

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2014

PREPARED BY:

FINANCE DEPARTMENT

PAUL HOYE  
Finance Director

Member GFOA of U.S. and Canada  
Published April 29, 2015

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**INTRODUCTORY SECTION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014



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CITY OF FAIRMONT – P.O. Box 751 – 100 Downtown Plaza – Fairmont, MN 56031  
www.fairmont.org ♦ citygov@fairmont.org

Phone (507) 238-9461

Fax (507) 238-9469

April 29, 2015

Honorable Mayor and City Council  
City of Fairmont  
Fairmont, Minnesota 56031

Honorable Mayor and City Council:

In accordance with the City Charter and State law, I hereby transmit this detailed Comprehensive Annual Financial Report of the City of Fairmont for the year ended December 31, 2014.

Management believes that the data as presented is accurate in all material aspects; and that it is presented in a manner designed to fairly set forth the financial position of the City.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. The City has placed an emphasis on and has been re-evaluating its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The report has been prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board, the Government Finance Officers Association of the United States and Canada, the American Institute of Certified Public Accountants and the State Auditor's Office of the State of Minnesota, as required by Minnesota Laws 1978, Chapter 787.

Preparation of this report could not be accomplished without the dedicated effort of the Finance Department and support services staff. Their efforts towards upgrading the accounting and financial reporting system of the City have led substantially to the improved quality of information being reported to the City Council, State and Federal agencies, investors and creditors and the citizens of the City of Fairmont.

Respectfully submitted,

City of Fairmont

Mike Humpal, CEcD  
City Administrator

MH/sko  
Encls.

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Phone (507) 238-9461

Fax (507) 238-9469

April 29, 2015

To The Honorable Mayor and City Council  
City of Fairmont  
Fairmont, Minnesota 56031

Honorable Mayor and City Council:

Submitted herewith is the Comprehensive Annual Financial Report of the City of Fairmont, Minnesota (the City), for the fiscal year ended December 31, 2014. This report was prepared by the City's Finance Division. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with the City. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally accepted accounting principles (GAAP) require management provide a narrative introducing 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's MD&A can be found immediately following the report of the independent auditors.

#### **THE REPORTING ENTITY AND ITS SERVICES**

This report includes all of the funds of the City. It includes all activities considered by generally accepted accounting principles to be part of (controlled by or dependent on) the City. This report also includes activities of the Fairmont Economic Development Authority.

Independent School District 2752 is an independent district and not part of the City. Financial data for it is not included in the financial statements in this report. Audited financial statements for the district are available upon request at its business office in Fairmont.

The Housing and Redevelopment Authority of Fairmont (HRA) is considered to be a separate government. The City does not review or approve the budget. Financial data for it is not included in the financial statements in this report. Audited financial statements are available upon request at its business office in Fairmont.

The pension fund for Fairmont's Volunteer Fire Department is administered through their relief association. This association is self-governing with their own Boards of Trustees, by-laws, and officers. Financial data for the pension fund is not included in the financial statements in this report. A financial statement and actuarial information are available upon request.

The City provides the full range of municipal services prescribed by statute or charter. This includes public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. The City also provides enterprise activities including electricity, water and sewer, parking lots, and operates a municipal off sale liquor store.

## **BUDGETARY CONTROL**

Budgetary control is maintained in compliance with the City's Charter requirements. The budget process is focused on the balancing of anticipated revenues and appropriations. The flexibility needed to control and protect the various funds comes from a monthly monitoring of the accounting records to show adequate revenue sources for anticipated expenditures. This monthly monitoring process prevents expenditures from being approved until it has been determined that adequate funds were appropriated, the expenditure is necessary and there are adequate funds available for support.

## **ECONOMIC CONDITION AND OUTLOOK**

- The City of Fairmont is located along the southern border of Minnesota at State Highway 15 and Interstate I-90 in a largely agricultural area. Although the population declined slightly over the last ten years, the number of households has increased. The economy of Fairmont consists of large and small industry and commerce. The industries are diversified between food processors, plastics and a variety of other products. The local agricultural economy has been boosted by a major expansion into Fairmont by CHS, Inc. The construction and operation of the soybean crushing facility in Fairmont has significantly increased the value of the local soybean crop. The state's first 100 million gallon ethanol plant has been constructed in Fairmont. This facility will significantly raise corn prices for area farmers and has created 57 new jobs. The City's financial base is currently sound with taxable market values increasing 7.9% in 2014. With the expiration of the JOBZ incentive with Green Plains and continued development within the City, we expect to see a solid increase in valuation in 2015. Unemployment rates have remained below average compared to the national level at 4.1% compared to 3.6% for Minnesota and 5.4% nationally. The health care industry in Fairmont is providing significant support for our economy. In addition to the Mayo Health System, the Center for Specialty Care is thriving and Dulcimer Medical Center continues to grow and add staff.
- Long term financial planning is a very important function of the City. The City has established a general fund balance of 55-65% of expenditures and has consistently been above this limit. This has allowed the City to continue to fund capital expenditures without issuing debt or raising taxes. It has also given the City a cushion for economic changes that are outside its control. The favorable fund balance has also been a positive factor in the City's bond rating.
- The City Council has also developed a program of eliminating blighted housing within the City. Starting in 2008 the City had a goal to budget \$42,500 per year which would clean up five properties a year. Not only has this program helped with the aesthetics of the City, it has maintained and increased valuations within the City.

## **MAJOR INITIATIVES**

For the year -

The City of Fairmont's Economic Development Authority approved a loan through the Revolving Loan Fund program to the Fairmont Theatre in the amount of \$75,000. The loan proceeds were used for equipment and leasehold improvements necessary for the project. As a result, the City of Fairmont will now be home to the Fairmont Theatre, which will provide the Fairmont Area with entertainment and employ at least 7 full time equivalent jobs.

The EDA also approved a loan to an existing business, Kandy Concepts, Inc, in the amount of \$9,000. The business will relocate to Fairmont and is expected to create 3 part time employees, while retaining their current employees of 1.5 full time equivalent jobs.

Building permits issued in 2014 show a private investment of \$780,000 by Sweet Financial which resulted in the construction of a 1,330 sq ft addition and patio remodel of their current office building. Another permit was obtained for a new O'Reilly Auto Parts store that resulted in the private investment of \$605,750. CHS expanded their business by constructing and installing a compressed natural gas fueling station which cost approximately \$425,000.

For the future -

Infrastructure improvement continues to be a community priority. Nearly \$2.5 million of street improvements and \$350,000 in lake channel improvements are planned for 2015. The City Council held a budget and goal setting session in 2014 to set improvement goals for the upcoming year. Projects include improvements to the Cedar Park shelter house, lighting projects at the soccer and ball diamond complexes, a walking path at the soccer complex and construction of a new dog park. The Council also allocated funds to continue a program of eliminating blighted housing within the community.

The City of Fairmont has been working with two developers who are looking at utilizing tax increment financing (TIF) in 2015. Without the full details of the projects, it is difficult to project the job creation or tax base creation these projects will stimulate. There are also a number of businesses looking at expansion within the next three years. The City continues to be supportive of economic development, as they budgeted for a full time Economic Development Coordinator to be hired in 2015.

### **INTERNAL ACCOUNTING CONTROLS**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- 1) the safeguarding of assets against loss from unauthorized use or disposition, and;
- 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- 1) cost of the control should not exceed the benefits likely to be derived, and;
- 2) evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **FINANCIAL POLICIES**

The City has set a general fund balance requirement in the range of 55-65% of General fund expenditures. The City has consistently been able to maintain fund balances within or above this range and as of December 31, 2014 the General fund balance was 66.9% of General fund expenditures. Council and staff feel that it is important to maintain these balances which will help the City maintain its Aa3 rating with Moody's reducing future borrowing costs, allow for unforeseen expenditures and act as an insurance policy for future State aid reductions.

Financial planning for the City of Fairmont is also based upon the five year Capital Improvement Program. The Capital Improvement Program is reviewed and updated each year during the budget process. The Capital Improvement Program includes projects for which the City must issue debt and/or assess portions of the cost to adjacent or benefited property owners. Because the Council has set limits upon the funds available each year and the City does not wish to issue excessive amounts of debt, these projects need to be reviewed annually, and on occasion reprioritized.

## **INDEPENDENT AUDIT**

State law requires an annual audit of the City's financial records and transactions supporting the financial statements. This requirement has been complied with and the auditors' opinion has been included in this report.

The accompanying financial statements have been examined by Abdo, Eick & Meyers, LLP independent certified public accountants. The firm is engaged by the City Council to render an opinion on the City's financial statements in accordance with generally accepted auditing standards.

The City Council is responsible for:

- 1) assuring that the City administration fulfills its responsibilities in the preparation of the financial statements, and;
- 2) engaging the independent public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial report.

To ensure complete independence, Abdo, Eick and Meyers, LLP has full and free access to meet with the City Council to discuss the results of their audit and their assessment of the adequacy of internal accounting controls and the quality of financial reporting.

## **CERTIFICATE OF ACHIEVEMENT**

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 Fairmont for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Fairmont has received a Certificate of Achievement for the last twenty-three (23) consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without efficient and dedicated services of the entire staff of the Finance Department and support services staff. I would like to express my appreciation to all members of the departments who assisted and contributed to its preparation. I would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

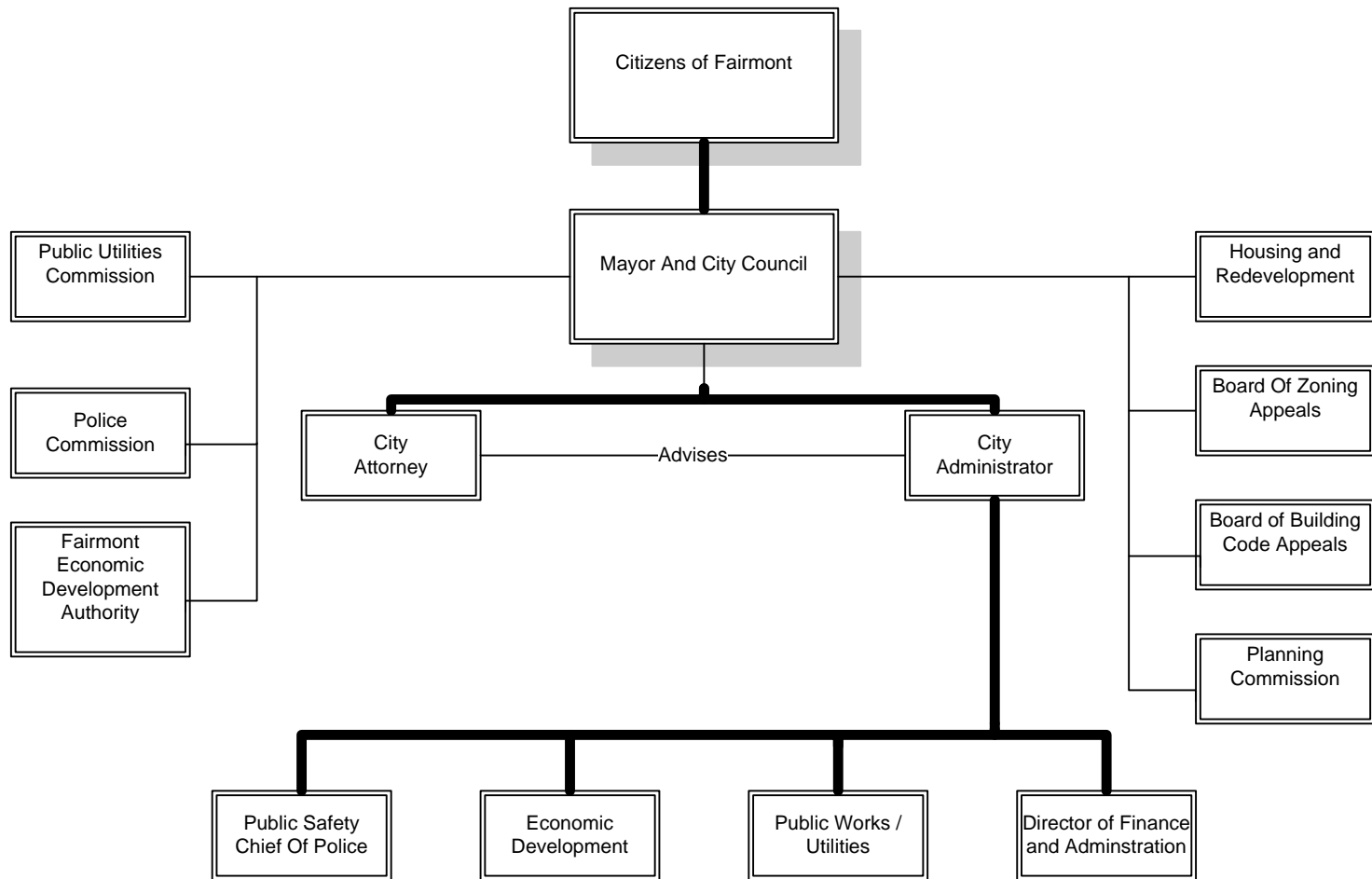
A handwritten signature in blue ink, appearing to read "Paul Hoyer".

City of Fairmont  
Paul Hoyer  
Finance Director



CITY OF FAIRMONT  
FAIRMONT, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Randy Quiring	12/31/14
Council Members	Chad Askeland	12/31/16
	Joe Kalemeyen	12/31/14
	Terry Anderson	12/31/14
	Wes Clerc	12/31/16
	Darin Rahm	12/31/14
City Administrator	Michael Humpal	
Finance Director	Paul Hoyer	
City Clerk	Patty Monsen	
Director of Public Works and Public Utilities	Troy Nemmers	
City Attorney	Elizabeth W. Bloomquist	
Chief of Police	Greg Brolsma	





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Fairmont  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



**FINANCIAL SECTION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Fairmont, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairmont, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2013 financial statements and, in our report dated May 23, 2014, we expressed unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 and the Schedule of Funding Progress on page 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

### *Other Information*

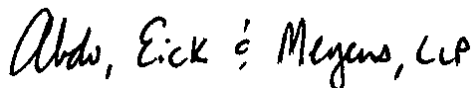
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections and the combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 29, 2015

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## Management's Discussion and Analysis

As management of the City of Fairmont, 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$106,064,834 (*net position*). Of this amount, \$19,147,544 (*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 \$4,591,772, compared to an increase of \$6,873,032 in the previous year. The increase in net position is attributed to capital grants and contributions and continued strong performance of the City's enterprise funds specifically the Water, Wastewater, Electric and Municipal Liquor funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,472,894, a decrease of \$2,751,839 in comparison with the prior year. This decrease is mainly the result of refunding debt payments of \$2,980,000 during the year. Unassigned fund balance at year end is \$3,296,631. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$3,200), 2) restricted (\$10,843,720), 3) committed (\$1,457,601), or 4) assigned (\$1,871,742) for the purposes described in Note 3F in the notes to the financial statements.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City’s Annual Financial Report**

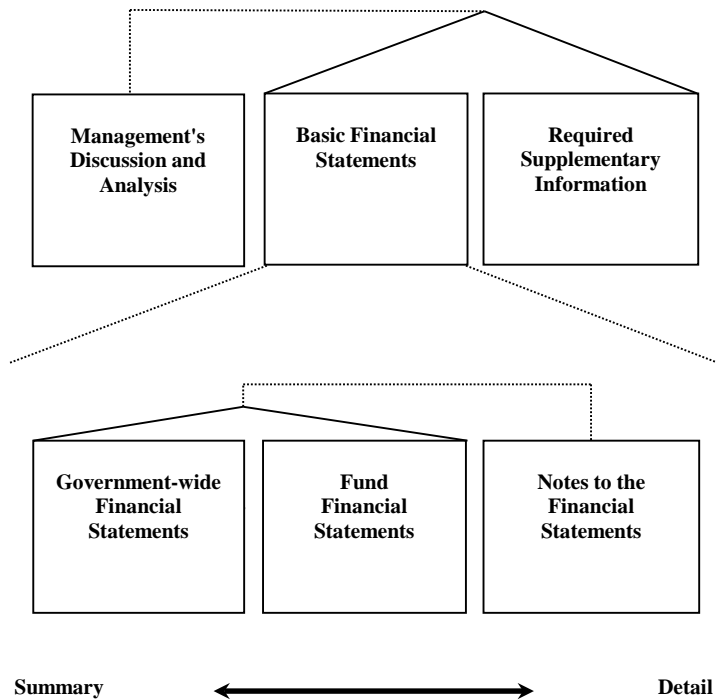


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**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 and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (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, highway and streets, sanitation and waste removal, housing development, economic development, and culture and recreation. The business-type activities of the City include electric, water, wastewater, and storm sewer utilities. They also include a municipal liquor store and off street parking.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Fairmont Economic Development Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 37 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 government, 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 fund.** *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 28 individual governmental funds, 10 of which are Debt Service funds, which are reported as one fund for reporting purposes. 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, Debt Service and the 2014 Capital Improvements funds, 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* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 44 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 electric, water, wastewater, storm sewer, liquor store and parking lots. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance of its fleet of vehicles, for its management information systems, and self-insurance funds. Because all of these services benefit both governmental and business-type functions, they have been allocated between the *governmental activities* and the *business-type activities* in the government-wide financial statements.

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 each of the enterprise funds which are considered to be major funds of the City. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 52 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements 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 starting on page 72 of this report.

**Notes to the 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 financial statements can be found starting on page 73 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund financial statements and schedules can be found starting on page 109 of this report.

## 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 \$106,064,834 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (70.2 percent) 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.

### City of Fairmont's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	\$ 22,157,067	\$ 25,389,553	\$ (3,232,486)	\$ 16,105,613	\$ 14,457,209	\$ 1,648,404
Capital assets	53,371,835	52,924,727	447,108	68,885,641	68,510,850	374,791
Total assets	75,528,902	78,314,280	(2,785,378)	84,991,254	82,968,059	2,023,195
Long-term liabilities						
outstanding	16,132,279	20,859,310	(4,727,031)	35,717,098	36,327,588	(610,490)
Other liabilities	797,043	929,956	(132,913)	1,808,902	1,692,423	116,479
Total liabilities	16,929,322	21,789,266	(4,859,944)	37,526,000	38,020,011	(494,011)
Net position						
Net investment of						
capital assets	40,809,596	38,956,915	1,852,681	33,735,220	32,805,088	930,132
Restricted	12,372,474	9,957,243	2,415,231	-	-	-
Unrestricted	5,417,510	7,610,856	(2,193,346)	13,730,034	12,142,960	1,587,074
Total net position	\$ 58,599,580	\$ 56,525,014	\$ 2,074,566	\$ 47,465,254	\$ 44,948,048	\$ 2,517,206

An additional portion of the City's net position (11.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (18.1 percent) 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.

**Governmental activities.** Governmental activities increased the City's net position by \$2,074,566. The primary reason for the increase in net position was a result of capital grants and contributions from the State for MSA construction projects. Key elements of this increase are as follows:

### City of Fairmont's Changes in Net Position

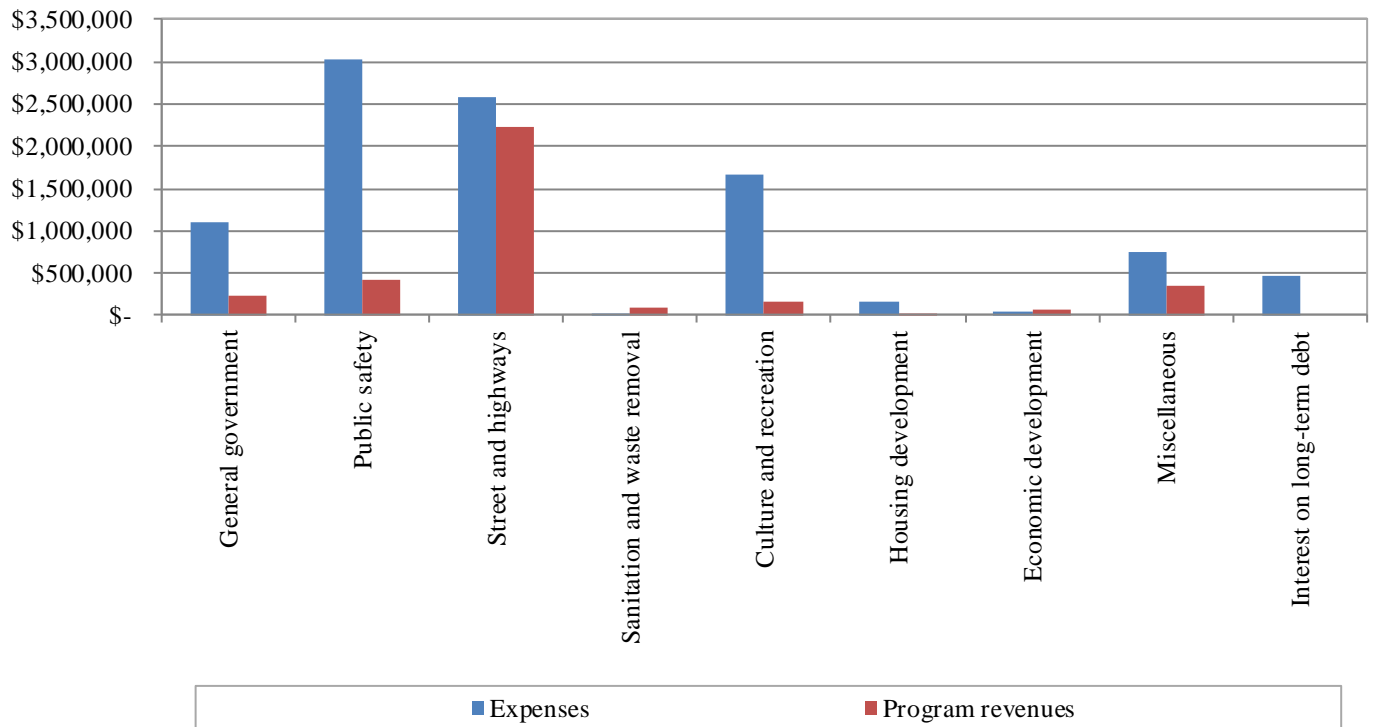
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,252,695	\$ 967,173	\$ 285,522	\$ 24,708,256	\$ 24,557,338	\$ 150,918
Operating grants and contributions	285,926	407,550	(121,624)	-	-	-
Capital grants and contributions	2,031,172	6,144,669	(4,113,497)	7,429	200,172	(192,743)
General revenues						
Property taxes/tax increments	3,275,002	3,128,768	146,234	-	-	-
Other taxes	36,927	36,205	722	-	-	-
Grants and contributions not restricted to specific programs	3,789,473	3,918,992	(129,519)	-	-	-
Unrestricted investment earnings (loss)	173,515	(13,861)	187,376	61,677	37,807	23,870
Other	103,001	20,045	82,956	-	-	-
Total revenues	10,947,711	14,609,541	(3,661,830)	24,777,362	24,795,317	(17,955)
Expenses						
General government	1,110,741	1,226,415	(115,674)	-	-	-
Public safety	3,035,606	3,210,448	(174,842)	-	-	-
Streets and highways	2,570,295	3,286,029	(715,734)	-	-	-
Sanitation and waste removal	10,311	11,916	(1,605)	-	-	-
Culture and recreation	1,675,179	1,451,745	223,434	-	-	-
Housing development	156,352	76,316	80,036	-	-	-
Economic development	55,594	157,187	(101,593)	-	-	-
Miscellaneous	760,332	573,647	186,685	-	-	-
Interest on long-term debt	463,367	674,487	(211,120)	-	-	-
Electric	-	-	-	13,618,931	13,983,971	(365,040)
Water	-	-	-	2,488,631	2,675,602	(186,971)
Wastewater	-	-	-	1,811,164	1,932,731	(121,567)
Storm sewer	-	-	-	421,155	367,738	53,417
Liquor	-	-	-	2,950,980	2,898,764	52,216
Parking lot	-	-	-	4,663	4,830	(167)
Total expenses	9,837,777	10,668,190	(830,413)	21,295,524	21,863,636	(568,112)
Change in net position before transfers	1,109,934	3,941,351	(2,831,417)	3,481,838	2,931,681	550,157
Transfers	964,632	1,128,562	(163,930)	(964,632)	(1,128,562)	163,930
Change in net position	2,074,566	5,069,913	(2,995,347)	2,517,206	1,803,119	714,087
Net position - January 1	56,525,014	51,455,101	5,069,913	44,948,048	43,144,929	1,803,119
Net position - December 31	\$ 58,599,580	\$ 56,525,014	\$ 2,074,566	\$ 47,465,254	\$ 44,948,048	\$ 2,517,206

Property tax levies increased by 4.7 percent during the year. The increase was used for operating costs, capital replacement and set aside for future capital replacement in the General fund.

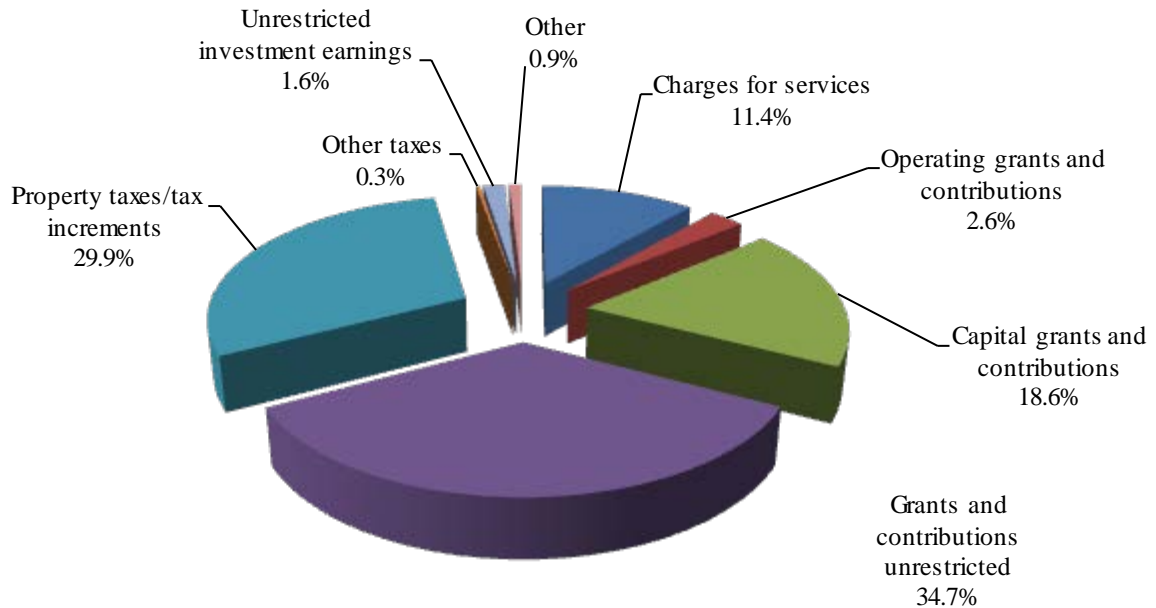


The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues – Governmental Activities



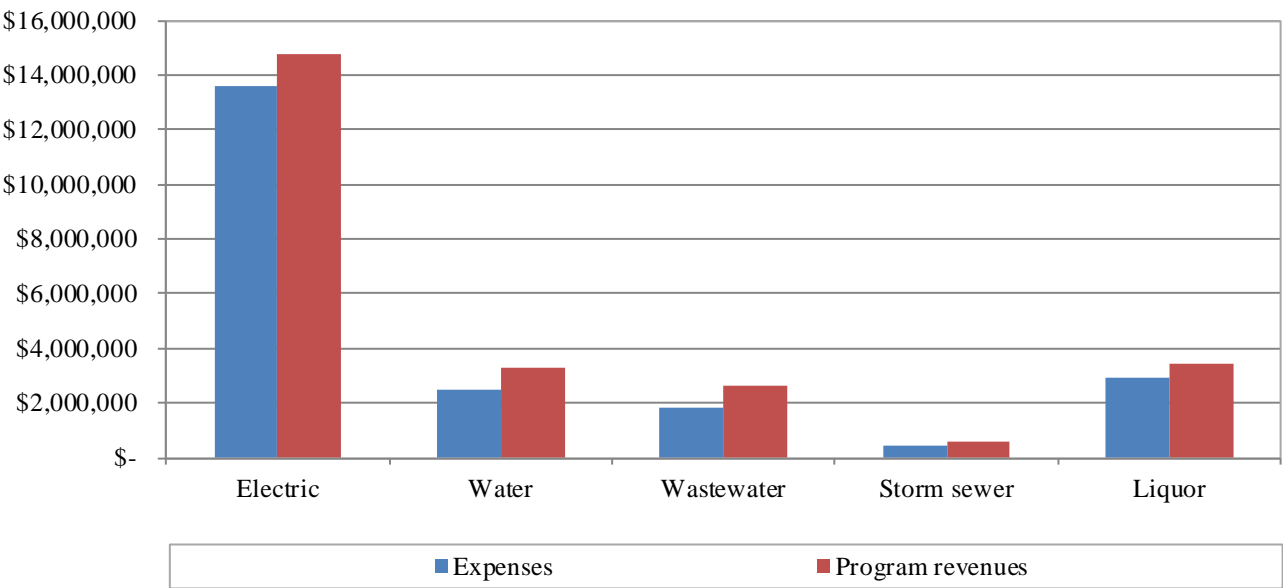
### Revenues by Source



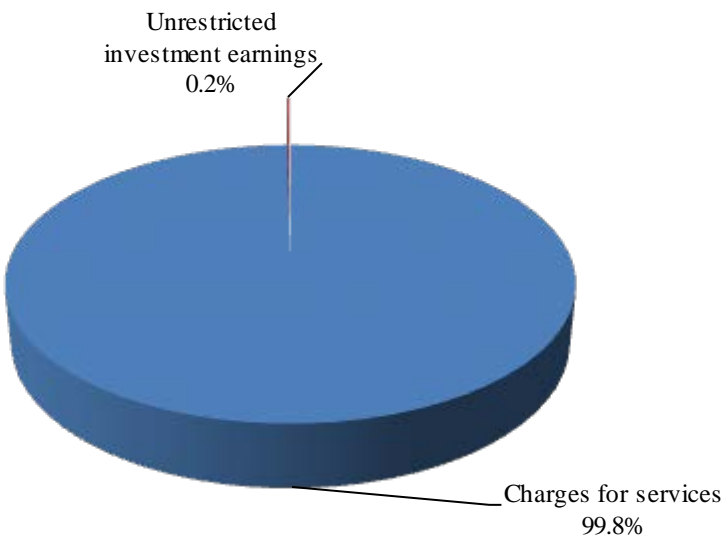
**Business-type activities.** Business-type activities increased the City’s net position by \$2,517,206. Key elements of this increase are as follows:

- PUC operating income of \$3,529,364.
- Overall expenses decreased by \$568,112.
- Investment earnings increased by \$23,870 from the prior year.

**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source**



## 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.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$5,307,359. As a measure of the General fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance was \$3,406,365, or 47.0 percent of total General fund expenditures, while total fund balance represents 73.2 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$752,346 during the current fiscal year. Contributing factors to the increase are actual expenditures under budget of \$476,440 and investment earnings exceeded the budget by \$60,989.

