State Tax Considerations**

Interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. Interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. Section

86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds.

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for a Subchapter S corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than a certain percentage of the gross receipts of such Subchapter S corporation is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b) of the Code).

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

### **Proposed Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or 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 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. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is 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.

### **Qualified Tax-Exempt Obligations**

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code related to the ability of financial institutions to deduct from income for federal tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by a financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance under prior law.

# CITY OF FARIBAULT, MINNESOTA

## GENERAL INFORMATION

### Location/Access/Transportation

Faribault, the county seat of Rice County, is located in southern Minnesota, approximately 50 miles south of the Minneapolis/St. Paul Metropolitan Area. Access to the City is provided via Interstate Highway 35, State Highways 3, 21, and 60, as well as an extensive network of county highways. The Faribault Municipal Airport is located in the northwest portion of the City.

### Area

8,230 Acres  
(12.86 Square Miles)

### Population

2000 Census	20,818	2020 Census	24,453
2010 Census	23,352	2025 Estimate <sup>1</sup>	24,783

### Labor Force Data<sup>2</sup>

Comparative average labor force and unemployment rate figures for year-end 2024 and year-end 2023. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	2024		2023	
	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>
Rice County	38,125	2.9%	37,912	2.6%
Minnesota	3,098,276	3.2	3,099,923	2.8

### Income Data<sup>3</sup>

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

	<u>City of Faribault</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$89,665	\$111,492	\$96,922
Per Capita Income	32,009	46,957	43,289

### City Government

Faribault, organized in 1852, is a Minnesota Statutory City operating under a home rule charter form of government. It has a mayor elected at large and six council members also elected at large for four-year terms. The professional staff is appointed and consists of an administrator, finance director, public works director, fire chief, police chief, attorney, community development director, and engineer.

The City has the following municipal enterprise services: water utility, stormwater utility and wastewater utility.

<sup>1</sup> Source: City of Faribault.

<sup>2</sup> Source: Minnesota Department of Employment and Economic Development.

<sup>3</sup> Source: 2019-2023 American Community Survey, U.S. Census Bureau.



## Employee Pension Programs

The City employs 131 full-time, 44 part-time and 161 seasonal employees. The pension plan covers all full-time and certain part-time eligible employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, as amended, 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. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2023. PEPFF members were required to contribute 11.8% of their annual covered salary in 2023. The City was required to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members and 17.7% for PEPFF members. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$1,334,731	2020	\$1,234,155
2022	1,254,954	2019	1,121,168
2021	1,264,256		

## Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit health plan to eligible retirees. Retirees receiving benefits contribution 100% of their premium costs, except those receiving disability benefits. Retirees and their spouses contribute to the health plan at the same rate as active employees. There are no assets accumulated in a trust.

### *Changes in Total OPEB Liability*

Balance on January 1, 2023	\$2,248,719
Changes From Prior Year	
Service Cost	157,490
Interest Cost	43,489
Differences Between Expected and Actual Experience	5,624
Changes in Assumptions	(491,864)
Benefit Payments	(85,384)
Net Change	(370,645)
Balance on December 31, 2022	<u>\$1,878,074</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 11.

## Cash and Investment Balances as of October 31, 2024 (unaudited)

<u>Fund Name</u>	
General Fund	\$10,131,996
Special Revenue Fund	7,696,352
Debt Service Funds	2,080,511
Enterprise Funds	23,826,476
Internal Service Funds	618,472
Capital Projects Funds	<u>3,663,257</u>

Total

\$48,017,064

### General Fund Budget Summary

	<u>2024 Budget</u>	<u>2025 Budget</u>
Revenues:		
Property Taxes	\$10,621,995	\$11,784,528
Licenses and Permits	665,450	734,520
Intergovernmental Revenue	7,796,176	8,272,314
Charges for Services	1,783,062	1,647,800
Fines and Forfeits	133,000	133,000
Franchise Fees	62,500	62,500
Miscellaneous	<u>(187,478)</u>	<u>183,994</u>
Total Revenues	\$20,874,705	\$22,818,656
Expenditures:		
General Government	\$3,296,199	\$3,409,496
Public Safety	9,515,326	10,648,579
Recreation	4,779,067	5,258,985
Public Works	3,193,636	3,429,280
Other Uses	<u>90,477</u>	<u>72,316</u>
Total Expenditures	\$20,874,705	\$22,818,656

### Residential Development

There are approximately 6,065 single-family homes and 325 multi-family dwellings (duplex, triplex, and apartment buildings with 4+ units) within the City. Within the past twelve months there have been 27 new single-family home starts and 2 new multi-family developments added, totaling 118 new housing units.

### Industrial Parks

Within the city, there is approximately 1,300 acres of industrial zoned land. Some of the larger industrial users include: SAGE Electrochromics, Faribault Foods, Daikin Applied, Minnesota Municipal Power Association, Aldi Foods Distribution Center, Absolute Air, Tru Vue Inc., Cable Connection, Trystar, and Northern Tool and Equipment.

## Commercial/Industrial Development

Building construction and commercial/industrial development completed in the three years is as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Faribault Apartments LLC	Multi-family Development	Construction of 72 units (phase 1)- 2023/2024
Aldi Inc.	Grocery Store Warehousing	Expansion of Warehouse- 2024
TruVue Inc	Glass Coating	Expansion of Production Facility- 2023
Jennie- O Turkey Store Inc.	Turkey Processing	Expansion/alteration of Production Facility- 2023
Trystar	Electrical Solutions Manufacturing	Expansion of Production Facility- 2023
B&B Manufacturing	Industrial Welding/Fabrication	Expansion of Production Facility- 2022
Malecha Properties	AutoBody Repair	New Construction- 2022
Kwik Trip Inc	Gas Station	New Construction- 2022

## Building Permits

Building 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 Permits</u>	<u>Total Number of Permits</u>	<u>Approximate Total Permit Valuation</u>
2025 (as of 2/26/25)	54	114	168	\$15,546,6345
2024	479	1366	1845	73,769,325
2023	431	1065	1496	120,810,050
2022	428	1460	1888	106,471,487
2021	384	894	1278	28,532,762
2020	114	477	591	24,225,133

## Banking/Financial Institutions<sup>1</sup>

Banking and financial services providers within the City include the following: 1<sup>st</sup> United Bank, The State Bank of Faribault, Wells Fargo Bank, National Association, Reliance Bank, Affinity Plus Federal Credit Union, and Home Town Federal Credit Union.

## Education

The City is served by Independent School District No. 656, Faribault.

<sup>1</sup> Source: Bank data is from the Federal Deposit Insurance Corporation (FDIC) website. Credit Union data is taken from the National Credit Union Administration website.

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

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

<u>Name</u>	<u>Product/ Service</u>	<u>Number of Employees<sup>2</sup></u>
Daikin Applied	Air Conditioning Equipment	900
Jennie-O Turkey Store	Poultry Processing	750
Minnesota Correctional Facility	State Correctional Facility	556
ISD No. 656, Faribault	Public Education	550
Faribault Foods, Inc.	Canned Foods	530
Rice County	County Government	400
Allina Health	Medical	350
Hy-Vee	Grocery	300
Met-Con Companies	Construction Services	300
Wal-Mart	Consumer Goods	289

## Largest Taxpayers<sup>3</sup>

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2023/2024 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$26,199,879)<sup>4</sup></u>
Faribault Foods, Inc.	Industrial	\$ 992,770	3.79%
Aldi, Inc.	Commercial	553,480	2.11
Xcel Energy	Utility	455,354	1.74
Sage Electrochromics Inc.	Commercial	360,118	1.37
Daikin Applied Materials	Industrial	341,272	1.30
Allina Health System	Commercial	243,370	0.93
Wal-Mart Real Estate Business	Commercial	230,168	0.88
MDC Development IV LLC	Commercial	210,816	0.80
Straight River Apartments LLC	Commercial	191,111	0.73
MN Municipal Power	Utility	<u>150,816</u>	<u>0.58</u>
		<u>\$ 3,729,275</u>	<u>14.23%</u>

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

<sup>2</sup> Includes full-time, part-time, and seasonal employees.

<sup>3</sup> As reported by Rice County.

<sup>4</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>2021/ 2022</u>	<u>2022/ 2023</u>	<u>2023/ 2024</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 \$1,880,000			
	Over \$1,880,000			
	First \$1,890,000	0.50	0.50	
	Over \$1,890,000	1.00	1.00	
	First \$2,150,000			0.50
	Over \$2,150,000			1.00
	<u>Agricultural Homestead Land</u> <sup>1</sup>	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> <sup>*</sup>	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> <sup>2</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 <sup>*</sup>	1.00	1.00	1.00
	Over \$500,000 <sup>*</sup>	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000		.75	.75
	Over \$100,000		.25	.25
	First \$174,000	.75		
	Over \$174,000	.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 structures.

<sup>2</sup> Homestead remainder & non-homestead; includes minor ancillary structures.



**CITY OF FARIBAULT, MINNESOTA**

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

**Valuations**

	<i>Estimated Market Value 2023/2024</i>	<i>Net Tax Capacity 2023/2024</i>
Real Property	\$ 2,227,007,300	\$ 25,738,551
Personal Property	23,902,200	461,328
Less Tax Increment Deduction	<u>---</u>	<u>(448,837)</u>
<b>Total Adjusted Valuation</b>	<b><u>\$ 2,250,909,500</u></b>	<b><u>\$ 25,751,042</u></b>

**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>
2023/2024	\$2,448,109,450	91.95%	\$2,250,909,500	\$2,154,605,500	\$26,199,879	\$25,751,042
2022/2023	2,269,174,307	90.71	2,055,421,700	1,952,217,600	23,879,474	23,573,544
2021/2022	2,023,813,867	87.95	1,777,564,900	1,661,037,400	20,686,820	20,431,840
2020/2021	1,812,834,114	92.39	1,674,702,000	1,554,252,000	19,538,157	19,329,347
2019/2020	1,731,977,176	92.46	1,599,460,800	1,474,959,900	18,540,886	18,353,734

**Breakdown of Valuations**

2023/2024 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	\$ 12,585,337	48.04%
Agricultural	157,979	0.60
Commercial & Industrial	8,210,076	31.34
Public Utility	263,196	1.00
Railroad	47,760	0.18
Residential Non-Homestead	4,422,849	16.88
Seasonal/Recreational	51,354	0.20
Personal Property	<u>461,328</u>	<u>1.76</u>
<b>Total</b>	<b><u>\$ 26,199,879</u></b>	<b><u>100.00%</u></b>

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

## Tax Capacity Rates

Tax capacity rates for a resident within ISD No. 656, Faribault, for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2019/20 Tax Capacity Rates</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>
Rice County	39.527%	39.852%	39.335%	36.702%	35.123%
City of Faribault	53.137	52.574	51.680	47.444	46.727
ISD No. 656, Faribault	12.747	15.452	14.591	12.888	12.757
Faribault EDA	1.345	1.500	1.486	1.367	1.447
Faribault HRA	1.373	1.531	1.516	1.395	1.477
Rice County HRA	<u>0.212</u>	<u>0.266</u>	<u>0.256</u>	<u>0.248</u>	<u>0.229</u>
Totals:	<u>108.341%</u>	<u>111.175%</u>	<u>108.864%</u>	<u>100.044%</u>	<u>97.760%</u>

## 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 7/31/2024</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2023/2024	\$12,026,194			In Process of Collection	
2022/2023	11,178,876	\$11,109,117	99.38%	\$11,109,117	99.38%
2021/2022	10,554,511	10,492,199	99.41	10,547,371	99.93
2020/2021	10,158,748	10,089,859	99.32	10,155,504	99.97
2019/2020	9,740,535	9,664,308	99.22	9,738,668	99.98

<sup>1</sup> 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Rice 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 April 2, 2025:

2023/2024 Estimated Market Value	\$ 2,250,909,500
Multiplied by 3%	<u>          x .03</u>
Statutory Debt Limit	<u>\$ 67,527,285</u>

Less outstanding debt applicable to debt limit:

\$3,060,000 G.O. Improvement and Crossover Refunding Bonds, Series 2015A	\$ 510,000
\$5,610,000 G.O. Refunding Bonds, Series 2021B	<u>2,455,000</u>
Total debt applicable to debt limit	<u>2,965,000</u>
Legal debt margin	<u>\$ 64,562,285</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 FARIBAULT, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES**  
(As of April 2, 2025, Plus This Issue)

Purpose:	This Issue				TOTAL PRINCIPAL:	TOTAL PRIN & INT:		
	G.O. Sanitary Sewer Revenue (MPFA) Bond, Series 2009	G.O. Water Revenue (MPFA) Bond, Series 2019	G.O. Water Revenue (MPFA) Note, Series 2021	G.O. Water Revenue Bonds, Series 2025A				
<b>Dated:</b>	07/28/09	07/24/19	11/12/21	05/22/25				
<b>Original Amount:</b>	\$23,332,461	\$10,205,719	\$522,527	\$6,980,000				
<b>Maturity:</b>	20-Aug	20-Aug	20-Aug	15-Dec				
<b>Interest Rates:</b>	2.55%	1.00%	1.00%					
	2025	\$1,320,000	\$442,000	\$22,000	\$0	\$1,784,000	\$2,188,421	2025
	2026	1,354,000	447,000	22,000	245,000	2,068,000	2,551,576	2026
	2027	1,388,000	451,000	22,000	255,000	2,116,000	2,552,764	2027
	2028	1,424,000	455,000	22,000	260,000	2,161,000	2,549,607	2028
	2029	1,460,000	460,000	23,000	270,000	2,213,000	2,552,205	2029
	2030	0	465,000	23,000	280,000	768,000	1,056,370	2030
	2031	0	469,000	23,000	290,000	782,000	1,056,250	2031
	2032	0	474,000	23,000	295,000	792,000	1,051,615	2032
	2033	0	479,000	24,000	310,000	813,000	1,057,468	2033
	2034	0	483,000	24,000	320,000	827,000	1,055,433	2034
	2035	0	488,000	24,000	330,000	842,000	1,053,683	2035
	2036	0	493,000	24,000	340,000	857,000	1,051,188	2036
	2037	0	498,000	25,000	355,000	878,000	1,053,928	2037
	2038	0	503,000	25,000	370,000	898,000	1,054,675	2038
	2039	0	508,000	25,000	385,000	918,000	1,054,410	2039
	2040	0	0	25,000	400,000	425,000	540,295	2040
	2041	0	0	26,000	415,000	441,000	539,445	2041
	2042	0	0	26,000	435,000	461,000	541,755	2042
	2043	0	0	0	455,000	455,000	517,008	2043
	2044	0	0	0	475,000	475,000	517,443	2044
	2045	0	0	0	495,000	495,000	516,780	2045
		\$6,946,000	\$7,115,000	\$428,000	\$6,980,000	\$21,469,000	\$24,561,084	
		(1) (2)	(1) (2)	(3)	(3)			

**NOTE: 63% 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 sanitary sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds were purchased through a private placement agreement through the Minnesota Public Facilities Authority.
- (3) 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.

**CITY OF FARIBAULT, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM TAXES**  
**(As of April 2, 2025)**

Purpose:	G.O. Improvement and Crossover Refunding Bonds, Series 2015A	G.O. Refunding Bonds, Series 2021B			
<b>Dated:</b>	11/15/15	12/02/21			
<b>Original Amount:</b>	\$3,060,000	\$5,610,000			
<b>Maturity:</b>	15-Dec	15-Dec	<b>TOTAL</b>	<b>TOTAL</b>	
<b>Interest Rates:</b>	2.00-3.00%	4.00-5.00%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
2025	\$165,000	\$790,000	\$955,000	\$1,080,513	2025
2026	170,000	835,000	1,005,000	1,087,713	2026
2027	175,000	415,000	590,000	627,138	2027
2028	0	415,000	415,000	431,600	2028
	\$510,000	\$2,455,000	<u>\$2,965,000</u>	<u>\$3,226,963</u>	
	(1) (2)	(3) (4)			

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

- (1) A portion of these bonds crossover refunded \$1,695,000 of the \$2,590,000 General Obligation City Charter Bonds, Series 2007A. 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 \$3,060,000 General Obligation Improvement and Crossover Refunding Bonds, Series 2015A, consisting of \$1,375,000 backed by special assessments and \$1,685,000 backed by ad valorem taxes.
- (3) These bonds current refunded \$5,215,000 of the General Obligation Crossover Refunding Bonds, Series 2012A. Maturities 2023 through 2029, inclusive, were called for redemption on February 1, 2022, at a price of par plus accrued interest. The bonds also current refunded \$1,130,000 of the General Obligation Bonds, Series 2014A. Maturities 2022 through 2029, inclusive, were called for redemption on December 15, 2021, at a price of par plus accrued interest.
- (4) This schedule represents a portion of the \$5,610,000 General Obligation Refunding Bonds, Series 2021B, consisting of \$945,000 backed by special assessments and \$4,665,000 backed by ad valorem taxes.

**CITY OF FARIBAULT, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS**  
**(As of April 2, 2025)**

Purpose:	<b>G.O. Improvement and Crossover Refunding Bonds, Series 2015A</b>	<b>G.O. Refunding Bonds, Series 2021B</b>			
<b>Dated:</b>	11/15/15	12/02/21			
<b>Original Amount:</b>	\$1,375,000	\$945,000			
<b>Maturity:</b>	15-Dec	15-Dec	<b>TOTAL</b>	<b>TOTAL</b>	
<b>Interest Rates:</b>	2.00-3.00%	3.00-5.00%	<b>PRINCIPAL:</b>	<b>PRIN &amp; INT:</b>	
	2025	\$95,000	\$115,000	\$210,000	\$250,700
	2026	100,000	120,000	220,000	253,050
	2027	100,000	125,000	225,000	249,800
	2028	105,000	125,000	230,000	247,550
	2029	105,000	125,000	230,000	239,663
	2030	110,000	0	110,000	113,025
		\$615,000	\$610,000	<u>\$1,225,000</u>	<u>\$1,353,788</u>
		(1)	(2) (3)		

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

- (1) This schedule represents a portion of the \$3,060,000 General Obligation Improvement and Crossover Refunding Bonds, Series 2015A, consisting of \$1,375,000 backed by special assessments and \$1,685,000 backed by ad valorem taxes.
- (2) These bonds refunded, on February 1, 2022, the 2023 through 2029 maturities of the General Obligation Crossover Refunding Bonds, Series 2012A. These bonds also refunded, on December 15, 2021, maturities 2022 through 2029 of the General Obligation Bonds, Series 2014A.
- (3) This schedule represents a portion of the \$5,610,000 General Obligation Refunding Bonds, Series 2021B, consisting of \$945,000 backed by special assessments and \$4,665,000 backed by ad valorem taxes.

**CITY OF FARIBAULT, MINNESOTA**  
**GENERAL OBLIGATION DEBT PAYABLE FROM STATE AID REVENUES**  
**(As of April 2, 2025)**

**Purpose:** G.O.  
State  
Aid  
Bonds,  
Series 2021A

**Dated:** 05/13/21  
**Original Amount:** \$1,505,000  
**Maturity:** 15-Dec **TOTAL** **TOTAL**  
**Interest Rates:** 1.00-2.00% **PRINCIPAL:** **PRIN & INT:**

	2025	\$145,000	\$145,000	\$162,280	2025
	2026	150,000	150,000	164,380	2026
	2027	150,000	150,000	161,380	2027
	2028	155,000	155,000	163,380	2028
	2029	160,000	160,000	165,280	2029
	2030	160,000	160,000	163,680	2030
	2031	160,000	160,000	161,920	2031
		\$1,080,000	\$1,080,000	\$1,142,300	

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

**Indirect Debt\***

<i>Issuer</i>	<i>2023/2024 Tax Capacity Value<sup>(1)</sup></i>	<i>2023/2024 Tax Capacity Value in City<sup>(1)</sup></i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt</i>	<i>Taxpayers' Share of Debt</i>
Rice County	\$101,526,152	\$25,751,042	25.36%	\$56,035,000	\$ 14,210,476
ISD No. 656, Faribault	45,952,696	25,751,042	56.04	10,065,000	<u>5,640,426</u>
				<i>Total Indirect Debt:</i>	<u>\$ 19,850,902</u>

*(Remainder of page intentionally left blank)*

---

\* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of April 2, 2025 unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction.



## General Obligation Debt

Bonds secured by taxes	\$ 2,965,000
Bonds secured by special assessments	1,225,000
Bonds secured by revenues (includes this Issue)	21,469,000
Bonds secured by state aid	<u>1,080,000</u>
Subtotal	\$ 26,739,000
Less bonds secured by revenues and state aid	( <u>22,549,000</u> )
<i>Direct General Obligation Debt</i>	4,190,000
Add taxpayers' share of indirect debt	<u>19,850,902</u>
<i>Direct and Indirect Debt</i>	<u>\$ 24,040,902</u>

## Facts for Ratio Computations

2023/2024 Economic Market Value (real and personal property)	\$2,448,109,450
Population (2025 Estimate, Per City)	24,783

## Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	0.17%	0.81%	0.98%
Per Capita	\$169	\$801	\$970

## **APPENDIX A**

### **Legal Opinion**



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(612) 337-9300 telephone  
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www.kennedy-graven.com  
Affirmative Action, Equal Opportunity Employer

§ \_\_\_\_\_  
CITY OF FARIBAULT, MINNESOTA  
GENERAL OBLIGATION WATER REVENUE BONDS  
SERIES 2025A

We have acted as bond counsel to the City of Faribault, Rice County, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Water Revenue Bonds, Series 2025A (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable against the Issuer in accordance with their terms.
2. The principal of and interest on the Bonds are payable primarily from revenues of the water system of the Issuer, but if necessary for the payment thereof ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.
3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, 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 hereafter occur.

Dated \_\_\_\_\_, 2025 at Minneapolis, Minnesota.

## **APPENDIX B**

### **Continuing Disclosure Certificate**

§ \_\_\_\_\_  
CITY OF FARIBAULT, MINNESOTA  
GENERAL OBLIGATION WATER REVENUE BONDS  
SERIES 2025A

**CONTINUING DISCLOSURE CERTIFICATE**

\_\_\_\_\_, 2025

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Faribault, Minnesota (the “City”) in connection with the issuance of its General Obligation Water Revenue Bonds, Series 2025A (the “Bonds”) in the original aggregate principal amount of \$ \_\_\_\_\_. The Bonds are being issued pursuant to a resolution adopted by the City Council of the City (the “Resolution”). The Bonds are being delivered to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the “Purchaser”) on the date hereof. Pursuant to the Resolution, the City has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolution, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the City, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Water Revenue Bonds, Series 2025A, issued by the City in the original aggregate principal amount of \$ \_\_\_\_\_.

“City” means the City of Faribault, Minnesota, which is the obligated person with respect to the Bonds.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed Final Official Statement, dated \_\_\_\_\_, 2025, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“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 Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the City.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

### Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The City shall provide to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2024, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the City may be submitted separately from the balance of the Annual Report.

(b) If the City is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the City shall send a notice of that fact to the Repository and the MSRB.

(c) The City shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Economic and Financial Information – “Valuations,” “Tax Capacity Rates,” and “Tax Levies and Collections”
2. Summary of Debt and Debt Statistics

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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 security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. 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;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. 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; and
16. 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.

(b) The City shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the City shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the City's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the City shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The City's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the City delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the City to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

**CITY OF FARIBAULT, MINNESOTA**

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Clerk

## **APPENDIX C**

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

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2023. The complete preliminary financial report for the year 2023 and the prior two years are available for inspection at the Faribault 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.



August 13, 2024

To the Honorable Mayor, Council Members, and Citizens of the City of Faribault:

The Annual Comprehensive Financial Report (ACFR) for the City of Faribault for the fiscal year ended December 31, 2023, is hereby submitted. Minnesota State Statutes requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standard by a firm of licensed certified public accountants.

The report consists of management's representations concerning the finances of the City of Faribault. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Faribault has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Faribault's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Faribault's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Faribault's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

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The City of Faribault, incorporated in 1872, is the county seat of Rice County and is located approximately 50 miles south of Minneapolis/St. Paul on Interstate 35. The City encompasses an area of approximately 15.882 square miles and has a current estimated population of 24,679. The City of Faribault is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Governing Council.

## **Profile of the Government (Continued)**

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The City of Faribault operates under a home rule charter adopted in 1975 and has operated under a Council/Administrator form of government. The Faribault City Council is charged with exercising legislative power and determining local policy. The Governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and approving certain personnel actions as authorized in the City Charter and negotiated personnel contracts. The City Administrator is the Chief Administrative Officer directly accountable to the City Council for all matters of municipal operation. The Council is comprised of the Mayor, who serves a four-year term of office, and six City Council members who serve staggered four-year terms. All members are elected at large.

The City of Faribault provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; airport services; culture and recreational activities; and general administrative services. This report also includes the following entities as component units of the City of Faribault due to the nature of their relationship with the City in a discrete presentation.

Faribault Housing and Redevelopment Authority (HRA)  
Faribault Economic Development Authority (EDA)

The annual budget serves as the foundation for the City of Faribault's financial planning and control. All departments of the City of Faribault are required to submit requests for appropriation to the City Administrator in July each year. The City's Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the City Council for review. The City Council is required to hold public meetings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Faribault's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads prepare budget revisions that are reviewed by the City Administrator and require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General fund, this comparison is presented on page 35 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General fund, with appropriated annual budgets, this comparison is presented in the government fund subsection of this report, which starts on page 103.

## **Factors Affecting Financial 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 of Faribault operates.

**Local economy.** Faribault is the Rice County seat, with the Rice County Government Services Center and the County Courthouse located on the west edge of the city's downtown area. A number of state-owned institutions are also located in Faribault, which include the Minnesota Correctional Facility and the Minnesota Academies for the Deaf and Blind.

The labor force averaged 11,209 people in 2023, which is an increase of 118 people compared to the prior year. In 2023, the average annual unemployment rate in Faribault was 3.4%, down from 3.5% in 2022, and is compared favorable to the national average of 3.7%.

The City has been working in conjunction with Rice County as they prepare for the new Rice County Public Safety Center. Rice County has acquired 109 acres within Faribault City limits for a 76-bed Public Safety Center. This has included negotiating a development agreement, public infrastructure, and land swaps with Rice County, a private business, and the City. Construction continued in 2023 with completion anticipated in fall of 2024.

## Factors Affecting Financial Condition (Continued)

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Overall, the City of Faribault continues to work to encourage positive growth and economic development. Due to the City's population, its location along Interstate 35, and its close proximity to the Minneapolis/Saint Paul metropolitan area, it is attractive to businesses that need affordable land and labor costs to expand their operations. A feasibility study for an additional interchange on Interstate 35 at County State Aid Highway 9 concluded, and the City began a master plan initiative on the western corridor of Hwy. 60 in an effort to begin jump-starting development within this region. We believe the sustained activity by both new and expanding industries in the community will continue to contribute to retaining and adding retail business and housing options within the city and continue to provide stability to both the City and the region.

**Major Initiatives.** The City Council adopted a new funding mechanism for funding street improvements in 2021, which began with 2022 projects. In lieu of levying special assessments on benefiting properties for improvements such as street reconstructions, overlays, and new sidewalks, additional franchise fees will be collected from electric and natural gas utility customers. For individual property owners, businesses, and institutions, this effectively spreads the costs of those types of projects out over an indefinite period of time, rather than being burdened with a large assessment at a point in time.

The City continued to refine plans for the new 2.7-acre park along the Straight River that will feature a multi-purpose building and splash pad within walking distance of downtown. Phase two of the project, which will include a skating surface, will continue to be pursued to ensure the park's regional-interest comes to fruition.

The City continued to see significant progress on several multifamily housing projects following the completion of a 77-unit market rate building on former City property immediately south of the TH60/Viaduct Bridge in 2023. Construction began on the first of a three-phased apartment complex, with construction of the second apartment building starting in 2024 immediately following the completion of the first building. The second phase of The Ponds apartment complex, a 19-unit market-rate apartment building on Cardinal Avenue, began in 2023. Plans for a proposed 54-unit apartment building at the former Farmer Seed and Nursery site continued to move forward with construction anticipated to begin in 2025. The Rice County Housing and Redevelopment Authority received approvals to develop a 22-lot, single-family detached housing subdivision north of the new County Public Safety Center. Construction on six, affordable, five-bedroom homes will begin in 2024. Staff continued to engage with various developers interested in developing a full range of housing developments in Faribault. We expect several housing proposals in 2024.

Sage Glass acquired Vetrotech, a specialty glass company, and built a new addition to accommodate 40 new employees. The EDA provided Sage with a forgivable loan, and the City provided tax abatement to support the project. The EDA and HRA provided the final installments of a \$1 million forgivable loan to Faribo Downtown Central to maintain and improve historic buildings downtown. The City Council also provided a \$500,000 low-interest loan to Faribo Downtown Central.

Staff met with prospective businesses and industries, including representatives from Midwest Recovery, which intends to move forward in 2025 with a revised plan for developing a drug and alcohol recovery center adjacent to Cardinal Lane. Staff expects additional industrial development along the I-35 corridor in 2024 and 2025.

## Factors Affecting Financial Condition (Continued)

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**Long-term financial planning.** The City of Faribault completes an annual update of a multi-year Financial Management Plan which is used to serve as a guide for the financial management of the City. The report projects cash requirements, revenue sources and debt needs in relation to the Capital Improvement Plan. A five-year Capital Improvement Plan (CIP) is developed as part of the budget process and long-range planning. The CIP is used to coordinate the location, timing, and financing of capital improvements over a multi-year period. The CIP is a working document which is reviewed and updated annually to reflect changing community needs, priorities, and funding opportunities.

**Relevant Financial Policies.** The City Council has adopted several financial management policies. The financial management policies include investment, debt, purchasing, revenues, and fund balance. The fund balance policy is relevant for management of adequate balances to operate during the period between tax collections, which are received by Rice County in two installments of June and December. The current policy requires unrestricted-unassigned fund balance for the General Fund to be not less than 35% and a maximum of 50% of the succeeding year's appropriations. The City has met this requirement at the 2023 fiscal year end.

## Awards and Acknowledgements

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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Faribault, Minnesota for its Annual Comprehensive Financial Report for fiscal year ended December 31, 2022. This was the 32nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both GAAP and other applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. I would like to express my appreciation to all Finance Department personnel for their dedication and professional contributions put forth throughout the year and during the audit and reporting process. I would also like to thank all City departments for their cooperation and ongoing support. Further recognition goes to the Administrator, Mayor, and the members of the Council for their interest and support in planning and conducting the financial operations of the City in a responsible and professional manner. The City's excellent financial status is a tribute to these unified efforts.