The Debt Service fund has a total fund balance of \$7,182,628, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$3,311,645. The major reason for the decrease is that the City retired \$2,980,000 of refunded debt from escrow funds.

The 2014 Capital Improvements fund has a fund balance of \$114,131 at year end. This project is being funded by State MSA construction grants.

**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 enterprise funds at the end of the year amounted to \$13,670,272, of which \$10,719,896 was for the Public Utilities Commission fund, \$1,506,284 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,442,089. The total increase in net position for the enterprise funds was \$2,539,623. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Actual revenues exceeded budgeted by \$204,398 and actual expenditures were under budget by \$476,440 in 2014. The primary reasons for the variances are as follows:

- Miscellaneous and intergovernmental revenues were over budget by \$50,429 and \$53,247, respectively.
- Investment earnings were over budget by \$60,989.
- General government expenditures were under budget by \$158,619.
- Public safety expenditures were under budget by \$89,964.
- Public works expenditures were under budget by \$167,866.
- Culture and recreation expenditures were under budget by \$203,093.
- Capital outlay expenditures were over budget by \$141,141.

## 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, 2014, amounts to \$122,257,476 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Several street improvement projects were completed in 2014 including Albion Ave.
- Began construction on Birds Bridge channel improvements.
- Construction continued on the new Water Plant.
- Construction continued on a new sports complex, Winnebago Ball Diamonds.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Completed a HVAC project at the Library
- Added new playground equipment to Ward Park.

Additional information on the City's capital assets can be found in Note 3C starting on page 85 of this report.

### City of Fairmont's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and structures	5,800,406	5,940,639	(140,233)	31,289,015	9,663,958	21,625,057
Improvement other than buildings	5,221,374	5,389,343	(167,969)	30,337,463	19,555,143	10,782,320
Machinery and equipment	855,977	661,622	194,355	5,540,448	5,844,451	(304,003)
Vehicles	387,487	442,626	(55,139)	-	-	-
Infrastructure	27,547,824	28,658,112	(1,110,288)	-	-	-
Construction in progress	9,609,289	7,882,907	1,726,382	-	31,728,583	(31,728,583)
Total	<u>\$ 53,371,835</u>	<u>\$ 52,924,727</u>	<u>\$ 447,108</u>	<u>\$ 68,885,641</u>	<u>\$ 68,510,850</u>	<u>\$ 374,791</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$50,560,421. Of this amount, \$15,410,000 is special assessment debt and \$35,150,421 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Fairmont's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
G.O. improvement bonds	\$ 15,410,000	\$ 20,060,000	\$ (4,650,000)	\$ -	\$ -	\$ -
G.O. revenue bonds	-	-	-	35,150,421	35,705,762	(555,341)
Total	<u>\$ 15,410,000</u>	<u>\$ 20,060,000</u>	<u>\$ (4,650,000)</u>	<u>\$ 35,150,421</u>	<u>\$ 35,705,762</u>	<u>\$ (555,341)</u>

The City's total debt decreased by \$5,205,341 (9.3 percent) during the current fiscal year. The key factor in this decrease was the issuance of \$1,034,659 in new long-term debt and the retirement of long-term debt of \$6,240,000, including \$2,980,000 paid on refunded debt from escrow funds.

The City maintains an "AA3 rating from Moody's for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent 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 \$18,517,473. The City currently has no outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3E starting on page 90 of this report.

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

- The unemployment rate for Martin County in December 2014 was 4.1 percent, which is a decrease from 4.5 percent a year ago. The rate is higher than the average of 3.6 percent for the State but lower than the national average rate of 5.4 percent.
- Property valuations within the City remain strong and increased 7.9% in 2014.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

- Property taxes will increase in 2015 by 3.0 percent. The tax increase will provide an additional \$99,321 for operations of our governmental services and for capital expenditures. The increase will also facilitate the Council's five year plan to upgrade the City's park and trail system and its' plan to address dilapidated housing in some areas of the community. The City's share of property taxes is low when compared to similar sized cities throughout the State.
- 2015 water and wastewater rates will remain at the 2014 levels. The City completed a cost of service study on electric rates and the study calls for a 2.0 percent increase in 2015.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in 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 Finance Director, City of Fairmont, 100 Downtown Plaza, Fairmont, Minnesota, 56031.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014



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CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,682,706	\$ 11,802,789	\$ 27,485,495	\$ 279,731
Escrowed investments	2,577,972	-	2,577,972	-
Receivables				
Interest	43,812	-	43,812	-
Delinquent taxes	111,392	-	111,392	3,592
Accounts, net of allowance for doubtful accounts	48,672	2,821,724	2,870,396	482
Notes	898,685	-	898,685	41,661
Special assessments	2,870,766	6,741	2,877,507	-
Intergovernmental	408,644	-	408,644	864
Due from component unit	6,461	-	6,461	-
Internal balances	(495,243)	495,243	-	-
Inventories	-	732,173	732,173	-
Prepaid items	3,200	1,175	4,375	-
Unamortized maintenance charges	-	245,768	245,768	-
Capital assets				
Nondepreciable	13,558,767	1,718,715	15,277,482	-
Depreciable, net of accumulated depreciation	39,813,068	67,166,926	106,979,994	-
<b>TOTAL ASSETS</b>	<b>75,528,902</b>	<b>84,991,254</b>	<b>160,520,156</b>	<b>326,330</b>
<b>LIABILITIES</b>				
Accounts and contracts payable	587,225	1,289,368	1,876,593	2,241
Due to primary government	-	-	-	6,421
Due to other governments	718	82,130	82,848	-
Accrued interest payable	113,430	272,354	385,784	-
Accrued salaries and vacation payable	76,194	54,637	130,831	81
Deposits payable	-	107,553	107,553	1,561
Unearned revenue	19,476	2,860	22,336	-
Noncurrent liabilities				
Due within one year	1,344,110	1,783,355	3,127,465	1,899
Due in more than one year	14,788,169	33,933,743	48,721,912	14,788
<b>TOTAL LIABILITIES</b>	<b>16,929,322</b>	<b>37,526,000</b>	<b>54,455,322</b>	<b>26,991</b>
<b>NET POSITION</b>				
Net investment in capital assets	40,916,624	33,735,220	74,651,844	-
Restricted for				
Debt service	7,281,581	-	7,281,581	-
Capital projects	1,695,846	-	1,695,846	-
Housing and economic development	1,592,173	-	1,592,173	-
Unrestricted	5,417,510	13,730,034	19,147,544	299,339
<b>TOTAL NET POSITION</b>	<b>\$ 58,599,580</b>	<b>\$ 47,465,254</b>	<b>\$ 106,064,834</b>	<b>\$ 299,339</b>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,110,741	\$ 223,894	\$ -	\$ -
Public safety	3,035,606	173,616	245,945	-
Streets and highways	2,570,295	1,177	29,085	2,206,496
Sanitation and waste removal	10,311	98,879	-	-
Culture and recreation	1,675,179	167,287	-	-
Housing development	156,352	7,585	-	-
Economic development	55,594	68,833	-	-
Airport and lake restoration	760,332	511,424	10,896	(175,324)
Interest on long-term debt	463,367	-	-	-
Total governmental activities	9,837,777	1,252,695	285,926	2,031,172
Business-type activities				
Electric	13,618,931	14,742,850	-	-
Water	2,488,631	3,299,993	-	4,791
Wastewater	1,811,164	2,630,675	-	2,638
Storm sewer	421,155	583,369	-	-
Liquor	2,950,980	3,446,532	-	-
Parking lot	4,663	4,837	-	-
Total business-type activities	21,295,524	24,708,256	-	7,429
Total primary government	\$ 31,133,301	\$ 25,960,951	\$ 285,926	\$ 2,038,601
Component unit				
Economic development	\$ 129,980	\$ 26,427	\$ 81,000	\$ -
General revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, January 1				
Net position, December 31				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (886,847)		\$ (886,847)	
(2,616,045)		(2,616,045)	
(333,537)		(333,537)	
88,568		88,568	
(1,507,892)		(1,507,892)	
(148,767)		(148,767)	
13,239		13,239	
(413,336)		(413,336)	
(463,367)		(463,367)	
(6,267,984)		(6,267,984)	
	\$ 1,123,919	1,123,919	
	816,153	816,153	
	822,149	822,149	
	162,214	162,214	
	495,552	495,552	
	174	174	
	3,420,161	3,420,161	
(6,267,984)	3,420,161	(2,847,823)	
			\$ (22,553)
2,153,651	-	2,153,651	101,191
1,094,331	-	1,094,331	-
27,020	-	27,020	-
36,927	-	36,927	-
3,789,473	-	3,789,473	-
173,515	61,677	235,192	1,648
33,339	-	33,339	-
69,662	-	69,662	-
964,632	(964,632)	-	-
8,342,550	(902,955)	7,439,595	102,839
2,074,566	2,517,206	4,591,772	80,286
56,525,014	44,948,048	101,473,062	219,053
\$ 58,599,580	\$ 47,465,254	\$ 106,064,834	\$ 299,339

The notes to the financial statements are an integral part of this statement.

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**FUND FINANCIAL STATEMENTS**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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CITY OF FAIRMONT, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	General	Debt Service	2014 Capital Improvements
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,512,739	\$ 4,580,518	\$ 235,156
Escrowed investments	-	2,577,972	-
Receivables			
Interest	43,812	-	-
Delinquent taxes	69,390	40,206	-
Accounts	27,320	-	-
Loans	-	-	-
Special assessments	13,589	2,857,177	-
Intergovernmental	41,353	24,138	-
Due from other funds	-	7,513	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,708,203</u>	<u>\$ 10,087,524</u>	<u>\$ 235,156</u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 208,338	\$ -	\$ 121,025
Due to other funds	17,159	7,513	-
Due to other governments	718	-	-
Accrued salaries payable	72,174	-	-
Unearned revenue	19,476	-	-
<b>TOTAL LIABILITIES</b>	<u>317,865</u>	<u>7,513</u>	<u>121,025</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	69,390	40,206	-
Unavailable revenue - special assessments	13,589	2,857,177	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>82,979</u>	<u>2,897,383</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	7,182,628	114,131
Committed	134,658	-	-
Assigned	1,766,336	-	-
Unassigned	3,406,365	-	-
<b>TOTAL FUND BALANCES</b>	<u>5,307,359</u>	<u>7,182,628</u>	<u>114,131</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 5,708,203</u>	<u>\$ 10,087,524</u>	<u>\$ 235,156</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 4,229,037	\$ 14,557,450
-	2,577,972
-	43,812
1,796	111,392
21,352	48,672
898,685	898,685
-	2,870,766
343,153	408,644
-	7,513
3,200	3,200
<u>\$ 5,497,223</u>	<u>\$ 21,528,106</u>
\$ 175,039	\$ 504,402
450,263	474,935
-	718
1,349	73,523
-	19,476
<u>626,651</u>	<u>1,073,054</u>
1,796	111,392
-	2,870,766
<u>1,796</u>	<u>2,982,158</u>
3,200	3,200
3,546,961	10,843,720
1,322,943	1,457,601
105,406	1,871,742
(109,734)	3,296,631
<u>4,868,776</u>	<u>17,472,894</u>
<u>\$ 5,497,223</u>	<u>\$ 21,528,106</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF FAIRMONT, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

Amounts reported for governmental activities in the statement  
of net position are different because

Total fund balances - governmental funds	\$ 17,472,894
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	53,314,882
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	
Severance payable	(460,375)
Postemployment benefits other than pension obligation	(152,734)
Bonds payable	(15,410,000)
Bond premiums, net of accumulated amortization	(103,284)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	111,392
Special assessments receivable	2,870,766
Governmental funds do not report a liability for accrued interest until due and payable.	(113,430)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>1,069,469</u>
Total net position - governmental activities	<u><u>\$ 58,599,580</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Debt Service	2014 Capital Improvements
REVENUES			
Taxes	\$ 2,135,349	\$ 1,121,351	\$ -
Special assessments	-	674,620	-
Licenses and permits	149,066	-	-
Intergovernmental	4,040,912	-	1,764,926
Charges for services	340,403	-	-
Fines and forfeits	66,829	-	-
Investment earnings	90,989	46,760	-
Miscellaneous	170,223	-	-
TOTAL REVENUES	6,993,771	1,842,731	1,764,926
EXPENDITURES			
Current			
General government	1,041,291	-	-
Public safety	2,902,658	-	-
Streets and highways	1,391,988	-	-
Sanitation and waste removal	10,311	-	-
Culture and recreation	1,419,270	-	-
Housing and economic development	-	-	-
Miscellaneous	-	-	-
Capital outlay			
General government	50,831	-	-
Public safety	84,477	-	-
Streets and highways	133,409	-	1,640,577
Culture and recreation	211,484	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	4,650,000	-
Interest and other	-	504,376	-
TOTAL EXPENDITURES	7,245,719	5,154,376	1,640,577
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(251,948)	(3,311,645)	124,349
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	69,662	-	-
Transfers in	934,632	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,004,294	-	-
NET CHANGE IN FUND BALANCES	752,346	(3,311,645)	124,349
FUND BALANCES, JANUARY 1	4,555,013	10,494,273	(10,218)
FUND BALANCES, DECEMBER 31	\$ 5,307,359	\$ 7,182,628	\$ 114,131

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 50,562	\$ 3,307,262
-	674,620
-	149,066
(19,794)	5,786,044
328,220	668,623
-	66,829
28,021	165,770
259,622	429,845
<u>646,631</u>	<u>11,248,059</u>
-	1,041,291
-	2,902,658
-	1,391,988
-	10,311
-	1,419,270
262,042	262,042
566,190	566,190
-	50,831
-	84,477
106,943	1,880,929
-	211,484
58,345	58,345
-	4,650,000
-	504,376
<u>993,520</u>	<u>15,034,192</u>
<u>(346,889)</u>	<u>(3,786,133)</u>
-	69,662
55,000	989,632
(25,000)	(25,000)
<u>30,000</u>	<u>1,034,294</u>
(316,889)	(2,751,839)
<u>5,185,665</u>	<u>20,224,733</u>
<u>\$ 4,868,776</u>	<u>\$ 17,472,894</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statement  
of activities are different because

Net change in fund balances - governmental funds	\$ (2,751,839)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	2,266,317
Depreciation expense	(1,800,829)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	4,650,000
Amorization of premiums on bonds issued	8,565

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

32,444

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	4,667
Special assessments	(382,622)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	81,352
Post employment benefits other than pension costs	(18,330)

Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.

(15,159)

Change in net position - governmental activities	<u><u>\$ 2,074,566</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 2,114,714	\$ 2,114,714	\$ 2,135,349	\$ 20,635
Licenses and permits	168,200	168,200	149,066	(19,134)
Intergovernmental	3,987,665	3,987,665	4,040,912	53,247
Charges for services	292,000	292,000	340,403	48,403
Fines and forfeits	77,000	77,000	66,829	(10,171)
Investment earnings	30,000	30,000	90,989	60,989
Miscellaneous	119,794	119,794	170,223	50,429
TOTAL REVENUES	6,789,373	6,789,373	6,993,771	204,398
EXPENDITURES				
Current				
General government	1,199,910	1,199,910	1,041,291	158,619
Public safety	2,992,622	2,992,622	2,902,658	89,964
Streets and highways	1,559,854	1,559,854	1,391,988	167,866
Sanitation	8,350	8,350	10,311	(1,961)
Culture and recreation	1,622,363	1,622,363	1,419,270	203,093
Capital outlay				
General government	39,000	39,000	50,831	(11,831)
Public safety	103,060	103,060	84,477	18,583
Culture and recreation	159,000	159,000	133,409	25,591
Miscellaneous	38,000	38,000	211,484	(173,484)
TOTAL EXPENDITURES	7,722,159	7,722,159	7,245,719	476,440
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(932,786)	(932,786)	(251,948)	680,838
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	69,662	69,662
Transfers in	934,632	934,632	934,632	-
TOTAL OTHER FINANCING SOURCES (USES)	934,632	934,632	1,004,294	69,662
NET CHANGE IN FUND BALANCES	1,846	1,846	752,346	750,500
FUND BALANCES, JANUARY 1	4,555,013	4,555,013	4,555,013	-
FUND BALANCES, DECEMBER 31	\$ 4,556,859	\$ 4,556,859	\$ 5,307,359	\$ 750,500

The notes to the financial statements are an integral part of this statement.



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2014	2013	2014	2013
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,044,232	\$ 2,982,960	\$ 3,765,156	\$ 3,256,536
Receivables				
Accounts, net of allowance for doubtful accounts of \$64,602 and \$63,811	429,964	437,084	334,198	360,846
Special assessments - current	4,103	2,224	2,638	-
Due from other funds	-	-	-	-
Inventories	79,288	106,885	-	-
Prepaid items	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>3,557,587</b>	<b>3,529,153</b>	<b>4,101,992</b>	<b>3,617,382</b>
<b>NONCURRENT ASSETS</b>				
Unamortized maintenance charges	245,768	283,176	-	-
Capital assets				
Land	468,687	468,687	58,186	58,186
Buildings	21,860,466	-	11,012,034	11,012,034
Improvements other than buildings	-	-	-	-
Utility plant in service	19,096,064	7,953,811	7,279,577	7,159,919
Machinery and equipment	353,344	348,134	6,896,129	6,891,578
Construction in progress	-	31,728,583	-	-
<b>Total capital assets</b>	<b>41,778,561</b>	<b>40,499,215</b>	<b>25,245,926</b>	<b>25,121,717</b>
<b>Less accumulated depreciation</b>	<b>(3,243,644)</b>	<b>(3,080,947)</b>	<b>(9,448,049)</b>	<b>(8,844,457)</b>
<b>Total capital assets (net of accumulated depreciation)</b>	<b>38,534,917</b>	<b>37,418,268</b>	<b>15,797,877</b>	<b>16,277,260</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>38,780,685</b>	<b>37,701,444</b>	<b>15,797,877</b>	<b>16,277,260</b>
<b>TOTAL ASSETS</b>	<b>42,338,272</b>	<b>41,230,597</b>	<b>19,899,869</b>	<b>19,894,642</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

<b>604</b>		<b>Total</b>		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 2,488,463	\$ 2,008,320	\$ 9,297,851	\$ 8,247,816	\$ 1,520,686	\$ 1,336,360	\$ 981,111	\$ 901,677
1,972,925	1,973,528	2,737,087	2,771,458	56,261	56,165	29,123	39,664
-	-	6,741	2,224	-	-	-	-
-	-	-	-	-	-	450,000	25,000
445,170	439,968	524,458	546,853	-	-	207,715	199,606
-	-	-	-	-	-	1,175	1,175
4,906,558	4,421,816	12,566,137	11,568,351	1,576,947	1,392,525	1,669,124	1,167,122
-	-	245,768	283,176	-	-	-	-
90,991	90,991	617,864	617,864	495,863	495,863	229,138	229,138
1,272,290	1,272,290	34,144,790	12,284,324	-	-	1,725,625	1,725,625
-	-	-	-	8,499,835	8,499,835	-	-
13,009,746	12,809,739	39,385,387	27,923,469	-	-	-	-
3,423,161	3,329,424	10,672,634	10,569,136	-	-	33,344	35,733
-	-	-	31,728,583	-	-	-	-
17,796,188	17,502,444	84,820,675	83,123,376	8,995,698	8,995,698	1,988,107	1,990,496
(12,072,411)	(11,716,936)	(24,764,104)	(23,642,340)	(2,298,562)	(2,128,643)	(232,023)	(203,587)
5,723,777	5,785,508	60,056,571	59,481,036	6,697,136	6,867,055	1,756,084	1,786,909
5,723,777	5,785,508	60,302,339	59,764,212	6,697,136	6,867,055	1,756,084	1,786,909
10,630,335	10,207,324	72,868,476	71,332,563	8,274,083	8,259,580	3,425,208	2,954,031

The notes to the financial statements are an integral part of this statement.

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service Fund
	2014	2013	2014	2013	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,141	\$ 2,241	\$ 11,802,789	\$ 10,488,094	\$ 1,125,256
Receivables					
Accounts, net of allowance for doubtful accounts of \$64,602 and \$63,811	(747)	(43)	2,821,724	2,867,244	-
Special assessments - current	-	-	6,741	2,224	-
Due from other funds	-	-	450,000	25,000	82,768
Inventories	-	-	732,173	746,459	-
Prepaid items	-	-	1,175	1,175	-
TOTAL CURRENT ASSETS	2,394	2,198	15,814,602	14,130,196	1,208,074
NONCURRENT ASSETS					
Unamortized maintenance charges	-	-	245,768	283,176	-
Capital assets					
Land	375,850	375,850	1,718,715	1,718,715	-
Buildings	-	-	35,870,415	14,009,949	-
Improvements other than buildings	-	-	8,499,835	8,499,835	-
Utility plant in service	-	-	39,385,387	27,923,469	-
Machinery and equipment	-	-	10,705,978	10,604,869	298,752
Construction in progress	-	-	-	31,728,583	-
Total capital assets	375,850	375,850	96,180,330	94,485,420	298,752
Less accumulated depreciation	-	-	(27,294,689)	(25,974,570)	(241,799)
Total capital assets (net of accumulated depreciation)	375,850	375,850	68,885,641	68,510,850	56,953
TOTAL NONCURRENT ASSETS	375,850	375,850	69,131,409	68,794,026	56,953
TOTAL ASSETS	378,244	378,048	84,946,011	82,924,222	1,265,027

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2014	2013	2014	2013
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	\$ 169,758	\$ 40,782	\$ 34,770	\$ 34,465
Due to other funds	3,945	11,911	2,316	7,637
Due to other governments	-	-	-	-
Accrued interest payable	211,826	208,002	47,101	51,528
Accrued salaries payable	16,878	45,318	7,952	23,022
Sick leave/severance payable - current portion	49,692	37,720	18,535	17,574
Deposits payable	13,637	12,710	-	-
Unearned revenue	-	2,224	-	-
Bonds payable - current portion	756,000	739,000	693,000	681,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,221,736</b>	<b>1,097,667</b>	<b>803,674</b>	<b>815,226</b>
<b>NONCURRENT LIABILITIES</b>				
Sick leave/severance payable, net of current portion	93,253	128,838	44,226	74,047
Postemployment benefits other than pension obligation	13,264	11,354	6,810	5,692
Bonds payable, net of current portion	25,566,421	25,287,762	6,800,000	7,493,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>25,672,938</b>	<b>25,427,954</b>	<b>6,851,036</b>	<b>7,572,739</b>
<b>TOTAL LIABILITIES</b>	<b>26,894,674</b>	<b>26,525,621</b>	<b>7,654,710</b>	<b>8,387,965</b>
<b>NET POSITION</b>				
Net investment in capital assets	12,212,496	11,391,506	8,304,877	8,103,260
Unrestricted	3,231,102	3,313,470	3,940,282	3,403,417
<b>TOTAL NET POSITION</b>	<b>\$ 15,443,598</b>	<b>\$ 14,704,976</b>	<b>\$ 12,245,159</b>	<b>\$ 11,506,677</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

<b>604</b>		Total		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 927,241	\$ 981,372	\$ 1,131,769	\$ 1,056,619	\$ 10,475	\$ 911	\$ 146,733	\$ 18,855
6,048	14,453	12,309	34,001	699	-	1,511	3,294
47,453	86,919	47,453	86,919	-	1,047	34,677	2,727
-	-	258,927	259,530	13,427	14,938	-	-
20,969	55,366	45,799	123,706	21,539	16,169	10,670	20,616
78,118	63,201	146,345	118,495	-	-	4,489	204
93,916	92,518	107,553	105,228	-	-	-	-
-	-	-	2,224	-	-	2,860	1,851
-	-	1,449,000	1,420,000	175,000	170,000	-	-
1,173,745	1,293,829	3,199,155	3,206,722	221,140	203,065	200,940	47,547
154,054	187,944	291,533	390,829	276	1,400	17,046	17,809
30,247	24,328	50,321	41,374	3,015	2,348	9,049	7,788
-	-	32,366,421	32,780,762	1,181,232	1,358,321	-	-
184,301	212,272	32,708,275	33,212,965	1,184,523	1,362,069	26,095	25,597
1,358,046	1,506,101	35,907,430	36,419,687	1,405,663	1,565,134	227,035	73,144
5,723,777	5,785,508	26,241,150	25,280,274	5,362,136	5,362,055	1,756,084	1,786,909
3,548,512	2,915,715	10,719,896	9,632,602	1,506,284	1,332,391	1,442,089	1,093,978
<u>\$ 9,272,289</u>	<u>\$ 8,701,223</u>	<u>\$ 36,961,046</u>	<u>\$ 34,912,876</u>	<u>\$ 6,868,420</u>	<u>\$ 6,694,446</u>	<u>\$ 3,198,173</u>	<u>\$ 2,880,887</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service Fund
	2014	2013	2014	2013	
LIABILITIES					
CURRENT LIABILITIES					
Accounts and contracts payable	\$ 391	\$ 388	\$ 1,289,368	\$ 1,076,773	\$ 82,823
Due to other funds	-	-	14,519	37,295	50,827
Due to other governments	-	-	82,130	90,693	-
Accrued interest payable	-	-	272,354	274,468	-
Accrued salaries payable	-	-	78,008	160,491	8,557
Sick leave/severance payable - current portion	-	-	150,834	118,699	-
Deposits payable	-	-	107,553	105,228	-
Unearned revenue	-	-	2,860	4,075	-
Bonds payable - current portion	-	-	1,624,000	1,590,000	-
TOTAL CURRENT LIABILITIES	391	388	3,621,626	3,457,722	142,207
NONCURRENT LIABILITIES					
Sick leave/severance payable, net of current portion	-	-	308,855	410,038	-
Postemployment benefits other than pension obligation	-	-	62,385	51,510	-
Bonds payable, net of current portion	-	-	33,547,653	34,139,083	-
TOTAL NONCURRENT LIABILITIES	-	-	33,918,893	34,600,631	-
TOTAL LIABILITIES	391	388	37,540,519	38,058,353	142,207
NET POSITION					
Net investment in capital assets	375,850	375,850	33,735,220	32,805,088	56,953
Unrestricted	2,003	1,810	13,670,272	12,060,781	1,065,867
TOTAL NET POSITION	\$ 377,853	\$ 377,660	47,405,492	44,865,869	\$ 1,122,820
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					
			59,762	82,179	
Net position of business-type activities	\$ 47,465,254	\$ 44,948,048			

The notes to the financial statements are an integral part of this statement.



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2014	2013	2014	2013
<b>OPERATING REVENUES</b>				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	2,893,977	2,995,348	1,819,499	1,793,938
Miscellaneous revenues	379,029	336,819	779,855	748,457
<b>TOTAL OPERATING REVENUES</b>	<b>3,273,006</b>	<b>3,332,167</b>	<b>2,599,354</b>	<b>2,542,395</b>
<b>OPERATING EXPENSES</b>				
Production or purchase	-	-	-	-
Filtration	986,423	950,375	-	-
Treatment	-	-	532,665	633,326
Distribution	420,787	466,580	-	-
Collection	-	-	287,866	303,052
Administration and other	316,647	233,307	235,712	205,663
Depreciation	163,075	203,313	603,592	638,193
<b>TOTAL OPERATING EXPENSES</b>	<b>1,886,932</b>	<b>1,853,575</b>	<b>1,659,835</b>	<b>1,780,234</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,386,074</b>	<b>1,478,592</b>	<b>939,519</b>	<b>762,161</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	23,686	15,725	28,320	15,654
Miscellaneous income	26,150	-	-	-
Gain (loss) on sale of assets	(811)	(299,188)	-	6,000
Interest expense	(583,126)	(509,148)	(136,983)	(152,750)
Bond discount/premium amortization	-	-	-	-
Payments to Economic Development Authority	(11,152)	(10,090)	(8,968)	(9,189)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(545,253)</b>	<b>(802,701)</b>	<b>(117,631)</b>	<b>(140,285)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>840,821</b>	<b>675,891</b>	<b>821,888</b>	<b>621,876</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>4,791</b>	<b>200,172</b>	<b>2,638</b>	<b>-</b>
<b>TRANSFERS OUT</b>	<b>(106,990)</b>	<b>(96,803)</b>	<b>(86,044)</b>	<b>(88,168)</b>
<b>CHANGE IN NET POSITION</b>	<b>738,622</b>	<b>779,260</b>	<b>738,482</b>	<b>533,708</b>
<b>NET POSITION, JANUARY 1</b>	<b>14,704,976</b>	<b>13,925,716</b>	<b>11,506,677</b>	<b>10,972,969</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 15,443,598</b>	<b>\$ 14,704,976</b>	<b>\$ 12,245,159</b>	<b>\$ 11,506,677</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