Respectfully Submitted,



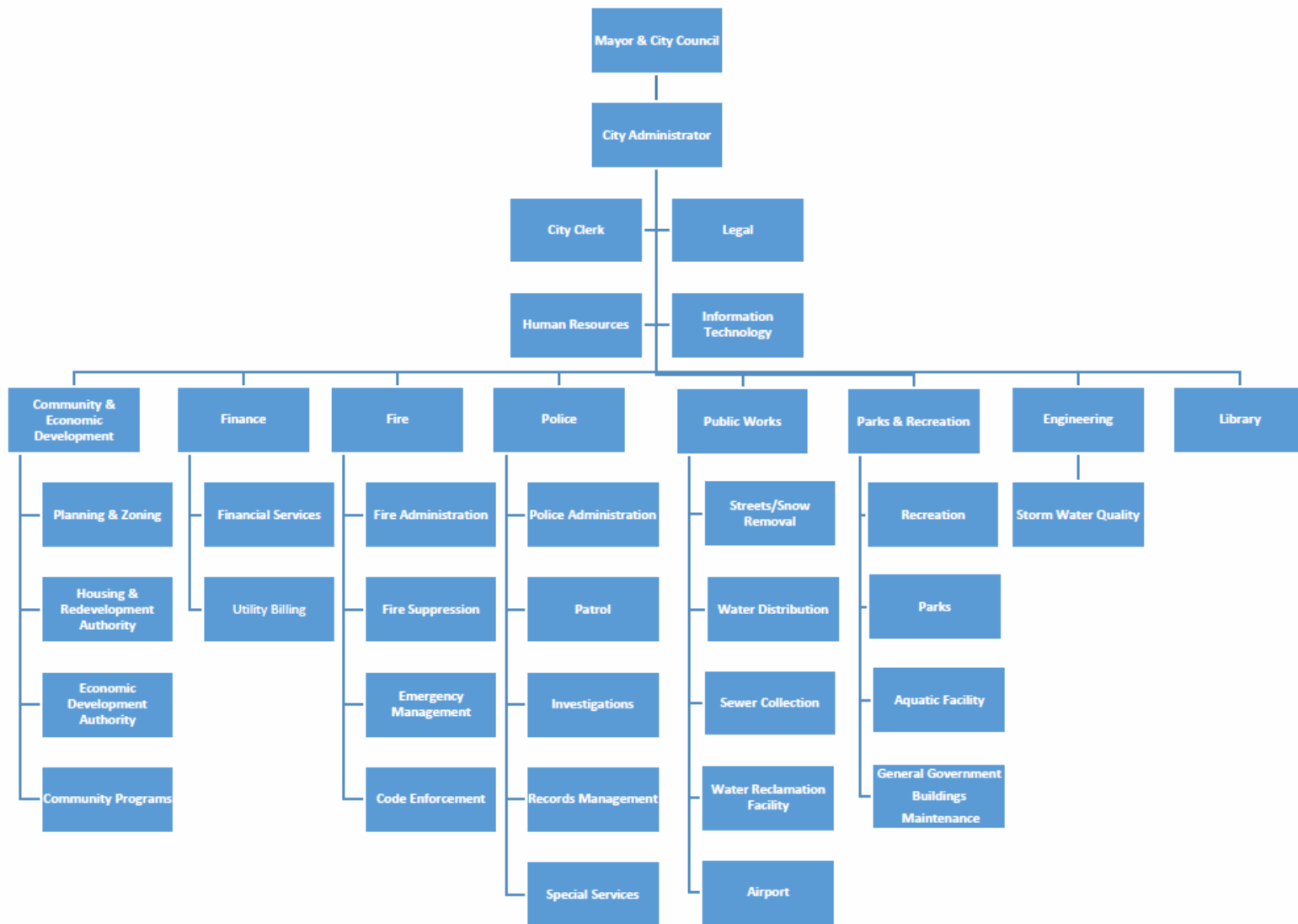
Chad Guse  
Assistant Finance Director



**City of Faribault, Minnesota  
City Directory  
December 31, 2023**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Kevin Voracek	Mayor	December 31, 2024
Sara Caron	Council Member	December 31, 2024
Royal Ross	Council Member	December 31, 2024
Thomas Spooner	Council Member	December 31, 2026
Peter van Sluis	Council Member	December 31, 2026
Adama Doumboya	Council Member	December 31, 2026
Chuck Thiele	Council Member	December 31, 2024
 <u>Administration</u> 		
Timothy Murray	City Administrator	
Jeanne Day	Finance Director	
Ann Remold	Assistant Finance Director	
Travis Block	Public Works Director	
John Sherwin	Chief of Police	
Dustin Dienst	Fire Chief and Emergency Management Director	
Mark DuChene	Director of Engineering	
Delane James	Director of Library Services	
David Wanberg	Community and Economic Development Director	
Paul Peanasky	Parks and Recreation Director	

## City of Faribault Organizational Chart December 31, 2023



City of Faribault  
GFOA Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Faribault  
Minnesota**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2022

*Christopher P. Morill*

Executive Director/CEO





## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Faribault  
Faribault, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Faribault, as of and for the year ended December 31, 2023, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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.

#### **Emphasis of Matter - Implementation of GASB 96**

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

The City of Faribault's 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.

### **Responsibilities of Management for the Financial Statements (Continued)**

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 GAAS 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 GAAS 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, which follows this report letter, and Required Supplementary Information 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Faribault's basic financial statements. The combining and individual fund statements and schedules identified in the Table of Contents are presented for purposes 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 combining and individual fund statements and schedules are 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 Comprehensive Financial 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 August 13, 2024, on our consideration of the City of Faribault's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

*Bugankov, Ltd.*

St. Cloud, Minnesota  
August 13, 2024



## City of Faribault, Minnesota Management's Discussion and Analysis

As management of the City of Faribault, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023.

### FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$201,669,216 (*net position*). Of this amount, \$35,296,996 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ The City's total net position increased by \$11,831,893 over the prior year, including an increase of \$5,847,669 attributable to governmental activities, and an increase of \$5,984,224 attributable to business-type activities.
- ◆ A large part of the increase is due to investment earnings and fair value adjustments, due to interest rates and favorable market conditions in the current year. Other items include the City receiving one-time Public Safety aid from the state of Minnesota in the amount of \$1,063,288.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,486,448, an increase of \$2,718,701 in comparison with the prior year. A large part of the increase is due to investment earnings and fair value adjustments, due to interest rates and favorable market conditions in the current year. Other items include the City receiving one-time Public Safety aid from the state of Minnesota in the amount of \$1,063,288. Approximately 57.7% of the ending fund balances, or \$14,713,859, is non-spendable, restricted, committed or assigned.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General fund was \$10,772,589 or 50% of total 2024 General fund budgeted expenditures.
- ◆ As described in Note 1 of the notes to basic financial statements, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), during the fiscal year ended December 31, 2023. This standard changed the way subscription transactions are reported by the City but did not result in a restatement of net position in the current year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide financial statements - (Continued)** 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 vacation leave).

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, culture and recreation, community development, and airport. The business-type activities of the City include water, sewer, and storm water operations.

The government-wide financial statements start on page 24 of this report.

**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 three categories: governmental funds, proprietary funds, and fiduciary 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 *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 by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 17 individual governmental funds, four of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Street Improvement Projects fund, and Public Facility Projects fund all of which are considered to be major funds. 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 and schedules* elsewhere in this report.

**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

The City adopts an annual appropriated budget for all funds. The budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 28 of this report.

**Proprietary funds** - The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm water operations. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for the funding of workers' compensation and property/liability insurance to other functions of the City.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water, which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 34 of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 40 of this report.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements start on page 43 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pensions and other postemployment benefits to its employees.

Required supplementary information can be found on page 86 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information.

Combining and individual fund statements and schedules start on page 98 of this report.

**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$201,669,216 at the close of the most recent fiscal year.

**City of Faribault's Summary of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 30,245,739	\$ 28,453,126	\$ 25,862,342	\$ 23,609,119	\$ 56,108,081	\$ 52,062,245
Capital assets	103,765,912	99,616,230	84,290,882	82,699,982	188,056,794	182,316,212
Total assets	<u>134,011,651</u>	<u>128,069,356</u>	<u>110,153,224</u>	<u>106,309,101</u>	<u>244,164,875</u>	<u>234,378,457</u>
Deferred outflows of resources	<u>10,437,359</u>	<u>12,682,574</u>	<u>397,424</u>	<u>620,409</u>	<u>10,834,783</u>	<u>13,302,983</u>
Long-term liabilities outstanding	19,659,017	30,891,961	16,106,298	18,409,742	35,765,315	49,301,703
Other liabilities	3,397,742	3,946,924	2,590,879	2,982,918	5,988,621	6,929,842
Total liabilities	<u>23,056,759</u>	<u>34,838,885</u>	<u>18,697,177</u>	<u>21,392,660</u>	<u>41,753,936</u>	<u>56,231,545</u>
Deferred inflows of resources	<u>10,996,466</u>	<u>1,364,929</u>	<u>580,040</u>	<u>247,643</u>	<u>11,576,506</u>	<u>1,612,572</u>
Net position						
Net investment in capital assets	96,404,494	91,958,483	67,740,160	64,318,882	164,144,654	156,277,365
Restricted	2,227,566	2,109,444	-	-	2,227,566	2,109,444
Unrestricted	<u>11,763,725</u>	<u>10,480,189</u>	<u>23,533,271</u>	<u>20,970,325</u>	<u>35,296,996</u>	<u>31,450,514</u>
Total net position	<u>\$ 110,395,785</u>	<u>\$ 104,548,116</u>	<u>\$ 91,273,431</u>	<u>\$ 85,289,207</u>	<u>\$ 201,669,216</u>	<u>\$ 189,837,323</u>

A major portion of the City's net position (\$164,144,654 or 81.39%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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.

An additional portion of the City's net position (\$2,227,566 or 1.11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, (\$35,296,996 or 17.50%), may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental activities** - Governmental activities increased the City's net position by \$5,847,669. Key elements of this increase were an increase in the fair value of investments as well as increased intergovernmental revenues, primarily from State of Minnesota for road construction.

**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Faribault's Changes in Net Position**

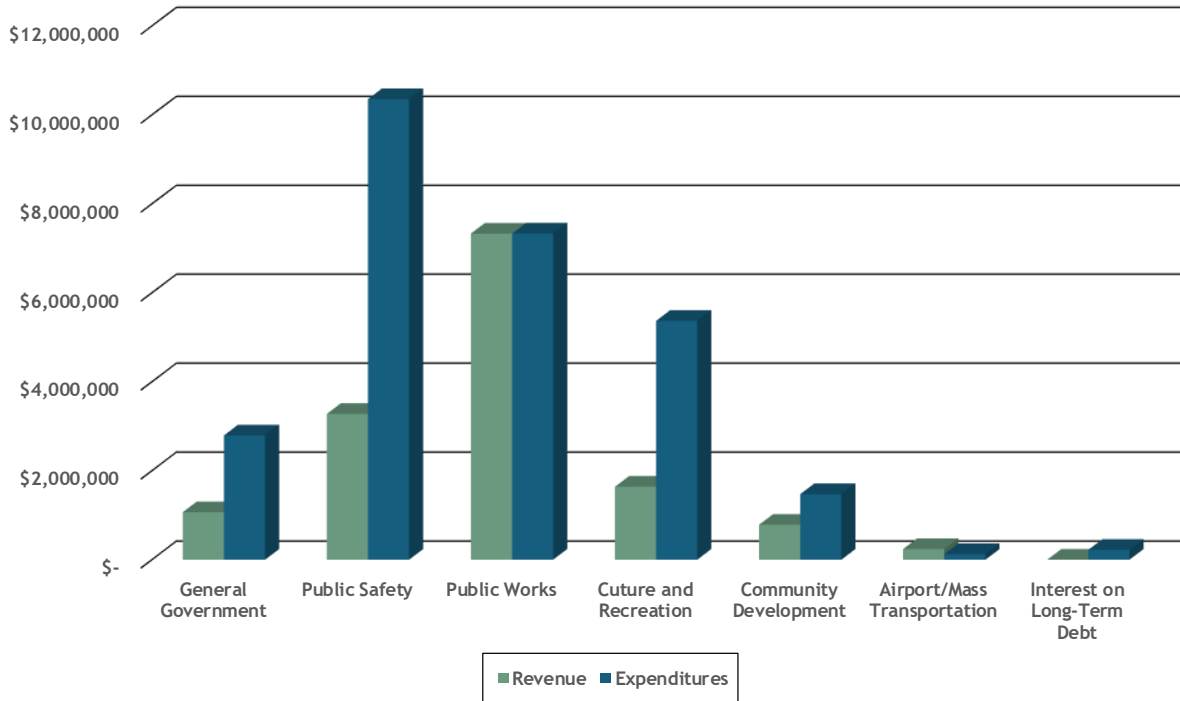
The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 6,126,705	\$ 5,232,469	\$ 13,395,621	\$ 12,113,567	\$ 19,522,326	\$ 17,346,036
Operating grants and contributions	4,401,143	4,244,690	93,014	-	4,494,157	4,244,690
Capital grants and contributions	3,811,145	1,489,851	1,292,264	1,987,816	5,103,409	3,477,667
General revenues						
Property taxes/tax increments	11,216,835	10,630,173	-	-	11,216,835	10,630,173
Other taxes	201,642	199,770	-	-	201,642	199,770
Grants and contributions not restricted to specific programs	6,123,355	6,266,052	-	-	6,123,355	6,266,052
Unrestricted investment earnings	992,430	(1,049,309)	1,215,471	(1,177,663)	2,207,901	(2,226,972)
Gain/(loss) on sale of capital assets	103,330	276,977	7,000	(2,247)	110,330	274,730
<b>Total revenues</b>	<b>32,976,585</b>	<b>27,290,673</b>	<b>16,003,370</b>	<b>12,921,473</b>	<b>48,979,955</b>	<b>40,212,146</b>
<b>Expenses</b>						
General Government	2,793,971	4,465,592	-	-	2,793,971	4,465,592
Public Safety	10,355,241	9,897,831	-	-	10,355,241	9,897,831
Public Works	7,099,760	6,791,025	-	-	7,099,760	6,791,025
Culture and Recreation	5,370,222	4,883,533	-	-	5,370,222	4,883,533
Community Development	1,473,668	1,774,560	-	-	1,473,668	1,774,560
Airport and Mass Transportation	124,769	439,371	-	-	124,769	439,371
Interest on Long-Term Debt	220,058	253,792	-	-	220,058	253,792
Water	-	-	3,177,209	2,947,860	3,177,209	2,947,860
Sewer	-	-	5,792,857	5,543,828	5,792,857	5,543,828
Storm Water	-	-	740,307	793,545	740,307	793,545
<b>Total expenses</b>	<b>27,437,689</b>	<b>28,505,704</b>	<b>9,710,373</b>	<b>9,285,233</b>	<b>37,148,062</b>	<b>37,790,937</b>
Change in net position before transfers	5,538,896	(1,215,031)	6,292,997	3,636,240	11,831,893	2,421,209
Transfers in (out)	308,773	300,000	(308,773)	(300,000)	-	-
<b>Change in Net Position</b>	<b>5,847,669</b>	<b>(915,031)</b>	<b>5,984,224</b>	<b>3,336,240</b>	<b>11,831,893</b>	<b>2,421,209</b>
Net Position, January 1	104,548,116	105,463,147	85,289,207	81,952,967	189,837,323	187,416,114
Net Position, December 31	<b>\$ 110,395,785</b>	<b>\$ 104,548,116</b>	<b>\$ 91,273,431</b>	<b>\$ 85,289,207</b>	<b>\$ 201,669,216</b>	<b>\$ 189,837,323</b>

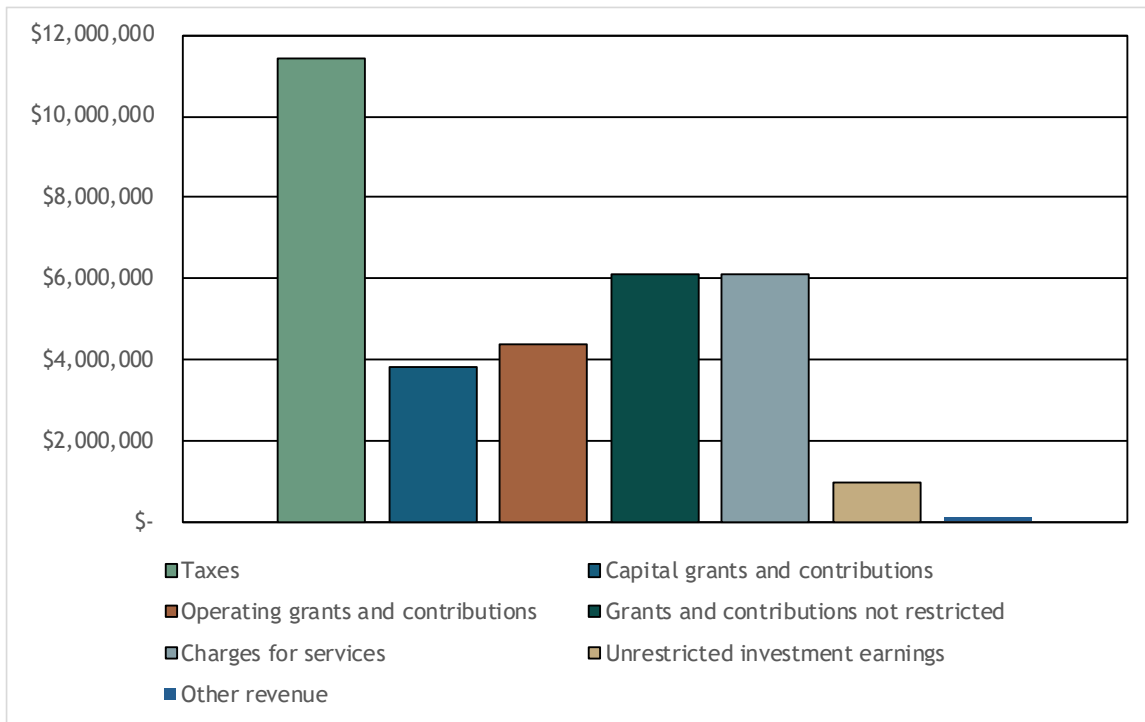
**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Expenditures and Revenues - Governmental Activities**



**Revenue by Source - Governmental Activities**

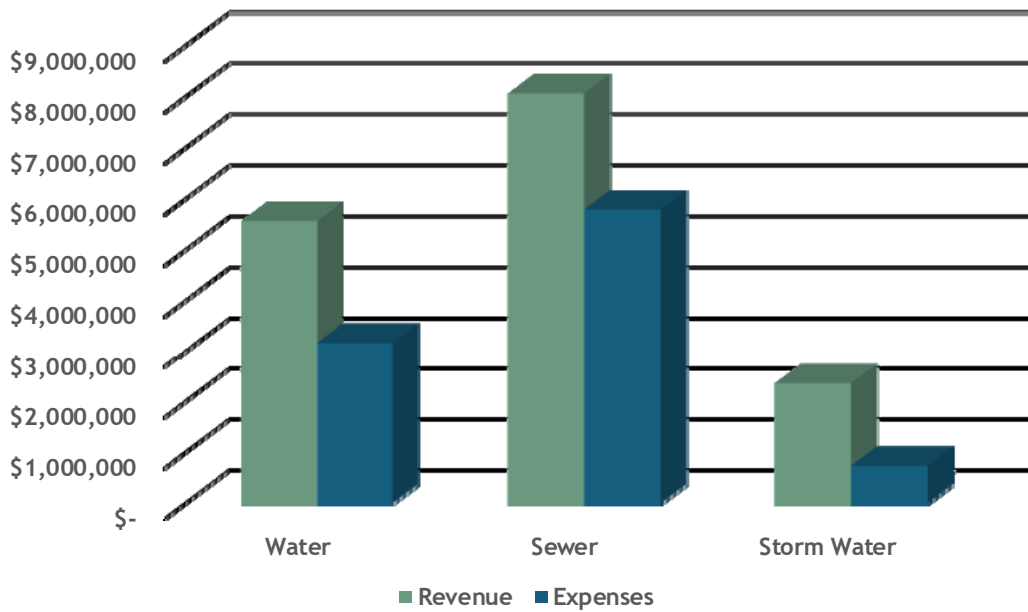


**City of Faribault, Minnesota  
Management's Discussion and Analysis**

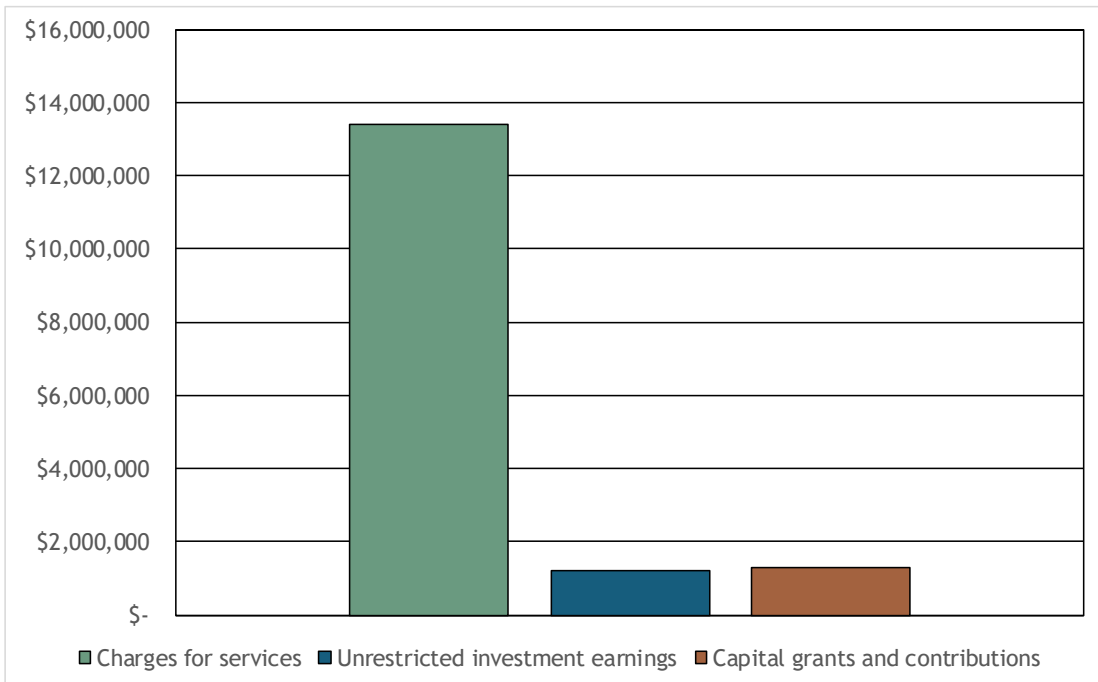
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-type activities** - Business-type activities increased the City's net position by \$5,984,224. Similar to governmental activities, key elements of this increase were due to an increase in the fair value of investments and utility rate increases.

**Expenditures and Revenues - Business-Type Activities**



**Revenue by Source - Business Type Activities**



**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**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 *spendable* 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 \$25,486,448, an increase of \$2,718,701 in comparison with the prior year. Approximately 42.27 percent of this total amount, \$10,772,589, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance consists of the following 1) nonspendable (\$136,486), 2) restricted (\$3,612,718), 3) committed (\$5,409,313), or 4) assigned (\$5,555,342) for specific purposes.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
<i>General</i>	\$ 13,319,126	\$ 10,746,938	\$ 2,572,188

- ◆ Property taxes for the year increased due to a 6.69% levy increase and growth, as well as new construction, in taxable market values.
- ◆ Intergovernmental revenue increased due to one-time Public Safety Aid received from the State of Minnesota
- ◆ Charges for Building Permits increased due to additional multi-family construction activity in 2023 over 2022.
- ◆ Investment Income increased \$986,341 due to improved returns and favorable fair value adjustments

<i>Street Improvement Projects</i>	\$ 3,287,022	\$ 2,407,511	\$ 879,511
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- ◆ Fund balance increased due to increased Intergovernmental revenues of \$3,178,630 from the State of Minnesota for Street construction projects, this was offset with an increase of expenditures for capital outlay.

*Nonmajor Government funds* have a total fund balance of \$8,880,300. The net decrease in fund balance during the current year was \$732,998. The decrease is mainly attributable to capital outlay expenditures of \$2,156,894 for capital projects.

**Proprietary funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the business-type activities at the end of the year amounted to \$23,533,271. The total increase in net position for business-type activities was \$5,984,224. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.



**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**General Fund Budgetary Highlights**

The City's General fund budget was amended during the year. The final budget reflected an increase in expenditures of \$146,559, from the original budget. This increase in budget was primarily due to personnel services for Engineering for severance payments. Actual revenues and other sources were over budget by \$1,777,945, and expenditures were over budget by \$160,315 (not including transfers).

- ◆ The largest positive variance for revenues was Investment earnings, which were over budget by \$395,254, due to interest rates and favorable market conditions. Additional positive variances were related to Contributions and Donations, which were over budget by \$119,403, primarily due to separate Police and Fire donations from a local business.
- ◆ Most expenditure functions within the General fund were under budget for 2023. The largest negative variance was in Public works maintenance, which was over budget by \$71,490, mainly due to unforeseen increases in supply costs.

**Capital Asset and Debt Administration**

**Capital Assets** - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, was \$188,056,794 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$5,740,582.

Major capital asset events during the current fiscal year included:

- ◆ Purchase of two 2023 freightliner dump trucks.
- ◆ Completion of Water Treatment Plant
- ◆ Construction continued on the Northwest Area Water Tower Watermain Extension project.
- ◆ Construction was completed on the airfield lighting project.

**City of Faribault's Capital Assets  
(net of depreciation and amortization)**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 10,743,419	\$ 10,575,386	\$ 594,574	\$ 594,574	\$ 11,337,993	\$ 11,169,960
Construction in progress	4,622,308	1,912,868	7,953,971	16,018,023	12,576,279	17,930,891
Buildings and structures	20,101,471	20,754,587	30,381,940	20,101,703	50,483,411	40,856,290
Improvements other than buildings	5,247,485	7,549,300	44,168,146	44,837,242	49,415,631	52,386,542
Machinery and equipment	4,179,440	3,876,570	1,094,116	1,148,440	5,273,556	5,025,010
Infrastructure and airport	57,524,989	54,885,586	-	-	57,524,989	54,885,586
Subscription asset	986,059	-	98,135	-	1,084,194	-
Leased assets	360,741	61,933	-	-	360,741	61,933
<b>Total</b>	<b>\$ 103,765,912</b>	<b>\$ 99,616,230</b>	<b>\$ 84,290,882</b>	<b>\$ 82,699,982</b>	<b>\$ 188,056,794</b>	<b>\$ 182,316,212</b>

Additional information on the City's capital assets can be found in Note 6.

**City of Faribault, Minnesota  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Long-term debt** - At the end of the current fiscal year, the City had total debt outstanding of \$26,776,364. The additional long-term debt is defined below related to bonded indebtedness and other long-term debt.

**City of Faribault's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 5,100,000	\$ 6,120,000	\$ -	\$ -	\$ 5,100,000	\$ 6,120,000
General obligation equipment certificates	-	30,000	-	-	-	30,000
General obligation assessment improvement bonds	1,430,000	1,640,000	-	-	1,430,000	1,640,000
General obligation revenue bonds	-	-	16,236,000	17,946,268	16,236,000	17,946,268
Bond premium	653,948	762,242	-	-	653,948	762,242
Loans payable	-	10,250	-	-	-	10,250
Lease liability	333,896	62,739	-	-	333,896	62,739
Subscription liability	998,865	-	93,446	-	1,092,311	-
Compensated absences payable	1,613,711	1,632,338	316,498	290,575	1,930,209	1,922,913
<b>Total</b>	<b>\$ 10,130,420</b>	<b>\$ 10,257,569</b>	<b>\$ 16,645,944</b>	<b>\$ 18,236,843</b>	<b>\$ 26,776,364</b>	<b>\$ 28,494,412</b>

**Credit Rating**

**AA** The City maintains a long-term "AA/Stable" rating from Standard and Poor's for general obligation debt. The rating agency highlighted the City's very strong management, very strong budgetary flexibility with an available funds balance of 54% of operating expenditures, and strong debt and contingent liability position.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3% of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$58,566,528 which is in excess of the City's outstanding general obligation debt of \$6,530,000.

Additional information on the City's long-term debt can be found in Note 7.

**Economic Factors and Next Year's Budgets and Rates**

The 2024 budget was conservatively developed to account for economic and legislative activity. It provides for a balanced budget and a sound financial plan for 2024 that maintains core service levels and is sensitive to the financial concerns of the City's taxpayers. The 2024 adopted tax levy increased 10.43 percent, compared to the 2023 adopted tax levy. The City continues to see slight increases in Local Government Aid (LGA) distributions, allowing the City to continue funding various capital projects.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Faribault, 208 1st Avenue NW, Faribault, MN 55021-5105.

## BASIC FINANCIAL STATEMENTS

**City of Faribault**  
**Statement of Net Position**  
**December 31, 2023**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
<b>Assets</b>					
Cash and investments	\$ 24,256,560	\$ 22,810,800	\$ 47,067,360	\$ 2,921,612	\$ 1,394,694
Cash and investments held in escrow	-	-	-	-	48,950
Restricted cash	661,121	-	661,121	-	-
Property tax receivable	187,893	-	187,893	5,562	5,454
Accounts receivable	929,690	1,392,973	2,322,663	-	29,121
Interest receivable	115,357	150,004	265,361	13,248	4,357
Notes receivable	72,643	-	72,643	42,431	43,280
Leases receivable	570,621	115,375	685,996	-	-
Special assessments receivable	1,799,111	282,117	2,081,228	-	-
Due from other governments	1,345,183	185,366	1,530,549	-	323,068
Due from component unit	49,974	736,059	786,033	-	-
Inventory	-	166,652	166,652	-	-
Land held for resale	121,100	-	121,100	193,379	-
Prepaid items	136,486	22,996	159,482	-	1,465
Capital assets not being depreciated					
Land	10,743,419	594,574	11,337,993	91,834	594,041
Construction in progress	4,622,308	7,953,971	12,576,279	-	-
Capital assets being depreciated					
Buildings and structures	32,668,281	50,706,433	83,374,714	-	3,525,546
Improvements other than buildings	11,748,051	70,143,473	81,891,524	-	-
Machinery and equipment	11,923,729	3,174,993	15,098,722	-	43,368
Infrastructure and airport	96,970,554	-	96,970,554	-	-
Less accumulated depreciation	(66,257,230)	(48,380,697)	(114,637,927)	-	(2,207,283)
Assets being amortized					
Machinery and equipment	413,050	-	413,050	-	-
Subscription asset	1,093,951	122,643	1,216,594	-	-
Less accumulated amortization	(160,201)	(24,508)	(184,709)	-	-
Total assets	<u>134,011,651</u>	<u>110,153,224</u>	<u>244,164,875</u>	<u>3,268,066</u>	<u>3,806,061</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources related to pensions	9,919,613	303,505	10,223,118	-	-
Deferred outflows of resources related to OPEB	<u>517,746</u>	<u>93,919</u>	<u>611,665</u>	-	-
Total deferred outflows of resources	<u>10,437,359</u>	<u>397,424</u>	<u>10,834,783</u>	-	-
 Total assets and deferred outflows of resources	 <u>\$ 144,449,010</u>	 <u>\$ 110,550,648</u>	 <u>\$ 254,999,658</u>	 <u>\$ 3,268,066</u>	 <u>\$ 3,806,061</u>

**City of Faribault  
Statement of Net Position  
December 31, 2023**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
<b>Liabilities</b>					
Accounts payable	\$ 725,607	\$ 265,836	\$ 991,443	\$ 160,401	\$ 35,736
Salaries and benefits payable	440,239	-	440,239	-	-
Deposits payable	204,513	-	204,513	-	21,508
Contracts payable	89,645	221,276	310,921	-	-
Due to other governments	12,038	10,115	22,153	-	14,713
Due to primary government	-	-	-	786,033	-
Interest payable	9,717	104,580	114,297	48,212	-
Unearned revenue	28,271	300	28,571	-	-
Net G.O. bonds payable					
Payable within one year	1,260,000	1,788,556	3,048,556	-	-
Payable after one year	5,923,948	14,447,444	20,371,392	-	-
Subscription Liability					
Payable within one year	99,197	30,073	129,270	-	-
Payable after one year	899,668	63,373	963,041	-	-
Lease liability					
Payable within one year	99,683	-	99,683	-	-
Payable after one year	234,213	-	234,213	-	-
Compensated absences payable					
Payable within one year	428,832	170,143	598,975	-	-
Payable after one year	1,184,879	146,355	1,331,234	-	-
Net pension liability					
Payable after one year	9,826,606	1,160,755	10,987,361	-	-
Total OPEB liability					
Payable after one year	1,589,703	288,371	1,878,074	-	-
Total liabilities	<u>23,056,759</u>	<u>18,697,177</u>	<u>41,753,936</u>	<u>994,646</u>	<u>71,957</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources related to pensions	9,985,886	384,281	10,370,167	-	-
Deferred inflows of resources related to OPEB	439,959	80,384	520,343	-	-
Deferred inflows of resources related to leases receivable	570,621	115,375	685,996	-	-
Total deferred inflows of resources	<u>10,996,466</u>	<u>580,040</u>	<u>11,576,506</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	96,404,494	67,740,160	164,144,654	91,834	1,955,672
Restricted for					
Debt service	1,124,087	-	1,124,087	-	-
Fire insurance escrow	85,567	-	85,567	-	-
Youth baseball (Peter Smith fund)	75,554	-	75,554	-	-
Charitable gambling	48,646	-	48,646	-	-
Public safety programs	15,268	-	15,268	-	-
Rehabilitation projects	189,081	-	189,081	-	-
Revolving loans	443,349	-	443,349	936,194	24,916
Park capital improvements	246,014	-	246,014	-	-
Mobile home rehab	-	-	-	-	75,331
Public housing	-	-	-	-	597,413
Unrestricted	11,763,725	23,533,271	35,296,996	1,245,392	1,080,772
Total net position	<u>110,395,785</u>	<u>91,273,431</u>	<u>201,669,216</u>	<u>2,273,420</u>	<u>3,734,104</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 144,449,010</u>	<u>\$ 110,550,648</u>	<u>\$ 254,999,658</u>	<u>\$ 3,268,066</u>	<u>\$ 3,806,061</u>

See notes to basic financial statements.