<b>604</b>		<b>Total</b>		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2014	2013	2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,446,047	\$ 3,392,209
-	-	-	-	-	-	(2,469,101)	(2,448,793)
14,262,437	14,265,649	18,975,913	19,054,935	586,818	585,906	-	-
450,564	373,587	1,609,448	1,458,863	-	-	-	-
<u>14,713,001</u>	<u>14,639,236</u>	<u>20,585,361</u>	<u>20,513,798</u>	<u>586,818</u>	<u>585,906</u>	<u>976,946</u>	<u>943,416</u>
10,973,273	11,370,136	10,973,273	11,370,136	-	-	-	-
-	-	986,423	950,375	-	-	-	-
-	-	532,665	633,326	-	-	-	-
1,171,484	1,173,817	1,592,271	1,640,397	-	-	-	-
-	-	287,866	303,052	-	-	-	-
982,024	932,076	1,534,383	1,371,046	212,764	145,049	438,663	405,419
382,449	425,669	1,149,116	1,267,175	169,919	172,303	43,917	43,917
<u>13,509,230</u>	<u>13,901,698</u>	<u>17,055,997</u>	<u>17,535,507</u>	<u>382,683</u>	<u>317,352</u>	<u>482,580</u>	<u>449,336</u>
<u>1,203,771</u>	<u>737,538</u>	<u>3,529,364</u>	<u>2,978,291</u>	<u>204,135</u>	<u>268,554</u>	<u>494,366</u>	<u>494,080</u>
17,345	9,837	69,351	41,216	10,692	6,651	9,935	5,582
62	-	26,212	-	360	5,520	485	582
(5,134)	(7,194)	(5,945)	(300,382)	-	-	-	-
-	-	(720,109)	(661,898)	(43,302)	(47,604)	-	-
-	-	-	-	2,089	(7,274)	-	-
<u>(60,880)</u>	<u>(61,721)</u>	<u>(81,000)</u>	<u>(81,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(48,607)</u>	<u>(59,078)</u>	<u>(711,491)</u>	<u>(1,002,064)</u>	<u>(30,161)</u>	<u>(42,707)</u>	<u>10,420</u>	<u>6,164</u>
1,155,164	678,460	2,817,873	1,976,227	173,974	225,847	504,786	500,244
-	-	7,429	200,172	-	-	-	-
<u>(584,098)</u>	<u>(592,161)</u>	<u>(777,132)</u>	<u>(777,132)</u>	<u>-</u>	<u>-</u>	<u>(187,500)</u>	<u>(351,430)</u>
571,066	86,299	2,048,170	1,399,267	173,974	225,847	317,286	148,814
<u>8,701,223</u>	<u>8,614,924</u>	<u>34,912,876</u>	<u>33,513,609</u>	<u>6,694,446</u>	<u>6,468,599</u>	<u>2,880,887</u>	<u>2,732,073</u>
<u>\$ 9,272,289</u>	<u>\$ 8,701,223</u>	<u>\$ 36,961,046</u>	<u>\$ 34,912,876</u>	<u>\$ 6,868,420</u>	<u>\$ 6,694,446</u>	<u>\$ 3,198,173</u>	<u>\$ 2,880,887</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds				
	<b>611</b>				Internal Service Fund
	Parking Lot		Totals		
	2014	2013	2014	2013	
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ 3,446,047	\$ 3,392,209	\$ -
Cost of sales	-	-	(2,469,101)	(2,448,793)	-
Charges for services	4,837	4,797	19,567,568	19,645,638	2,163,526
Miscellaneous revenues	-	-	1,609,448	1,458,863	10,781
<b>TOTAL OPERATING REVENUES</b>	<b>4,837</b>	<b>4,797</b>	<b>22,153,962</b>	<b>22,047,917</b>	<b>2,174,307</b>
<b>OPERATING EXPENSES</b>					
Production or purchase	-	-	10,973,273	11,370,136	-
Filtration	-	-	986,423	950,375	-
Treatment	-	-	532,665	633,326	-
Distribution	-	-	1,592,271	1,640,397	-
Collection	-	-	287,866	303,052	-
Administration and other	4,663	4,830	2,190,473	1,926,344	2,195,767
Depreciation	-	-	1,362,952	1,483,395	24,141
<b>TOTAL OPERATING EXPENSES</b>	<b>4,663</b>	<b>4,830</b>	<b>17,925,923</b>	<b>18,307,025</b>	<b>2,219,908</b>
<b>OPERATING INCOME (LOSS)</b>	<b>174</b>	<b>(33)</b>	<b>4,228,039</b>	<b>3,740,892</b>	<b>(45,601)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	19	12	89,997	53,461	7,945
Miscellaneous income	-	-	27,057	6,102	-
Gain (loss) on sale of assets	-	-	(5,945)	(300,382)	-
Interest expense	-	-	(763,411)	(709,502)	-
Bond discount/premium amortization	-	-	2,089	(7,274)	-
Payments to Economic Development Authority	-	-	(81,000)	(81,000)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>19</b>	<b>12</b>	<b>(731,213)</b>	<b>(1,038,595)</b>	<b>7,945</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>193</b>	<b>(21)</b>	<b>3,496,826</b>	<b>2,702,297</b>	<b>(37,656)</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS TRANSFERS OUT</b>	<b>-</b>	<b>-</b>	<b>7,429</b>	<b>200,172</b>	<b>-</b>
	<b>-</b>	<b>-</b>	<b>(964,632)</b>	<b>(1,128,562)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>193</b>	<b>(21)</b>	<b>2,539,623</b>	<b>1,773,907</b>	<b>(37,656)</b>
<b>NET POSITION, JANUARY 1</b>	<b>377,660</b>	<b>377,681</b>	<b>44,865,869</b>	<b>43,091,962</b>	<b>1,160,476</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 377,853</b>	<b>\$ 377,660</b>	<b>\$ 47,405,492</b>	<b>\$ 44,865,869</b>	<b>\$ 1,122,820</b>
Change in net position as shown above			\$ 2,539,623	\$ 1,773,907	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(22,417)	29,212	
Change in net position of business-type activities			<u>\$ 2,517,206</u>	<u>\$ 1,803,119</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2014	2013	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,307,203	\$ 3,311,971	\$ 2,626,002	\$ 2,517,417
Payments to suppliers	(548,322)	(713,650)	(579,221)	(544,406)
Payments to and on behalf of employees	(1,031,697)	(997,725)	(519,529)	(579,344)
Payments for interfund services used	-	-	-	-
Other receipts	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,727,184</u>	<u>1,600,596</u>	<u>1,527,252</u>	<u>1,393,667</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers to other funds	(106,990)	(96,803)	(86,044)	(88,168)
Payments to Economic Development Authority	(11,152)	(10,090)	(8,968)	(9,189)
Increase in due from other funds	-	-	-	-
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	-	100	-	-
Decrease in due to other funds	(7,966)	-	(5,321)	(70)
Increase in due from component unit	-	-	-	-
Decrease in due from component unit	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(126,108)</u>	<u>(106,793)</u>	<u>(100,333)</u>	<u>(97,427)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(1,280,535)	(8,908,184)	(124,209)	(135,694)
Proceeds from sale of capital assets	-	6,000	-	8,326
Capital grants received	688	200,172	-	-
Proceeds from issuance of debt	1,034,659	8,466,602	-	-
Principal paid on revenue bond obligations	(739,000)	(910,000)	(681,000)	(669,000)
Interest paid on revenue bond obligations	(579,302)	(407,712)	(141,410)	(152,984)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,563,490)</u>	<u>(1,553,122)</u>	<u>(946,619)</u>	<u>(949,352)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>23,686</u>	<u>15,725</u>	<u>28,320</u>	<u>15,654</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>61,272</u>	<u>(43,594)</u>	<u>508,620</u>	<u>362,542</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>2,982,960</u>	<u>3,026,554</u>	<u>3,256,536</u>	<u>2,893,994</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 3,044,232</u></u>	<u><u>\$ 2,982,960</u></u>	<u><u>\$ 3,765,156</u></u>	<u><u>\$ 3,256,536</u></u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

<b>604</b>		Total		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 14,715,064	\$ 14,574,979	\$ 20,648,269	\$ 20,404,367	\$ 586,722	\$ 586,765	\$ 3,457,597	\$ 3,399,578
(11,865,316)	(12,095,773)	(12,992,859)	(13,353,829)	(41,519)	(45,550)	(2,379,939)	(2,492,894)
(1,407,715)	(1,356,546)	(2,958,941)	(2,933,615)	(124,268)	(70,638)	(310,530)	(282,685)
-	-	-	-	(32,500)	(24,936)	(70,739)	(66,816)
-	-	-	-	360	5,520	485	582
<u>1,442,033</u>	<u>1,122,660</u>	<u>4,696,469</u>	<u>4,116,923</u>	<u>388,795</u>	<u>451,161</u>	<u>696,874</u>	<u>557,765</u>
(584,098)	(592,161)	(777,132)	(777,132)	-	-	(187,500)	(351,430)
(60,880)	(61,721)	(81,000)	(81,000)	-	-	-	-
-	-	-	-	-	-	(425,000)	(25,000)
-	-	-	-	-	-	-	-
-	-	-	100	-	224	-	414
(8,405)	(1,292)	(21,692)	(1,362)	(348)	-	(1,783)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(653,383)</u>	<u>(655,174)</u>	<u>(879,824)</u>	<u>(859,394)</u>	<u>(348)</u>	<u>224</u>	<u>(614,283)</u>	<u>(376,016)</u>
(325,852)	(269,144)	(1,730,596)	(9,313,022)	-	(112,235)	(13,092)	-
-	1,565	-	15,891	-	-	-	-
-	-	688	200,172	-	-	-	-
-	-	1,034,659	8,466,602	-	-	-	-
-	-	(1,420,000)	(1,579,000)	(170,000)	(165,000)	-	-
-	-	(720,712)	(560,696)	(44,813)	(48,999)	-	-
<u>(325,852)</u>	<u>(267,579)</u>	<u>(2,835,961)</u>	<u>(2,770,053)</u>	<u>(214,813)</u>	<u>(326,234)</u>	<u>(13,092)</u>	<u>-</u>
<u>17,345</u>	<u>9,837</u>	<u>69,351</u>	<u>41,216</u>	<u>10,692</u>	<u>6,651</u>	<u>9,935</u>	<u>5,582</u>
480,143	209,744	1,050,035	528,692	184,326	131,802	79,434	187,331
<u>2,008,320</u>	<u>1,798,576</u>	<u>8,247,816</u>	<u>7,719,124</u>	<u>1,336,360</u>	<u>1,204,558</u>	<u>901,677</u>	<u>714,346</u>
<u>\$ 2,488,463</u>	<u>\$ 2,008,320</u>	<u>\$ 9,297,851</u>	<u>\$ 8,247,816</u>	<u>\$ 1,520,686</u>	<u>\$ 1,336,360</u>	<u>\$ 981,111</u>	<u>\$ 901,677</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service
	2014	2013	2014	2013	Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 5,541	\$ 4,797	\$ 24,698,129	\$ 24,395,507	\$ 2,163,526
Payments to suppliers	(4,642)	(4,817)	(15,418,959)	(15,897,090)	(444,974)
Payments to and on behalf of employees	-	-	(3,393,739)	(3,286,938)	(1,725,248)
Payments for interfund services used	(18)	(10)	(103,257)	(91,762)	(37,307)
Other receipts	-	-	845	6,102	10,781
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	881	(30)	5,783,019	5,125,819	(33,222)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers to other funds	-	-	(964,632)	(1,128,562)	-
Payments to Economic Development Authority	-	-	(81,000)	(81,000)	-
Increase in due from other funds	-	-	(425,000)	(25,000)	-
Decrease in due from other funds	-	-	-	-	53,369
Increase in due to other funds	-	-	-	738	-
Decrease in due to other funds	-	-	(23,823)	(1,362)	(207,691)
Increase in due from component unit	-	-	-	-	(50)
Decrease in due from component unit	-	-	-	-	(883)
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(1,494,455)	(1,235,186)	(155,255)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(1,743,688)	(9,425,257)	(5,761)
Proceeds from sale of capital assets	-	-	-	15,891	-
Capital grants received	-	-	688	200,172	-
Proceeds from issuance of debt	-	-	1,034,659	8,466,602	-
Principal paid on revenue bond obligations	-	-	(1,590,000)	(1,744,000)	-
Interest paid on revenue bond obligations	-	-	(765,525)	(609,695)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(3,063,866)	(3,096,287)	(5,761)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	19	12	89,997	53,461	7,945
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	900	(18)	1,314,695	847,807	(186,293)
CASH AND CASH EQUIVALENTS, JANUARY 1	2,241	2,259	10,488,094	9,640,287	1,311,549
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 3,141	\$ 2,241	\$ 11,802,789	\$ 10,488,094	\$ 1,125,256

The notes to the financial statements are an integral part of this statement.



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,386,074	\$ 1,478,592	\$ 939,519	\$ 762,161
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	26,150	-	-	-
Depreciation	163,075	203,313	603,592	638,193
(Increase) decrease in assets				
Net accounts receivable	7,120	(20,332)	26,648	(24,978)
Inventories	27,597	(7,026)	-	-
Unamortized maintenance charges	37,408	50,780	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	128,976	(123,556)	305	5,667
Due to other governments	-	-	-	-
Accrued wages and sick leave/severance payable	(52,053)	17,270	(43,930)	11,749
Postemployment benefits other than pension obligation	1,910	1,419	1,118	875
Deposits payable	927	136	-	-
Unearned revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,727,184</u>	<u>\$ 1,600,596</u>	<u>\$ 1,527,252</u>	<u>\$ 1,393,667</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed/traded of capital assets	\$ 811	\$ 305,188	\$ -	\$ 2,326
Special assessments levied	4,791	4,283	2,638	-
Amortization of bond (premium) discount	-	-	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds							
<b>604</b> Electric Utility		Total Public Utilities Commission		<b>603</b> Storm Sewer Utility		<b>609</b> Municipal Liquor	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 1,203,771	\$ 737,538	\$ 3,529,364	\$ 2,978,291	\$ 204,135	\$ 268,554	\$ 494,366	\$ 494,080
62	-	26,212	-	360	5,520	485	582
382,449	425,669	1,149,116	1,267,175	169,919	172,303	43,917	43,917
603	(63,219)	34,371	(108,529)	(96)	859	10,541	7,121
(5,202)	50,357	22,395	43,331	-	-	(8,109)	(7,770)
-	-	37,408	50,780	-	-	-	-
(54,131)	(33,831)	75,150	(151,720)	9,564	260	127,878	12,584
(39,466)	2,161	(39,466)	2,161	-	-	31,950	2,727
(53,370)	866	(149,353)	29,885	4,246	3,366	(6,424)	3,459
5,919	4,157	8,947	6,451	667	299	1,261	817
1,398	(1,038)	2,325	(902)	-	-	-	-
-	-	-	-	-	-	1,009	248
<u>\$ 1,442,033</u>	<u>\$ 1,122,660</u>	<u>\$ 4,696,469</u>	<u>\$ 4,116,923</u>	<u>\$ 388,795</u>	<u>\$ 451,161</u>	<u>\$ 696,874</u>	<u>\$ 557,765</u>
\$ 5,134	\$ 8,759	\$ 5,945	\$ 316,273	\$ -	\$ -	\$ -	\$ -
-	-	7,429	4,283	-	-	-	-
-	-	-	-	(2,089)	7,274	-	-

The notes to the financial statements are an integral part of this statement.

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		
	2014	2013	2014	2013	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 174	\$ (33)	\$ 4,228,039	\$ 3,740,892	\$ (45,601)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	27,057	6,102	-
Depreciation	-	-	1,362,952	1,483,395	24,141
(Increase) decrease in assets					
Net accounts receivable	704	-	45,520	(100,549)	-
Inventories	-	-	14,286	35,561	-
Unamortized maintenance charges	-	-	37,408	50,780	-
Increase (decrease) in liabilities					
Accounts and contracts payable	3	3	212,595	(138,873)	2,451
Due to other governments	-	-	(7,516)	4,888	-
Accrued wages and sick leave/severance payable	-	-	(151,531)	36,710	(14,213)
Postemployment benefits other than pension obligation	-	-	10,875	7,567	-
Deposits payable	-	-	2,325	(902)	-
Unearned revenue	-	-	1,009	248	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 881</u>	<u>\$ (30)</u>	<u>\$ 5,783,019</u>	<u>\$ 5,125,819</u>	<u>\$ (33,222)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 5,945	\$ 316,273	\$ -
Special assessments levied	-	-	7,429	4,283	-
Amortization of bond (premium) discount	-	-	(2,089)	7,274	-

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2014

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$     358,308
Due from other funds	<u>              730</u>
 TOTAL ASSETS	 <u><u>\$     359,038</u></u>
 LIABILITIES	
Accounts payable	\$     343,840
Deposits payable	<u>          15,198</u>
 TOTAL LIABILITIES	 <u><u>\$     359,038</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Fairmont (the City) operates under its own Home Rule Charter. The City is governed by an elected Mayor and a five-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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 or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the government-wide (see note below for description) financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

*Discretely presented component unit.* The Fairmont Economic Development Authority (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 Council. The seven-member board consists of two Council members and five other Council approved members. The City can impose its will on the EDA by significantly influencing the program, projects, activities, and other levels of service performed by the EDA. In accordance with GASB Statement No. 61, this entity is properly presented as a discretely presented component unit as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the EDA is presented starting on page 166 of these financial statements.

*Other agencies.* The Fairmont Public Utilities Commission (the Commission) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has five Council approved members who serve overlapping three-year terms. The Minnesota statutes provide the Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The Public Utilities Commission fund considered to be part of the primary government and is included with the enterprise funds of this report.

**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 primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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. Amounts reported as *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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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 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 fiscal 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 fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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 non-exchange 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2014 Capital Improvements fund* accounts for street construction projects associated with the 2014 improvements program.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major proprietary funds:

The *Water Utility fund* - Water is obtained from surface water taken from Budd Lake, treated and distributed.

The *Wastewater Utility fund* - Sewage is collected by lift stations and treated, and then effluent is discharged into Center Creek.

The *Electric Utility fund* - Electricity is purchased from Southern MN Municipal Power Agency and Western Area Power Authority; the power is then distributed.

The *Storm Sewer Utility fund* is used to account for the operating maintenance and capital improvements of the City's Storm Sewer Utility.

The *Municipal Liquor fund* is used to account for the operation of the municipal off-sale liquor store.

The *Parking Lot fund* is used to account for costs associated with minor maintenance and parking control of the City's off-street parking lots in the downtown area.

Additionally, the government reports the following fund types:

*Internal Service funds* account for data processing, fleet management and insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

*Fiduciary funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Police Relief Trust, Convention and Visitors' Bureau (C.V.B.), Flex Plan, Multi-family Housing, HRA Potter's Addition, Focus on Fairmont, Dog Park and Project 1590.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's Public Utilities Commission and storm sewer 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 and 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. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, deferred inflows of resources and net position/fund balance**

*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. Certain restricted assets are included in cash and cash equivalents. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month end cash and investment balances.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Investment policy***

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2014 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration of Credit Risk* - At year end, the City's investments were made with two brokers. The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Investments for the City, as well as for its component unit, are reported at fair value. Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool in these funds is the same as the fair value of the pool shares.

It is the goal of the City to maximize interest earnings through the use of an ongoing, effective investment program. Therefore, it is the objective of the City to increase the volume of money in attractive high-yielding investments for the maximum period of time.

More than any other consideration, the safeguarding of public funds will be primary. Speculation is never justified. All investments will be properly protected with the required collateral and/or federal insurance. The City will invest only in those investment instruments authorized by statute. Minnesota statutes, chapters 118A.04, 118A.05 and 118A.06 set forth the authorized investments for a municipality.

Investments will be scheduled through the use of revenue and expenditure charting. The maturity dates of investments shall not exceed five (5) years from the purchase date without prior approval of the Council. In cases where it is prudent to match an obligation with a maturity in excess of five (5) years, the Finance Director will receive approval from the Council prior to the purchase of such an investment. It is a policy of the City to schedule investment maturities to coincide with paying dates.

***Interfund receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2014. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts in the Public Utilities Commission enterprise funds at December 31, 2014 was \$63,474.

***Property taxes***

The Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables 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.

***Inventories and prepaid items/unamortized maintenance charges***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method, except for diesel fuel and coal inventories used in production of steam and electricity, which are on a last-in, first-out (LIFO) method.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or unamortized maintenance charges in both government-wide and fund financial statements.

***Restricted assets***

Certain proceeds of the City's enterprise revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

In accordance with these covenants, debt service and reserve accounts have been established for the retirement of outstanding bonds. Cash, investments and related interest receivable are restricted to the extent necessary to meet these requirements.

Each month, one-twelfth of the subsequent year's principal and interest payments must be appropriated to the debt service account. The debt service account is designed to make all regular interest and principal payments on such outstanding bonds.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 estimated useful life in excess of one year. 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.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

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.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and land improvements	\$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

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:

Assets	Years
Buildings and structures	10 - 50
System infrastructure and improvements	10 - 100
Machinery, equipment and vehicles	5 - 33

***Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave. However, a liability is recognized for that portion of accumulated sick leave that is estimated will be taken as "terminal leave" prior to retirement. All vacation and sick pay is accrued when incurred in the government-wide 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. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Postemployment benefits other than pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2014.

***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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

***Deferred inflows of resources***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* - 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 Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF FAIRMONT, MINNESOTA  
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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City has formally adopted a fund balance policy for the General fund. The City's goal is to maintain an unrestricted fund balance in the General fund of 55-65 percent of the next year's budgeted expenditures of the General fund.

***Net position***

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

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

***Comparative data/reclassifications***

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Aeronautics and Lake Restoration special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2014, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Aeronautics	\$ 301,650	\$ 523,428	\$ 221,778

These excess expenditures over appropriations were funded by an excess of revenues over budget and available fund balance.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**C. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2014:

Fund	Amount
Special Revenue	
Central College Incubator	\$ 1,641
Capital Projects	
Airport Reconstruction Project	108,093
Debt Service	
Tax Increment District No. 23	7,504
Internal Service	
Central Garage and Equipment	8,542

The Special Revenue and Capital Projects funds' deficits will be funded by future transfers from other funds. The Debt Service fund deficit will be funded by future tax increments. The Internal Service fund deficit will be funded by future charges to other funds.

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

CITY OF FAIRMONT, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$9,311,678, including \$358,308 reported in fiduciary funds. The bank balance was \$10,099,615. The bank balance was covered by federal depository insurance of \$750,000. Of the remaining balance, \$9,349,615 was collateralized with securities held by the pledging financial institution's trust department in the City's name. The primary government and component unit's deposits and investments are pooled.

At year end, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments			
Money Market Mutual Funds	NR	less than 6 months	\$ 535,951
Minnesota Municipal Money Market (4M Fund)	NR	less than 6 months	3,000,481
Total pooled investments			<u>3,536,432</u>
Non-pooled investments:			
Broker Certificates of Deposit	NR	less than 6 months	497,020
Broker Certificates of Deposit	NR	6 to 12 months	5,128,949
Broker Certificates of Deposit	NR	1 to 3 years	5,015,064
Broker Certificates of Deposit	NR	more than 3 years	1,964,821
Total Broker Certificates of Deposit			<u>12,605,854</u>
Asset Backed Securities	AAA/AA+	6 to 12 months	3,247,190
Asset Backed Securities	AAA/AA+	more than 3 years	1,996,460
Total asset backed securities			<u>5,243,650</u>
Total non-pooled investments			<u>17,849,504</u>
Total investments			<u>\$ 21,385,936</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

N/A Indicates not applicable. NR indicates not rated.

(2) Interest rate risk is disclosed using the segmented time distribution method.



CITY OF FAIRMONT, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Cash on hand***

Cash in the possession of the City, consisting of undeposited receipts, petty cash, and change funds totals \$3,892.

***Cash and investments summary***

A reconciliation of cash and investments as shown on the statement of net position for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Agency Funds	Total
Deposits	\$ 8,673,639	\$ 279,731	\$ 358,308	\$ 9,311,678
Investments	21,385,936	-	-	21,385,936
Cash on hand	3,892	-	-	3,892
<b>Total</b>	<b>\$ 30,063,467</b>	<b>\$ 279,731</b>	<b>\$ 358,308</b>	<b>\$ 30,701,506</b>
Cash and cash equivalents	\$ 27,485,495	\$ 279,731	\$ 358,308	\$ 28,123,534
Escrowed investments	2,577,972	-	-	2,577,972
<b>Total</b>	<b>\$ 30,063,467</b>	<b>\$ 279,731</b>	<b>\$ 358,308</b>	<b>\$ 30,701,506</b>

**B. Notes receivable**

The City has received Federal grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest at 3 percent to 6 percent within twenty years. The balance of these notes at December 31, 2014 is \$634,158.

The City has received Federal grants to be used for housing loans to qualified residents for home improvements. The total notes receivable as of December 31, 2014 is \$264,527 of which \$31,676 represents the pay back portion which is to be paid back to the City with interest at 1 to 3 percent over 10 years. The remaining balance of \$232,851 is forgivable after five years from the note date.

Also, the Economic Development Authority (EDA) has made loans to businesses that are to be paid back to the City with interest at 1.5 to 5 percent over 2 to 10 years. The balance of these notes at December 31, 2014 is \$41,661.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital assets**

*Primary government*

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	7,882,907	1,861,176	(134,794)	9,609,289
 Total capital assets not being depreciated	 11,832,385	 1,861,176	 (134,794)	 13,558,767
 Capital assets being depreciated				
Buildings and structures	9,007,942	53,000	-	9,060,942
Improvements other than buildings	8,972,555	148,541	-	9,121,096
Machinery and equipment	4,339,769	317,606	(30,396)	4,626,979
Vehicles	2,870,345	26,549	(220,540)	2,676,354
Infrastructure	41,996,275	-	-	41,996,275
Bridges	2,378,790	-	-	2,378,790
 Total capital assets being depreciated	 69,565,676	 545,696	 (250,936)	 69,860,436
 Less accumulated depreciation for				
Buildings and structures	(3,067,303)	(193,233)	-	(3,260,536)
Improvements other than buildings	(3,583,212)	(316,510)	-	(3,899,722)
Machinery and equipment	(3,678,147)	(123,251)	30,396	(3,771,002)
Vehicles	(2,427,719)	(81,688)	220,540	(2,288,867)
Infrastructure	(14,714,275)	(1,050,818)	-	(15,765,093)
Bridges	(1,002,678)	(59,470)	-	(1,062,148)
 Total accumulated depreciation	 (28,473,334)	 (1,824,970)	 250,936	 (30,047,368)
 Total capital assets being depreciated, net	 41,092,342	 (1,279,274)	 -	 39,813,068
 Governmental activities capital assets, net	 \$ 52,924,727	 \$ 581,902	 \$ (134,794)	 \$ 53,371,835

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,718,715	\$ -	\$ -	\$ 1,718,715
Construction in progress	31,728,583	1,112,883	(32,841,466)	-
Total capital assets not being depreciated	33,447,298	1,112,883	(32,841,466)	1,718,715
Capital assets being depreciated				
Buildings and structures	14,009,949	21,860,466	-	35,870,415
Improvements other than buildings	36,423,304	11,495,215	(33,297)	47,885,222
Machinery and equipment	10,604,869	116,590	(15,481)	10,705,978
Total capital assets being depreciated	61,038,122	33,472,271	(48,778)	94,461,615
Less accumulated depreciation for				
Buildings and structures	(4,345,991)	(235,409)	-	(4,581,400)
Improvements other than buildings	(16,868,161)	(706,950)	27,352	(17,547,759)
Machinery and equipment	(4,760,418)	(420,593)	15,481	(5,165,530)
Total accumulated depreciation	(25,974,570)	(1,362,952)	42,833	(27,294,689)
Total capital assets being depreciated, net	35,063,552	32,109,319	(5,945)	67,166,926
Business-type activities capital assets, net	\$ 68,510,850	\$ 33,222,202	\$(32,847,411)	\$ 68,885,641

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities**

General government	\$ 49,574
Public safety	88,472
Streets and highways	1,170,669
Culture and recreation	237,903
Housing and economic development	63,224
Airport	190,987
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>24,141</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,824,970</u></u>

**Business-type activities**

Electric utility	\$ 382,449
Water utility	163,075
Wastewater utility	603,592
Storm sewer	169,919
Liquor	<u>43,917</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,362,952</u></u>

**Construction commitments**

The City has active construction projects as of December 31, 2014. The projects include street construction in areas with new commercial developments, widening and construction of existing streets, bridge improvements, a sports complex and airport runway improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2012 Airport Improvements	\$ 4,246,281	\$ 10,000
Lair Bridge Road	2,353,280	88,976
2013 Street Improvements	838,309	90,303
Winnebago Sports Complex	93,942	10,438
2014 Street Improvements	<u>1,398,113</u>	<u>577,224</u>
Total	<u><u>\$ 8,929,925</u></u>	<u><u>\$ 776,941</u></u>

The special assessment portion of the commitment for street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Interfund receivables, payables and transfers**

*Due to/from other funds*

The composition of interfund balances at December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Nonmajor governmental	\$ 7,513
Liquor	Nonmajor governmental	450,000
Internal service		
Medical self-insurance	Public Utilities Commission	12,309
	Storm Sewer Utility	699
	Municipal Liquor	1,511
	General	13,456
	Nonmajor governmental	263
	Internal service	
	Central garage and equipment	827
Worker's compensation self-insurance	General	3,703
	Internal service	
	Medical self-insurance	50,000
Total		<u>\$ 540,281</u>

The majority of the above amounts represent interfund billings that will repaid during the first couple of months of 2015. The General, Liquor and certain nonmajor governmental funds have loaned certain amounts for project costs and cash flow purposes.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Due to/from primary government/component unit***

The composition of amounts due from/to primary government/component unit at December 31, 2014 is as follows:

Receivable Entity	Payable Entity	Amount
Component unit	Primary government	
Economic Development Authority	Medical self-insurance fund	\$ 50
Primary government	Component unit	
Amounts related to internal service	Amounts related to internal service	
fund elimination	fund elimination	6,411
Totals		<u>\$ 6,461</u>

***Interfund transfers***

The composition of interfund transfers for the year ended December 31, 2014 is as follows:

Fund	Transfers in		
	General	Nonmajor Governmental	Total
Transfers out			
Nonmajor governmental	\$ -	\$ 25,000	\$ 25,000
Municipal Liquor	157,500	30,000	187,500
Water Utility	106,990	-	106,990
Wastewater Utility	86,044	-	86,044
Electric Utility	584,098	-	584,098
Total transfers out	<u>\$ 934,632</u>	<u>\$ 55,000</u>	<u>\$ 989,632</u>

The transfers of \$25,000 from Revolving Loan 2 fund to the Micro Loan fund for Minnesota Community Cap funds.

The transfer of \$157,500 from the Municipal Liquor fund to the General fund for housing demolition (\$42,500), ward park playground (\$30,000), ball diamond irrigation (\$70,000), street and park building plan (\$15,000).

The transfer of \$30,000 from the Municipal Liquor fund to the SMEC Restoration fund to cover any operating losses.

The transfer of \$777,132 from the Water Utility (\$106,990), Wastewater Utility (\$86,044) and the Electric Utility (\$584,098) funds to the General fund is payment in lieu of taxes.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation 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, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

***Primary government debt***

General obligation improvement bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. Ad valorem tax levies of \$10,887,229 are scheduled to be collected in future years for retirement of these bonds. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Refunding					
Bonds of 2008A	\$ 5,325,000	3.00 - 4.00 %	06/19/08	03/01/16	\$ 3,070,000
G.O. Improvement Bonds of 2009A	3,590,000	2.00 - 4.00	09/16/09	04/01/25	1,355,000
G.O. Improvement Bonds of 2010A	2,615,000	2.00 - 3.50	06/17/10	03/01/26	1,905,000
G.O. Improvement Bonds of 2011A	1,820,000	2.00 - 4.00	09/20/11	09/01/27	1,610,000
G.O. Improvement Crossover Refunding					
Bonds of 2012A	5,755,000	0.50 - 1.95	03/15/12	03/01/24	5,755,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,715,000
Total G.O. Special Assessment Bonds					<u>\$ 15,410,000</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2015	\$ 1,230,000	\$ 379,441	\$ 1,609,441
2016	3,780,000	303,923	4,083,923
2017	1,325,000	229,908	1,554,908
2018	1,335,000	207,423	1,542,423
2019	1,175,000	184,809	1,359,809
2020 - 2024	5,115,000	558,508	5,673,508
2025 - 2029	1,450,000	96,262	1,546,262
Total	<u>\$ 15,410,000</u>	<u>\$ 1,960,274</u>	<u>\$ 17,370,274</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation revenue bonds

The following bonds were issued to finance capital improvements to the Public Utilities Commission and Storm Sewer Utility funds. They will be retired from net revenue of these funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2004 G.O. Revenue Notes (PFA)	\$ 13,248,347	1.73 %	05/25/04	08/20/24	\$ 7,493,000
G.O. Storm Sewer Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	1,335,000
2011 G.O. Revenue Notes (PFA)	28,902,811 *	2.23	10/11/11	08/20/41	26,322,421
Total G.O. Revenue Bonds					<u>\$ 35,150,421</u>

\* Included undrawn proceeds of \$920,579.