**City of Faribault  
Statement of Activities  
Year Ended December 31, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 2,793,971	\$ 707,943	\$ 358,260	\$ -
Public safety	10,355,241	1,211,093	1,952,047	114,654
Public works	7,099,760	2,573,239	1,117,910	3,640,080
Culture and recreation	5,370,222	1,298,691	340,935	-
Community development	1,473,668	186,058	598,231	-
Mass transportation and airport	124,769	149,681	33,760	56,411
Interest on long-term debt	220,058	-	-	-
Total governmental activities	<u>27,437,689</u>	<u>6,126,705</u>	<u>4,401,143</u>	<u>3,811,145</u>
Business-type activities				
Water	3,177,209	4,533,999	-	696,629
Sewer	5,792,857	7,289,882	92,972	16,060
Storm Sewer	740,307	1,571,740	42	579,575
Total business-type activities	<u>9,710,373</u>	<u>13,395,621</u>	<u>93,014</u>	<u>1,292,264</u>
Total primary government	<u>\$ 37,148,062</u>	<u>\$ 19,522,326</u>	<u>\$ 4,494,157</u>	<u>\$ 5,103,409</u>
<b>Component Units</b>				
Economic Development Authority	\$ 711,497	\$ 3,718	\$ 15,565	\$ -
Housing and Redevelopment Authority	673,344	336,119	592,744	-
Total component units	<u>\$ 1,384,841</u>	<u>\$ 339,837</u>	<u>\$ 608,309</u>	<u>\$ -</u>
General revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Other taxes				
Unrestricted investment income				
Grants and contributions not restricted to specific programs				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenues and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
\$ (1,727,768)	\$ -	\$ (1,727,768)	\$ -	\$ -
(7,077,447)	-	(7,077,447)	-	-
231,469	-	231,469	-	-
(3,730,596)	-	(3,730,596)	-	-
(689,379)	-	(689,379)	-	-
115,083	-	115,083	-	-
(220,058)	-	(220,058)	-	-
<u>(13,098,696)</u>	<u>-</u>	<u>(13,098,696)</u>	<u>-</u>	<u>-</u>
-	2,053,419	2,053,419	-	-
-	1,606,057	1,606,057	-	-
-	1,411,050	1,411,050	-	-
<u>-</u>	<u>5,070,526</u>	<u>5,070,526</u>	<u>-</u>	<u>-</u>
<u>(13,098,696)</u>	<u>5,070,526</u>	<u>(8,028,170)</u>	<u>-</u>	<u>-</u>
			(692,214)	-
			<u>-</u>	<u>255,519</u>
			<u>(692,214)</u>	<u>255,519</u>
10,950,969	-	10,950,969	322,878	329,468
265,866	-	265,866	-	-
-	-	-	293,478	-
201,642	-	201,642	335	342
992,430	1,215,471	2,207,901	137,902	(12,710)
6,123,355	-	6,123,355	-	-
103,330	7,000	110,330	-	-
308,773	(308,773)	-	-	-
<u>18,946,365</u>	<u>913,698</u>	<u>19,860,063</u>	<u>754,593</u>	<u>317,100</u>
5,847,669	5,984,224	11,831,893	62,379	572,619
104,548,116	85,289,207	189,837,323	2,211,041	3,161,485
<u>\$ 110,395,785</u>	<u>\$ 91,273,431</u>	<u>\$ 201,669,216</u>	<u>\$ 2,273,420</u>	<u>\$ 3,734,104</u>

**City of Faribault**  
**Balance Sheet - Governmental Funds**  
**December 31, 2023**

	General	Street Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 12,925,336	\$ 2,139,734	\$ 8,705,265	\$ 23,770,335
Restricted cash	661,121	-	-	661,121
Taxes receivable - current	67,759	1,049	8,476	77,284
Taxes receivable - delinquent	95,346	448	14,815	110,609
Accounts receivable	230,407	427,244	271,735	929,386
Interest receivable	76,510	7,494	29,267	113,271
Due from other funds	81,901	-	-	81,901
Due from other governments	147,574	1,123,726	73,883	1,345,183
Due from component unit	-	-	49,974	49,974
Notes receivable	-	-	72,643	72,643
Leases receivable	206,274	-	364,347	570,621
Special assessment receivable				
Current	46	9,634	1,422	11,102
Delinquent	22,866	2,759	5,004	30,629
Deferred	4,769	1,489,799	262,812	1,757,380
Land held for resale	-	-	121,100	121,100
Prepaid items	132,986	-	3,500	136,486
<b>Total assets</b>	<b>\$ 14,652,895</b>	<b>\$ 5,201,887</b>	<b>\$ 9,984,243</b>	<b>\$ 29,839,025</b>
<b>Liabilities</b>				
Accounts payable	\$ 332,007	\$ 5,261	\$ 355,968	\$ 693,236
Salaries and benefits payable	440,239	-	-	440,239
Deposits payable	203,604	-	909	204,513
Contracts payable	-	83,103	6,542	89,645
Due to other funds	-	-	81,901	81,901
Due to other governments	8,853	-	3,185	12,038
Unearned revenue	19,811	-	8,460	28,271
<b>Total liabilities</b>	<b>1,004,514</b>	<b>88,364</b>	<b>456,965</b>	<b>1,549,843</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	95,346	448	14,815	110,609
Unavailable revenue - special assessments	27,635	1,492,558	267,816	1,788,009
Unavailable revenue - state shared taxes	-	333,495	-	333,495
Deferred inflows of resources related to leases receivable	206,274	-	364,347	570,621
<b>Total deferred inflows of resources</b>	<b>329,255</b>	<b>1,826,501</b>	<b>646,978</b>	<b>2,802,734</b>
<b>Fund Balances</b>				
Nonspendable	132,986	-	3,500	136,486
Restricted	661,121	-	2,951,597	3,612,718
Committed	95,600	8,489	5,305,224	5,409,313
Assigned	1,656,830	3,278,533	619,979	5,555,342
Unassigned	10,772,589	-	-	10,772,589
<b>Total fund balances</b>	<b>13,319,126</b>	<b>3,287,022</b>	<b>8,880,300</b>	<b>25,486,448</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 14,652,895</b>	<b>\$ 5,201,887</b>	<b>\$ 9,984,243</b>	<b>\$ 29,839,025</b>

See notes to basic financial statements.



**City of Faribault**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2023**

Total fund balances - governmental funds	\$ 25,486,448
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	168,676,342
Less accumulated depreciation	(66,257,230)
Cost of leased assets	413,050
Cost of subscription assets	1,093,951
Less accumulated amortization	(160,201)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
G.O. bonds payable	(6,530,000)
Unamortized bond premiums	(653,948)
Subscription liability	(998,865)
Lease liability	(333,896)
Compensated absences payable	(1,613,711)
Total OPEB liability	(1,589,703)
Net pension liability	(9,826,606)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	110,609
Special assessments	30,629
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(9,985,886)
Deferred inflows of resources related to OPEB	(439,959)
Deferred outflows of resources related to pensions	9,919,613
Deferred outflows of resources related to OPEB	517,746
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	1,757,380
State shared taxes	333,495
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	(9,717)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental activities Statement of Net Position.	
	456,244
Total net position - governmental activities	\$ 110,395,785

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

	General	Street Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 9,686,809	\$ 1,600	\$ 1,950,005	\$ 11,638,414
Special assessments	3,761	278,299	56,458	338,518
Licenses and permits	912,539	-	-	912,539
Intergovernmental	8,748,169	4,233,958	848,421	13,830,548
Charges for services	1,906,223	1,701,506	1,322,509	4,930,238
Fines and forfeitures	140,879	-	3,500	144,379
Miscellaneous				
Investment income	499,724	96,145	372,909	968,778
Contributions and donations	150,405	-	-	150,405
Other	52,649	66,134	101,815	220,598
Total revenues	<u>22,101,158</u>	<u>6,377,642</u>	<u>4,655,617</u>	<u>33,134,417</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,770,766	-	128,102	2,898,868
Public safety	8,884,971	-	98,479	8,983,450
Public works	3,110,614	111,797	-	3,222,411
Culture and recreation	4,498,166	-	217,796	4,715,962
Community development	-	-	1,449,443	1,449,443
Mass transportation and airport	-	-	122,310	122,310
<b>Debt service</b>				
Principal	155,236	-	1,271,504	1,426,740
Interest and other charges	37,279	-	293,298	330,577
<b>Capital outlay</b>				
General government	6,637	-	238,903	245,540
Public safety	435,186	-	246,791	681,977
Public works	6,627	5,395,106	585,597	5,987,330
Culture and recreation	8,612	-	1,085,603	1,094,215
Mass transportation and airport	-	-	108,321	108,321
Total expenditures	<u>19,914,094</u>	<u>5,506,903</u>	<u>5,846,147</u>	<u>31,267,144</u>
Excess of revenues over (under) expenditures	2,187,064	870,739	(1,190,530)	1,867,273
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	-	-	103,330	103,330
Lease proceeds	292,598	-	-	292,598
Subscription proceeds	146,727	-	-	146,727
Transfers in	-	8,772	354,202	362,974
Transfers out	(54,201)	-	-	(54,201)
Total other financing sources (uses)	<u>385,124</u>	<u>8,772</u>	<u>457,532</u>	<u>851,428</u>
Net change in fund balances	2,572,188	879,511	(732,998)	2,718,701
<b>Fund Balances</b>				
Beginning of year	<u>10,746,938</u>	<u>2,407,511</u>	<u>9,613,298</u>	<u>22,767,747</u>
End of year	<u>\$ 13,319,126</u>	<u>\$ 3,287,022</u>	<u>\$ 8,880,300</u>	<u>\$ 25,486,448</u>

See notes to basic financial statements.

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

Total net change in fund balances - governmental funds \$ 2,718,701

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	8,421,589
Depreciation expense	(4,465,821)
Amortization expense	(141,645)
Loss on disposal of capital assets	(44,142)
Contributed assets	(754,213)

Some expenses are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

Compensated absences payable	18,627
Total OPEB liability	348,424

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.

Bond principal payments	1,260,000
Loan payments	10,250
Lease payments	61,404
Subscription payments	95,086

Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

108,294

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 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.

2,225

Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no impact on the changes in net position in the Statement of Activities.

(292,598)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	(246,962)
State shared taxes	(147,267)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(1,154,101)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (loss) of internal service funds are reported with governmental activities.

54,989

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	(4,456)
Special assessments	(715)

Change in net position - governmental activities

\$ 5,847,669

See notes to basic financial statements.



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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 9,656,552	\$ 9,656,552	\$ 9,686,809	\$ 30,257
Special assessments	3,100	3,100	3,761	661
Licenses and permits	810,281	810,281	912,539	102,258
Intergovernmental	7,293,762	8,425,952	8,748,169	322,217
Charges for services	1,591,705	1,598,831	1,906,223	307,392
Fines and forfeitures	128,000	128,000	140,879	12,879
Miscellaneous revenues				
Investment income	104,470	104,470	499,724	395,254
Contributions and donations	15,000	31,002	150,405	119,403
Other	4,350	4,350	52,649	48,299
Total revenues	19,607,220	20,762,538	22,101,158	1,338,620
<b>Expenditures</b>				
<b>Current</b>				
General government	3,037,379	2,867,405	2,777,403	(90,002)
Public safety	8,925,839	9,162,494	8,896,071	(266,423)
Public works	3,044,657	3,147,679	3,110,614	(37,065)
Culture and recreation	4,589,345	4,566,201	4,498,166	(68,035)
Mass transportation and airport	10,000	10,000	-	(10,000)
<b>Debt service</b>				
Principal	-	-	155,236	155,236
Interest and other charges	-	-	37,279	37,279
<b>Capital outlay</b>				
General government	-	-	439,325	439,325
Total expenditures	19,607,220	19,753,779	19,914,094	160,315
Excess of revenues over (under) expenditures	-	1,008,759	2,187,064	1,178,305
<b>Other Financing Sources (Uses)</b>				
Lease proceeds	-	-	292,598	292,598
Subscription proceeds	-	-	146,727	146,727
Transfers out	-	-	(54,201)	(54,201)
Total other financing sources (uses)	-	-	385,124	385,124
Net change in fund balances	\$ -	\$ 1,008,759	2,572,188	\$ 1,563,429
<b>Fund Balances</b>				
Beginning of year			10,746,938	
End of year			\$ 13,319,126	

**City of Faribault**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2023**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Water	Total	
			(603)		
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 6,015,689	\$ 12,720,759	\$ 4,074,352	\$ 22,810,800	\$ 486,225
Accounts receivable	465,561	717,626	209,786	1,392,973	304
Interest receivable	27,062	103,720	19,222	150,004	2,086
Leases receivable	100,050	15,325	-	115,375	-
Due from other governments	185,366	-	-	185,366	-
Due from component unit	-	736,059	-	736,059	-
Special assessments receivable					
Current	490	491	375	1,356	-
Delinquent	4,334	5,417	2,165	11,916	-
Inventory	155,349	11,303	-	166,652	-
Prepaid items	11,957	7,720	3,319	22,996	-
<b>Total current assets</b>	<u>6,965,858</u>	<u>14,318,420</u>	<u>4,309,219</u>	<u>25,593,497</u>	<u>488,615</u>
<b>Noncurrent assets</b>					
Special assessments receivable	123,230	95,017	50,598	268,845	-
Capital assets not being depreciated					
Land	34,483	218,847	341,244	594,574	-
Construction in progress	5,743,644	1,043,371	1,166,956	7,953,971	-
Capital assets being depreciated					
Buildings and structures	14,048,464	36,657,969	-	50,706,433	-
Machinery and equipment	1,353,828	1,507,429	313,736	3,174,993	-
Improvements other than buildings	26,995,257	28,126,890	15,021,326	70,143,473	-
Less accumulated depreciation	(13,886,605)	(28,735,344)	(5,758,748)	(48,380,697)	-
Assets being amortized					
Subscription asset	96,495	13,074	13,074	122,643	-
Less accumulated amortization	(23,782)	(363)	(363)	(24,508)	-
<b>Net capital assets</b>	<u>34,361,784</u>	<u>38,831,873</u>	<u>11,097,225</u>	<u>84,290,882</u>	<u>-</u>
<b>Total noncurrent assets</b>	<u>34,485,014</u>	<u>38,926,890</u>	<u>11,147,823</u>	<u>84,559,727</u>	<u>-</u>
<b>Total assets</b>	<u>41,450,872</u>	<u>53,245,310</u>	<u>15,457,042</u>	<u>110,153,224</u>	<u>488,615</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources related to pensions	81,628	194,230	27,647	303,505	-
Deferred outflows of resources related to OPEB	24,745	58,830	10,344	93,919	-
<b>Total deferred outflows of resources</b>	<u>106,373</u>	<u>253,060</u>	<u>37,991</u>	<u>397,424</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 41,557,245</u>	<u>\$ 53,498,370</u>	<u>\$ 15,495,033</u>	<u>\$ 110,550,648</u>	<u>\$ 488,615</u>