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 1,624,000	\$ 1,352,209	\$ 2,976,209
2016	1,653,000	744,610	2,397,610
2017	1,692,000	709,744	2,401,744
2018	1,727,000	674,067	2,401,067
2019	1,768,000	637,304	2,405,304
2020 - 2024	8,730,000	2,629,061	11,359,061
2025 - 2029	4,929,000	1,893,181	6,822,181
2030 - 2034	5,504,000	1,317,502	6,821,502
2035 - 2039	6,147,000	674,579	6,821,579
2040 - 2041	1,376,421	73,298	1,449,719
Total	<u>\$ 35,150,421</u>	<u>\$ 10,705,555</u>	<u>\$ 45,855,976</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the year ended December 31, 2014 are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,273,006	\$ 2,599,354	\$ 586,818
Principal and interest	1,318,302	822,410	214,813
Percentage of revenues	40.3%	31.6%	36.6%



CITY OF FAIRMONT, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation special assessment bonds	\$ 20,060,000	\$ -	\$ (4,650,000)	\$ 15,410,000	\$ 1,230,000
Bond premiums	111,849	-	(8,565)	103,284	-
Total bonds payable	20,171,849	-	(4,658,565)	15,513,284	1,230,000
Sick leave/severance payable	553,057	497,254	(584,050)	466,261	114,110
Postemployment benefits other than pensions obligation	134,404	47,899	(29,569)	152,734	-
Governmental activity long-term liabilities	<u>\$ 20,859,310</u>	<u>\$ 545,153</u>	<u>\$ (5,272,184)</u>	<u>\$ 16,132,279</u>	<u>\$ 1,344,110</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 35,705,762	\$ 1,034,659	\$ (1,590,000)	\$ 35,150,421	\$ 1,624,000
Bond premiums	23,321	-	(2,089)	21,232	-
Total bonds payable	35,729,083	1,034,659	(1,592,089)	35,171,653	1,624,000
Sick leave/severance payable	546,995	408,262	(472,197)	483,060	159,355
Postemployment benefits other than pensions obligation	51,510	28,418	(17,543)	62,385	-
Business-type activity long-term liabilities	<u>\$ 36,327,588</u>	<u>\$ 1,471,339</u>	<u>\$ (2,081,829)</u>	<u>\$ 35,717,098</u>	<u>\$ 1,783,355</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component unit activities</b>					
Sick leave/severance payable	\$ 11,123	\$ 15,510	\$ (14,445)	\$ 12,188	\$ 1,899
Postemployment benefits other than pensions obligation	4,298	525	(324)	4,499	-
Component unit activity long-term liabilities	<u>\$ 15,421</u>	<u>\$ 16,035</u>	<u>\$ (14,769)</u>	<u>\$ 16,687</u>	<u>\$ 1,899</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Crossover Refunding Bond

On March 21, 2012, the City issued \$5,755,000 of G.O. Improvement Crossover Refunding Bonds, Series 2012A. The proceeds will refund the G.O. Improvement Bonds, Series 2005A on March 1, 2014, the G.O. Improvement Bonds, Series 2006A on February 1, 2014 and the G.O. Improvement Bonds, Series 2008A on March 1, 2016. The bonds were issued with a net interest cost of 1.4951297 percent. It is estimated the City will decrease its aggregate debt service payments by \$416,186 and obtain an economic gain of \$380,592.

Conduit debt obligations

The City has issued a Housing Facilities Revenue Refunding Note to provide financial assistance to Goldfinch Estates for the acquisition, construction and operation of a 72-unit senior living facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by Goldfinch Estates. Neither the City, the State, nor 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.

Issued to	Issue Date	Amount Issued	Balance at Year End
Goldfinch Estates - Vista Prairie Communities Project	05/01/12	\$ 3,000,000	\$ 3,000,000

**F. Components of fund balance**

At December 31, 2014, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	2014 Capital Improvements	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	\$ -	\$ -	\$ -	\$ 3,200	\$ 3,200
Restricted for					
Debt service	\$ -	\$ 7,182,628	\$ -	\$ -	\$ 7,182,628
State aid street improvements	-	-	114,131	1,581,715	1,695,846
Capital projects	-	-	-	373,073	373,073
Housing and economic development	-	-	-	1,592,173	1,592,173
Total	\$ -	\$ 7,182,628	\$ 114,131	\$ 3,546,961	\$ 10,843,720

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	General	Debt Service	2014 Capital Improvements	Other Governmental Funds	Total
Committed for					
Community center	\$ 3,036	\$ -	\$ -	\$ -	\$ 3,036
Bike trail	1,950	-	-	-	1,950
LaFrance	4,172	-	-	-	4,172
Fire department	125,500	-	-	-	125,500
Capital projects	-	-	-	376,518	376,518
Conservation	-	-	-	946,425	946,425
Total	<u>\$ 134,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,943</u>	<u>\$ 1,457,601</u>
Assigned for					
Police equipment	\$ 35,723	\$ -	\$ -	\$ -	\$ 35,723
Fire department truck	25,000	-	-	-	25,000
Building inspection	11,143	-	-	-	11,143
Housing demolition	47,713	-	-	-	47,713
Engineer equipment	122,800	-	-	-	122,800
Park equipment	112,852	-	-	-	112,852
Aquatic park	29,848	-	-	-	29,848
Police social	10,000	-	-	-	10,000
Finance equipment	195,367	-	-	-	195,367
Planning and zoning	20,000	-	-	-	20,000
Drug enforcement	10,667	-	-	-	10,667
Street building	36,237	-	-	-	36,237
Park land	86,280	-	-	-	86,280
Street/park building replacement	800,000	-	-	-	800,000
Government building	101,826	-	-	-	101,826
Street equipment	120,880	-	-	-	120,880
Housing and economic development	-	-	-	105,406	105,406
Total	<u>\$ 1,766,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,406</u>	<u>\$ 1,871,742</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

All full-time and certain part-time employees of the City of Fairmont are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

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

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**B. Funding policy**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. In 2014, the City of Fairmont was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members and 15.3 percent for PEPFF members. The City's contributions (including the PUC and the EDA) to the GERP for the years ending December 31, 2014, 2013 and 2012 were \$325,376, \$310,694, and \$313,505 respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013 and 2012 were \$184,614, \$172,033, and \$172,112, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS**

**I. FIRE RELIEF ASSOCIATION**

**A. Plan description**

Volunteer fire fighters of the City are members of the Fairmont Fire Fighters Relief Association (the Fire Relief Association). The Fire Relief Association is a single-employer defined benefit pension plan that operates under the provisions of Minnesota statutes, section 69 and 424, as amended. It is governed by a Board of seven officers and trustees elected by the members of the Fire Relief Association for three-year terms. The Mayor and City Clerk of the City are ex officio, nonvoting members of the Board of Trustees.

For financial reporting purposes, the Fire Relief Association's financial statements are not included in the City's financial statements because the Fire Relief Association is not a component unit of the City. The financial statements of the Fire Relief Association may be obtained at 216 East 4<sup>th</sup> Street, Fairmont, Minnesota 56031.

The City's payroll for fire fighters covered by the Fire Relief Association plan for the year ended December 31, 2014 was \$77,485.

**B. Plan benefits**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. A fire fighter who completes at least 20 years as an active member of the Municipal Fire Department (the Fire Department) is entitled, after age 50, to a full service pension upon retirement. The service pension prescribed by the Association's bylaws was a monthly benefit of \$25.00 for each year of service completed by the individual. The bylaws have been amended and all future retirees will receive a lump sum benefit of \$3,800 per year of service.

The bylaws of the Fire Relief Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid.

A member of the Fire Relief Association who has completed 20 or more years of active service with the Fire Department but has not reached age 50 shall have the right to retire from the Fire Department without forfeiting the right to a service pension. The member shall be entitled to a deferred service pension and upon attaining the age of 50, the Fire Relief Association shall, upon application thereof, pay the member's pension from the date the application is approved.

A member is also entitled to lump sum disability benefits of \$3,800 for each year of service as an active member of the Fire Department in the event the member becomes totally disabled.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS - CONTINUED**

The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling Minnesota statutes. The State aid is recognized as both an increase and decrease in assets and liabilities in the Fire Relief Association agency fund. The State aid for 2014 was \$87,209. The firefighter has no obligation to contribute to this pension plan.

**C. Funding status**

The amount shown as the "accrued liability" is based on the actuarial accrued liability measure as determined using the same actuarial assumptions as for funding purposes. This measure is substituted for the standardized measure required for disclosure purposes under the GASB Statement No. 27.

The assumed interest rate for the actuarial calculations was 5 percent compounded annually.

As calculated by applying the interest assumption to the latest actuarial valuation, the unfunded accrued pension liability was \$326,188 at December 31, 2014. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 171,691
Contributions made	
City (voluntary)	1,000
City (required)	83,482
State aid	87,209
Actuarial valuation date	12/31/14
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed *	Net Pension Obligation
12/31/14	\$ 171,691	100.0 %	\$ -
12/31/13	182,005	100.0	-
12/31/12	157,574	100.0	-

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS - CONTINUED**

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/14	\$ 1,508,853	\$ 1,835,041	\$ (326,188)	82.2 %	\$ 3,800
12/31/13	1,450,370	2,000,000	(549,630)	72.5	3,800
12/31/12	1,281,067	1,880,412	(599,345)	68.1	3,800

**Note 6: OTHER INFORMATION**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded this City's coverage in any of the past three fiscal years.

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 (IBNRs). The City's management is not aware of any incurred but not reported claims.

During fiscal year 1984, the City established a self-insurance fund for health and dental benefits to account for and finance its uninsured risks of loss. In 2009, the City changed its funding of this plan from a self-funded to a premium based plan through Blue Cross Blue Shield of Minnesota.

All funds of the City participate in the program and make payments to the Medical Self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. This fund has a net liability of \$37,544 at December 31, 2014. The claims liability of \$19,567 reported in the fund at December 31, 2014 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Medical Self-insurance fund's claims liability amount in calendar 2014, 2013 and 2012 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2014	\$ 15,093	\$ 253,876	\$ (249,402)	\$ 19,567
2013	30,652	254,130	(269,689)	15,093
2012	115,152	244,487	(328,987)	30,652

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 6: OTHER INFORMATION - CONTINUED**

During 1987, the City was unable to obtain worker's compensation and general liability insurance at a cost it considered to be economically justifiable. In 1987, the City joined the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to LMCIT for its workers' compensation and general liability and property insurance coverage. The Agreement for Formation of the LMCIT provides that LMCIT will be self-sustaining through member premiums. Annual claims in excess of \$10,000 per event and \$100,000 in the aggregate are covered through reinsurance.

All funds of the City participate in the program and make payments to the Property, Equipment and Liability and Workers' Compensation Self-insurance funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. Net position at December 31, 2014 was \$563,648 and \$464,502 for the Property, Equipment and Liability and Workers' Compensation Self-insurance funds, respectively. The claims liabilities of \$0 reported in the Property, Equipment and Liability and Worker's Compensation funds at December 31, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Property, Equipment and Liability fund's claims liability amount in calendar 2014, 2013 and 2012 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2014	\$ -	\$ 28,733	\$ (28,733)	\$ -
2013	-	24,760	(24,760)	-
2012	-	29,172	(29,172)	-

**B. Contingent liabilities**

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

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The EDA has a limited debt service guarantee with the Housing and Redevelopment Authority (HRA). The guarantee limit is \$50,000 and is solely for the purpose of paying the debt service on the HRA's \$575,000 Essential Function Housing Development Revenue Bond of 2001. If there are ever insufficient funds available in the HRA's debt service account to pay the principal and interest on the bond, the EDA is obligated to make such debt service payments up to an aggregate limit of \$50,000.



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 6: OTHER INFORMATION - CONTINUED**

**C. Commitments**

Power Purchase Commitment - Southern Minnesota Municipal Power Agency (SMMPA) is a municipal corporation of which the City of Fairmont is one of eighteen member municipalities, each of which owns and operates an electric distribution system. In 1981, the City entered into an agreement with SMMPA to purchase power from SMMPA until April 1, 2030, and in 2009 the City voted to extend the purchase power contract an additional 20 years, until April 1, 2050. The price of energy purchased is based upon the amount required to produce revenue necessary for SMMPA to meet all operating costs and debt commitments, and to maintain reasonable reserves.

**D. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2014 was \$3,740,909. This accounted for 54 percent of General fund revenues.

**E. Postemployment benefits other than pensions**

*Plan Description.* The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City’s plan. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2014, the City contributed \$47,436 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Retiree Health Plan.

	Primary Government	Component Unit	Total
Annual required contribution	\$ 79,765	\$ 548	\$ 80,313
Interest on net OPEB obligation	8,501	59	8,560
Adjustment to annual required contribution	(11,949)	(82)	(12,031)
Annual OPEB cost	76,317	525	76,842
Contributions made	(47,112)	(324)	(47,436)
Increase in net OPEB obligation	29,205	201	29,406
Net OPEB obligation - beginning of year	185,914	4,298	190,212
NET OPEB obligation - end of year	<u>\$ 215,119</u>	<u>\$ 4,499</u>	<u>\$ 219,618</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 6: OTHER INFORMATION - CONTINUED**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

Year Ending	Three Year Trend Information		
	Primary Government		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 76,317	61.7%	\$ 215,119
12/31/13	78,288	73.9%	185,914
12/31/12	77,673	67.8%	165,481

Year Ending	Component Unit		
	Percentage		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 525	61.7%	\$ 4,499
12/31/13	567	73.9%	4,298
12/31/12	1,725	67.8%	4,150

*Funded status and funding progress.* As of January 1, 2014, the City's actuarial accrued liability for benefits was \$658,385, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$5,117,841, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.9 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Methods and assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 6: OTHER INFORMATION - CONTINUED**

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65 or at the first subsequent year in which the member would qualify for benefits.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - RP 2000 Combined Healthy Table projected to 2014 with Scale BB (with Blue Collar adjustment for Police & Fire)

*Turnover* - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5 percent initially, reduced to an ultimate rate of 5.0 percent after ten years, was used.

*Health insurance premiums* - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 2.5 percent was used based on an intermediate growth scenario.

*Actuarial method* - Projected Unit Credit with 30-year amortization of the unfunded liability.

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to be 3.0 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2014 was 30 years.

**Note 7: PRIOR PERIOD RESTATEMENT**

According to GASB 54, loans receivable should not be offset by a deferred inflow of resources in the governmental fund statements, but instead be reported as restricted fund balance. As a result of a prior period restatement to beginning balances, the following schedule reconciles the previously reported fund balances in the December 31, 2013 financial statements.

Fund	December 31, 2013		
	Fund Balance December 31, 2013 as Previously Reported	Prior Period Restatement	Fund Balance January 1, 2014 as Restated
Nonmajor			
Special revenue			
State Housing Grant I	\$ -	\$ 3,763	\$ 3,763
State Housing Grant II	3,134	29,573	32,707
State Housing Grant III	3,903	141,291	145,194
State Housing Grant 2011	17,681	121,474	139,155
Total business-type activities	\$ 24,718	\$ 296,101	\$ 320,819

**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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CITY OF FAIRMONT, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Schedule of funding progress for the retiree health plan**

Actuarial Valuation Date	Required Supplementary Information						UAAL as a Percentage
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Liability - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Payroll ((b-a)/c)	
01/01/14	\$ -	\$ 658,385	\$ 658,385	- %	\$ 5,117,841	12.9 %	
01/01/11	-	690,112	690,112	-	5,142,325	13.4	
01/01/08	-	838,818	838,818	-	5,185,446	16.2	

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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CITY OF FAIRMONT, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,768,464	\$ 2,460,573	\$ 4,229,037
Receivables			
Delinquent taxes	1,796	-	1,796
Accounts	21,352	-	21,352
Loans	898,685	-	898,685
Intergovernmental	432	342,721	343,153
Prepaid items	3,200	-	3,200
<b>TOTAL ASSETS</b>	<u><u>\$ 2,693,929</u></u>	<u><u>\$ 2,803,294</u></u>	<u><u>\$ 5,497,223</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 44,958	\$ 130,081	\$ 175,039
Due to other funds	263	450,000	450,263
Accrued wages payable	1,349	-	1,349
<b>TOTAL LIABILITIES</b>	<u>46,570</u>	<u>580,081</u>	<u>626,651</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	<u>1,796</u>	<u>-</u>	<u>1,796</u>
<b>FUND BALANCES</b>			
Nonspendable	3,200	-	3,200
Restricted	1,592,173	1,954,788	3,546,961
Committed	946,425	376,518	1,322,943
Assigned	105,406	-	105,406
Unassigned	(1,641)	(108,093)	(109,734)
<b>TOTAL FUND BALANCES</b>	<u>2,645,563</u>	<u>2,223,213</u>	<u>4,868,776</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 2,693,929</u></u>	<u><u>\$ 2,803,294</u></u>	<u><u>\$ 5,497,223</u></u>

CITY OF FAIRMONT, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 50,562	\$ -	\$ 50,562
Intergovernmental	10,896	(30,690)	(19,794)
Charges for services	328,220	-	328,220
Investment earnings	13,102	14,919	28,021
Miscellaneous	259,622	-	259,622
TOTAL REVENUES	662,402	(15,771)	646,631
EXPENDITURES			
Current			
Housing and economic development	262,042	-	262,042
Miscellaneous	566,190	-	566,190
Capital outlay			
Streets and highways	-	106,943	106,943
Miscellaneous	4,220	54,125	58,345
TOTAL EXPENDITURES	832,452	161,068	993,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(170,050)	(176,839)	(346,889)
OTHER FINANCING SOURCES (USES)			
Transfers in	55,000	-	55,000
Transfers out	(25,000)	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	30,000	-	30,000
NET CHANGE IN FUND BALANCES	(140,050)	(176,839)	(316,889)
FUND BALANCES, JANUARY 1	2,785,613	2,400,052	5,185,665
FUND BALANCES, DECEMBER 31	\$ 2,645,563	\$ 2,223,213	\$ 4,868,776

## NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or local ordinance to finance particular functions or activities of government.

**Central College Incubator:** This fund accounts for the activities relating to the operations of the Southern Minnesota Education Campus building.

**Wetland Bank:** This fund accounts for the management of wetland credits owned by the City.

**Revolving Loan:** This fund accounts for Federal and State grants received by the City which are loaned for economic development purposes under the guidelines established by the Fairmont Economic Development Authority.

**Revolving Loan 2:** This fund accounts for Federal and State grants received by the City which are loaned for economic development purposes under the guidelines established by the Fairmont Economic Development Authority.

**Micro Loan:** This fund is used to make small business micro loans up to \$10,000 for building signage, facade improvements and equipment purchases.

**State Housing Grant I, II, III and 2011:** These funds account for Small Cities Development Program Federal Grants used to improve housing for low income citizens within the City.

**Aeronautics:** This fund accounts for the administrative and maintenance costs of operating the Fairmont municipal airport.

**Lake Restoration:** This fund accounts for the City's ongoing lake dredging program.

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CITY OF FAIRMONT, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014

	<b>212</b> Central College Incubator	<b>214</b> Wetland Bank	<b>215</b> Revolving Loan	<b>216</b> Revolving Loan 2
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,733	\$ 67,077	\$ 182,581	\$ 506,371
Receivables				
Delinquent taxes	-	-	-	-
Accounts	186	-	-	-
Loans	-	-	485,931	183,227
Intergovernmental	-	-	-	-
Prepaid items	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 30,919</u></u>	<u><u>\$ 67,077</u></u>	<u><u>\$ 668,512</u></u>	<u><u>\$ 689,598</u></u>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 32,560	\$ -	\$ 268	\$ -
Due to other funds	-	-	-	-
Accrued wages payable	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>32,560</u>	<u>-</u>	<u>268</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	668,244	689,598
Committed	-	-	-	-
Assigned	-	67,077	-	-
Unassigned	(1,641)	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>(1,641)</u>	<u>67,077</u>	<u>668,244</u>	<u>689,598</u>
<b>TOTAL LIABILITIES, DEFERRD INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 30,919</u></u>	<u><u>\$ 67,077</u></u>	<u><u>\$ 668,512</u></u>	<u><u>\$ 689,598</u></u>



<b>217</b>	<b>220</b>	<b>222</b>	<b>224</b>	<b>226</b>	<b>230</b>	<b>240</b>	Total
Micro	State	State	State	State	Aeronautics	Lake	Nonmajor
Loan	Housing	Housing	Housing	Housing		Restoration	Special
	Grant I	Grant II	Grant III	Grant 2011			Revenue
\$ 17,227	\$ -	\$ 3,096	\$ 5,458	\$ 4,149	\$ 5,575	\$ 946,197	\$ 1,768,464
-	-	-	-	-	1,796	-	1,796
-	-	-	-	-	13,492	7,674	21,352
7,899	2,435	20,029	99,323	99,841	-	-	898,685
-	-	-	-	-	432	-	432
-	-	-	-	-	3,200	-	3,200
<u>\$ 25,126</u>	<u>\$ 2,435</u>	<u>\$ 23,125</u>	<u>\$ 104,781</u>	<u>\$ 103,990</u>	<u>\$ 24,495</u>	<u>\$ 953,871</u>	<u>\$ 2,693,929</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,684	\$ 7,446	\$ 44,958
-	-	-	-	-	263	-	263
-	-	-	-	-	1,349	-	1,349
-	-	-	-	-	6,296	7,446	46,570
-	-	-	-	-	1,796	-	1,796
-	-	-	-	-	3,200	-	3,200
-	2,435	23,125	104,781	103,990	-	-	1,592,173
-	-	-	-	-	-	946,425	946,425
25,126	-	-	-	-	13,203	-	105,406
-	-	-	-	-	-	-	(1,641)
<u>25,126</u>	<u>2,435</u>	<u>23,125</u>	<u>104,781</u>	<u>103,990</u>	<u>16,403</u>	<u>946,425</u>	<u>2,645,563</u>
<u>\$ 25,126</u>	<u>\$ 2,435</u>	<u>\$ 23,125</u>	<u>\$ 104,781</u>	<u>\$ 103,990</u>	<u>\$ 24,495</u>	<u>\$ 953,871</u>	<u>\$ 2,693,929</u>

CITY OF FAIRMONT, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
State				
Airport maintenance aid	-	-	-	-
Charges for services				
Miscellaneous	-	-	-	-
Investment earnings (loss)	22	509	1,171	3,677
Miscellaneous				
Rents	-	-	-	-
Loan interest	-	-	19,605	6,823
Other	49,228	-	-	-
	<u>49,250</u>	<u>509</u>	<u>20,776</u>	<u>10,500</u>
TOTAL REVENUES				
	<u>49,250</u>	<u>509</u>	<u>20,776</u>	<u>10,500</u>
EXPENDITURES				
Current				
Housing and economic development	104,287	-	1,381	69,179
Miscellaneous				
Conservation - water resources	-	-	-	-
Airport operation and maintenance	-	-	-	-
Capital outlay				
Miscellaneous				
Conservation - water resources	-	-	-	-
Airport operation and maintenance	-	-	-	-
	<u>104,287</u>	<u>-</u>	<u>1,381</u>	<u>69,179</u>
TOTAL EXPENDITURES				
	<u>104,287</u>	<u>-</u>	<u>1,381</u>	<u>69,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(55,037)</u>	<u>509</u>	<u>19,395</u>	<u>(58,679)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	-	-	-
Transfers out	-	-	-	(25,000)
	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCES	(25,037)	509	19,395	(83,679)
FUND BALANCES, JANUARY 1, RESTATED (NOTE 7)	<u>23,396</u>	<u>66,568</u>	<u>648,849</u>	<u>773,277</u>
FUND BALANCES, DECEMBER 31	<u>\$ (1,641)</u>	<u>\$ 67,077</u>	<u>\$ 668,244</u>	<u>\$ 689,598</u>

<b>217</b> Micro Loan	<b>220</b> State Housing Grant I	<b>222</b> State Housing Grant II	<b>224</b> State Housing Grant III	<b>226</b> State Housing Grant 2011	<b>230</b> Aeronautics	<b>240</b> Lake Restoration	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,562	\$ -	\$ 50,562
-	-	-	-	-	10,896	-	10,896
-	-	-	-	-	263,270	64,950	328,220
-	-	-	-	71	(96)	7,748	13,102
-	-	-	-	-	152,009	-	152,009
193	-	394	175	-	-	-	27,190
-	-	-	-	-	31,195	-	80,423
193	-	394	175	71	507,836	72,698	662,402
67	1,328	9,976	40,588	35,236	-	-	262,042
-	-	-	-	-	-	45,797	45,797
-	-	-	-	-	520,393	-	520,393
-	-	-	-	-	-	1,185	1,185
-	-	-	-	-	3,035	-	3,035
67	1,328	9,976	40,588	35,236	523,428	46,982	832,452
126	(1,328)	(9,582)	(40,413)	(35,165)	(15,592)	25,716	(170,050)
25,000	-	-	-	-	-	-	55,000
-	-	-	-	-	-	-	(25,000)
25,000	-	-	-	-	-	-	30,000
25,126	(1,328)	(9,582)	(40,413)	(35,165)	(15,592)	25,716	(140,050)
-	3,763	32,707	145,194	139,155	31,995	920,709	2,785,613
\$ 25,126	\$ 2,435	\$ 23,125	\$ 104,781	\$ 103,990	\$ 16,403	\$ 946,425	\$ 2,645,563

CITY OF FAIRMONT, MINNESOTA  
AERONAUTICS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	Final Budget	2014 Actual Amounts	Variance with Final Budget	2013 Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 50,000	\$ 50,562	\$ 562	\$ 50,109
Intergovernmental				
State				
Airport maintenance aid	60,000	10,896	(49,104)	100,647
Charges for services				
Miscellaneous	50,000	263,270	213,270	33,656
Investment earnings (loss)	-	(96)	(96)	(171)
Miscellaneous				
Rents	141,650	152,009	10,359	136,281
Other	-	31,195	31,195	12,806
	<u>301,650</u>	<u>507,836</u>	<u>206,186</u>	<u>333,328</u>
TOTAL REVENUES	<u>301,650</u>	<u>507,836</u>	<u>206,186</u>	<u>333,328</u>
EXPENDITURES				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	122,494	80,972	41,522	40,042
Supplies	14,750	232,871	(218,121)	89,654
Other services and charges	134,856	206,550	(71,694)	198,714
Capital outlay				
Miscellaneous				
Airport operation and maintenance	29,550	3,035	26,515	42,651
	<u>301,650</u>	<u>523,428</u>	<u>(221,778)</u>	<u>371,061</u>
TOTAL EXPENDITURES	<u>301,650</u>	<u>523,428</u>	<u>(221,778)</u>	<u>371,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(15,592)	(15,592)	(37,733)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	50,000
NET CHANGE IN FUND BALANCES	-	(15,592)	(15,592)	12,267
FUND BALANCES, JANUARY 1	31,995	31,995	-	19,728
FUND BALANCES, DECEMBER 31	<u>\$ 31,995</u>	<u>\$ 16,403</u>	<u>\$ (15,592)</u>	<u>\$ 31,995</u>

CITY OF FAIRMONT, MINNESOTA  
LAKE RESTORATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			2013
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 5,000	\$ 7,748	\$ 2,748	\$ 6,931
Charges for services				
Miscellaneous - restoration	65,000	64,950	(50)	78,406
TOTAL REVENUES	70,000	72,698	2,698	85,337
EXPENDITURES				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	2,000	450	1,550	344
Other services and charges	9,975	45,347	(35,372)	7,696
Capital outlay				
Miscellaneous				
Conservation - water resources	350,000	1,185	348,815	458,413
TOTAL EXPENDITURES	361,975	46,982	314,993	466,453
NET CHANGE IN FUND BALANCES	(291,975)	25,716	317,691	(381,116)
FUND BALANCES, JANUARY 1	920,709	920,709	-	1,301,825
FUND BALANCES, DECEMBER 31	\$ 628,734	\$ 946,425	\$ 317,691	\$ 920,709

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## **NONMAJOR CAPITAL PROJECTS FUNDS**

Capital projects funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Enterprise Funds.

**Lair Road Bridge:** This fund is used to account for costs associated with the Lair Bridge project which began in 2010.

**Municipal State Aid - Streets:** This fund is used to account for revenues received from the State of Minnesota to help pay costs of improvements on Minnesota State Aid Streets within the City.

**Airport Reconstruction Project:** This fund is used to account for costs associated with ongoing major repair, replacement and expansion projects at the municipal airport.

**2013 Capital Improvements:** This fund is used to account for costs associated with major street replacement projects which began in 2013.

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CITY OF FAIRMONT, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014

	<b>410</b>	<b>402</b>	<b>450</b>
	Lair Road Bridge	Municipal State Aid - Streets	Airport Reconstruction Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ 452,477	\$ 1,581,715	\$ 9,186
Receivables			
Intergovernmental	<u>-</u>	<u>-</u>	<u>342,721</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 452,477</u></u>	<u><u>\$ 1,581,715</u></u>	<u><u>\$ 351,907</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 75,959	\$ -	\$ 10,000
Due to other funds	<u>-</u>	<u>-</u>	<u>450,000</u>
<b>TOTAL LIABILITIES</b>	<u>75,959</u>	<u>-</u>	<u>460,000</u>
<b>FUND BALANCES</b>			
Restricted	-	1,581,715	-
Committed	376,518	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(108,093)</u>
<b>TOTAL FUND BALANCES</b>	<u>376,518</u>	<u>1,581,715</u>	<u>(108,093)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 452,477</u></u>	<u><u>\$ 1,581,715</u></u>	<u><u>\$ 351,907</u></u>

<b>473</b> 2013 Capital Improvements	Total Nonmajor Capital Projects
\$ 417,195	\$ 2,460,573
-	342,721
<u>\$ 417,195</u>	<u>\$ 2,803,294</u>
\$ 44,122	\$ 130,081
-	450,000
<u>44,122</u>	<u>580,081</u>
373,073	1,954,788
-	376,518
-	(108,093)
<u>373,073</u>	<u>2,223,213</u>
<u>\$ 417,195</u>	<u>\$ 2,803,294</u>

CITY OF FAIRMONT, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>410</b>	<b>402</b>	<b>450</b>
	Lair Road Bridge	Municipal State Aid - Streets	Airport Reconstruction Project
REVENUES			
Intergovernmental			
Federal			
Airport reconstruction grant	\$ -	\$ -	\$ (175,324)
State			
Street construction aid	-	144,634	-
Investment earnings (loss)	3,192	12,165	(3,484)
	<u>3,192</u>	<u>12,165</u>	<u>(3,484)</u>
TOTAL REVENUES	<u>3,192</u>	<u>156,799</u>	<u>(178,808)</u>
EXPENDITURES			
Capital outlay			
Streets and highways	27,933	-	-
Miscellaneous	-	-	54,125
	<u>27,933</u>	<u>-</u>	<u>54,125</u>
TOTAL EXPENDITURES	<u>27,933</u>	<u>-</u>	<u>54,125</u>
NET CHANGE IN FUND BALANCES	(24,741)	156,799	(232,933)
FUND BALANCES, JANUARY 1	<u>401,259</u>	<u>1,424,916</u>	<u>124,840</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 376,518</u></u>	<u><u>\$ 1,581,715</u></u>	<u><u>\$ (108,093)</u></u>

<b>473</b> 2013 Capital Improvements	Total Nonmajor Capital Projects
\$ -	\$ (175,324)
-	144,634
<u>3,046</u>	<u>14,919</u>
<u>3,046</u>	<u>(15,771)</u>
79,010	106,943
<u>-</u>	<u>54,125</u>
<u>79,010</u>	<u>161,068</u>
(75,964)	(176,839)
<u>449,037</u>	<u>2,400,052</u>
<u><u>\$ 373,073</u></u>	<u><u>\$ 2,223,213</u></u>

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## **THE GENERAL FUND**

The General fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds, and it is usually the largest and most important accounting activity for state and local governments. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, rents and charges for current services, state-shared taxes, and interest earnings. The fund's resources also finance a wider range of activities than any other fund. Most of the current operations of governmental units will be financed from this fund.