**City of Faribault**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2023**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Water (603)	Total	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 96,314	\$ 155,249	\$ 14,273	\$ 265,836	\$ 32,371
Contracts payable	201,759	19,517	-	221,276	-
Interest payable	28,863	75,717	-	104,580	-
Unearned revenue	300	-	-	300	-
Due to other governments	10,059	56	-	10,115	-
Bonds payable due within one year	501,556	1,287,000	-	1,788,556	-
Subscription liability due within one year	25,909	2,082	2,082	30,073	-
Current compensated absences	74,070	93,272	2,801	170,143	-
Total current liabilities	<u>938,830</u>	<u>1,632,893</u>	<u>19,156</u>	<u>2,590,879</u>	<u>32,371</u>
<b>Noncurrent liabilities</b>					
Compensated absences	35,253	94,801	16,301	146,355	-
Subscription liability	45,431	8,971	8,971	63,373	-
Bonds payable	7,501,444	6,946,000	-	14,447,444	-
Total OPEB liability	75,977	180,633	31,761	288,371	-
Net pension liability	312,187	742,831	105,737	1,160,755	-
Total noncurrent liabilities	<u>7,970,292</u>	<u>7,973,236</u>	<u>162,770</u>	<u>16,106,298</u>	<u>-</u>
Total liabilities	<u>8,909,122</u>	<u>9,606,129</u>	<u>181,926</u>	<u>18,697,177</u>	<u>32,371</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources related to pensions	103,353	245,923	35,005	384,281	-
Deferred inflows of resources related to OPEB	21,179	50,352	8,853	80,384	-
Deferred inflows of resources related to leases receivable	100,050	15,325	-	115,375	-
Total deferred inflows of resources	<u>224,582</u>	<u>311,600</u>	<u>43,858</u>	<u>580,040</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	26,085,685	30,568,303	11,086,172	67,740,160	-
Unrestricted	6,337,856	13,012,338	4,183,077	23,533,271	456,244
Total net position	<u>32,423,541</u>	<u>43,580,641</u>	<u>15,269,249</u>	<u>91,273,431</u>	<u>456,244</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 41,557,245</u>	<u>\$ 53,498,370</u>	<u>\$ 15,495,033</u>	<u>\$ 110,550,648</u>	<u>\$ 488,615</u>





**City of Faribault**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position - Proprietary Funds**  
**Year Ended December 31, 2023**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Water (603)	Totals	
<b>Operating Revenues</b>					
Charges for sales	\$ 4,159,431	\$ -	\$ 1,550,620	\$ 5,710,051	\$ -
Charges for services	286,616	7,268,562	20,613	7,575,791	-
Total operating revenues	<u>4,446,047</u>	<u>7,268,562</u>	<u>1,571,233</u>	<u>13,285,842</u>	<u>-</u>
<b>Operating Expenses</b>					
Personnel services	642,415	1,510,496	180,903	2,333,814	-
Materials and supplies	694,273	678,538	20,258	1,393,069	-
Depreciation	786,815	1,812,454	343,868	2,943,137	-
Claims	-	5,718	-	5,718	66,510
Other services and charges	973,656	1,555,248	200,254	2,729,158	-
Total operating expenses	<u>3,097,159</u>	<u>5,562,454</u>	<u>745,283</u>	<u>9,404,896</u>	<u>66,510</u>
Operating income (loss)	1,348,888	1,706,108	825,950	3,880,946	(66,510)
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	336,997	667,554	210,920	1,215,471	23,652
Special assessment interest	931	1,151	507	2,589	-
Gain (loss) on sale of asset	2,500	7,000	4,976	14,476	-
Intergovernmental	-	21,268	-	21,268	-
Interest and other charges	(82,550)	(230,403)	-	(312,953)	-
Other income	103,700	107,933	42	211,675	97,847
Total nonoperating revenues (expenses)	<u>361,578</u>	<u>574,503</u>	<u>216,445</u>	<u>1,152,526</u>	<u>121,499</u>
Income before capital contributions and transfers	1,710,466	2,280,611	1,042,395	5,033,472	54,989
<b>Capital Contributions</b>	679,950	-	579,575	1,259,525	-
<b>Transfers out</b>	<u>(90,000)</u>	<u>(218,773)</u>	<u>-</u>	<u>(308,773)</u>	<u>-</u>
Change in net position	2,300,416	2,061,838	1,621,970	5,984,224	54,989
<b>Net Position</b>					
Beginning of year	<u>30,123,125</u>	<u>41,518,803</u>	<u>13,647,279</u>	<u>85,289,207</u>	<u>401,255</u>
End of year	<u>\$ 32,423,541</u>	<u>\$ 43,580,641</u>	<u>\$ 15,269,249</u>	<u>\$ 91,273,431</u>	<u>\$ 456,244</u>

**City of Faribault**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2023**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Water (603)	Total	
<b>Cash Flows - Operating Activities</b>					
Receipts from customers and users	\$ 4,314,022	\$ 7,324,729	\$ 1,557,698	\$ 13,196,449	\$ -
Payments to suppliers	(2,044,378)	(2,196,562)	(215,177)	(4,456,117)	(72,061)
Payments to employees	(598,386)	(1,513,957)	(206,011)	(2,318,354)	-
Other operating receipts	-	-	-	-	97,543
Net cash flows					
- operating activities	<u>1,671,258</u>	<u>3,614,210</u>	<u>1,136,510</u>	<u>6,421,978</u>	<u>25,482</u>
<b>Cash Flows - Noncapital</b>					
<b>Financing activities</b>					
Intergovernmental revenue	-	21,268	-	21,268	-
Due from component unit	-	(190,036)	-	(190,036)	-
Transfer to other funds	(90,000)	(218,773)	-	(308,773)	-
Net cash flows - noncapital financing activities	<u>(90,000)</u>	<u>(387,541)</u>	<u>-</u>	<u>(477,541)</u>	<u>-</u>
<b>Cash Flows - Capital and Related</b>					
<b>Financing Activities</b>					
Principal paid on debt	(455,268)	(1,255,000)	-	(1,710,268)	-
Interest paid on debt	(84,583)	(241,944)	-	(326,527)	-
Proceeds from sale of capital assets	2,500	7,000	27,999	37,499	-
Intergovernmental revenue	679,950	-	423,101	1,103,051	-
Acquisition of capital assets	(2,441,935)	(1,159,467)	(919,294)	(4,520,696)	-
Net cash flows					
- capital and related financing activities	<u>(2,299,336)</u>	<u>(2,649,411)</u>	<u>(468,194)</u>	<u>(5,416,941)</u>	<u>-</u>
<b>Cash Flows - Investing Activities</b>					
Interest and dividends received	<u>334,137</u>	<u>633,141</u>	<u>204,433</u>	<u>1,171,711</u>	<u>23,087</u>
Net change in cash and cash equivalents	(383,941)	1,210,399	872,749	1,699,207	48,569
<b>Cash and Cash Equivalents</b>					
January 1	<u>6,399,630</u>	<u>11,510,360</u>	<u>3,201,603</u>	<u>21,111,593</u>	<u>437,656</u>
December 31	<u>\$ 6,015,689</u>	<u>\$ 12,720,759</u>	<u>\$ 4,074,352</u>	<u>\$ 22,810,800</u>	<u>\$ 486,225</u>

**City of Faribault**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2023**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water (601)	Sewer (602)	Storm Water (603)	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities</b>					
Operating income (loss)	\$ 1,348,888	\$ 1,706,108	\$ 825,950	\$ 3,880,946	\$ (66,510)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Other revenues	104,631	109,084	549	214,264	97,847
Depreciation expense	786,815	1,812,454	343,868	2,943,137	-
Net pension liability expense	26,765	35,139	(14,695)	47,209	-
OPEB expense	(13,247)	(39,010)	(5,415)	(57,672)	-
Accounts receivable	(46,173)	(56,708)	(3,082)	(105,963)	(304)
Special assessments receivable	(5,242)	3,791	(11,002)	(12,453)	-
Due from other governments	(185,366)	-	-	(185,366)	-
Prepaid items	(7,977)	(7,514)	(3,218)	(18,709)	-
Inventory	(6,536)	(3,759)	-	(10,295)	-
Accounts payable	(360,141)	54,159	8,560	(297,422)	(5,551)
Due to other governmental units	(1,795)	56	(7)	(1,746)	-
Unearned revenue	125	-	-	125	-
Compensated absences payable	30,511	410	(4,998)	25,923	-
Total adjustments	<u>322,370</u>	<u>1,908,102</u>	<u>310,560</u>	<u>2,541,032</u>	<u>91,992</u>
Net cash flows					
- operating activities	<u>\$ 1,671,258</u>	<u>\$ 3,614,210</u>	<u>\$ 1,136,510</u>	<u>\$ 6,421,978</u>	<u>\$ 25,482</u>
<b>Noncash Capital Activities</b>					
Contributions of capital assets from developers	\$ -	\$ -	\$ 156,474	\$ 156,474	\$ -

**City of Faribault**  
**Statement of Fiduciary Net Position**  
**December 31, 2023**

	Custodial Funds
<b>Assets</b>	
Current	
Cash and investments	\$ 1,235,205
Restricted cash	14,653
Accounts receivable	22,225
Due from other governments	192,072
Total current assets	1,464,155
Capital assets	
Land	62,426
Buildings	1,900,382
Building equipment	226,297
Maintenance equipment	79,754
Less accumulated depreciation	(1,728,546)
Total capital assets	540,313
Total assets	2,004,468
<b>Liabilities</b>	
Accounts payable	\$ 15,492
Accrued property taxes	13,021
Deposits payable	14,727
Due to other governments	6,950
Total liabilities	50,190
<b>Net Position</b>	\$ 1,954,278

**City of Faribault**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2023**

	Custodial Funds
<b>Additions</b>	
Rental income	\$ 551,583
Interest	76,554
Sewer charges	120,766
Other	9,171
Total additions	758,074
<b>Deductions</b>	
Administrative	84,455
Utilities	50,025
Operating and maintenance	106,585
Taxes and insurance	23,459
Sewer expenses	116,465
Depreciation	39,967
Total deductions	420,956
Change in net position	337,118
<b>Net Position</b>	
Beginning of year	1,617,160
End of year	\$ 1,954,278



**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Faribault (the City) operates under the Home Rule Charter form of government in accordance with applicable State of *Minnesota Statutes*. The City was organized as a municipality in 1872 in Rice County.

The City provides a full range of municipal services including public safety (police and fire protection), highways and streets, public improvements, planning and zoning, culture, recreation and parks, water and sewer service, and general administrative services.

The form of government established by Section 1.01, Chapter 1, of the City's Charter is the "Council-Administrator Plan". The City Council is composed of a mayor and six City Council members who are qualified electors and elected at large. The City Council exercises the legislative power to the City and determines all matter of policy. The City Administrator is the head of the administrative branch of the City government and is responsible to the City Council for the proper administration of all affairs relating to the City.

The powers of the City include all powers, which a municipal corporation in this State may exercise in harmony with the constitutions of the State and of the United States. It is the intention of the City chapter that every power, which the people of the City might lawfully confer upon themselves as a municipal corporation, by specific enumeration in the charter, shall be deemed to have been so conferred by the provisions of Section 1.02, Chapter 1 of the City Charter. The Charter is to be construed liberally in favor of the City, and the specific mention of particular powers in the Charter shall not be construed as limiting in any way the generality of the power conferred.

The Mayor serves for a term of four years and until a successor is elected and qualifies. The Mayor presides at meetings of the City Council and votes as a member. The City Administrator is appointed for an indefinite term by the City Council. The City Administrator is the Chief Administrative Officer of the City, whose powers and duties are provided for in the Faribault Home Rule Charter, Chapter 6.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or (2) there is a potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Each discretely presented component unit is reported in a separate column in the government-wide financial statements.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

Included in the City's reporting entity, based upon the application of these criteria, are the following discretely presented component units.

**1. Faribault Housing and Redevelopment Authority (HRA)**

The HRA was created by the City to carry out certain redevelopment and low rent assistance programs pursuant to State law. The HRA is primarily responsible for residential development and redevelopment. The governing board is appointed by the City Council and approved the HRA's tax levy. The HRA is governed by seven board members, one of which is a City Council member and six are City residents. It is the criterion that results in the HRA being reported as a discretely presented component unit. The HRA is presented as a governmental fund type.

**2. Faribault Economic Development Authority (EDA)**

The EDA was created pursuant to *Minnesota Statutes* §§ 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The governing board is appointed by the City Council and approved the EDA's tax levy. The EDA is governed by seven board members, two of which are City Council members and five are City residents. It is the criterion that results in the EDA being reported as a discretely presented component unit. The EDA is presented as a governmental fund type.

Separate financial statements for the HRA and EDA are not prepared.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The Custodial Funds are presented in the fiduciary fund financial statements. Since, by definition, the assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Description of Funds:**

The City reports the following Major Governmental Funds:

General Fund - This 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.

Street Improvement Projects - Capital Projects Fund - This fund is used to account for the costs associated with the street projects completed within the City.

The City reports the following Major Proprietary Funds:

Water Fund - This fund accounts for the operating, maintenance, and capital improvement of the City's water distribution system.

Sewer Fund - This fund accounts for the operating, maintenance, and capital improvement of the City's sewer collection operations.

Storm Water Fund - This fund accounts for the operation, maintenance, and capital improvements of the City's storm water system.

Additionally, the City reports the following fund types:

Internal Service Funds - These funds account for insurance costs related to property and liability deductible expenses and reserved balance for one outstanding workers compensation claim.

Fiduciary Funds - These funds are used to account for assets held by the City in a custodial capacity for others. The City's Custodial Funds account for activities of Robinwood Manor and Roberds Lake Sewer District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, such as charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash and investments include balances from all funds that are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from pooled investments are allocated to the individual funds based on the applicable participation by each of the funds.

*Minnesota Statutes* authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City are reported at fair value as disclosed in Note 2. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

**2. Restricted Cash**

The City has received monies restricted for specific purposes. The balance in restricted cash represents unspent deposits of \$661,121 to be used for fire damage repairs, EDA loans, and youth baseball activities.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**3. Receivables**

Accounts receivable include amounts billed for services provided before year end. Rent receivable of the primary government and the discretely presented housing and redevelopment component unit have been reported net of uncollectible amounts. Delinquent utility charges are annually certified to the county for collection. As a result, there is no allowance for uncollectible amounts in the other enterprise funds.

Property tax receivables are shown at a gross amount since they are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Rice County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

**4. Inventory and 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 recorded as an expenditure at the time of consumption.

Inventory is valued at cost using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 except for infrastructure which ranges from \$25,000 to \$100,000 and an estimated useful life in excess of one year. Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Classification	Years
Buildings and structures	15 - 75
Furniture and equipment	3 - 15
Licensed motor vehicle equipment	3 - 12
Machinery and equipment	3 - 15
Other improvements	15 - 30
Infrastructure	20 - 60

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**6. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and State shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years. Finally, deferred inflows of resources related to leases receivable are reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

**7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of *Statement of Government Accounting Standards No. 16, Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that are estimated to be taken upon separation from the City. The General fund is typically used to liquidate governmental compensated absences.

**8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**9. Pensions**

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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**10. Fund Balance Classifications**

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

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaid items.
- ◆ Restricted Fund Balances - These are amounts subject to externally enforceable legal restrictions.
- ◆ Committed Fund Balances - The government's highest level of decision-making authority is the City Council. These amounts are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Committed amounts cannot be used for any other purpose.
- ◆ Assigned Fund Balances - These are amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General Fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General Fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.
- ◆ Unassigned Fund Balances - The residual classification for the General Fund and also negative residual amounts in other funds.

The City will spend restricted funds first for expenditures that meet the intended purpose before using unrestricted fund balance. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made for the purposes intended.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**10. Fund Balance Classifications (Continued)**

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of not less than 35% and a maximum unassigned fund balance of not more than 50% of the following year's General Fund budgeted expenditures to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, unexpected expenditures increases due to local disasters, and unexpected revenue shortfalls.

**11. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**E. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**F. Budgetary Information**

The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing on January 1 of the following year. At least one special City Council meeting is conducted to obtain public comments as required by the State Truth in Taxation Law.

The budgets are prepared by fund, function, and activities. The budgets are adopted on a basis consistent with general accepted accounting principles and all appropriations lapse at the end of the budget year to the extent that they have not been expended. The expenditures appropriated in the budget resolution may not legally exceed estimated revenues available from various sources.

The City Council annually adopts budgets prior to January 1 for the City's General and Special Revenue Funds with the exception of the Library Donations Fund. Budgets are also adopted for the Capital Project Funds, as well as the Debt Service Funds in accordance with the bond indenture provisions. A separate budget report is issued at the beginning of each year. Formal budgetary integration is employed as a management control device during the year. Budget revisions between functions or activities may be made by the City Administrator. Budget revisions at the fund level are authorized by the City Council in accordance with the City Charter at the request of the City Administrator. The legal level of budgetary control is therefore at the fund level.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.



**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

The cash and investments for both of the discretely presented component units are pooled with the City's cash and investments.

**Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized in accordance with *Minnesota Statutes* § 118A for an amount exceeding FDIC, SAIF, BIF, or FICUA coverage. As of December 31, 2023, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2023, was \$11,915,652 for deposits.

**B. Investments**

As of December 31, 2023, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			Fair Value Measurement	
		Less than One Year	1-2 Years	3-5 Years		Greater than 5 Years
<b>Pooled investments</b>						
4M	\$ 253,428	\$ 253,428	\$ -	\$ -	\$ -	N/A
Brokered money market funds	81,198	81,198	-	-	-	N/A
<b>Non-pooled investments</b>						
Government securities	6,494,226	-	2,651,356	3,842,870	-	Level 2
Municipal bonds	27,441,819	2,863,471	14,820,177	9,548,490	209,681	Level 2
Negotiable certificates of deposit	7,381,770	5,233,693	1,438,911	709,166	-	Level 2
<b>Total</b>	<b>\$ 41,652,441</b>	<b>\$ 8,431,790</b>	<b>\$ 18,910,444</b>	<b>\$ 14,100,526</b>	<b>\$ 209,681</b>	

An investment with a fair value measurement with a Level 1 input is valued using quoted market prices while a Level 2 input is valued using a matrix pricing model.

Government securities and Municipal Bonds were rated from A+ to AAA by Standard & Poor's. Other investments were not rated.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* limit investments based on investment type.

**Interest Rate Risk:** This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates.

**Custodial Credit Risk - Investments:** This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Summary of cash deposits and investments as of December 31, 2023, were as follows:

Petty cash	\$ 1,045
Deposits	11,690,109
Investments	41,652,441
	<hr/>
Total	\$ 53,343,595
	<hr/> <hr/>

Deposits and investments are presented in the December 31, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 51,383,666
Restricted cash	661,121
Cash held in escrow	48,950
Statement of Fiduciary Net Position	
Cash and investments	1,235,205
Restricted cash	14,653
	<hr/>
Total deposits and investments	\$ 53,343,595
	<hr/> <hr/>

**NOTE 3 - LOANS RECEIVABLE**

**Primary Government**

The City has made loans to local businesses and individuals that qualify for the Minnesota small cities development program. The businesses and individuals pay varying installments on the loans. The loans balances at year end totaled \$72,643.

**Discretely Presented Component Units**

The Housing and Redevelopment Authority has loans receivable from homeowners who qualified for the Minnesota Housing Finance Agency's CRV program and through the HRA's corridor rehab program. Homeowners are paying varying monthly installments. The balance at year end totals \$43,280.

The Economic Development Authority has loans receivable from businesses that made improvements that qualified for the industrial development loan program, Minnesota Investment Fund and EDA Revolving Fund. The businesses and individuals make monthly payments. The balance at year end on the programs total \$189,771. Additionally, there has been an allowance for uncollectible accounts of \$147,340 that are not expected to be collected on.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 4 - LEASES RECEIVABLE**

The City has various leases for radio towers, agricultural land, and private airport hangar land leases. At December 31, 2023, there were Governmental Activity leases that included sixteen airport hangar land leases and one airport agricultural land lease. In addition, Business-Type Activities include three water tower leases, and one sewer agricultural land lease. The lease agreements include annual principal and interest payments. Interest and discount rates on the loan agreements range from 2.0% to 5.0%. Revenues from these leases for the year ended December 31, 2023, was \$32,739.

The City's schedule of future payments included in the measurement of the lease receivable is as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 34,379	\$ 15,188	\$ 49,567
2025	22,889	14,193	37,082
2026	22,299	13,543	35,842
2027	21,374	12,911	34,285
2028	19,378	12,307	31,685
2029-2033	105,270	53,080	158,350
2034-2038	110,954	37,760	148,714
2039-2043	53,961	25,208	79,169
2044-2048	34,472	20,207	54,679
2049-2053	38,105	16,278	54,383
2054-2063	67,147	19,323	86,470
2064-2073	25,590	8,850	34,440
2074-2078	14,803	1,293	16,096
Total	<u>\$ 570,621</u>	<u>\$ 250,141</u>	<u>\$ 820,762</u>

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 4 - LEASES RECEIVABLE (CONTINUED)**

Year Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 18,248	\$ 14,656	\$ 32,904
2025	3,012	13,830	16,842
2026	3,105	12,716	15,821
2027	3,201	13,641	16,842
2028	3,301	13,541	16,842
2029-2033	15,109	66,101	81,210
2034-2038	13,041	63,668	76,709
2039-2043	7,590	60,402	67,992
2044-2048	7,418	55,006	62,424
2049-2053	24,338	38,086	62,424
2054-2055	17,012	3,796	20,808
Total	<u>\$ 115,375</u>	<u>\$ 355,443</u>	<u>\$ 470,818</u>

**NOTE 5 - INTERFUND ACTIVITY**

**A. Interfund Transfers**

Transfers during the year ended December 31, 2023, were as follows:

	Transfers In		
	Street Improvement Projects Fund	Nonmajor Governmental Funds	Total
Transfers out			
General Fund	\$ -	\$ 54,201	\$ 54,201
Water Fund	-	90,000	90,000
Sewer Fund	8,772	210,001	218,773
Total	<u>\$ 8,772</u>	<u>\$ 354,202</u>	<u>\$ 362,974</u>

Transfers were made from the General Fund to the Public Facility Projects Fund for public facility projects and fund balance allocation purposes. Transfers were made between nonmajor governmental funds as debt service funds were closed, and the remaining equity was transferred. Transfers were made from the Water Fund and the Sewer Fund to the Street Improvement Projects Fund and Public Facility Projects Fund for operating purposes.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 6 - CAPITAL ASSETS**

Governmental capital and leased asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 10,575,386	\$ 168,033	\$ -	\$ 10,743,419
Construction in progress	1,912,868	4,170,674	(1,461,234)	4,622,308
Total capital assets not being depreciated	<u>12,488,254</u>	<u>4,338,707</u>	<u>(1,461,234)</u>	<u>15,365,727</u>
Capital assets being depreciated				
Buildings and structures	32,505,500	162,781	-	32,668,281
Improvements other than buildings	11,462,518	314,115	(28,582)	11,748,051
Machinery and equipment	11,414,097	980,685	(471,053)	11,923,729
Infrastructure and airport	93,930,830	3,039,724	-	96,970,554
Total capital assets being depreciated	<u>149,312,945</u>	<u>4,497,305</u>	<u>(499,635)</u>	<u>153,310,615</u>
Less accumulated depreciation for				
Buildings and structures	11,750,913	815,897	-	12,566,810
Improvements other than buildings	3,913,218	2,615,930	(28,582)	6,500,566
Machinery and equipment	7,537,527	633,673	(426,911)	7,744,289
Infrastructure and airport	39,045,244	400,321	-	39,445,565
Total accumulated depreciation	<u>62,246,902</u>	<u>4,465,821</u>	<u>(455,493)</u>	<u>66,257,230</u>
Total capital assets being depreciated, net	<u>87,066,043</u>	<u>31,484</u>	<u>(44,142)</u>	<u>87,053,385</u>

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Leased assets being amortized				
Machinery and equipment	\$ 80,489	\$ 332,561	\$ -	\$ 413,050
Subscription asset	-	1,093,951	-	1,093,951
Total assets being amortized	80,489	1,426,512	-	1,507,001
Less accumulated amortization for				
Machinery and equipment	18,556	33,753	-	52,309
Subscription asset	-	107,892	-	107,892
Total accumulated amortization	18,556	141,645	-	160,201
Total leased assets, net	61,933	1,284,867	-	1,346,800
Governmental activities capital assets, net	99,616,230	\$ 5,655,058	\$ (1,505,376)	103,765,912

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

Business-type capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 594,574	\$ -	\$ -	\$ 594,574
Construction in progress	16,018,023	3,640,262	(11,704,314)	7,953,971
Total capital assets not being depreciated	<u>16,612,597</u>	<u>3,640,262</u>	<u>(11,704,314)</u>	<u>8,548,545</u>
Capital assets being depreciated				
Buildings and structures	39,166,938	11,539,495	-	50,706,433
Improvements other than buildings	69,422,279	783,767	(62,573)	70,143,473
Machinery and equipment	3,074,542	175,208	(74,757)	3,174,993
Total capital assets not being depreciated	<u>111,663,759</u>	<u>12,498,470</u>	<u>(137,330)</u>	<u>124,024,899</u>
Less accumulated depreciation for				
Buildings and structures	19,065,235	1,259,258	-	20,324,493
Improvements other than buildings	24,585,037	1,429,839	(39,549)	25,975,327
Machinery and equipment	1,926,102	229,532	(74,757)	2,080,877
Total accumulated depreciation	<u>45,576,374</u>	<u>2,918,629</u>	<u>(114,306)</u>	<u>48,380,697</u>
Total capital assets being depreciated, net	<u>66,087,385</u>	<u>9,579,841</u>	<u>(23,024)</u>	<u>75,644,202</u>
Business-type activities				
Leased assets being amortized				
Subscription asset	\$ -	\$ 122,643	\$ -	\$ 122,643
Less accumulated amortization for				
Subscription asset	-	24,508	-	24,508
Total leased assets, net	<u>-</u>	<u>98,135</u>	<u>-</u>	<u>98,135</u>
Business-type activities capital assets, net	<u>\$ 82,699,982</u>	<u>\$ 13,318,238</u>	<u>\$ (11,727,338)</u>	<u>\$ 84,290,882</u>

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

Depreciation and amortization expense was charged to functions/programs of the City as follows:

Governmental activities		
General government	\$	67,221
Public safety		513,428
Public works		3,457,620
Culture and recreation		564,984
Community development		1,754
Mass transportation and airport		<u>2,459</u>
Total depreciation and amortization expense - governmental activities	\$	<u>4,607,466</u>
Business-type activities		
Water	\$	786,815
Sewer		1,812,454
Storm water		<u>343,868</u>
Total depreciation and amortization expense - business-type activities	\$	<u>2,943,137</u>

**A. Discretely Presented Component Units**

Activity for the EDA for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	<u>\$ 91,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,834</u>



**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**A. Discretely Presented Component Units (Continued)**

Activity for the HRA for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 594,041	\$ -	\$ -	\$ 594,041
Capital assets being depreciated				
Buildings and structures	3,525,546	-	-	3,525,546
Machinery and equipment	43,368	-	-	43,368
Capital assets being depreciated	3,568,914	-	-	3,568,914
Less accumulated depreciation for				
Buildings and structures	2,130,394	72,505	-	2,202,899
Machinery and equipment	47	4,337	-	4,384
Total accumulated depreciation	2,130,441	76,842	-	2,207,283
 Total capital assets being depreciated, net	 1,438,473	 (76,842)	 -	 1,361,631
 Total HRA capital assets, net	 <u>\$ 2,032,514</u>	 <u>\$ (76,842)</u>	 <u>\$ -</u>	 <u>\$ 1,955,672</u>

Depreciation expense was charged to functions/programs of the discretely presented HRA as follows:

Housing and redevelopment authority	<u>\$ 76,842</u>
-------------------------------------	------------------

**NOTE 7 - LONG-TERM DEBT**

**A. General Obligation Bonds**

The City issues general obligation (G.O.) bonds and equipment certificates to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, G.O. bonds have been issued to refund G.O. bonds. G.O. bonds are direct obligations and pledge the full faith and credit of the City.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Primary Government**

**B. Components of Long-Term Liabilities**

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
G.O. Bonds						
G.O. Crossover Refunding						
Bonds 2015A	11/18/2015	2.75 - 3.00 %	\$ 1,685,000	12/15/2027	\$ 670,000	\$ 160,000
G.O. Improvement						
Bonds 2015A	11/18/2015	2.75 - 3.00 %	1,375,000	12/15/2030	710,000	95,000
G.O. State Aid						
Bonds 2021A	5/13/2021	1.20 - 2.00 %	1,505,000	12/15/2031	1,225,000	145,000
G.O. Refunding						
Bonds 2021B	12/2/2021	3.00 - 5.00 %	5,610,000	12/15/2029	<u>3,925,000</u>	<u>860,000</u>
Total G.O. Bonds					<u>6,530,000</u>	<u>1,260,000</u>
Bond premium					653,948	-
Lease liability					333,896	99,683
Subscription liability					988,865	99,197
Compensated absences					<u>1,613,711</u>	<u>428,832</u>
Total governmental activities					<u>10,120,420</u>	<u>1,887,712</u>
Business-type activities						
Notes from direct borrowing						
G.O. Water Revenue						
PFA Note 2019	5/15/2019	1.00%	10,205,719	8/20/2039	7,553,000	480,000
G.O. Sewer Revenue						
PFA Note 2009	7/28/2009	2.55%	21,258,552	8/20/2029	8,233,000	1,287,000
G.O. Water Revenue						
PFA Note 2021	11/12/2021	1.00%	522,527	8/20/2042	<u>450,000</u>	<u>21,556</u>
Total notes from direct borrowing					16,236,000	1,788,556
Subscription liability					93,446	30,073
Compensated absences					<u>316,498</u>	<u>170,143</u>
Total business-type activities					<u>16,645,944</u>	<u>1,988,772</u>
Total all long-term liabilities					<u>\$ 26,766,364</u>	<u>\$ 3,876,484</u>

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Primary Government (Continued)**

**C. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities					
Bonds payable					
G.O. Bonds	\$ 6,120,000	\$ -	\$ (1,020,000)	\$ 5,100,000	\$ 1,055,000
G.O. Equipment Certificates	30,000	-	(30,000)	-	-
G.O. Improvement Bonds	1,640,000	-	(210,000)	1,430,000	205,000
Total bonds payable	<u>7,790,000</u>	<u>-</u>	<u>(1,260,000)</u>	<u>6,530,000</u>	<u>1,260,000</u>
Bond premium	762,242	-	(108,294)	653,948	-
Loans payable	10,250	-	(10,250)	-	-
Subscription liability	947,224	146,727	(95,086)	998,865	99,197
Lease liability	102,702	292,598	(61,404)	333,896	99,683
Compensated absences payable	<u>1,632,338</u>	<u>571,002</u>	<u>(589,629)</u>	<u>1,613,711</u>	<u>428,832</u>
Governmental activity long-term liabilities	<u>\$ 10,297,532</u>	<u>\$ 1,010,327</u>	<u>\$ (2,124,663)</u>	<u>\$ 10,120,420</u>	<u>\$ 1,887,712</u>
Business-type activities					
Notes from direct borrowing					
G.O. PFA Revenue Notes	\$ 17,946,268	\$ -	\$ (1,710,268)	\$ 16,236,000	\$ 1,788,556
Subscription liability	-	122,643	(29,197)	93,446	30,073
Compensated absences payable	<u>290,575</u>	<u>131,538</u>	<u>(105,615)</u>	<u>316,498</u>	<u>170,143</u>
Total business-type activities	<u>\$ 18,236,843</u>	<u>\$ 254,181</u>	<u>\$ (1,845,080)</u>	<u>\$ 16,645,944</u>	<u>\$ 1,988,772</u>

**D. Lease Liability**

The City's Governmental Activity has eight lease agreements for copier equipment and one lease agreement for a postage machine. The lease agreements include annual principal and interest payments as noted. Interest and discount rates on the lease agreements are 3.0%.