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CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,512,739	\$ 4,848,060
Receivables		
Interest	43,812	36,097
Delinquent taxes	69,390	64,420
Special assessments	13,589	11,805
Accounts	27,320	36,783
Intergovernmental	41,353	24,794
Due from other funds	<u>-</u>	<u>205,000</u>
 TOTAL ASSETS	 <u><u>\$ 5,708,203</u></u>	 <u><u>\$ 5,226,959</u></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 208,338	\$ 351,465
Due to other funds	17,159	42,684
Due to other governments	718	320
Accrued wages payable	72,174	182,814
Unearned revenue	<u>19,476</u>	<u>18,438</u>
 TOTAL LIABILITIES	 <u>317,865</u>	 <u>595,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	69,390	64,420
Unavailable revenue - special assessments	<u>13,589</u>	<u>11,805</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>82,979</u>	 <u>76,225</u>
<b>FUND BALANCES</b>		
Nonspendable	-	205,000
Committed	134,658	135,575
Assigned	1,766,336	989,402
Unassigned	<u>3,406,365</u>	<u>3,225,036</u>
 TOTAL FUND BALANCES	 <u>5,307,359</u>	 <u>4,555,013</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 5,708,203</u></u>	 <u><u>\$ 5,226,959</u></u>

CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			2013
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
REVENUES				
Taxes				
Property taxes	\$ 2,114,714	\$ 2,114,714	\$ 2,098,422	\$ 1,913,636
Franchise taxes	-	-	36,927	36,205
Total taxes	2,114,714	2,114,714	2,135,349	1,949,841
Licenses and permits				
Business	33,400	33,400	39,939	38,110
Nonbusiness	134,800	134,800	109,127	96,250
Total licenses and permits	168,200	168,200	149,066	134,360
Intergovernmental				
Federal				
Other Federal aids	-	-	15,580	15,580
State				
Local government aid	3,740,908	3,740,908	3,740,909	1
Property tax credits	-	-	950	950
Street maintenance aid	29,085	29,085	29,085	-
Police aid	196,000	196,000	224,022	28,022
Other State aids	21,672	21,672	28,015	6,343
Total State	3,987,665	3,987,665	4,022,981	35,316
County				
Other County aids	-	-	2,351	2,351
Total intergovernmental	3,987,665	3,987,665	4,040,912	53,247
Charges for services				
General government	10,000	10,000	11,586	1,586
Public safety	48,500	48,500	62,251	13,751
Sanitation	92,500	92,500	98,879	6,379
Culture and recreation	141,000	141,000	167,687	26,687
Total charges for services	292,000	292,000	340,403	48,403
Fines and forfeits				
Court fines	77,000	77,000	66,829	(10,171)
Investment earnings (loss)	30,000	30,000	90,989	60,989
Miscellaneous				
Rents	70,000	70,000	70,046	46
Contributions and donations	-	-	25,942	25,942
Other	49,794	49,794	74,235	24,441
Total miscellaneous	119,794	119,794	170,223	50,429
TOTAL REVENUES	6,789,373	6,789,373	6,993,771	204,398

CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 27,646	\$ 27,646	\$ 20,599	\$ 7,047	\$ 27,699
Supplies	2,375	2,375	661	1,714	2,032
Other services and charges	4,100	4,100	6,405	(2,305)	4,707
Total Mayor and Council	34,121	34,121	27,665	6,456	34,438
City Administrator					
Personal services	87,107	87,107	88,282	(1,175)	88,896
Supplies	2,950	2,950	1,457	1,493	1,671
Other services and charges	12,725	12,725	18,796	(6,071)	18,917
Total city administrator	102,782	102,782	108,535	(5,753)	109,484
Elections					
Personal services	24,256	24,256	24,412	(156)	13,876
Supplies	1,900	1,900	1,938	(38)	-
Other services and charges	575	575	227	348	52
Total elections	26,731	26,731	26,577	154	13,928
Recording and reporting					
Personal services	53,974	53,974	52,352	1,622	82,176
Supplies	3,150	3,150	2,063	1,087	1,105
Other services and charges	3,775	3,775	3,935	(160)	3,971
Total recording and reporting	60,899	60,899	58,350	2,549	87,252
Local access channel					
Personal services	1,743	1,743	1,747	(4)	1,604
Supplies	1,900	1,900	-	1,900	363
Other services and charges	5,830	5,830	6,243	(413)	5,855
Total local access channel	9,473	9,473	7,990	1,483	7,822
Accounting					
Personal services	220,667	220,667	210,024	10,643	193,582
Supplies	3,800	3,800	5,031	(1,231)	2,892
Other services and charges	67,640	67,640	42,403	25,237	122,061
Total accounting	292,107	292,107	257,458	34,649	318,535
City attorney					
Personal services	145,091	145,091	144,358	733	143,290
Supplies	2,850	2,850	2,946	(96)	2,464
Other services and charges	9,865	9,865	8,821	1,044	8,115
Total city attorney	157,806	157,806	156,125	1,681	153,869

CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
General government - Continued					
Planning and zoning					
Personal services	\$ 100,596	\$ 100,596	\$ 101,243	\$ (647)	\$ 100,858
Supplies	1,450	1,450	802	648	674
Other services and charges	3,900	3,900	3,072	828	2,124
Total planning and zoning	105,946	105,946	105,117	829	103,656
General government building					
Personal services	67,412	67,412	62,238	5,174	74,404
Supplies	8,000	8,000	2,520	5,480	4,010
Other services and charges	57,185	57,185	50,292	6,893	72,019
Total general government building	132,597	132,597	115,050	17,547	150,433
Library building					
Supplies	6,000	6,000	2,564	3,436	4,707
Other services and charges	56,160	56,160	53,760	2,400	49,714
Total library building	62,160	62,160	56,324	5,836	54,421
Other general government					
Other services and charges	215,288	215,288	122,100	93,188	163,091
Total general government	1,199,910	1,199,910	1,041,291	158,619	1,196,929
Public safety					
Police					
Administration					
Personal services	394,371	394,371	398,302	(3,931)	380,330
Supplies	4,750	4,750	3,901	849	5,368
Other services and charges	21,040	21,040	15,609	5,431	15,139
Total administration	420,161	420,161	417,812	2,349	400,837
Crime control					
Personal services	1,472,304	1,472,304	1,403,330	68,974	1,488,701
Supplies	91,450	91,450	67,500	23,950	76,416
Other services and charges	217,836	217,836	271,781	(53,945)	227,039
Total crime control	1,781,590	1,781,590	1,742,611	38,979	1,792,156
Training					
Personal services	23,491	23,491	24,654	(1,163)	25,927
Supplies	2,000	2,000	129	1,871	-
Other services and charges	14,100	14,100	18,909	(4,809)	22,453
Total training	39,591	39,591	43,692	(4,101)	48,380

CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

EXPENDITURES - CONTINUED	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current - Continued					
Public safety - Continued					
Police					
D.A.R.E. program					
Supplies	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ 1,845
Crossing guards					
Personal services	-	-	(359)	359	52
Other services and charges	3,000	3,000	-	3,000	6
Total crossing guards	3,000	3,000	(359)	3,359	58
Drug task force					
Other services and charges	500	500	6,155	(5,655)	3,665
Total police	2,247,342	2,247,342	2,209,911	37,431	2,246,941
Fire					
Fire fighting					
Personal services	246,850	246,850	246,565	285	264,419
Supplies	57,175	57,175	40,584	16,591	30,493
Other services and charges	68,170	68,170	78,401	(10,231)	101,610
Total fire fighting	372,195	372,195	365,550	6,645	396,522
Training					
Personal services	40,279	40,279	27,448	12,831	31,298
Supplies	8,000	8,000	1,666	6,334	-
Other services and charges	10,200	10,200	12,565	(2,365)	8,010
Total training	58,479	58,479	41,679	16,800	39,308
Total fire	430,674	430,674	407,229	23,445	435,830
Inspection					
Building inspection					
Personal services	147,936	147,936	133,560	14,376	146,294
Supplies	7,450	7,450	4,420	3,030	4,518
Other services and charges	11,325	11,325	12,248	(923)	12,159
Total building inspection	166,711	166,711	150,228	16,483	162,971
Fire inspection					
Personal services	20,943	20,943	17,446	3,497	20,490
Supplies	1,000	1,000	-	1,000	297
Other services and charges	1,550	1,550	381	1,169	282
Total fire inspection	23,493	23,493	17,827	5,666	21,069
Total inspection	190,204	190,204	168,055	22,149	184,040
Civil defense					
Supplies	600	600	500	100	146
Other services and charges	800	800	136	664	219
Total civil defense	1,400	1,400	636	764	365

CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety - Continued					
Animal control					
Personal services	\$ 83,718	\$ 83,718	\$ 77,338	\$ 6,380	\$ 78,082
Supplies	11,225	11,225	10,489	736	12,006
Other services and charges	28,059	28,059	29,000	(941)	24,716
Total animal control	123,002	123,002	116,827	6,175	114,804
Total public safety	2,992,622	2,992,622	2,902,658	89,964	2,981,980
Streets and highways					
Paved streets					
Personal services	380,614	380,614	359,850	20,764	299,151
Supplies	166,200	166,200	137,563	28,637	152,907
Other services and charges	76,100	76,100	40,404	35,696	43,702
Total paved streets	622,914	622,914	537,817	85,097	495,760
Ice and snow removal					
Personal services	169,408	169,408	163,177	6,231	135,313
Supplies	35,500	35,500	64,310	(28,810)	53,855
Other services and charges	7,650	7,650	14,881	(7,231)	19,923
Total ice and snow removal	212,558	212,558	242,368	(29,810)	209,091
Road and bridge equipment					
Personal services	33,882	33,882	32,638	1,244	64,020
Supplies	25,000	25,000	15,498	9,502	17,813
Other services and charges	96,300	96,300	125,394	(29,094)	146,134
Total road and bridge equipment	155,182	155,182	173,530	(18,348)	227,967
Street lighting					
Other services and charges	231,600	231,600	211,005	20,595	217,028
Engineering					
Personal services	284,554	284,554	185,920	98,634	257,835
Supplies	11,100	11,100	3,967	7,133	7,399
Other services and charges	41,946	41,946	37,381	4,565	34,120
Total engineering	337,600	337,600	227,268	110,332	299,354
Total streets and highways	1,559,854	1,559,854	1,391,988	167,866	1,449,200
Sanitation and waste removal					
Weed control					
Other services and charges	8,350	8,350	10,311	(1,961)	11,916
Culture and recreation					
Parks					
Personal services	662,389	662,389	613,146	49,243	543,501
Supplies	78,245	78,245	73,927	4,318	87,629
Other services and charges	137,350	137,350	142,263	(4,913)	125,658
Total parks	877,984	877,984	829,336	48,648	756,788
Recreation - ball diamonds					
Personal services	220,000	220,000	60,142	159,858	21,511
Recreation - ice rinks (outdoor)					
Other services and charges	53,500	53,500	70,549	(17,049)	87,183

CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation - Continued					
Recreation - garbage collection					
Personal services	\$ 31,380	\$ 31,380	\$ 28,888	\$ 2,492	\$ 25,804
Supplies	4,900	4,900	2,988	1,912	3,018
Other services and charges	88,600	88,600	90,506	(1,906)	54,599
Total recreation - garbage collection	124,880	124,880	122,382	2,498	83,421
Recreation - aquatic park					
Personal services	210,195	210,195	199,976	10,219	200,568
Supplies	56,400	56,400	45,625	10,775	52,694
Other services and charges	79,404	79,404	91,260	(11,856)	81,728
Total recreation - aquatic park	345,999	345,999	336,861	9,138	334,990
Total culture and recreation	1,622,363	1,622,363	1,419,270	203,093	1,283,893
Total current	7,383,099	7,383,099	6,765,518	617,581	6,923,918
Capital outlay					
General government	39,000	39,000	50,831	(11,831)	11,870
Public safety	103,060	103,060	84,477	18,583	365,004
Streets and highways	159,000	159,000	133,409	25,591	1,350
Culture and recreation	38,000	38,000	211,484	(173,484)	81,943
Total capital outlay	339,060	339,060	480,201	(141,141)	460,167
TOTAL EXPENDITURES	7,722,159	7,722,159	7,245,719	476,440	7,384,085
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(932,786)	(932,786)	(251,948)	680,838	(670,711)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	69,662	69,662	9,183
Transfers in	934,632	934,632	934,632	-	819,632
TOTAL OTHER FINANCING SOURCES (USES)	934,632	934,632	1,004,294	69,662	828,815
NET CHANGE IN FUND BALANCES	1,846	1,846	752,346	750,500	158,104
FUND BALANCES, JANUARY 1	4,555,013	4,555,013	4,555,013	-	4,396,909
FUND BALANCES, DECEMBER 31	\$ 4,556,859	\$ 4,556,859	\$ 5,307,359	\$ 750,500	\$ 4,555,013

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## **DEBT SERVICE FUNDS**

Debt Service funds are created to account for the payment of interest and principal on long-term, general obligation debt other than that payable from debt issued for and serviced primarily by a governmental enterprise.

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CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2014

	323	349	369
	Special Assessment	2005B Refunding Bonds	2009 Special Assessments
ASSETS			
Cash and cash equivalents	\$ 1,832,601	\$ 332	\$ 665,745
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	1,343	3,533	3,613
Special assessments			
Delinquent	14,036	1,812	353,690
Noncurrent	549,786	1,430	17,402
Intergovernmental	3,840	1,218	1,724
Due from other funds	7,513	-	-
	<u>2,409,119</u>	<u>8,325</u>	<u>1,042,174</u>
TOTAL ASSETS	<u>\$ 2,409,119</u>	<u>\$ 8,325</u>	<u>\$ 1,042,174</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	1,343	3,533	3,613
Unavailable revenue - special assessments	563,822	3,242	371,092
	<u>565,165</u>	<u>6,775</u>	<u>374,705</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>565,165</u>	<u>6,775</u>	<u>374,705</u>
FUND BALANCES			
Restricted	1,843,954	1,550	667,469
	<u>1,843,954</u>	<u>1,550</u>	<u>667,469</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,409,119</u>	<u>\$ 8,325</u>	<u>\$ 1,042,174</u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2014

	<b>305</b>	<b>370</b>	<b>371</b>
	Fire Truck Debt	2010A Refunding Bonds	2011 Improvement Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,708	\$ 655,807	\$ 328,720
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	1,372	6,730	3,012
Special assessments			
Delinquent	-	5,075	229,325
Noncurrent	-	117,156	14,263
Intergovernmental	159	3,414	1,862
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 10,239</u></u>	<u><u>\$ 788,182</u></u>	<u><u>\$ 577,182</u></u>
<b>LIABILITIES</b>			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	1,372	6,730	3,012
Unavailable revenue - special assessments	<u>-</u>	<u>122,231</u>	<u>243,588</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,372</u>	<u>128,961</u>	<u>246,600</u>
<b>FUND BALANCES</b>			
Restricted	<u>8,867</u>	<u>659,221</u>	<u>330,582</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 10,239</u></u>	<u><u>\$ 788,182</u></u>	<u><u>\$ 577,182</u></u>

<b>320</b> Tax Increment District No. 23	<b>322</b> Tax Increment District No. 22	<b>372</b>  2012 Refunding Bonds	<b>373</b>  2013 Improvement Bonds	Totals
\$ 9	\$ 1,826	\$ 762,247	\$ 324,523	\$ 4,580,518
-	-	2,577,972	-	2,577,972
-	-	20,035	568	40,206
-	-	1,273,916	221,451	2,099,305
-	-	49,135	8,700	757,872
-	-	10,223	1,698	24,138
-	-	-	-	7,513
<u>\$ 9</u>	<u>\$ 1,826</u>	<u>\$ 4,693,528</u>	<u>\$ 556,940</u>	<u>\$ 10,087,524</u>
<u>\$ 7,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,513</u>
-	-	20,035	568	40,206
-	-	1,323,051	230,151	2,857,177
-	-	1,343,086	230,719	2,897,383
<u>(7,504)</u>	<u>1,826</u>	<u>3,350,442</u>	<u>326,221</u>	<u>7,182,628</u>
<u>\$ 9</u>	<u>\$ 1,826</u>	<u>\$ 4,693,528</u>	<u>\$ 556,940</u>	<u>\$ 10,087,524</u>

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CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CONTINUED ON FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>323</b>	<b>349</b>	<b>369</b>
	Special Assessment	2005B Refunding Bonds	2009 Special Assessments
REVENUES			
Taxes			
Property taxes	\$ 1,128	\$ 102,043	\$ 121,980
Tax increment district taxes	-	-	-
Special assessments	172,897	13,179	71,572
Investment earnings (loss)	14,924	(506)	4,381
TOTAL REVENUES	<u>188,949</u>	<u>114,716</u>	<u>197,933</u>
EXPENDITURES			
Debt service			
Principal	-	420,000	105,000
Interest	-	13,825	49,038
TOTAL EXPENDITURES	<u>-</u>	<u>433,825</u>	<u>154,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>188,949</u>	<u>(319,109)</u>	<u>43,895</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	215,337	-
Transfers out	(268,532)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(268,532)</u>	<u>215,337</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(79,583)	(103,772)	43,895
FUND BALANCES, JANUARY 1	<u>1,923,537</u>	<u>105,322</u>	<u>623,574</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 1,843,954</u></u>	<u><u>\$ 1,550</u></u>	<u><u>\$ 667,469</u></u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>305</b>	<b>370</b>	<b>371</b>
	Fire Truck Debt	2010A Refunding Bonds	2011 Improvement Bonds
REVENUES			
Taxes			
Property taxes	\$ 1,372	\$ 203,133	\$ 95,414
Tax increment district taxes	-	-	-
Special assessments	-	38,230	45,519
Investment earnings (loss)	61	4,269	2,104
TOTAL REVENUES	<u>1,433</u>	<u>245,632</u>	<u>143,037</u>
EXPENDITURES			
Debt service			
Principal	-	240,000	105,000
Interest	-	54,263	53,213
TOTAL EXPENDITURES	<u>-</u>	<u>294,263</u>	<u>158,213</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,433</u>	<u>(48,631)</u>	<u>(15,176)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,433	(48,631)	(15,176)
FUND BALANCES, JANUARY 1	<u>7,434</u>	<u>707,852</u>	<u>345,758</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 8,867</u></u>	<u><u>\$ 659,221</u></u>	<u><u>\$ 330,582</u></u>



<b>320</b> Tax Increment District No. 23	<b>322</b> Tax Increment District No. 22	<b>372</b>  2012 Refunding Bonds	<b>373</b>  2013 Improvement Bonds	Totals
\$ -	\$ -	\$ 531,867	\$ 37,394	\$ 1,094,331
82	26,938	-	-	27,020
-	-	289,996	43,227	674,620
-	31	21,496	-	46,760
82	26,969	843,359	80,621	1,842,731
-	-	3,780,000	-	4,650,000
53	16,959	267,914	49,111	504,376
53	16,959	4,047,914	49,111	5,154,376
29	10,010	(3,204,555)	31,510	(3,311,645)
-	-	-	53,195	268,532
-	-	-	-	(268,532)
-	-	-	53,195	-
29	10,010	(3,204,555)	84,705	(3,311,645)
(7,533)	(8,184)	6,554,997	241,516	10,494,273
<u>\$ (7,504)</u>	<u>\$ 1,826</u>	<u>\$ 3,350,442</u>	<u>\$ 326,221</u>	<u>\$ 7,182,628</u>

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## **INTERNAL SERVICE FUNDS**

Internal service funds are created to account for the financing of goods and services provided by one department of government to other departments on a cost - reimbursement basis.

**Central Garage and Equipment:** This fund accounts for the cost of maintaining the City's vehicle fleet. All City vehicles are maintained by the central garage and billed for the maintenance on a departmental basis.

**Medical Self-Insurance:** This fund is used to account for the costs of the City employee health insurance plan. Premiums are paid by the benefiting funds and health insurance claims are paid out of the fund.

**Property, Equipment, and Liability Self-Insurance:** This fund is used to account for the costs of the City's insurance for liability and multi-peril risks. Premiums are received from benefiting funds and payments for insurance premiums and claims that fall within the deductible amounts are paid out of this fund.

**Worker's Compensation Self-Insurance:** This fund is used to account for costs associated with the City's workers' compensation insurance. Premiums are received from benefiting funds. Payments for insurance and other costs not covered under this plan are paid out of this fund.

**Data Processing:** This fund is used to account for the costs associated with the City's data processing system. Benefited funds are charged on a percentage basis for the costs of operating this department.

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CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	2014	2013	2014	2013
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,216	\$ 5,616	\$ 78,564	\$ 244,157
Due from other funds	-	-	29,065	76,184
Due from component unit	-	-	50	-
<b>TOTAL CURRENT ASSETS</b>	<b>2,216</b>	<b>5,616</b>	<b>107,679</b>	<b>320,341</b>
<b>CAPITAL ASSETS</b>				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
<b>NET CAPITAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>2,216</b>	<b>5,616</b>	<b>107,679</b>	<b>320,341</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	1,374	186	20,135	15,890
Due to other funds	827	3,518	50,000	255,000
Due to component unit	-	-	-	883
Accrued wages payable	8,557	22,770	-	-
<b>TOTAL LIABILITIES</b>	<b>10,758</b>	<b>26,474</b>	<b>70,135</b>	<b>271,773</b>
<b>NET POSITION</b>				
Investment in capital assets	-	-	-	-
Unrestricted	(8,542)	(20,858)	37,544	48,568
<b>TOTAL NET POSITION</b>	<b>\$ (8,542)</b>	<b>\$ (20,858)</b>	<b>\$ 37,544</b>	<b>\$ 48,568</b>

<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 563,648	\$ 541,553	\$ 466,588	\$ 502,668	\$ 14,240	\$ 17,555	\$ 1,125,256	\$ 1,311,549
-	-	53,703	59,953	-	-	82,768	136,137
-	-	-	-	-	-	50	-
563,648	541,553	520,291	562,621	14,240	17,555	1,208,074	1,447,686
-	-	-	-	298,752	292,991	298,752	292,991
-	-	-	-	(241,799)	(217,658)	(241,799)	(217,658)
-	-	-	-	56,953	75,333	56,953	75,333
563,648	541,553	520,291	562,621	71,193	92,888	1,265,027	1,523,019
-	-	55,789	61,063	5,525	3,233	82,823	80,372
-	-	-	-	-	-	50,827	258,518
-	-	-	-	-	-	-	883
-	-	-	-	-	-	8,557	22,770
-	-	55,789	61,063	5,525	3,233	142,207	362,543
-	-	-	-	56,953	75,333	56,953	75,333
563,648	541,553	464,502	501,558	8,715	14,322	1,065,867	1,085,143
<u>\$ 563,648</u>	<u>\$ 541,553</u>	<u>\$ 464,502</u>	<u>\$ 501,558</u>	<u>\$ 65,668</u>	<u>\$ 89,655</u>	<u>\$ 1,122,820</u>	<u>\$ 1,160,476</u>

CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ 183,197	\$ 269,074	\$ 1,397,855	\$ 1,554,545
Miscellaneous revenues	-	56	79	-
TOTAL OPERATING REVENUES	183,197	269,130	1,397,934	1,554,545
OPERATING EXPENSES				
Administration and other				
Personal services	154,526	267,714	-	-
Supplies	11,654	6,030	-	-
Other services and charges	4,735	3,608	25,472	27,404
Insurance premiums paid	-	-	1,129,869	1,209,398
Insurance claims paid	-	-	253,876	254,130
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	170,915	277,352	1,409,217	1,490,932
OPERATING INCOME (LOSS)	12,282	(8,222)	(11,283)	63,613
NONOPERATING REVENUES				
Investment income	34	27	259	265
CHANGE IN NET POSITION	12,316	(8,195)	(11,024)	63,878
NET POSITION, JANUARY 1	(20,858)	(12,663)	48,568	(15,310)
NET POSITION, DECEMBER 31	\$ (8,542)	\$ (20,858)	\$ 37,544	\$ 48,568



<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 325,521	\$ 262,037	\$ 196,455	\$ 195,308	\$ 60,498	\$ 219,056	\$ 2,163,526	\$ 2,500,020
-	-	10,702	26,920	-	-	10,781	26,976
325,521	262,037	207,157	222,228	60,498	219,056	2,174,307	2,526,996
-	-	-	-	-	49,912	154,526	317,626
-	-	870	-	5,943	46,823	18,467	52,853
15,326	16,104	39,928	42,331	54,511	62,425	139,972	151,872
263,081	241,799	207,243	197,665	-	-	1,600,193	1,648,862
28,733	24,760	-	-	-	-	282,609	278,890
-	-	-	-	24,141	18,139	24,141	18,139
307,140	282,663	248,041	239,996	84,595	177,299	2,219,908	2,468,242
18,381	(20,626)	(40,884)	(17,768)	(24,097)	41,757	(45,601)	58,754
3,714	2,625	3,828	2,764	110	76	7,945	5,757
22,095	(18,001)	(37,056)	(15,004)	(23,987)	41,833	(37,656)	64,511
541,553	559,554	501,558	516,562	89,655	47,822	1,160,476	1,095,965
<u>\$ 563,648</u>	<u>\$ 541,553</u>	<u>\$ 464,502</u>	<u>\$ 501,558</u>	<u>\$ 65,668</u>	<u>\$ 89,655</u>	<u>\$ 1,122,820</u>	<u>\$ 1,160,476</u>

CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2014	2013	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 183,197	\$ 269,074	\$ 1,397,855	\$ 1,554,545
Payments to suppliers	(14,044)	(9,499)	(25,472)	(27,404)
Payments to and on behalf of employees	(133,231)	(197,539)	(1,379,500)	(1,479,128)
Payments for interfund services used	(36,665)	(61,654)	-	-
Other receipts	-	56	79	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(743)</b>	<b>438</b>	<b>(7,038)</b>	<b>48,013</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Increase in due from other funds	-	-	-	-
Decrease in due from other funds	-	-	47,119	2,177
Decrease in due from component unit	-	-	-	352
Increase in due from component unit	-	-	(50)	-
Increase in due to component unit	-	-	-	883
Decrease in due to component unit	-	-	(883)	-
Decrease in due to other funds	(2,691)	(443)	(205,000)	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,691)</b>	<b>(443)</b>	<b>(158,814)</b>	<b>3,412</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	34	27	259	265
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,400)</b>	<b>22</b>	<b>(165,593)</b>	<b>51,690</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>5,616</b>	<b>5,594</b>	<b>244,157</b>	<b>192,467</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 2,216</b>	<b>\$ 5,616</b>	<b>\$ 78,564</b>	<b>\$ 244,157</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 12,282	\$ (8,222)	\$ (11,283)	\$ 63,613
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in assets				
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	1,188	(485)	4,245	(15,600)
Accrued wages payable	(14,213)	9,145	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (743)</b>	<b>\$ 438</b>	<b>\$ (7,038)</b>	<b>\$ 48,013</b>

704 Property, Equipment and Liability Self-insurance		705 Worker's Compensation Self-insurance		710 Data Processing		Totals	
2014	2013	2014	2013	2014	2013	2014	2013
\$ 325,521	\$ 262,037	\$ 196,455	\$ 195,308	\$ 60,498	\$ 219,056	\$ 2,163,526	\$ 2,500,020
(307,140)	(267,663)	(40,798)	(42,331)	(57,520)	(107,168)	(444,974)	(454,065)
-	-	(212,517)	(195,677)	-	(76,523)	(1,725,248)	(1,948,867)
-	-	-	-	(642)	(6,719)	(37,307)	(68,373)
-	-	10,702	26,920	-	-	10,781	26,976
18,381	(5,626)	(46,158)	(15,780)	2,336	28,646	(33,222)	55,691
-	-	-	(278)	-	-	-	(278)
-	-	6,250	-	-	-	53,369	2,177
-	-	-	-	-	-	-	352
-	-	-	-	-	-	(50)	-
-	-	-	-	-	-	-	883
-	-	-	-	-	-	(883)	-
-	-	-	-	-	(549)	(207,691)	(992)
-	-	6,250	(278)	-	(549)	(155,255)	2,142
-	-	-	-	(5,761)	(25,269)	(5,761)	(25,269)
3,714	2,625	3,828	2,764	110	76	7,945	5,757
22,095	(3,001)	(36,080)	(13,294)	(3,315)	2,904	(186,293)	38,321
541,553	544,554	502,668	515,962	17,555	14,651	1,311,549	1,273,228
<u>\$ 563,648</u>	<u>\$ 541,553</u>	<u>\$ 466,588</u>	<u>\$ 502,668</u>	<u>\$ 14,240</u>	<u>\$ 17,555</u>	<u>\$ 1,125,256</u>	<u>\$ 1,311,549</u>
\$ 18,381	\$ (20,626)	\$ (40,884)	\$ (17,768)	\$ (24,097)	\$ 41,757	\$ (45,601)	\$ 58,754
-	-	-	-	24,141	18,139	24,141	18,139
-	15,000	-	-	-	-	-	15,000
-	-	(5,274)	1,988	2,292	1,587	2,451	(12,510)
-	-	-	-	-	(32,837)	(14,213)	(23,692)
<u>\$ 18,381</u>	<u>\$ (5,626)</u>	<u>\$ (46,158)</u>	<u>\$ (15,780)</u>	<u>\$ 2,336</u>	<u>\$ 28,646</u>	<u>\$ (33,222)</u>	<u>\$ 55,691</u>

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## AGENCY FUNDS

Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units.

**C.V.B. Tax Agency:** This fund is used to account for taxes collected by the City on lodging facilities. Ninety-five percent of the taxes collected are transferred to the local Convention and Visitors Bureau.

**Flex Plan:** This fund is used to account for deposits to and withdrawals from the City employee cafeteria plan.

**Multi-Family Housing:** This fund is used to account for rents received and expenditures made related to the Burton Lane rental property.

**HRA Potter's Addition:** This fund is used to account for the rents and expenses of the 16 unit rental recently constructed by the HRA.

**Focus on Fairmont:** This fund is used to account for the donations received and expenditures made for the Focus on Fairmont Committee.

**Dog Park:** This fund is used to account for the donations received and expenditures made for the Dog Park Committee.

**Project 1590:** This fund is used to account for the donations received and the expenditures made for the Project 1590 Committee.

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CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2014

	<b>873</b> C.V.B. Tax Agency	<b>706</b>  Flex Plan	<b>871</b> Multi- Family Housing	<b>872</b> HRA Potter's Addition
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,343	\$ 9,202	\$ 110,769	\$ 206,126
Due from other funds	<u>-</u>	<u>730</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,343</u></u>	<u><u>\$ 9,932</u></u>	<u><u>\$ 110,769</u></u>	<u><u>\$ 206,126</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,343	\$ 9,932	\$ 105,864	\$ 195,833
Deposits payable	<u>-</u>	<u>-</u>	<u>4,905</u>	<u>10,293</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 7,343</u></u>	<u><u>\$ 9,932</u></u>	<u><u>\$ 110,769</u></u>	<u><u>\$ 206,126</u></u>



<b>874</b>	<b>875</b>	<b>876</b>	
Focus on Fairmont	Dog Park	Project 1590	Total
\$ 1,654	\$ 18,841	\$ 4,373	\$ 358,308
-	-	-	730
<u>\$ 1,654</u>	<u>\$ 18,841</u>	<u>\$ 4,373</u>	<u>\$ 359,038</u>
\$ 1,654	\$ 18,841	\$ 4,373	\$ 343,840
-	-	-	15,198
<u>\$ 1,654</u>	<u>\$ 18,841</u>	<u>\$ 4,373</u>	<u>\$ 359,038</u>

CITY OF FAIRMONT, MINNESOTA  
AGENCY FUNDS  
INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
<b>C. V. B. TAX AGENCY FUND (873)</b>				
ASSETS				
Cash and cash equivalents	\$ 8,771	\$ 147,715	\$ 149,143	\$ 7,343
LIABILITIES				
Accounts payable	\$ 8,771	\$ 140,330	\$ 141,758	\$ 7,343
<b>FLEX PLAN FUND (706)</b>				
ASSETS				
Cash and cash equivalents	\$ 10,703	\$ 30,997	\$ 32,498	\$ 9,202
Due from other governments	1,372	30,346	30,988	730
TOTAL ASSETS	\$ 12,075	\$ 61,343	\$ 63,486	\$ 9,932
LIABILITIES				
Accounts payable	\$ 12,075	\$ 62,048	\$ 64,191	\$ 9,932
<b>MULTI-FAMILY HOUSING FUND (871)</b>				
ASSETS				
Cash and cash equivalents	\$ 93,498	\$ 67,639	\$ 50,368	\$ 110,769
Accounts receivable	-	67,107	67,107	-
TOTAL ASSETS	\$ 93,498	\$ 134,746	\$ 117,475	\$ 110,769
LIABILITIES				
Accounts payable	\$ 88,721	\$ 90,146	\$ 73,003	\$ 105,864
Deposits payable	4,777	700	572	4,905
TOTAL LIABILITIES	\$ 93,498	\$ 90,846	\$ 73,575	\$ 110,769
<b>HRA POTTER'S ADDITION FUND (872)</b>				
ASSETS				
Cash and cash equivalents	\$ 173,774	\$ 142,112	\$ 109,760	\$ 206,126
Accounts receivable	-	140,160	140,160	-
TOTAL ASSETS	\$ 173,774	\$ 282,272	\$ 249,920	\$ 206,126
LIABILITIES				
Accounts payable	\$ 163,481	\$ 142,238	\$ 109,886	\$ 195,833
Deposits payable	10,293	700	700	10,293
TOTAL LIABILITIES	\$ 173,774	\$ 142,938	\$ 110,586	\$ 206,126
<b>FOCUS ON FAIRMONT (874)</b>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 3,675	\$ 2,021	\$ 1,654
LIABILITIES				
Accounts payable	\$ -	\$ 3,225	\$ 1,571	\$ 1,654
<b>DOG PARK (875)</b>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 19,925	\$ 1,084	\$ 18,841
LIABILITIES				
Accounts payable	\$ -	\$ 19,304	\$ 463	\$ 18,841

CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
<b>PROJECT 1590 (876)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 6,198	\$ 1,825	\$ 4,373
		.		
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 6,198	\$ 1,825	\$ 4,373
<b>TOTALS - ALL FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 286,746	\$ 418,261	\$ 346,699	\$ 358,308
Accounts receivable	-	207,267	207,267	-
Due from other funds	1,372	30,346	30,988	730
TOTAL ASSETS	<u>\$ 288,118</u>	<u>\$ 655,874</u>	<u>\$ 584,954</u>	<u>\$ 359,038</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 273,048	\$ 463,489	\$ 392,697	\$ 343,840
Deposits payable	15,070	1,400	1,272	15,198
TOTAL LIABILITIES	<u>\$ 288,118</u>	<u>\$ 464,889</u>	<u>\$ 393,969</u>	<u>\$ 359,038</u>

CITY OF FAIRMONT, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
Cash and temporary investments	\$ 279,731	\$ 188,928
Receivables		
Delinquent taxes	3,592	3,525
Accounts	482	192
Loans	41,661	53,158
Due from primary government	-	883
Due from other governments	864	1,166
<b>TOTAL ASSETS</b>	<u><u>\$ 326,330</u></u>	<u><u>\$ 247,852</u></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 3,802	\$ 3,912
Due to primary government	10	-
Accrued wages payable	81	3,135
<b>TOTAL LIABILITIES</b>	<u>3,893</u>	<u>7,047</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	<u>3,592</u>	<u>3,525</u>
<b>FUND BALANCES</b>		
Assigned for		
Economic development	<u>318,845</u>	<u>237,280</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 326,330</u></u>	<u><u>\$ 329,417</u></u>
Amounts reported for governmental activities in the statement of net position are different because		
Total fund balances - governmental funds as shown above	\$ 318,845	\$ 237,280
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(12,188)	(11,123)
Postemployment benefits other than pension obligation	(4,499)	(4,298)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	3,592	3,525
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>(6,411)</u>	<u>(6,331)</u>
Total net position - governmental activities	<u><u>\$ 299,339</u></u>	<u><u>\$ 219,053</u></u>

CITY OF FAIRMONT, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Taxes	\$ 101,124	\$ 100,211
Payments from City	81,000	81,000
Investment earnings	1,648	721
Miscellaneous	26,427	23,479
	<hr/>	<hr/>
TOTAL REVENUES	210,199	205,411
EXPENDITURES		
Current		
Housing and economic development	128,634	122,790
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	81,565	82,621
FUND BALANCES, JANUARY 1	237,280	154,659
	<hr/>	<hr/>
FUND BALANCES, DECEMBER 31	<u>\$ 318,845</u>	<u>\$ 237,280</u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ 81,565	\$ 82,621
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes	67	249
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(1,065)	(1,024)
Post employment benefits other than pension costs	(201)	(148)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	(80)	329
	<hr/>	<hr/>
Change in net position - governmental activities	<u>\$ 80,286</u>	<u>\$ 82,027</u>

CITY OF FAIRMONT, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 3,307,262	\$ 3,153,610	4.87 %
Special assessments	674,620	815,756	(17.30)
Licenses and permits	149,066	134,360	10.95
Intergovernmental	5,786,044	9,716,414	(40.45)
Charges for services	668,623	416,091	60.69
Fines and forfeits	66,829	55,394	20.64
Investment earnings (loss)	165,770	(19,866)	(934.44)
Miscellaneous	429,845	565,643	(24.01)
TOTAL REVENUES	<u>\$ 11,248,059</u>	<u>\$ 14,837,402</u>	(24.19) %
Per Capita	<u>\$ 1,072</u>	<u>\$ 1,410</u>	(24.00) %
EXPENDITURES			
Current			
General government	\$ 1,041,291	\$ 1,196,929	(13.00) %
Public safety	2,902,658	2,981,980	(2.66)
Streets and highways	1,391,988	1,449,200	(3.95)
Sanitation and waste removal	10,311	11,916	(13.47)
Culture and recreation	1,419,270	1,283,893	10.54
Housing and economic development	262,042	134,378	95.00
Miscellaneous	566,190	336,450	68.28
Capital outlay			
General government	50,831	11,870	328.23
Public safety	84,477	365,004	(76.86)
Streets and highways	1,880,929	2,317,752	(18.85)
Culture and recreation	211,484	81,943	158.09
Miscellaneous	58,345	4,836,282	(98.79)
Debt service			
Principal	4,650,000	1,410,000	229.79
Interest and other charges	504,376	544,346	(7.34)
Bond issuance costs	-	64,803	N/A
TOTAL EXPENDITURES	<u>\$ 15,034,192</u>	<u>\$ 17,026,746</u>	(11.70) %
Per Capita	<u>\$ 1,433</u>	<u>\$ 1,618</u>	(11.48) %
Total Long-term Indebtedness	\$ 15,410,000	\$ 20,060,000	(23.18) %
Per Capita	1,468	1,907	(22.98)
General Fund Balance - December 31	\$ 5,307,359	\$ 4,555,013	16.52 %
Per Capita	506	433	16.82

The purpose of this report is to provide a summary of financial information concerning the City of Fairmont to interested citizens. The complete financial statements may be examined at City Hall, 100 Downtown Plaza, PO Box 751, Fairmont, MN 56031. Questions about this report should be directed to Paul Hoyer at (507) 238-9461.



# STATISTICAL SECTION (UNAUDITED)

This part of the City of Fairmont's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

## **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

## **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

## **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

## **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

## **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.



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CITY OF FAIRMONT, MINNESOTA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year				
	2014	2013	2012	2011	2010
Governmental activities					
Net investment in capital assets	\$ 40,916,624	\$ 38,956,915	\$ 33,902,134	\$ 31,176,518	\$ 31,067,381
Restricted	12,265,446	9,957,243	8,523,280	12,247,802	11,329,052
Unrestricted	5,417,510	7,610,856	9,029,687	6,960,460	6,469,646
Total governmental activities net position	58,599,580	56,525,014	51,455,101	50,384,780	48,866,079
Business-type activities					
Net investment in capital assets	33,735,220	32,805,088	33,021,655	30,733,612	28,564,935
Restricted	-	-	-	-	-
Unrestricted	13,730,034	12,142,960	10,123,274	9,556,319	5,724,972
Total business-type activities net position	47,465,254	44,948,048	43,144,929	40,289,931	34,289,907
Primary government					
Net investment in capital assets	74,651,844	71,762,003	66,923,789	61,910,130	59,632,316
Restricted	12,265,446	9,957,243	8,523,280	12,247,802	11,329,052
Unrestricted	19,147,544	19,753,816	19,152,961	16,516,779	12,194,618
Total primary government net position	<u>\$ 106,064,834</u>	<u>\$ 101,473,062</u>	<u>\$ 94,600,030</u>	<u>\$ 90,674,711</u>	<u>\$ 83,155,986</u>

Table 1

Fiscal Year				
2009	2008	2007	2006	2005
\$ 29,608,919	\$ 29,466,796	\$ 30,163,926	\$ 28,694,891	\$ 28,582,193
8,777,860	8,742,535	7,109,482	6,749,627	5,460,174
8,413,308	9,094,484	7,824,533	9,112,251	8,592,101
46,800,087	47,303,815	45,097,941	44,556,769	42,634,468
27,473,728	25,963,034	25,102,399	24,242,515	22,903,273
230,583	188,920	188,770	192,065	194,670
5,575,435	6,451,241	7,054,255	8,194,097	9,270,730
33,279,746	32,603,195	32,345,424	32,628,677	32,368,673
57,082,647	55,429,830	55,266,325	52,937,406	51,485,466
9,008,443	8,931,455	7,298,252	6,941,692	5,654,844
13,988,743	15,545,725	14,878,788	17,306,348	17,862,831
<u>\$ 80,079,833</u>	<u>\$ 79,907,010</u>	<u>\$ 77,443,365</u>	<u>\$ 77,185,446</u>	<u>\$ 75,003,141</u>

CITY OF FAIRMONT, MINNESOTA  
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>EXPENSES</b>					
Governmental activities					
General government	\$ 1,110,741	\$ 1,226,415	\$ 1,179,100	\$ 1,115,019	\$ 1,092,840
Public safety	3,035,606	3,210,448	2,880,151	2,941,828	2,887,905
Public works/streets	2,570,295	3,286,029	2,853,511	3,599,560	2,927,285
Sanitation and waste removal	10,311	11,916	10,274	7,571	14,899
Culture and recreation	1,675,179	1,451,745	1,324,605	1,301,894	1,341,726
Housing development	156,352	76,316	138,287	24,266	282,849
Economic development	55,594	157,187	384,968	492,664	412,234
Miscellaneous	760,332	573,647	302,744	318,644	325,526
Interest on long-term debt	463,367	674,487	959,710	547,580	579,300
Total governmental activities expenses	<u>9,837,777</u>	<u>10,668,190</u>	<u>10,033,350</u>	<u>10,349,026</u>	<u>9,864,564</u>
Business-type activities					
Electric	13,618,931	13,983,971	14,199,539	14,751,216	14,472,796
District heat	-	-	-	244,063	363,596
Water	2,488,631	2,675,602	1,931,755	1,680,372	1,867,238
Wastewater	1,811,164	1,932,731	1,810,984	1,837,211	1,788,281
Storm sewer	421,155	367,738	299,870	366,330	356,087
Liquor	2,950,980	2,898,764	2,931,921	2,848,468	2,671,313
Parking lot	4,663	4,830	4,905	4,735	4,456
Total business-type activities expenses	<u>21,295,524</u>	<u>21,863,636</u>	<u>21,178,974</u>	<u>21,732,395</u>	<u>21,523,767</u>
Total primary government expenses	<u>\$ 31,133,301</u>	<u>\$ 32,531,826</u>	<u>\$ 31,212,324</u>	<u>\$ 32,081,421</u>	<u>\$ 31,388,331</u>

Table 2

Fiscal Year				
2009	2008	2007	2006	2005
\$ 1,194,126	\$ 1,060,319	\$ 1,006,428	\$ 994,539	\$ 882,737
3,126,827	3,197,366	2,954,994	2,804,377	2,643,503
3,166,150	2,880,160	3,172,692	3,033,253	2,914,384
6,870	7,007	1,424	3,388	4,690
1,424,713	1,455,094	1,326,143	1,324,626	1,259,579
172,673	50,661	11,281	4,502	19,233
480,767	487,790	583,879	588,693	655,414
543,557	346,929	371,100	390,795	304,118
604,535	502,413	538,319	516,123	504,135
10,720,218	9,987,739	9,966,260	9,660,296	9,187,793
13,773,937	14,015,988	14,099,206	12,842,254	11,590,391
345,237	389,609	330,122	588,710	628,433
1,889,420	1,718,635	1,591,493	1,457,492	1,339,832
1,776,424	1,770,331	1,696,362	1,234,535	931,160
347,372	354,246	369,270	355,847	392,884
2,494,940	2,397,033	2,219,043	2,064,655	2,017,624
4,529	4,170	4,243	4,142	3,745
20,631,859	20,650,012	20,309,739	18,547,635	16,904,069
<u>\$ 31,352,077</u>	<u>\$ 30,637,751</u>	<u>\$ 30,275,999</u>	<u>\$ 28,207,931</u>	<u>\$ 26,091,862</u>

CITY OF FAIRMONT, MINNESOTA  
CHANGES IN NET POSITION - CONTINUED  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>PROGRAM REVENUES</b>					
Governmental activities					
Charges for services					
General government	\$ 223,894	\$ 207,868	\$ 188,707	\$ 213,341	\$ 168,661
Public safety	173,616	157,367	220,627	192,848	225,456
Public works/streets	1,177	3,141	4,738	1,511	750
Sanitation and waste removal	98,879	103,531	14,471	12,850	16,112
Culture and recreation	167,287	164,170	154,816	138,197	155,301
Housing development	7,585	8,198	9,248	7,453	11,651
Economic development	68,833	61,749	54,036	44,355	38,919
Miscellaneous	511,424	261,149	116,964	98,727	111,911
Operating grants and contributions	285,926	407,550	662,907	125,964	276,326
Capital grants and contributions	2,031,172	6,144,669	1,250,688	2,280,747	2,909,384
Total governmental activities program revenues	<u>3,569,793</u>	<u>7,519,392</u>	<u>2,677,202</u>	<u>3,115,993</u>	<u>3,914,471</u>
Business-type activities					
Charges for services					
Electric	14,742,850	14,675,757	15,074,146	15,649,347	14,782,836
District heat	-	-	-	82,626	129,919
Water	3,299,993	3,338,756	3,015,814	2,863,396	2,425,175
Wastewater	2,630,675	2,558,049	2,188,663	2,280,406	2,270,558
Storm sewer	583,369	587,188	576,106	575,513	577,995
Liquor	3,446,532	3,392,791	3,293,151	3,171,724	3,151,913
Parking	4,837	4,797	4,824	4,228	4,798
Operating grants and contributions	-	-	-	8,964	-
Capital grants and contributions	7,429	200,172	801,928	4,000,000	-
Total business-type activities program revenues	<u>24,715,685</u>	<u>24,757,510</u>	<u>24,954,632</u>	<u>28,636,204</u>	<u>23,343,194</u>
Total primary government program revenues	<u>\$ 28,285,478</u>	<u>\$ 32,276,902</u>	<u>\$ 27,631,834</u>	<u>\$ 31,752,197</u>	<u>\$ 27,257,665</u>

Table 2 (Continued)

Fiscal Year				
2009	2008	2007	2006	2005
\$ 199,666	\$ 210,471	\$ 167,619	\$ 163,751	\$ 190,426
253,974	266,785	351,482	325,685	323,454
12,356	5,135	(100)	7,020	4,496
13,159	12,351	8,693	11,695	8,810
131,581	156,581	168,027	187,881	197,958
2,720	1,282	1,872	1,303	4,264
56,104	64,752	73,424	72,116	64,686
64,452	61,189	59,544	52,756	46,913
240,165	138,964	252,957	112,729	149,957
816,843	3,031,112	1,328,467	3,333,692	1,341,687
1,791,020	3,948,622	2,411,985	4,268,628	2,332,651
14,263,137	13,840,140	13,599,866	12,843,502	11,756,841
144,589	170,136	211,636	359,384	377,918
2,142,344	1,817,612	1,690,094	1,487,589	1,328,702
2,131,641	2,121,385	2,080,509	1,684,915	1,585,714
570,837	534,682	533,656	506,346	505,923
2,862,973	2,773,689	2,595,689	2,355,085	2,355,551
4,619	4,760	4,300	4,442	4,700
-	-	-	-	-
-	-	-	-	-
22,120,140	21,262,404	20,715,750	19,241,263	17,915,349
\$ 23,911,160	\$ 25,211,026	\$ 23,127,735	\$ 23,509,891	\$ 20,248,000



CITY OF FAIRMONT, MINNESOTA  
CHANGES IN NET POSITION - CONTINUED  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>PROGRAM REVENUES - CONTINUED</b>					
Net (expense)/revenue					
Governmental activities	\$ (6,267,984)	\$ (3,148,798)	\$ (7,356,148)	\$ (7,233,033)	\$ (5,950,093)
Business-type activities	3,420,161	2,893,874	3,775,658	6,903,809	1,819,427
	<u>3,420,161</u>	<u>2,893,874</u>	<u>3,775,658</u>	<u>6,903,809</u>	<u>1,819,427</u>
Total primary government net expense	<u>\$ 2,847,823</u>	<u>\$ 254,924</u>	<u>\$ 3,580,490</u>	<u>\$ 329,224</u>	<u>\$ 4,130,666</u>
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION</b>					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 2,153,651	\$ 1,975,108	\$ 1,885,398	\$ 1,596,716	\$ 1,473,465
Property taxes, levied for debt service	1,094,331	1,153,660	1,152,523	1,025,257	1,013,775
Tax increments	27,020	-	334,725	341,402	563,453
Franchise taxes	36,927	36,205	34,343	35,392	35,749
Grants and contributions not restricted to specific programs	3,789,473	3,918,992	3,822,810	3,795,820	3,863,130
Unrestricted investment earnings (loss)	173,515	(13,861)	144,537	148,842	156,145
Other revenues	33,339	16,804	32,397	109,528	10,497
Gain on sale of capital assets	69,662	3,241	42,104	974,652	6,423
Transfers	964,632	1,128,562	977,632	923,632	890,561
	<u>964,632</u>	<u>1,128,562</u>	<u>977,632</u>	<u>923,632</u>	<u>890,561</u>
Total governmental activities	<u>8,342,550</u>	<u>8,218,711</u>	<u>8,426,469</u>	<u>8,951,241</u>	<u>8,013,198</u>
Business-type activities					
Unrestricted investment earnings	61,677	37,807	56,972	36,075	81,295
Transfers	(964,632)	(1,128,562)	(977,632)	(923,632)	(890,561)
	<u>(964,632)</u>	<u>(1,128,562)</u>	<u>(977,632)</u>	<u>(923,632)</u>	<u>(890,561)</u>
Total business-type activities	<u>(902,955)</u>	<u>(1,090,755)</u>	<u>(920,660)</u>	<u>(887,557)</u>	<u>(809,266)</u>
Total primary government	<u>\$ 7,439,595</u>	<u>\$ 7,127,956</u>	<u>\$ 7,505,809</u>	<u>\$ 8,063,684</u>	<u>\$ 7,203,932</u>
<b>CHANGES IN NET POSITION</b>					
Governmental activities	\$ 2,074,566	\$ 5,069,913	\$ 1,070,321	\$ 1,718,208	\$ 2,063,105
Business-type activities	2,517,206	1,803,119	2,854,998	6,016,252	1,010,161
	<u>2,517,206</u>	<u>1,803,119</u>	<u>2,854,998</u>	<u>6,016,252</u>	<u>1,010,161</u>
Total primary government	<u>\$ 4,591,772</u>	<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>	<u>\$ 7,734,460</u>	<u>\$ 3,073,266</u>

Table 2 (Continued)

Fiscal Year				
2009	2008	2007	2006	2005
\$ (8,929,198)	\$ (6,039,117)	\$ (7,554,275)	\$ (5,391,668)	\$ (6,855,142)
1,488,281	612,392	406,011	693,628	1,011,280
<u>\$ 7,440,917</u>	<u>\$ 5,426,725</u>	<u>\$ 7,148,264</u>	<u>\$ 4,698,040</u>	<u>\$ 5,843,862</u>
\$ 1,384,997	\$ 1,294,022	\$ 928,986	\$ 644,696	\$ 519,168
1,019,496	960,718	948,981	922,207	914,888
618,379	535,153	517,057	476,193	485,440
35,119	34,966	31,684	30,406	30,551
4,228,418	4,062,298	4,105,271	3,894,734	3,708,475
182,804	372,450	424,745	507,842	200,235
68,704	38,373	89,469	94,688	43,077
767	23,202	8,552	11,202	2,835
885,601	905,600	1,040,702	743,001	2,600,341
<u>8,424,285</u>	<u>8,226,782</u>	<u>8,095,447</u>	<u>7,324,969</u>	<u>8,505,010</u>
73,871	266,672	351,438	298,377	220,577
(885,601)	(905,600)	(1,040,702)	(743,001)	(2,600,341)
<u>(811,730)</u>	<u>(638,928)</u>	<u>(689,264)</u>	<u>(444,624)</u>	<u>(2,379,764)</u>
<u>\$ 7,612,555</u>	<u>\$ 7,587,854</u>	<u>\$ 7,406,183</u>	<u>\$ 6,880,345</u>	<u>\$ 6,125,246</u>
\$ (504,913)	\$ 2,187,665	\$ 541,172	\$ 1,933,301	\$ 1,649,868
676,551	(26,536)	(283,253)	249,004	(1,368,484)
<u>\$ 171,638</u>	<u>\$ 2,161,129</u>	<u>\$ 257,919</u>	<u>\$ 2,182,305</u>	<u>\$ 281,384</u>

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CITY OF FAIRMONT, MINNESOTA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service			
2014	\$ 2,153,651	\$ 1,094,331	\$ 27,020	\$ 36,927	\$ 3,311,929
2013	1,975,108	1,153,660	-	36,205	3,164,973
2012	1,885,398	1,152,523	334,725	34,343	3,406,989
2011	1,596,716	1,025,257	341,402	35,392	2,998,767
2010	1,473,465	1,013,775	563,453	35,749	3,086,442
2009	1,384,997	1,019,496	618,379	35,119	3,057,991
2008	1,294,022	960,718	535,153	34,966	2,824,859
2007	928,986	948,981	517,057	31,684	2,426,708
2006	644,696	922,207	476,193	30,406	2,073,502
2005	519,168	914,888	485,440	30,551	1,950,047

CITY OF FAIRMONT, MINNESOTA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2005 - 2010)	1,088	305	674	660	2,300
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2005 - 2010)	4,187,799	3,907,756	4,382,179	4,430,488	4,744,998
Total General fund	<u>\$ 4,188,887</u>	<u>\$ 3,908,061</u>	<u>\$ 4,382,853</u>	<u>\$ 4,431,148</u>	<u>\$ 4,747,298</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2005 - 2010)	5,964,262	6,536,169	5,663,487	6,084,586	6,368,794
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2005 - 2010)	1,644,460	2,511,771	902,816	2,609,474	2,248,030
Total all other governmental funds	<u>\$ 7,608,722</u>	<u>\$ 9,047,940</u>	<u>\$ 6,566,303</u>	<u>\$ 8,694,060</u>	<u>\$ 8,616,824</u>

Table 4

Fiscal Year				
2010	2011	2012	2013	2014
\$ -	\$ -	\$ 205,000	\$ 205,000	\$ -
-	-	-	-	-
40,387	40,387	104,777	135,575	134,658
1,757,373	1,757,373	909,063	989,402	1,766,336
3,091,341	3,456,713	3,178,069	3,225,036	3,406,365
<u>\$ 4,889,101</u>	<u>\$ 5,254,473</u>	<u>\$ 4,396,909</u>	<u>\$ 4,555,013</u>	<u>\$ 5,307,359</u>
\$ -	\$ 4,000	\$ 4,080	\$ 3,200	\$ 3,200
7,530,799	8,178,777	12,491,677	12,731,158	10,843,720
-	89,950	137,347	604,172	1,322,943
-	2,525,140	2,412,379	2,045,307	105,406
3,242,524	(276,237)	(207,534)	(10,218)	(109,734)
<u>\$ 10,773,323</u>	<u>\$ 10,521,630</u>	<u>\$ 14,837,949</u>	<u>\$ 15,373,619</u>	<u>\$ 12,165,535</u>

CITY OF FAIRMONT, MINNESOTA  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>REVENUES</b>					
Taxes	\$ 1,948,345	\$ 2,068,198	\$ 2,402,159	\$ 2,790,577	\$ 3,027,035
Special assessments	726,309	762,723	883,363	822,304	961,413
Intergovernmental revenue	4,425,303	5,703,021	4,838,805	5,024,945	4,576,936
Licenses and permits	219,471	285,907	305,566	191,497	259,405
Charges for services	371,824	290,390	263,051	294,254	194,932
Fines and forfeits	77,302	66,097	72,315	101,767	90,530
Interest	177,396	460,553	374,172	320,276	160,308
Other revenues	357,585	411,508	449,753	514,536	314,345
<b>TOTAL REVENUES</b>	<b>8,303,535</b>	<b>10,048,397</b>	<b>9,589,184</b>	<b>10,060,156</b>	<b>9,584,904</b>
<b>EXPENDITURES</b>					
General government	831,359	933,372	919,007	986,375	979,188
Public safety	2,533,499	2,627,231	2,768,860	2,980,583	2,816,119
Public works	1,221,539	1,208,480	1,237,171	1,406,628	1,472,077
Culture and recreation	1,103,259	1,101,949	1,092,247	1,226,788	1,151,695
Housing and economic development	607,135	426,497	470,839	480,122	650,853
Public transportation	165,500	232,903	179,355	166,621	183,804
Capital outlay	3,653,447	4,595,167	2,687,112	3,987,549	2,583,866
Debt service					
Principal	1,230,000	1,440,000	2,745,000	1,625,000	1,535,000
Interest and fees	494,373	508,009	537,140	490,739	629,690
<b>TOTAL EXPENDITURES</b>	<b>11,840,111</b>	<b>13,073,608</b>	<b>12,636,731</b>	<b>13,350,405</b>	<b>12,002,292</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(3,536,576)</b>	<b>(3,025,211)</b>	<b>(3,047,547)</b>	<b>(3,290,249)</b>	<b>(2,417,388)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets	-	-	-	-	2,617
Transfers in	5,914,161	1,360,040	1,946,802	4,707,116	1,200,490
Transfers out	(3,323,820)	(628,039)	(906,100)	(3,801,516)	(314,889)
Bonds issued	2,950,000	3,500,000	-	5,575,000	1,755,000
Premium/discount on bonds issued	(53,542)	(48,398)	-	10,701	13,084
Payments to refunded bond escrow agent	(1,310,000)	-	-	(1,025,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,176,799</b>	<b>4,183,603</b>	<b>1,040,702</b>	<b>5,466,301</b>	<b>2,656,302</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 640,223</b>	<b>\$ 1,158,392</b>	<b>\$ (2,006,845)</b>	<b>\$ 2,176,052</b>	<b>\$ 238,914</b>
Debt service as a percentage of noncapital expenditures	19%	21%	30%	21%	22%

Table 5

Fiscal Year				
2010	2011	2012	2013	2014
\$ 3,071,934	\$ 2,977,296	\$ 3,398,775	\$ 3,153,610	\$ 3,307,262
1,209,484	795,914	736,782	815,756	674,620
6,356,499	5,466,554	5,399,277	9,716,414	5,786,044
209,472	164,159	192,982	134,360	149,066
246,652	293,483	304,432	416,091	668,623
79,054	72,617	74,671	55,394	66,829
138,235	135,391	132,406	(19,866)	165,770
294,939	326,767	315,626	565,643	429,845
11,606,269	10,232,181	10,554,951	14,837,402	11,248,059
1,019,439	1,085,598	1,157,782	1,196,929	1,041,291
2,742,200	2,837,558	2,826,749	2,981,980	2,902,658
1,549,746	1,621,730	1,500,995	1,525,919	1,402,299
1,199,478	1,134,889	1,207,576	1,283,893	1,419,270
707,778	502,151	573,075	134,378	262,042
186,214	187,033	210,815	336,450	566,190
2,965,921	3,415,045	3,996,105	7,612,851	2,286,066
1,840,000	2,735,000	1,465,000	1,410,000	4,650,000
590,692	594,109	946,826	544,346	504,376
12,801,468	14,113,113	13,884,923	17,026,746	15,034,192
(1,195,199)	(3,880,932)	(3,329,972)	(2,189,344)	(3,786,133)
2,423	957,136	42,104	9,183	69,662
1,126,742	1,674,392	3,165,011	1,822,851	989,632
(236,181)	(483,244)	(2,173,388)	(694,289)	(25,000)
2,615,000	1,820,000	5,755,000	1,715,000	-
(14,484)	26,327	-	30,373	-
-	-	-	-	-
3,493,500	3,994,611	6,788,727	2,883,118	1,034,294
\$ 2,298,301	\$ 113,679	\$ 3,458,755	\$ 693,774	\$ (2,751,839)
24%	29%	24%	19%	40%



CITY OF FAIRMONT, MINNESOTA  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increment Tax	Franchise Tax	Total
2005	\$ 1,432,354	\$ 485,440	\$ 30,551	\$ 1,948,345
2006	1,561,597	476,195	30,406	2,068,198
2007	1,874,850	495,625	31,684	2,402,159
2008	2,243,558	512,053	34,966	2,790,577
2009	2,396,672	595,244	35,119	3,027,035
2010	2,472,023	564,162	35,749	3,071,934
2011	2,600,502	341,402	35,392	2,977,296
2012	3,029,707	334,725	34,343	3,398,775
2013	3,117,405	-	36,205	3,153,610
2014	3,243,315	27,020	36,927	3,307,262

CITY OF FAIRMONT, MINNESOTA  
MARKET VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Table 7

Fiscal Year Ended December 31,	Real and Personal Property		Agricultural Property	Other	Total Taxable Market Value	Total Direct Tax Rate	Indicated Market Value	Assessed Value (1) as a Percentage of Actual Value	
	Residential Property	Commercial Property							
2005	\$ 331,900,200	\$ 91,607,220	\$ 12,106,300	\$ 3,277,300	\$ 438,891,020	37.296	\$ 456,855,854	96.07	%
2006	340,834,820	95,797,060	13,314,718	3,606,600	453,553,198	38.570	487,882,781	92.96	
2007	398,836,187	103,352,140	15,537,691	3,980,033	521,706,051	39.789	516,333,077	101.04	
2008	432,654,773	121,011,160	16,087,582	2,965,633	572,719,148	42.021	561,668,253	101.97	
2009	429,003,100	171,694,300	21,590,900	3,896,600	626,184,900	39.481	592,616,000	105.66	
2010	424,819,600	167,521,200	24,328,100	4,262,700	620,931,600	42.272	675,914,203	91.87	
2011	372,248,320	142,268,133	25,308,200	3,339,700	543,164,353	49.454	670,211,836	81.04	
2012 (1)	351,585,800	165,135,200	30,989,100	4,977,800	552,687,900	48.349	629,089,800	87.86	
2013 (1)	352,320,150	173,337,800	41,821,000	4,833,400	572,312,350	48.381	647,810,000	88.35	
2014 (1)	374,953,000	191,196,300	45,612,200	5,487,600	617,249,100	46.165	692,285,200	89.16	

Source: Martin County Assessors' Office

(1) Total Market Value after HMVE

CITY OF FAIRMONT, MINNESOTA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS

Fiscal Year	City of Fairmont			Overlapping Rates		
				Martin County		
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total County Tax Capacity Rate
2005	14.545	22.751	37.296	45.693		45.693
2006	16.932	21.638	38.570	44.674		44.674
2007	20.684	19.105	39.789	43.453	0.889	44.342
2008	24.923	17.098	42.021	41.856	2.020	43.876
2009	24.265	15.216	39.481	40.995	1.041	42.036
2010	26.970	15.302	42.272	36.051	0.890	36.941
2011	32.286	17.168	49.454	37.231	0.937	38.168
2012	32.006	16.343	48.349	33.826	0.786	34.612
2013	32.815	15.566	48.381	27.391	0.615	28.006
2014	32.571	13.594	46.165	29.202	0.603	29.805

Source: Martin County Assessors' Office.