**E. Subscription Liability**

The City has several subscription agreements with various terms. Principal and interest payments in the amounts of \$95,086 and \$32,702 for governmental activities and \$29,197 and \$3,679 for business-type activities.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Primary Government (Continued)**

**F. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term liabilities:

<u>Year Ending December 31,</u>	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2024	\$ 1,055,000	\$ 186,393	\$ 1,241,393
2025	1,100,000	142,793	1,242,793
2026	1,155,000	97,093	1,252,093
2027	740,000	48,518	788,518
2028	570,000	24,980	594,980
2029-2033	480,000	10,880	490,880
Total	\$ 5,100,000	\$ 510,657	\$ 5,610,657

<u>Year Ending December 31,</u>	Governmental Activities		
	G.O. Improvement Bonds		
	Principal	Interest	Total
2024	\$ 205,000	\$ 48,100	\$ 253,100
2025	210,000	40,700	250,700
2026	220,000	33,050	253,050
2027	225,000	24,800	249,800
2028	230,000	17,550	247,550
2029-2033	340,000	12,688	352,688
Total	\$ 1,430,000	\$ 176,888	\$ 1,606,888

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Primary Government (Continued)**

**F. Minimum Debt Payments (Continued)**

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	SBITA Lease Liability			Notes from direct borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 99,197	\$ 29,966	\$ 129,163	\$ 1,747,000	\$ 289,972	\$ 2,036,972
2025	102,173	26,990	129,163	1,784,000	252,553	2,036,553
2026	105,239	23,925	129,164	1,823,000	214,253	2,037,253
2027	107,021	20,768	127,789	1,861,000	175,036	2,036,036
2028	585,235	53,709	638,944	1,901,000	134,912	2,035,912
2029-2033	-	-	-	3,923,000	271,460	4,194,460
2034-2038	-	-	-	2,587,000	108,640	2,695,640
2039-2043	-	-	-	610,000	7,650	617,650
<b>Total</b>	<b>\$ 998,865</b>	<b>\$ 155,358</b>	<b>\$ 1,154,223</b>	<b>\$ 16,236,000</b>	<b>\$ 1,454,476</b>	<b>\$ 17,690,476</b>

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	Lease Liability			SBITA Lease Liability		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 99,683	\$ 8,705	\$ 108,388	\$ 30,073	\$ 2,803	\$ 32,876
2025	99,068	5,720	104,788	30,653	1,901	32,554
2026	88,235	2,830	91,065	18,726	982	19,708
2027	45,600	436	46,036	6,893	420	7,313
2028	1,310	20	1,330	7,101	213	7,314
<b>Total</b>	<b>\$ 333,896</b>	<b>\$ 17,711</b>	<b>\$ 351,607</b>	<b>\$ 93,446</b>	<b>\$ 6,319</b>	<b>\$ 99,765</b>

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 8 - FUND BALANCE**

A summary of governmental fund balance classifications at December 31, 2023, is as follows:

	General Fund	Street Improvement Projects	Nonmajor Governmental Funds	Total
Primary Government				
Nonspendable				
Prepaid items	\$ 132,986	\$ -	\$ 3,500	\$ 136,486
Restricted				
Debt Service	-	-	2,009,239	2,009,239
Charitable Gambling	-	-	48,646	48,646
Park Capital Improvements	-	-	246,014	246,014
Public Safety Programs	-	-	15,268	15,268
Rehabilitation Projects	-	-	189,081	189,081
Revolving Loans	-	-	443,349	443,349
GF Loan to 290 for FDC	500,000	-	-	500,000
Fire Escrow	85,567	-	-	85,567
Youth Baseball (Peter Smith Fund)	75,554	-	-	75,554
Total restricted	<u>661,121</u>	<u>-</u>	<u>2,951,597</u>	<u>3,612,718</u>
Committed				
Hiawathaland Transit	95,600	-	-	95,600
Capital improvement encumbrances	-	8,489	1,999,907	2,008,396
Airport	-	-	91,918	91,918
Government buildings	-	-	101,722	101,722
Community development	-	-	105,765	105,765
Library	-	-	3,005,912	3,005,912
Total committed	<u>95,600</u>	<u>8,489</u>	<u>5,305,224</u>	<u>5,409,313</u>
Assigned				
K-9 program	2,996	-	-	2,996
Childrens program	6,201	-	-	6,201
Compensated absences	399,675	-	33,809	433,484
Hazardous properties	10,000	-	-	10,000
Library	-	-	11,272	11,272
Public Safety Aid	974,298	-	-	974,298
Donations	263,660	-	-	263,660
Future capital improvements	-	3,278,533	574,898	3,853,431
Total assigned	<u>1,656,830</u>	<u>3,278,533</u>	<u>619,979</u>	<u>5,555,342</u>
Unassigned	<u>10,772,589</u>	<u>-</u>	<u>-</u>	<u>10,772,589</u>
Total fund balances	<u>\$ 13,319,126</u>	<u>\$ 3,287,022</u>	<u>\$ 8,880,300</u>	<u>\$ 25,486,448</u>

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 9 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) for workers' compensation and property and casualty insurance coverage. The LMCIT is a risk sharing pool with approximately 800 other governmental units.

The City pays an annual premium to the LMCIT for its workers' compensation and property and liability insurance. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNR). The City has a deductible under the LMCIT policy of \$5,000 per occurrence.

The City has one open worker's compensation claim from 2013, when the City was self-insured, that has not been settled and estimated losses are retained in the City's Worker's Compensation internal service fund.

The general liability and property damage activities are accounted for in the Property/Liability Insurance internal service fund. For liability insurance, the first \$50,000 for each occurrence and an annual aggregate of \$100,000 is retained by the City. All property is insured at replacement value with a \$50,000 deductible. These amounts are used to promote an aggressive maintenance program to help limit liability losses.

There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the prior three years.

Amounts recorded in the Workers' Compensation Insurance internal service fund for 2023, 2022, and 2021 are as follows:

	2023	2022	2021
Claims liability - January 1	\$ 30,000	\$ 30,000	\$ 79,500
Claims adjustment	-	-	(49,500)
Claims paid	-	-	-
	\$ 30,000	\$ 30,000	\$ 30,000
Claims liability - December 31	\$ 30,000	\$ 30,000	\$ 30,000

**NOTE 10 - PENSION PLANS**

The City participates in various pension plans. Total pension expense for the year ended December 31, 2023, was \$2,538,667. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, Sewer, and Storm Water Funds typically liquidate the liability related to the pensions.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**Public Employees Police and Fire Plan**

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

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute 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.

**General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.



**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$549,754. The City's contributions were equal to the required contributions as set by state statute.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions (Continued)**

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$784,977. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$5,155,721 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer 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 \$142,063.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0922% at the end of the measurement period and 0.0930% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 5,155,721
State of Minnesota's proportionate share of the net pension liability associated with the City	142,063
Total	\$ 5,297,784

For the year ended December 31, 2023, the City recognized pension expense of \$848,370 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$638 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 169,668	\$ 36,133
Changes in actuarial assumptions	848,835	1,413,139
Net collective difference between projected and actual investment earnings	-	210,068
Changes in proportion	55,006	47,520
Contributions paid to PERA subsequent to the measurement date	274,568	-
Total	\$ 1,348,077	\$ 1,706,860

The \$274,568 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 ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ 149,791
2025	(781,564)
2026	110,267
2027	(111,845)
Total	\$ (633,351)

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

**Police and Fire Fund Pension Costs**

At December 31, 2023, the City reported a liability of \$5,831,640 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.3377% at the end of the measurement period and 0.3419% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,983,946.

City's proportionate share of the net pension liability	\$ 5,831,640
State of Minnesota's proportionate share of the net pension liability associated with the City	152,306
Total	\$ 5,983,946

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$1,686,807 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized (\$14,148) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$32,121 for the year ended December 31, 2023, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,613,252	\$ -
Changes in actuarial assumptions	6,814,547	8,200,236
Net collected difference between projected actual investment earnings	-	232,035
Changes in proportion	63,318	231,036
Contributions paid to PERA subsequent to the measurement date	383,924	-
Total	\$ 8,875,041	\$ 8,663,307

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

**Police and Fire Fund Pension Costs (Continued)**

The \$383,924 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 ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ 261,895
2025	34,661
2026	1,406,483
2027	(397,895)
2028	(1,477,334)
Total	\$ (172,190)

**E. Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of 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	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% 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 PERA's experience.

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

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

**General Employees Fund**

**Changes in Actuarial Assumptions**

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

**Changes in Plan Provisions**

- ◆ An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Police and Fire Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

**G. Discount Rate**

The discount rate used for the General Employees Plan used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees and Police and Fire Plans 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.



**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**H. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (6%)	Current Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's proportionate share of the General Employees Fund net pension liability	\$ 9,120,884	\$ 5,155,721	\$ 1,894,223
	1% Decrease in Discount Rate (6%)	Current Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 11,570,669	\$ 5,831,640	\$ 1,113,390

**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).

**Public Employees Defined Contribution Plan (Defined Contribution Plan)**

The City has City Council members that are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**I. Pension Plan Fiduciary Net Position (Continued)**

**Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)**

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes* Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2023 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 3,490	\$ 3,490	5%	5%	5%

**NOTE 11 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The City's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are accumulated in a trust.

**B. Benefits Provided**

Retirees receiving benefits contribute 100% of their premium costs, except those receiving disability benefits. Retirees and their spouses contribute to the health care plan at the same rate as active employees.

**C. Contributions**

Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For 2023, the City contributed \$85,174 for retirees receiving health care benefits.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 11 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**D. Members**

As of December 31, 2021, the following were covered by the benefit terms:

Active employees electing coverage	106
Active employees waiving coverage	21
Retirees electing coverage	7
Total	134

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation measured as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	1.84% net of investment expense
Salary increases	3.00% including inflation
Inflation	2.50%
Healthcare cost trend increases	7.5% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2075 and later years.
 Mortality assumption	 Pub-2010 General (General) and Public Safety (Police and Fire) mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The discount rate used to measure the total OPEB liability was 4.05% based on 20-year municipal bond rates.

**F. Total OPEB Liability**

The City's total OPEB liability of \$1,878,073 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2021.

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 11 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2023	\$ 2,248,719
Changes for the year	
Service cost	157,490
Interest	43,489
Differences between expected and actual economic experience	5,624
Employer contributions	-
Changes of assumptions	(491,864)
Benefit payments	(85,384)
Net changes	<u>(370,645)</u>
Balances at December 31, 2023	<u>\$ 1,878,074</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 1.84% in 2022 to 4.05% in 2023.

The General Fund, and the Water, Sewer, and Storm Water Enterprise Funds typically liquidate the liability related to OPEB.

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 4.05% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

<u>Total OPEB Liability</u>		
<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Current Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
\$ 2,082,435	\$ 1,878,074	\$ 1,699,121

**City of Faribault**  
**Notes to Basic Financial Statements**

**NOTE 11 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity (Continued)**

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% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability		
1% Decrease in Trend Rate (6.5% Decreasing to 2.9%)	Current Trend Rate (7.5% Decreasing to 3.9%)	1% Increase in Trend Rate (8.5% Decreasing to 4.9%)
\$ 1,626,658	\$ 1,878,074	\$ 2,179,673

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2023, the City recognized OPEB expense of \$160,211. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 82,001
Changes of assumptions	526,281	438,342
Contributions between measurement date and reporting date	85,384	-
Total	\$ 611,665	\$ 520,343

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 11 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)**

The amount of \$85,384 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending December 31,	Total
2024	\$ 663
2025	663
2026	739
2027	1,073
2028	1,420
Thereafter	1,380
Total	\$ 5,938

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

The City participates in various jointly governed organizations that generally have separate governing boards composed of representative of each member organization. During 2023, the City did not have any related party transactions involving the jointly governed organizations. The City participated in the following jointly governed organizations in 2023:

- ◆ Cannon River Drug and Violent Offender Task Force (CRDVOTF)
- ◆ Dakota County Multi-Agency Assistance Group (DCMAAG)
- ◆ Consolidated Public Safety Answering Point

The City does not have a significant ongoing financial interest or responsibility with these organizations. The financial statements for the jointly governed organization can be obtained by contacting the City at City Hall, 208 NW 1st Avenue, Faribault, Minnesota, 55021-5105.

**NOTE 13 - COMMITTED CONTRACTS**

At December 31, 2023, the City had commitments of \$2,245,849 for ongoing construction contracts that have not been completed.

**NOTE 14 - CONTINGENT LIABILITIES**

The Housing and Redevelopment Authority (HRA) in the course of business has obtained various deferred loans from governmental agencies. Generally, the entire loan amounts will be forgiven unless the HRA defaults on the conditions noted in the deferred loan agreements. HRA management has indicated that their intent is to meet their conditions. The deferred loans are not recorded as a liability in the HRA's financial statements; however, if the HRA were to default, the unforgiven portion would have to be repaid to the original funding source.

**City of Faribault  
Notes to Basic Financial Statements**

**NOTE 15 - CONDUIT DEBT**

The City of Faribault issued a Tax-Exempt Refunding Note, Series 2022 for Shattuck St. Mary's to refinance the Taxable Refunding Note, Series 2021. The note is secured by the property financed and is payable solely from private sector entity revenues. Upon repayment of the note, ownership of the acquired facilities transfers to the private-sector entity served by the note issuance. Neither the City of Faribault or the State of Minnesota, or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2023, the \$24,300,000 Series 2022 Note remains outstanding.

**PROPOSAL FORM**

TO: City of Faribault, 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: April 22, 2025

For all or none of the \$6,980,000\* General Obligation Water Revenue Bonds, Series 2025A, in accordance with the Notice of Sale, we will pay you \$ \_\_\_\_\_, (not less than \$6,882,280) plus accrued interest, if any, to date of delivery (estimated to be May 22, 2025) for fully registered Bonds bearing interest rates and maturing on December 15 as follows:

<u>Year</u>	<u>Interest</u>		<u>Year</u>	<u>Interest</u>		<u>Year</u>	<u>Interest</u>	
	<u>Rate</u>	<u>Yield</u>		<u>Rate</u>	<u>Yield</u>		<u>Rate</u>	<u>Yield</u>
2026	____%	____%	2033	____%	____%	2040	____%	____%
2027	____%	____%	2034	____%	____%	2041	____%	____%
2028	____%	____%	2035	____%	____%	2042	____%	____%
2029	____%	____%	2036	____%	____%	2043	____%	____%
2030	____%	____%	2037	____%	____%	2044	____%	____%
2031	____%	____%	2038	____%	____%	2045	____%	____%
2032	____%	____%	2039	____%	____%			

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 Faribault, Minnesota at 6:00 PM on April 22, 2025.

\_\_\_\_\_  
 Administrator

\_\_\_\_\_  
 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.