(1) Detail breakdown not available before 2007.

Table 8

Overlapping Rates				Total Direct and Overlapping Rates
School District				
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total School Tax Capacity Rate	Special Districts	
18.459		18.459	0.250	101.698
18.472		18.472	0.608	102.324
11.893	6.584	18.477	0.563	103.171
11.883	5.885	17.768	0.520	104.185
12.055	12.331	24.386	0.489	106.392
12.232	19.719	31.951	0.449	111.613
8.959	24.927	33.886	0.480	121.988
10.173	19.978	30.151	0.423	113.535
9.587	18.247	27.834	0.349	104.570
8.501	16.026	24.527	0.357	100.854

CITY OF FAIRMONT, MINNESOTA  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Table 9

Taxpayer	Type of Business	2014		2005		Percentage of Total Taxable Market Value
		Taxable Market Value	Rank	Taxable Market Value	Rank	
Green Plains Fairmont LLC	Ethanol Manufacturing	\$ 23,910,700	1	3.9 %		
Cenex Harvest States	Soybean Crushing	18,203,400	2	2.9	\$ 13,999,300	1 3.2 %
Wal-Mart	Retail	11,044,500	3	1.8	-	-
SMMPA	Utilities	9,350,100	4	1.5	-	-
Goldfinch Estates	Assisted Living	8,722,100	5	1.4	-	-
Mayo Health Systems-Fairmont	Medical Facility	5,742,900	6	0.9	4,931,500	2 1.1
Weigh-Tronix, Inc.	Scale Manufacturing	5,205,100	7	0.8	3,644,900	5 0.8
Bank Midwest	Banking	5,013,200	8	0.8	-	-
AL & CE Ward Inc.	Professional Services	4,333,800	9	0.7	-	-
City of Fairmont	Government	4,121,800	10	0.7	-	-
Five Lakes Center	Shopping Center	-		-	4,200,000	3 1.0
Peoples Natural Gas	Utilities	-		-	4,165,900	4 0.9
Shopko	Retail	-		-	2,753,900	6 0.6
Fairmont Foods	Frozen Gourmet Food	-		-	2,732,500	7 0.6
Victoria State Crossing	Professional Services	-		-	2,709,300	8 0.6
Fairmont Partners LP	Discount Retail Store	-		-	2,704,400	9 0.6
Harsco Corp	Industrial	-		-	2,208,000	10 0.5
Total		\$ 95,647,600		15.5 %	\$ 44,049,700	10.0 %

Source: Martin County Assessors' Office.

CITY OF FAIRMONT, MINNESOTA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 1,771,045	\$ 1,753,625	99.0 %	\$ 17,085	\$ 1,770,710	100.0 %
2006	1,926,500	1,907,580	99.0	18,604	1,926,184	100.0
2007	2,226,200	2,203,042	99.0	22,187	2,225,229	100.0
2008	2,622,200	2,590,697	98.8	29,785	2,620,482	99.9
2009	2,760,620	2,727,817	98.8	30,502	2,758,319	99.9
2010	2,857,242	2,816,532	98.6	36,726	2,853,258	99.9
2011	2,992,245	2,936,191	98.1	50,301	2,986,492	99.8
2012	3,120,665	3,064,821	98.2	33,947	3,098,768	99.3
2013	3,214,285	3,156,697	98.2	26,369	3,183,066	99.0
2014	3,310,714	3,264,224	98.6	-	3,264,224	98.6

CITY OF FAIRMONT, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government
	General Obligation Bonds	Special Assessment Bonds	Tax Increment Bonds	Storm Sewer Bonds	General Obligation Revenue Bonds	
2005	\$ -	\$ 12,990,000	\$ 855,000	\$ 2,930,000	\$ 12,442,149	\$ 29,217,149
2006	-	14,485,000	720,000	2,735,000	12,607,494	30,547,494
2007	-	11,885,000	575,000	2,540,000	12,023,000	27,023,000
2008	-	14,730,318	415,000	2,345,000	11,409,000	28,899,318
2009	215,000	15,178,624	245,000	4,009,586	10,784,000	30,432,210
2010	175,000	15,240,616	245,000	3,777,498	10,148,000	29,586,114
2011	125,000	15,435,616	-	1,860,409	11,037,587	28,458,612
2012	65,000	19,778,940	-	1,693,321	27,313,160	48,850,421
2013	-	20,171,849	-	1,528,321	34,200,762	55,900,932
2014	-	15,513,284	-	1,356,232	33,815,421	50,684,937

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

Percentage of (Net) General Bonded Debt to Property Value	Percentage of Personal Income	Per Capita
2.84 %	14.60 %	\$ 2,723
2.97	15.27	2,850
2.30	13.57	2,531
2.62	14.49	2,704
2.60	15.26	2,848
2.28	11.11	2,774
2.32	10.77	2,677
3.15	17.81	4,643
3.11	20.06	5,327
2.24	18.19	4,830



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CITY OF FAIRMONT, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2014

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Fairmont	\$ 15,513,284	100.00 %	\$ 15,513,284
Total direct debt	<u>15,513,284</u>		<u>15,513,284</u>
Martin County	6,655,000	12.97	863,154
Independent School District No. 2752	<u>37,375,000</u>	40.94	<u>15,301,325</u>
Total overlapping debt	<u>44,030,000</u>		<u>16,164,479</u>
Total direct and overlapping debt	<u><u>\$ 59,543,284</u></u>		<u><u>\$ 31,677,763</u></u>

Source: Martin County Assessors' Office and Independent School District No. 2752.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fairmont. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF FAIRMONT, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 8,767,820	\$ 9,071,064	\$ 10,434,121	\$ 17,181,574	\$ 18,785,547
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u><u>\$ 8,767,820</u></u>	<u><u>\$ 9,071,064</u></u>	<u><u>\$ 10,434,121</u></u>	<u><u>\$ 17,181,574</u></u>	<u><u>\$ 18,785,547</u></u>
Total net debt applicable to the limit as a percentage of debt limit	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Note: Under state finance law, the City of Fairmont's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligations bonds.

Table 13

2010	2011	2012	2013	2014
\$ 18,627,948	\$ 16,294,931	\$ 16,580,637	\$ 17,169,371	\$ 18,517,473
175,000	125,000	65,000	-	-
<u>\$ 18,452,948</u>	<u>\$ 16,169,931</u>	<u>\$ 16,515,637</u>	<u>\$ 17,169,371</u>	<u>\$ 18,517,473</u>
<u>0.9</u>	<u>0.8</u>	<u>0.4</u>	<u>-</u>	<u>-</u>

**Legal Debt Margin Calculation for Fiscal Year 2014**

Market value	\$ 617,249,100
Debt limit (3% of total assessed value)	18,517,473
Debt applicable to limit	
General obligation bonds	-
Less Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 18,517,473</u>

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CITY OF FAIRMONT, MINNESOTA  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS

Table 14

		Utility Revenue Bonds						
Year		Gross Revenue	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(1)</sup>			Coverage
					Principal	Interest	Total	
2005	(3)	\$ 525,852	\$ 105,385	\$ 420,467	\$ 160,000	\$ 134,781	\$ 294,781	1.43
2006	(3)	2,234,621	870,853	1,363,768	190,000	345,814	535,814	2.55
2007	(3)	2,658,700	951,204	1,707,496	816,095	338,045	1,154,140	1.48
2008	(4)	2,690,791	1,026,457	1,664,334	799,252	319,844	1,119,096	1.49
2009	(4)	2,719,903	1,009,389	1,710,514	809,000	300,550	1,109,550	1.54
2010	(4)	2,881,620	993,506	1,888,114	866,000	334,329	1,200,329	1.57
2011	(4)	2,876,421	1,137,876	1,738,545	647,000	303,453	950,453	1.83
2012	(4)	5,823,490	2,701,862	3,121,628	833,812	289,320	1,123,132	2.78
2013	(5)	6,498,498	2,937,352	3,561,146	1,744,000	609,695	2,353,695	1.51
2014	(5)	6,452,780	2,992,864	3,459,916	1,590,000	765,525	2,355,525	1.47

Source: City of Fairmont Financial Records.

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

(3) Include Storm Water only (no other utilities had debt).

(4) Includes Storm Water and Waste Water only (no other utilities had debt).

(5) Includes Storm Water, Waste Water and Water only (no other utilities had debt).

CITY OF FAIRMONT, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

Table 15

<u>Fiscal Year</u>	<u>Population (A)</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income (B)</u>	<u>Median Age (B &amp; C)</u>	<u>School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
2005	10,729	\$ 18,658	\$ 200,181,682	41.3	1,750	4.6 %
2006	10,720	18,658	200,013,760	41.3	1,796	4.2
2007	10,675	18,658	199,174,150	41.3	1,727	4.9
2008	10,686	18,658	199,379,388	41.3	1,685	6
2009	10,686	18,658	199,379,388	41.3	1,678	7.2
2010	10,666	24,965	266,276,690	47.6	1,686	6.5
2011	10,631	24,965	264,354,385	47.6	1,726	5.2
2012	10,521	26,065	274,229,865	47.6	1,694	5.0
2013	10,494	26,550	278,615,700	47.6	1,699	4.4
2014	10,494	26,550	278,615,700	47.6	1,696	4.1

(A) Source: State Demographer

(B) Source: United States Census Bureau

(C) Source: MN State Demographer. The Median Age is for Martin County - Statistical data is not available for individual communities.

(D) Source: ISD #2752

(E) Rates are for Martin County - Rates are not compiled for individual communities within the County

CITY OF FAIRMONT, MINNESOTA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Table 16

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	546	1	5.49 %	650	1	5.72 %
Weigh-Tronix Scale Manufacturing	305	2	3.07	375	2	3.30
ISD 2752	260	3	2.62	242	4	2.13
Hy-Vee	240	4	2.41	-		-
Torgerson Properties	219	5	2.20	-		-
Wal-Mart	191	6	1.92	-		-
REM Heartland	185	7	1.86	200	6	1.76
Fairmont Foods of Minnesota	165	8	1.66	250	3	2.20
Lakeview Health Care Facility	151	9	1.52	215	5	1.89
3M	124	10	1.25	165	8	1.45
Aerospace Systems	-		-	180	7	1.58
SMC-Highway Construction	-		-	150	9	1.32
Fairmont Surgical Center	-		-	120	10	1.06
Total	<u>2,386</u>		<u>24.00 %</u>	<u>2,547</u>		<u>22.41 %</u>

Source: State Department of Commerce.



CITY OF FAIRMONT, MINNESOTA  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of December 31				
	2005	2006	2007	2008	2009
General government	14	14	14	14	14
Public safety					
Police					
Officers	18	18	18	18	18
Civilians	2	2	2	2	1
Streets and highways					
Engineering	4	4	4	4	4
Maintenance	10	10	10	11	12
Culture and recreation					
Parks	8	9	8	8	8
Housing and economic development	2	2	2	2	2
Water	10	10	10	10	11
Sewer	6	6	6	6	6
Electric	28	28	26	25	17
Liquor Store	4	4	3	3	3
Airport	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>106</u>	<u>107</u>	<u>103</u>	<u>103</u>	<u>96</u>

Source: City of Fairmont Records

Table 17

Full-time Equivalent Employees as of December 31				
2010	2011	2012	2013	2014
14	14	11	11	11
18	17	17	16	16
1	2	2	2	2
4	3	4	4	3
12	12	10	10	10
8	8	8	8	9
2	2	2	2	3
11	10	10	10	11
6	6	6	6	5
17	12	12	12	11
3	3	3	3	3
-	-	-	-	1
96	89	85	84	85

CITY OF FAIRMONT, MINNESOTA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Adult arrests	1,280	1,357	1,337	1,301	1,426
Juvenile arrests	141	150	153	150	132
Fire					
Number of fire calls answered	101	69	111	109	97
Number of rescue calls answered	30	14	50	28	35
Highways and streets					
Street resurfacing (miles)	23	18	9	10	5
Culture and recreation					
Attendance at water park	34,683	32,532	27,000	28,000	25,000
Water					
Annual water consumption (thousands of gallons)	508,669	516,765	536,442	522,275	481,836
Wastewater					
Annual treatment flows (thousands of gallons)	582,090	676,750	654,970	526,650	536,740
Electric					
Annual KWH electricity sold (thousands of kwh)	151,264	148,178	154,797	158,024	147,794

Sources: Various government departments.

Note: Indicators are not available for the general government function.

Table 18

Fiscal Year				
2010	2011	2012	2013	2014
1,483	1,175	1,306	1,178	1,310
125	162	125	54	74
128	140	122	126	114
34	20	28	22	17
4	5	5	4	3
26,346	21,000	24,500	22,400	22,771
465,407	455,140	430,334	414,121	354,293
741,060	656,800	404,830	468,170	475,036
153,605	156,001	151,973	148,187	147,322

CITY OF FAIRMONT, MINNESOTA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Public safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	18	18	18
Part-time paid police	3	4	5	3	3
Civilian employees	2	2	2	2	1
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	32	32	32	32	32
Hydrants	530		554	556	556
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	73	73	74	74	74
Percent of paved streets	94%	96%	96%	96%	96%
Signalized intersections	9	9	10	10	10
Parks division					
Neighborhood parks	19	19	19	26	26
Area in acres	380	380	380	540	540
Basketball courts	2	2	2	2	2
Hockey rinks/indoor	1	1	1	1	1
Hockey rinks/outdoor	1	1	1	1	1
Baseball diamonds	-	-	-	-	-
Softball diamonds	3	3	3	5	5
Swimming areas	2	2	2	2	2
Tennis courts	2	2	2	4	2
Volleyball courts	2	2	2	2	2
Utilities					
Municipal water					
Consumers	4,570	4,591	4,595	4,598	4,599
Average daily consumption	1,526,792	1,571,569	1,627,440	1,634,208	1,546,175
Maximum production capacity	4,300,000	4,300,000	4,300,000	5,400,000	5,400,000
Storage capacity	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Miles of water main	79	82	83	83	83
Municipal wastewater treatment					
Average daily treatment	1,594,767	1,854,109	1,663,014	1,442,877	1,470,521
Maximum design capacity	6,000,000	6,000,000	6,000,000	11,500,000	11,500,000
Miles of sanitary sewer	73	74	80	80	80
Storm drains					
Miles of storm sewer	39	41	41	41	41
Holding ponds	7	8	8	8	8
Parking system					
Off-street parking					
Off street lots	7	7	7	7	7
Employees					
Supervisors	15	15	12	13	13
Union employees	81	82	73	72	65
Other employees	20	20	18	18	18
Total employees	106	107	103	103	96

Source: City of Fairmont Records

Note: No capital asset indicators are available for the general government function.

Table 19

Fiscal Year				
2010	2011	2012	2013	2014
1	1	1	1	1
18	17	17	16	15
3	3	3	3	3
1	2	2	2	2
1	1	1	1	1
32	32	32	32	32
556	556	556	556	556
5	5	5	5	5
74	74	74	74	74
96%	96%	96%	96%	96%
10	10	10	10	10
26	26	26	26	26
540	540	540	540	540
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
-	-	1	1	1
5	5	3	3	3
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
4,443	4,442	4,429	4,426	4,410
1,539,775	1,413,036	1,272,199	1,134,577	970,665
5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
83	83	83	83	83
2,030,301	1,799,452	1,109,123	1,282,658	1,301,468
11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
80	80	80	80	80
41	41	41	41	41
8	8	8	8	8
7	7	7	7	7
13	11	10	10	10
65	59	58	57	58
18	19	17	17	17
96	89	85	84	85

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CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# PROPERTY INSURANCE

Building and Contents

All Risk (Per Company Form)  
Replacement Cost/Agreed Amount (90%)  
Replacement Cost/Agreed Amount

\$ 10,000	Deductible - Each Occurrence *
\$106,895,861	Blanket Limit

(Schedule on File with Company)

Extra Expense

All Risk (Per Company Form)  
40%-80%-100% Limitation

\$ 10,000	Deductible - Each Occurrence *
\$ 5,000,000	Limit - Per Occurrence

Valuable Papers

All Risk (Per Company Form)

\$ 10,000	Deductible - Each Occurrence *
\$ 500,000	Limit - Per Location

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# INLAND MARINE POLICY

All Risk (Per Company Form)  
100% Coinsurance  
Actual Cash Value

\$ 10,000	Deductible - Each Occurrence *
\$ 2,894,135	Total Limit

\* Subject to General Annual Aggregate: \$100,000

# Includes both City of Fairmont and Public Utilities Commission



CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# GENERAL LIABILITIES

\$ 1,500,000	Bodily Injury and Property Damage - Combined Single Limit "Claims Made" form
\$ 2,000,000	Products/Completed Operations Aggregate Limit
\$ 1,500,000	Per Loss Occurrence/Aggregate - Employee Benefits Liability
\$ 10,000	Deductible - Bodily Injury and Property Damage - Each Occurrence*
\$ 1,000	Medical Payments - Each Person Limit
\$ 10,000	- Aggregate Occurrence Limit
Includes:	Premises/Operations Products/Completed Operations Blanket Contractual Personal Injury - Including Law Enforcement Personnel Broad Form Property Damage Fire Legal Liability (\$50,000) Employees as Additional Insured Punitive Damages Extended Bodily Injury Independent Contractors Incidental Medical Malpractice Nonowned Watercraft (Up to 26') Fellow Employee Exclusion – Deleted Limited Pollution Coverage Only

\* Subject to General Annual Aggregate: \$100,000

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# GENERAL LIABILITIES - Continued

Excludes:

Prior Acts (Retro Date: 12-01-87)

Specified Accident(s), Products, Work, or  
Location(s) - Refer to Policy Endorsement ESA (12-86)

Airport Liability  
Utility Supply Failure  
Nursing Home Liability  
Liquor Legal Liability

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# AUTOMOBILE

\$ 1,500,000	Bodily Injury and Property Damage - Combined Single Limit
\$ 40,000	Personal Injury Protection
\$ 200,000	Uninsured and Underinsured Motorist
	Garagekeepers Legal Liability

Comprehensive  
Collision

\$ 500	Deductible - Each Occurrence *
--------	--------------------------------

Total Number of Vehicles - Liability: 103

Total Number of Vehicles - Physical Damage: 79

Includes:                      Hired and Nonowned Automobile Liability  
  
Fellow Employee Exclusion - Deleted

\* Subject to General Annual Aggregate: \$100,000  
# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# AUTOMOBILE - Continued

"All Lines" Deductible/General Aggregate

The following coverages, as written with the League of Minnesota Cities Insurance Trust, are subject to an All Lines Deductible and Annual General Aggregate:

Property (Building, Contents and Extra Expense)  
Inland Marine (Contractors Equipment, Miscellaneous Equipment, Valuable Papers)  
Comprehensive General Liability  
Automobile

\$ 500 Deductible - Each Occurrence

If the Annual Aggregate is exceeded, then a \$1,000 deductible (per occurrence) shall apply.

Legal defense costs, loss adjustment expenses and claims costs are all considered "damage" and are subject to the deductibles specified.

Refer to policy from ME030 (11/86) for additional terms and conditions.

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# ERRORS AND OMISSIONS LIABILITY

"Claims Made" Form

\$ 1,000,000 Limit - Each Loss/Aggregate  
\$ 10,000 Deductible - Any One Claim

L.M.C.I.T.  
LLC 2663  
01-01-14/1-1-15

LIQUOR LIABILITY

Limits:

\$ 1,000,000 Bodily Injury - Each Person  
\$ 1,000,000 Bodily Injury - Each Common Cause  
\$ 1,000,000 Property Damage - Each Common Cause  
\$ 1,000,000 Loss of Means of Support - Each Common Cause  
\$ 1,000,000 Aggregate

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC36215  
01-01-14/1-1-15

# CRIME POLICY

1. Broad Form Money and Securities

\$ 10,000	Deductible
\$ 250,000	Limit

2. Depositors' Forgery

\$ 10,000	Deductible
\$ 250,000	Limit

3. Bond Coverage

Faithful Performance Blanket Position Bond

\$ 1,000	Deductible
\$ 500,000	Blanket Limit

L.M.C.I.T.  
0200052129  
10-01-13/10-01-15

# WORKERS' COMPENSATION

Statutory Limit

Employer's Liability

\$ 1,500,000	Bodily Injury by Accident
\$ 1,500,000	Bodily Injury by Disease - Policy Limit
\$ 1,500,000	Bodily Injury by Disease - Any One Employee

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
0200052129  
10-1-13/10-1-15

# WORKERS' COMPENSATION - Continued

<u>Classification</u>	<u>Payroll</u>	<u>Rate</u>
Street and Road Construction	\$ 525,000	8.96
Waterworks	705,000	4.56
Electric and Steam Plant	765,000	3.99
Sewage Disposal Plant	390,000	4.93
Fire Fighters (Volunteer) (population)	12,866	173.91
Police	1,200,000	3.93
Off Sale Liquor Store	235,000	2.95
City Shop and Yard	110,000	4.52
Clerical	1,150,000	0.73
Swimming Pool or Beach Operation	400,000	5.44
Parks	520,000	4.12
Municipal Employees	200,000	0.76
Elected or Appointed Officials	18,200	0.35
Animal Control	60,000	2.47
Total Premium	\$265,024	
Experience Modification	<u>0.88</u>	
Standard Premium	233,221	
Deductible Credit 0%	-	
Premium Discount	<u>24,878</u>	
Net Deposit Premium	<u>\$ 208,343</u>	

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 20

Insurer Policy Number <u>Date of Coverage</u>	<u>Policy Information</u>
Travelers, C/O Brown & Brown M5J-BME1-7B30933A-TIL-14 1-1-14/1-1-15	# <u>PUBLIC UTILITIES BOILER/PROPERTY/EQUIPMENT BREAKDOWN</u>  Coverage - Power Plant, 10 <sup>th</sup> Street Substation and East Chain Substation  \$ 50,000,000                      Limit of Liability  \$ 250,000                      Expediting Expense 250,000                      Water Damage Limitation 250,000                      Refrigerant Contamination Limitation 250,000                      Hazardous Substance Limitation  \$ 50,000                      Deductible - Power Plant and 2 Substations  \$ 10,000                      Deductible - All Other Locations  \$ 250,000                      Deductible - Bus Duct from Distribution on XFMR to Power Plant
L.M.C.I.T. CMC36215 01-01-14/1-1-15	<u>AIRPORT LIABILITY</u>  \$1,500,000                      Each Occurrence  Includes Products, Completed Operations and Hangarkeepers as of 10-1-13
L.M.C.I.T. OML 10604 01-01-14/1-1-15	<u>OPEN MEETING LAW</u>  \$50,000                      Defense Cost per Lawsuit per Official \$250,000                      Aggregate Term per Official  Each Products and Completed Operations
L.M.C.I.T. MEL8037 01-01-14/1-1-15	<u>EXCESS LIABILITY</u>  \$1,000,000                      Aggregate Limit

# Includes both City of Fairmont and Public Utilities Commission

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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
MISCELLANEOUS STATISTICAL FACTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 21

WATER SYSTEM

Source	Budd Lake
Number of Connections - Residential	3,925
- Commercial	484
- Industrial	1
Daily Average Consumption (Gallons)	970,665
System Capacity (Gallons)	5,400,000
Miles of Water Mains in Service	83
Number of Fire Hydrants	556
Wells	1

SEWER SYSTEM

Discharge	Center Creek
Number of Connections - Residential	3,925
- Commercial	449
- Industrial	1
Miles of Sanitary Sewer	80
Number of Lift Stations	30
Daily Average Treatment (Gallons)	1,301,468
Maximum Capacity of Treatment Plant (Gallons)	11,500,000

ELECTRIC SYSTEM

Generating Capacity	-
Number of Connections - Residential	4,992
- Commercial	828
- Industrial	12
Miles of Transmission Lines	5
Square Miles of Service Area	48
Number of Substations	3

STORM SEWERS

Miles of Storm Sewers	41
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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
OPERATING EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Electric Department					
Production	\$ 10,973,273	\$ 11,370,136	\$ 11,488,996	\$ 11,793,263	\$ 11,907,333
Distribution	1,171,484	1,173,817	1,251,599	1,234,196	1,212,690
Administration and depreciation	<u>1,364,473</u>	<u>1,357,745</u>	<u>1,253,489</u>	<u>1,210,384</u>	<u>1,219,437</u>
Total Electric Department	<u>13,509,230</u>	<u>13,901,698</u>	<u>13,994,084</u>	<u>14,237,843</u>	<u>14,339,460</u>
Water Department					
Filtration	986,423	950,375	957,550	1,007,315	1,128,507
Distribution	420,787	466,580	449,489	282,000	432,482
Administration and depreciation	<u>479,722</u>	<u>436,620</u>	<u>356,590</u>	<u>327,437</u>	<u>286,837</u>
Total Water Department	<u>1,886,932</u>	<u>1,853,575</u>	<u>1,763,629</u>	<u>1,616,752</u>	<u>1,847,826</u>
District Heat Department					
Production	-	-	-	62,657	116,599
Distribution	-	-	-	602	794
Administration and depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,203</u>
Total District Heat Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,259</u>	<u>363,596</u>
Wastewater Department					
Treatment	532,665	633,326	623,509	588,910	587,921
Collection	287,866	303,052	279,944	284,448	271,987
Administration and depreciation	<u>839,304</u>	<u>843,856</u>	<u>781,998</u>	<u>780,124</u>	<u>709,412</u>
Total Wastewater Department	<u>1,659,835</u>	<u>1,780,234</u>	<u>1,685,451</u>	<u>1,653,482</u>	<u>1,569,320</u>
TOTAL	<u>\$ 17,055,997</u>	<u>\$ 17,535,507</u>	<u>\$ 17,443,164</u>	<u>\$ 17,571,336</u>	<u>\$ 18,120,202</u>

Table 22

2009	2008	2007	2006	2005
\$ 11,457,408	\$ 11,856,255	\$ 12,023,808	\$ 10,847,733	\$ 9,690,725
1,071,154	998,186	833,174	806,975	780,716
1,066,353	1,013,880	1,030,065	1,037,615	1,048,363
13,594,915	13,868,321	13,887,047	12,692,323	11,519,804
1,164,881	1,039,526	948,844	851,656	801,286
437,103	401,887	370,711	331,522	294,012
264,022	259,007	250,072	249,915	240,202
1,866,006	1,700,420	1,569,627	1,433,093	1,335,500
122,270	164,148	298,515	510,224	548,359
654	6,909	2,844	34,384	46,459
222,305	218,556	28,460	41,242	31,227
345,229	389,613	329,819	585,850	626,045
584,674	617,598	530,013	501,320	343,793
293,973	260,666	267,312	248,060	269,299
690,480	676,457	676,959	254,427	246,667
1,569,127	1,554,721	1,474,284	1,003,807	859,759
<u>\$ 17,375,277</u>	<u>\$ 17,513,075</u>	<u>\$ 17,260,777</u>	<u>\$ 15,715,073</u>	<u>\$ 14,341,108</u>

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
REVENUE BY UTILITY  
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Electric Department	\$ 14,713,001	\$ 14,639,236	\$ 14,856,538	\$ 15,601,619	\$ 14,724,031
Water Department	3,273,006	3,332,167	3,023,394	2,838,809	2,413,865
District Heat Department	-	-	-	82,626	129,919
Wastewater Department	<u>2,599,354</u>	<u>2,542,395</u>	<u>2,159,105</u>	<u>2,246,597</u>	<u>2,250,191</u>
Total	<u><u>\$ 20,585,361</u></u>	<u><u>\$ 20,513,798</u></u>	<u><u>\$ 20,039,037</u></u>	<u><u>\$ 20,769,651</u></u>	<u><u>\$ 19,518,006</u></u>

Table 23

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 14,270,358	\$ 13,775,629	\$ 13,465,436	\$ 12,776,569	\$ 11,717,846
2,037,674	1,810,191	1,679,360	1,475,229	1,321,156
144,589	170,136	211,636	359,280	377,396
<u>2,143,140</u>	<u>2,121,165</u>	<u>2,080,260</u>	<u>1,683,571</u>	<u>1,584,965</u>
<u><u>\$ 18,595,761</u></u>	<u><u>\$ 17,877,121</u></u>	<u><u>\$ 17,436,692</u></u>	<u><u>\$ 16,294,649</u></u>	<u><u>\$ 15,001,363</u></u>

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
KILOWATT HOURS GENERATED AND PURCHASED  
LAST TEN FISCAL YEARS

Table 24

Year	Gross Generation	Purchased KWH	Purchased From	Total KWH	* Sales KWH	Own Use	Peak Demand
2014	-	153,388,172	SMMPA/WAPA	153,388,172	147,321,850	-	27,894
2013	-	157,632,145	SMMPA/WAPA	157,632,145	148,187,120	-	31,049
2012	-	158,852,096	SMMPA/WAPA	158,852,096	151,973,053	-	31,652
2011	133,000	161,848,504	SMMPA/WAPA	161,981,504	155,661,326	1,500	32,059
2010	2,943,000	160,021,257	SMMPA/WAPA	162,964,257	153,605,131	37,500	31,450
2009	761,000	154,409,696	SMMPA/WAPA	155,170,696	147,794,464	10,500	28,091
2008	717,000	163,462,422	SMMPA/WAPA	164,179,422	158,023,616	15,000	31,149
2007	3,969,000	160,039,155	SMMPA/WAPA	164,008,155	154,796,516	159,500	31,248
2006	4,984,000	149,669,523	SMMPA/WAPA	154,653,523	148,178,027	227,000	27,513
2005	4,715,000	149,987,907	SMMPA/WAPA	154,702,907	151,264,308	224,000	28,953

\* Includes own use (but not station service).

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
COST PER KWH GENERATED AND PURCHASED  
LAST TEN FISCAL YEARS

Table 25

Year	Production Cost Per KWH	Distribution Cost Per KWH	Administrative Cost Per KWH	Depreciation Cost Per KWH	Total Cost Per KWH	Total KWH Purchased and Generated Billed and Used	Cost Per KWH Billed and Used
2014	\$ 10,973,273 0.07154	\$ 1,171,484 0.00764	\$ 982,024 0.00640	\$ 382,449 0.00249	\$ 13,509,230 0.08807	\$ 153,388,172 147,321,850	\$ 0.09170
2013	11,370,136 0.07213	1,173,817 0.00745	932,076 0.00591	425,669 0.00270	13,901,698 0.08819	157,632,145 148,187,120	0.09381
2012	11,488,996 0.07233	1,251,599 0.00788	825,695 0.00520	427,794 0.00269	13,994,084 0.08810	158,852,096 151,973,053	0.09208
2011	11,793,263 0.07281	1,234,196 0.00762	781,856 0.00483	428,528 0.00265	14,237,843 0.08791	161,981,504 155,661,326	0.09147
2010	11,907,333 0.07307	1,212,690 0.00744	748,128 0.00459	471,309 0.00289	14,339,460 0.08799	162,964,257 153,605,131	0.09335
2009	11,457,408 0.07384	1,071,154 0.00690	599,429 0.00386	466,924 0.00301	13,594,915 0.08761	155,170,696 147,794,464	0.09199
2008	11,856,255 0.07222	998,186 0.00608	580,545 0.00354	433,335 0.00264	13,868,321 0.08448	164,179,422 158,023,616	0.08776
2007	12,023,808 0.07331	833,174 0.00508	566,781 0.00346	463,284 0.00282	13,887,047 0.08467	164,008,155 154,796,516	0.08971
2006	10,847,733 0.07014	806,975 0.00522	499,163 0.00323	538,452 0.00348	12,692,323 0.08207	154,653,523 148,178,027	0.08566
2005	9,690,725 0.06264	780,716 0.00505	514,987 0.00333	533,376 0.00345	11,519,804 0.07447	154,702,907 151,264,308	0.07616

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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
KILOWATT SALES - CONTINUED ON THE FOLLOWING PAGES  
LAST TEN FISCAL YEARS

Table 26

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2014						
Residential Light	28,653,260	\$ 2,418,394	\$ 0.084402	19.4 %	17.0 %	3,879
Commercial Service	21,184,995	1,656,657	0.078200	14.4	11.6	747
General Service	18,549,910	1,286,853	0.069372	12.6	9.0	43
Industrial Sales	50,409,061	3,068,222	0.060866	34.3	21.5	12
All Electric	9,039,097	556,328	0.061547	6.1	3.9	8
Rural Electric	3,914,295	323,984	0.082769	2.7	2.3	225
Filter Plant	1,437,200	54,614	0.038000	1.0	0.4	1
Street Lighting	1,791,188	134,339	0.075000	1.2	0.9	6
Flat Rate Security Lights	128,637	10,320	0.080226	0.1	0.1	-
Residential Heat	9,293,874	698,258	0.075131	6.3	4.9	888
Wastewater Plant	1,535,800	58,360	0.038000	1.0	0.4	1
Seasonal Heat Rate	1,384,533	62,782	0.045345	0.9	0.4	22
Energy Cost Adjustment	-	3,933,326	-	-	27.6	-
Total Sales	<u>147,321,850</u>	<u>\$ 14,262,437</u>	<u>\$ 0.096811</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,832</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2013						
Residential Light	29,755,931	\$ 2,500,922	\$ 0.084048	20.1 %	17.5 %	3,909
Commercial Service	22,067,984	1,728,734	0.078337	14.9	12.1	761
General Service	19,989,428	1,354,742	0.067773	13.5	9.5	43
Industrial Sales	49,455,710	3,141,624	0.063524	33.3	22.0	12
All Electric	9,054,123	549,234	0.060661	6.1	3.9	8
Rural Electric	3,946,018	319,756	0.081033	2.7	2.2	224
Filter Plant	1,212,440	46,073	0.038000	0.8	0.3	1
Street Lighting	1,751,086	131,332	0.075000	1.2	0.9	6
Flat Rate Security Lights	125,846	10,519	0.083586	0.1	0.1	-
Residential Heat	8,600,482	687,168	0.079899	5.8	4.8	867
Wastewater Plant	1,325,800	50,380	0.038000	0.9	0.4	1
Seasonal Heat Rate	902,272	41,182	0.045643	0.6	0.3	24
Energy Cost Adjustment	-	3,703,983	-	-	26.0	-
Total Sales	<u>148,187,120</u>	<u>\$ 14,265,649</u>	<u>\$ 0.096268</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,856</u>



CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
KILOWATT SALES - CONTINUED  
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2012						
Residential Light	30,135,119	\$ 2,585,797	\$ 0.085807	19.8 %	17.9 %	4,002
Commercial Service	21,416,365	1,681,089	0.078496	14.1	11.6	741
General Service	19,763,554	1,366,118	0.069123	13.0	9.5	47
Industrial Sales	54,749,354	3,291,661	0.060122	36.1	23.0	12
All Electric	8,402,183	524,619	0.062438	5.5	3.6	8
Rural Electric	3,541,412	294,972	0.083292	2.3	2.0	225
Filter Plant	1,475,640	56,074	0.038000	1.0	0.4	1
Street Lighting	1,767,241	132,543	0.075000	1.2	0.9	6
Flat Rate Security Lights	131,924	10,427	0.079038	0.1	0.1	-
Residential Heat	8,688,023	652,925	0.075152	5.7	4.5	798
Wastewater Plant	1,248,800	47,454	0.038000	0.8	0.3	1
Seasonal Heat Rate	653,438	30,192	0.046205	0.4	0.2	26
Energy Cost Adjustment	-	3,758,736	-	-	26.0	-
Total Sales	<u>151,973,053</u>	<u>\$ 14,432,607</u>	<u>\$ 0.094968</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2011						
Residential Light	31,317,844	\$ 2,588,036	\$ 0.082638	20.1 %	17.7 %	4,002
Commercial Service	21,389,157	1,669,914	0.078073	13.7	11.4	741
General Service	19,416,287	1,334,831	0.068748	12.5	9.1	47
Industrial Sales	56,005,474	3,371,816	0.060205	36.0	23.1	12
All Electric	9,281,304	562,505	0.060606	6.0	3.8	8
Rural Electric	3,625,936	300,942	0.082997	2.3	2.1	225
Filter Plant	1,647,720	62,613	0.038000	1.1	0.4	1
Street Lighting	1,902,419	141,340	0.074295	1.2	1.0	6
Flat Rate Security Lights	136,259	10,456	0.076736	0.1	0.1	-
Residential Heat	8,694,687	652,295	0.075022	5.6	4.5	798
Wastewater Plant	1,270,200	48,268	0.038000	0.8	0.3	1
Seasonal Heat Rate	974,039	45,552	0.046766	0.6	0.3	26
Energy Cost Adjustment	-	3,823,925	-	-	26.2	-
Total Sales	<u>155,661,326</u>	<u>\$ 14,612,493</u>	<u>\$ 0.093874</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
KILOWATT SALES - CONTINUED  
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2010						
Residential Light	31,894,419	\$ 2,702,082	\$ 0.084720	20.8 %	19.7 %	4,171
Commercial Service	21,998,943	1,728,919	0.078591	14.3	12.6	745
General Service	18,805,492	1,328,236	0.070630	12.2	9.7	46
Industrial Sales	53,529,617	3,239,643	0.060521	34.8	23.5	12
All Electric	9,201,420	579,854	0.063018	6.0	4.2	8
Rural Electric	3,967,369	328,252	0.082738	2.6	2.4	225
Filter Plant	1,637,640	62,230	0.038000	1.1	0.5	1
Street Lighting	1,822,396	136,680	0.075000	1.2	1.0	6
Flat Rate Security Lights	131,245	10,402	0.079256	0.1	0.1	-
Residential Heat	8,317,835	628,600	0.075573	5.4	4.6	702
Wastewater Plant	1,239,000	47,082	0.038000	0.8	0.3	1
SMMPA Expansion Rate	1,059,755	46,254	0.043646	0.7	0.3	26
Energy Cost Adjustment	-	2,895,457	-	-	21.1	-
Total Sales	<u>153,605,131</u>	<u>\$ 13,733,691</u>	<u>\$ 0.089409</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,943</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2009						
Residential Light	29,548,251	\$ 2,496,269	\$ 0.084481	20.0 %	19.5 %	4,171
Commercial Service	21,147,548	1,657,512	0.078378	14.3	13.0	796
General Service	17,205,668	1,259,603	0.073209	11.6	9.8	50
Industrial Sales	53,365,590	3,230,462	0.060535	36.1	25.2	13
All Electric	8,825,880	535,174	0.060637	6.0	4.2	9
Rural Electric	3,855,337	319,832	0.082958	2.6	2.5	229
Filter Plant	1,768,320	67,196	0.038000	1.2	0.5	1
Street Lighting	1,890,163	141,762	0.075000	1.3	1.1	6
Flat Rate Security Lights	136,287	10,942	0.080286	0.1	0.1	-
Residential Heat	7,579,424	570,356	0.075251	5.1	4.5	781
Wastewater Plant	1,286,800	48,898	0.038000	0.9	0.4	1
SMMPA Expansion Rate	1,185,196	51,063	0.043084	0.8	0.4	-
Energy Cost Adjustment	-	2,402,147	-	-	18.8	-
Total Sales	<u>147,794,464</u>	<u>\$ 12,791,216</u>	<u>\$ 0.086547</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,057</u>

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
KILOWATT SALES - CONTINUED  
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2008						
Residential Light	31,820,797	\$ 2,674,982	\$ 0.084064	20.1 %	22.3 %	4,207
Commercial Service	22,364,623	1,712,882	0.076589	14.2	14.3	802
General Service	18,926,148	1,338,894	0.070743	12.0	11.2	50
Industrial Sales	58,212,755	3,463,267	0.059493	36.7	28.8	13
All Electric	9,575,900	570,879	0.059616	6.1	4.8	9
Rural Electric	3,770,514	312,842	0.082971	2.4	2.6	228
Filter Plant	1,834,560	69,713	0.038000	1.2	0.6	1
Street Lighting	1,865,340	139,901	0.075000	1.2	1.2	6
Flat Rate Security Lights	134,568	11,168	0.082991	0.1	0.1	-
Residential Heat	7,057,854	554,944	0.078628	4.5	4.6	747
Wastewater Plant	1,297,400	49,301	0.038000	0.8	0.4	1
SMMPA Expansion Rate	1,163,157	50,134	0.043102	0.7	0.4	-
Energy Cost Adjustment	-	1,037,185	-	-	8.7	-
Total Sales	158,023,616	\$ 11,986,092	\$ 0.075850	100.0 %	100.0 %	6,064

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2007						
Residential Light	33,458,734	\$ 2,807,089	\$ 0.083897	21.6 %	25.5 %	4,281
Commercial Service	22,462,159	1,758,912	0.078306	14.5	16.0	797
General Service	18,978,372	1,357,619	0.071535	12.3	12.3	49
Industrial Sales	54,844,841	3,313,269	0.060412	35.4	30.2	13
All Electric	9,788,360	589,448	0.060219	6.3	5.4	9
Rural Electric	3,606,573	304,985	0.084564	2.3	2.8	226
Filter Plant	1,825,560	69,371	0.038000	1.2	0.6	1
Street Lighting	1,325,551	99,416	0.075000	0.9	0.9	6
Flat Rate Security Lights	135,339	11,186	0.082652	0.1	0.1	-
Residential Heat	6,533,766	492,211	0.075333	4.2	4.5	665
Wastewater Plant	1,278,400	48,579	0.038000	0.8	0.4	1
SMMPA Expansion Rate	558,861	24,195	0.043293	0.4	0.2	27
Energy Cost Adjustment	-	119,430	-	-	1.1	27
Total Sales	154,796,516	\$ 10,995,710	\$ 0.071033	100.0 %	100.0 %	6,102

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
KILOWATT SALES - CONTINUED  
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2006						
Residential Light	33,184,134	\$ 2,786,577	\$ 0.083973	22.4 %	27.8 %	4,342
Commercial Service	21,067,349	1,627,201	0.077238	14.2	16.2	804
General Service	17,372,644	1,294,206	0.074497	11.7	12.9	49
Industrial Sales	53,316,665	3,312,434	0.062128	36.0	33.2	15
All Electric	9,194,840	557,731	0.060657	6.2	5.6	9
Rural Electric	3,720,476	309,215	0.083112	2.5	3.1	226
Filter Plant	1,892,520	71,916	0.038000	1.3	0.7	1
Street Lighting	1,301,875	97,641	0.075000	0.9	1.0	6
Flat Rate Security Lights	132,448	11,299	0.085309	0.1	0.1	-
Residential Heat	5,778,897	436,919	0.075606	3.9	4.4	624
Wastewater Plant	1,169,400	44,437	0.038000	0.8	0.4	1
SMMPA Expansion Rate	46,779	2,047	0.043759	-	-	12
Energy Cost Adjustment	-	(537,645)	-	-	(5.4)	12
Total Sales	<u>148,178,027</u>	<u>\$ 10,013,978</u>	<u>\$ 0.067581</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,101</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2005						
Residential Light	34,276,987	\$ 2,873,713	\$ 0.083838	22.7 %	31.5 %	4,357
Commercial Service	21,111,842	1,573,272	0.074521	14.0	17.3	801
General Service	17,915,700	1,385,329	0.077325	11.8	15.2	51
Industrial Sales	49,848,714	3,123,624	0.062662	32.9	34.2	15
All Electric	9,490,960	569,712	0.060027	6.3	6.2	8
Rural Electric	3,691,045	307,145	0.083214	2.4	3.4	226
Filter Plant	1,650,960	62,736	0.038000	1.1	0.7	1
Street Lighting	1,312,488	98,437	0.075000	0.9	1.1	6
Flat Rate Security Lights	132,966	11,380	0.085586	0.1	0.1	-
Residential Heat	5,316,644	402,326	0.075673	3.5	4.4	571
Wastewater Plant	1,103,280	41,925	0.038000	0.7	0.5	1
SMMPA Expansion Rate	5,412,722	198,647	0.036700	3.6	2.2	-
Energy Cost Adjustment	-	(1,531,721)	-	-	(16.8)	-
Total Sales	<u>151,264,308</u>	<u>\$ 9,116,525</u>	<u>\$ 0.060269</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,037</u>

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
LARGE ELECTRIC USERS  
TOTAL KILOWATT HOURS USED AND REVENUE EARNED PER YEAR  
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010
Industrial/Commercial Users					
Fairmont Foods	13,051,618	2,464,831	14,315,307	15,975,378	14,405,962
	\$ 1,107,336	\$ 1,042,803	\$ 1,180,918	\$ 1,317,813	\$ 1,114,623
Minnesota Mining and Manufacturing	7,825,221	7,591,649	7,712,425	7,361,865	7,172,204
	\$ 651,696	\$ 619,290	\$ 631,048	\$ 604,175	\$ 547,629
Harsco Track Technology	517,200	552,000	571,200	1,136,400	1,742,400
	\$ 51,381	\$ 54,207	\$ 56,457	\$ 122,519	\$ 177,622
Hancor	6,670,000	7,509,000	8,627,000	7,840,000	7,092,000
	\$ 601,875	\$ 666,009	\$ 723,634	\$ 661,645	\$ 566,223
Weigh-Tronix	5,597,822	5,734,080	6,392,412	6,501,321	6,501,551
	\$ 523,817	\$ 530,950	\$ 575,467	\$ 589,774	\$ 551,984
Fareway Foods	1,378,376	1,484,452	1,398,829	1,309,292	1,142,880
	\$ 119,403	\$ 124,463	\$ 119,854	\$ 115,007	\$ 89,704
Shopko	1,218,750	1,414,500	1,451,000	1,287,750	1,280,250
	\$ 109,459	\$ 122,882	\$ 123,958	\$ 113,221	\$ 105,200
Holiday Inn	1,565,250	1,633,500	1,552,500	1,759,000	1,674,250
	\$ 141,662	\$ 143,720	\$ 139,323	\$ 154,431	\$ 138,570
Fairmall Shopping Center	1,129,560	1,092,200	945,860	776,400	789,640
	\$ 105,865	\$ 103,406	\$ 88,258	\$ 90,337	\$ 71,990
Hy-Vee Foods	2,666,800	2,698,800	2,605,120	2,657,440	2,525,920
	\$ 224,510	\$ 222,689	\$ 221,566	\$ 211,168	\$ 189,363
Fairmont Refrigerated Services	6,055,200	6,139,800	6,127,560	6,030,720	5,872,680
	\$ 485,452	\$ 480,003	\$ 474,287	\$ 465,861	\$ 424,233
Kmart	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Wal-Mart Stores	3,234,800	3,296,000	3,449,200	3,506,800	3,476,800
	\$ 266,997	\$ 270,157	\$ 283,831	\$ 285,919	\$ 268,115
Fairmont Hospital	3,487,368	6,375,600	6,314,400	6,735,600	6,806,700
	\$ 399,776	\$ 527,157	\$ 516,892	\$ 557,202	\$ 540,320
I.S.D. No. 2752	3,487,368	3,585,720	3,427,680	3,211,200	2,558,880
	\$ 399,776	\$ 400,658	\$ 384,529	\$ 346,486	\$ 240,995
Wastewater Treatment Plant	1,437,200	1,325,800	1,248,800	1,270,200	1,239,000
	\$ 99,569	\$ 89,004	\$ 83,835	\$ 79,786	\$ 70,727
Water Treatment Plant	1,535,800	1,212,440	1,475,640	1,647,730	1,637,640
	\$ 93,366	\$ 76,158	\$ 92,691	\$ 103,500	\$ 93,483

TABLE 27

2009	2008	2007	2006	2005
15,229,904	16,305,260	16,582,991	15,601,780	17,802,000
\$ 1,130,627	\$ 1,032,066	\$ 945,836	\$ 843,067	\$ 813,975
6,743,792	7,023,623	4,696,660	4,180,645	5,709,715
\$ 498,185	\$ 448,190	\$ 301,849	\$ 256,485	\$ 283,599
1,935,600	1,990,800	2,187,600	2,823,600	3,142,800
\$ 184,883	\$ 173,609	\$ 171,938	\$ 188,840	\$ 179,866
6,536,000	6,944,000	6,014,920	5,823,360	5,058,240
\$ 519,326	\$ 477,075	\$ 400,844	\$ 394,952	\$ 333,374
6,111,050	7,540,040	7,607,048	7,158,260	6,989,431
\$ 511,612	\$ 526,424	\$ 487,991	\$ 436,365	\$ 378,929
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
1,246,000	1,419,000	1,407,000	1,428,000	1,373,000
\$ 98,515	\$ 94,750	\$ 89,319	\$ 84,316	\$ 68,831
1,610,500	1,803,000	1,739,750	1,642,000	1,697,750
\$ 127,840	\$ 121,897	\$ 109,607	\$ 99,697	\$ 90,391
760,940	905,540	990,760	1,069,700	1,058,660
\$ 69,330	\$ 71,467	\$ 72,912	\$ 70,974	\$ 65,020
2,670,880	2,649,280	2,862,720	2,869,440	2,814,560
\$ 192,183	\$ 161,366	\$ 157,690	\$ 147,512	\$ 123,548
6,031,080	6,042,600	6,460,920	6,207,840	4,662,000
\$ 414,539	\$ 358,950	\$ 349,012	\$ 325,735	\$ 204,225
129,984	1,114,752	1,640,832	1,788,480	1,877,952
\$ 11,927	\$ 84,373	\$ 104,679	\$ 101,591	\$ 92,511
3,461,200	3,676,400	1,945,200	-	-
\$ 255,977	\$ 232,011	\$ 113,010	\$ -	\$ -
6,521,400	6,997,500	7,279,200	6,711,300	7,075,800
\$ 485,053	\$ 444,303	\$ 423,944	\$ 362,057	\$ 331,803
2,312,000	2,367,120	2,384,800	2,372,760	2,403,080
\$ 209,171	\$ 190,684	\$ 179,895	\$ 168,889	\$ 152,874
1,286,800	1,297,400	1,278,400	1,169,400	1,269,280
\$ 69,939	\$ 57,887	\$ 49,573	\$ 40,168	\$ 37,349
1,768,320	1,834,560	1,825,560	1,892,520	1,650,960
\$ 96,110	\$ 81,854	\$ 70,790	\$ 65,006	\$ 45,297

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
RAW WATER FINISHED AND SOLD  
LAST TEN FISCAL YEARS

TABLE 28

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2014</u>					
Net Raw Water	430,038,323	100.0 %			
Used in Production	<u>9,156,992</u>	<u>2.1</u>			
Net Finished Water	420,881,331	97.9			
Loss in Distribution System (including hydrant)	<u>66,588,469</u>	<u>15.5</u>			
Total Sales	<u>354,292,862</u>	<u>82.4</u>	\$ 2,893,977	\$ 8.168319	4,410
<u>2013</u>					
Net Raw Water	526,958,224	100.0			
Used in Production	<u>58,852,312</u>	<u>11.2</u>			
Net Finished Water	468,105,912	88.8			
Loss in Distribution System (including hydrant)	<u>53,985,299</u>	<u>10.2</u>			
Total Sales	<u>414,120,613</u>	<u>78.6</u>	2,995,348	7.233033	4,426
<u>2012</u>					
Net Raw Water	485,011,000	100.0			
Used in Production	<u>20,658,344</u>	<u>4.3</u>			
Net Finished Water	464,352,656	95.7			
Loss in Distribution System (including hydrant)	<u>34,019,079</u>	<u>7.0</u>			
Total Sales	<u>430,333,577</u>	<u>88.7</u>	2,699,242	6.272441	4,429
<u>2011</u>					
Net Raw Water	589,167,636	100.0			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (including hydrant)	<u>60,617,941</u>	<u>10.3</u>			
Total Sales	<u>455,140,379</u>	<u>77.2</u>	2,536,752	5.573560	4,442
<u>2010</u>					
Net Raw Water	591,918,009	100.0			
Used in Production	<u>61,373,009</u>	<u>10.4</u>			
Net Finished Water	530,545,000	89.6			
Loss in Distribution System (including hydrant)	<u>65,137,047</u>	<u>11.0</u>			
Total Sales	<u>465,407,953</u>	<u>78.6</u>	2,114,745	4.543852	4,443

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
RAW WATER FINISHED AND SOLD - CONTINUED  
LAST TEN FISCAL YEARS

TABLE 28

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2009</u>					
Net Raw Water	590,695,431	100.0 %			
Used in Production	<u>26,341,431</u>	<u>4.5</u>			
Net Finished Water	564,354,000	95.5			
Loss in Distribution System (including hydrant)	<u>82,518,126</u>	<u>14.0</u>			
Total Sales	<u>481,835,874</u>	<u>81.5</u>	\$ 1,732,391	\$ 3.595396	4,599
<u>2008</u>					
Net Raw Water	640,175,884	100.0			
Used in Production	<u>43,689,884</u>	<u>6.8</u>			
Net Finished Water	596,486,000	93.2			
Loss in Distribution System (including hydrant)	<u>74,210,862</u>	<u>11.6</u>			
Total Sales	<u>522,275,138</u>	<u>81.6</u>	1,541,024	2.950598	4,598
<u>2007</u>					
Net Raw Water	665,162,504	100.0			
Used in Production	<u>71,147,004</u>	<u>10.7</u>			
Net Finished Water	594,015,500	89.3			
Loss in Distribution System (including hydrant)	<u>57,573,431</u>	<u>8.7</u>			
Total Sales	<u>536,442,069</u>	<u>80.6</u>	1,409,026	2.626614	4,595
<u>2006</u>					
Net Raw Water	626,125,629	100.0			
Used in Production	<u>52,469,929</u>	<u>8.4</u>			
Net Finished Water	573,655,700	91.6			
Loss in Distribution System (including hydrant)	<u>56,890,894</u>	<u>9.1</u>			
Total Sales	<u>516,764,806</u>	<u>82.5</u>	1,202,107	2.326217	4,591
<u>2005</u>					
Net Raw Water	605,252,957	100.0			
Used in Production	<u>47,973,957</u>	<u>7.9</u>			
Net Finished Water	557,279,000	92.1			
Loss in Distribution System (including hydrant)	<u>48,609,898</u>	<u>8.0</u>			
Total Sales	<u>508,669,102</u>	<u>84.1</u>	1,065,472	2.094627	4,570



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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
COST PER THOUSAND GALLONS OF FINISHED WATER  
LAST TEN FISCAL YEARS

TABLE 29

Year	Filtration Cost Per M Gallons	Distribution Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Operating Expenses Per M Gallons	Water Finished Billed	Cost Per M Gallons Billed
2014	\$ 986,423 2.3437	\$ 420,787 0.9998	\$ 316,647 0.7523	\$ 163,075 0.3875	\$ 1,886,932 4.4833	420,881,331 354,292,862	\$ 5.3259
2013	950,375 2.0303	466,580 0.9967	233,307 0.4984	203,313 0.4343	1,853,575 3.9597	468,105,912 414,120,613	4.4759
2012	957,550 2.0621	449,489 0.9680	155,395 0.3346	201,195 0.4333	1,763,629 3.7980	464,352,656 430,333,577	4.0983
2011	1,007,315 1.9531	282,000 0.5468	160,696 0.3116	166,741 0.3233	1,616,752 3.1348	515,758,320 455,140,379	3.5522
2010	1,128,507 2.1271	432,482 0.8152	84,363 0.1590	202,474 0.3816	1,847,826 3.4829	530,545,000 465,407,953	3.9703
2009	1,164,881 2.0641	437,103 0.7745	63,725 0.1129	200,297 0.3549	1,866,006 3.3064	564,354,000 481,835,874	3.8727
2008	1,039,526 1.7428	401,887 0.6738	59,338 0.0995	199,669 0.3347	1,700,420 2.8508	596,486,000 522,275,138	3.2558
2007	948,844 1.5973	370,711 0.6241	55,660 0.0937	194,412 0.3273	1,569,627 2.6424	594,015,500 536,442,069	2.9260
2006	851,656 1.4846	331,522 0.5779	53,883 0.0939	196,032 0.3417	1,433,093 2.4981	573,655,700 516,764,806	2.7732
2005	801,286 1.4379	294,012 0.5276	52,332 0.0939	187,870 0.3371	1,335,500 2.3965	557,279,000 508,669,102	2.6255

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
DISTRICT HEAT SALES  
LAST TEN FISCAL YEARS

TABLE 30

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2014</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2013</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2012</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2011</u>					
Steam billed to customers	3,989,000	72.0	62,639	15.7029	6
Metered warehouse use	270,000	4.9	-	-	
Metered Power Plant use	870,000	15.7	-	-	
Loss	408,000	7.4	-	-	
Fuel cost adder	-	-	19,987	3.6097	
Total steam metered to District Heat Department	5,537,000	100.0	82,626	14.9225	
<u>2010</u>					
Steam billed to customers	6,443,000	75.6	81,706	12.6814	6
Metered warehouse use	337,000	4.0	2,252	6.6825	
Metered Power Plant use	1,492,000	17.5	11,190	7.5000	
Loss	249,000	2.9	-	-	
Fuel cost adder	-	-	33,350	3.9139	
Total steam metered to District Heat Department	8,521,000	100.0	128,498	15.0802	

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
DISTRICT HEAT SALES - CONTINUED  
LAST TEN FISCAL YEARS

TABLE 30

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2009</u>					
Steam billed to customers	7,483,000	49.8 %	\$ 86,055	\$ 11.5001	7
Metered warehouse use	433,000	2.9	4,990	11.5242	
Metered Power Plant use	1,484,000	9.9	17,146	11.5539	
Loss	5,612,000	37.4	-	-	
Fuel cost adder	-	-	37,712	2.5121	
Total steam metered to District Heat Department	15,012,000	100.0	145,903	9.7191	
<u>2008</u>					
Steam billed to customers	7,521,000	78.7	86,501	11.5013	7
Metered warehouse use	439,000	4.6	5,049	11.5011	
Metered Power Plant use	1,384,000	14.5	15,926	11.5072	
Loss	215,000	2.2	-	-	
Fuel cost adder	-	-	62,630	6.5519	
Total steam metered to District Heat Department	9,559,000	100.0	170,106	17.7954	
<u>2007</u>					
Steam billed to customers	9,362,000	48.3	108,345	11.5728	71
Metered warehouse use	407,000	2.1	4,681	11.5012	
Metered Power Plant use	1,518,000	7.8	17,497	11.5264	
Loss	8,091,000	41.8	-	-	
Fuel cost adder	-	-	88,176	4.5503	
Total steam metered to District Heat Department	19,378,000	100.0	218,699	11.2859	
<u>2006</u>					
Steam billed to customers	16,306,000	41.1	191,304	11.7321	87
Metered warehouse use	357,000	0.9	4,166	11.6695	
Metered Power Plant use	2,276,000	5.7	26,284	11.5483	
Loss	20,696,000	52.3	-	-	
Fuel cost adder	-	-	139,487	3.5193	
Total steam metered to District Heat Department	39,635,000	100.0	361,241	9.1142	
<u>2005</u>					
Steam billed to customers	19,148,000	46.9	222,399	11.6147	104
Metered warehouse use	254,000	0.6	2,991	11.7756	
Metered Power Plant use	1,820,000	4.5	21,120	11.6044	
Loss	19,590,000	48.0	-	-	
Fuel cost adder	-	-	140,858	3.4514	
Total steam metered to District Heat Department	40,812,000	100.0	387,368	9.4915	

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
COST PER THOUSAND POUNDS OF STEAM  
LAST TEN FISCAL YEARS

TABLE 31

Year	Production Cost Per M Pounds	Distribution Cost Per M Pounds	Administrative Cost Per M Pounds	Depreciation Cost Per M Pounds	Total Operating Expenses Per M Pounds	Steam Finished Billed	Cost Per M Pounds Billed
2014	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ -
2013	- -	- -	- -	- -	- -	- -	-
2012	- -	- -	- -	- -	- -	- -	-
2011	62,657 11.3161	602 0.1087	- -	- -	63,259 11.4248	5,537,000 5,129,000	12.3336
2010	116,599 13.6837	794 0.0932	- -	246,203 28.8937	363,596 42.6706	8,521,000 8,272,000	43.9550
2009	122,270 8.1448	654 0.0436	- -	222,305 14.8085	345,229 22.9969	15,012,000 9,400,000	36.7265
2008	164,148 17.1721	6,909 0.7228	- -	218,556 22.8639	389,613 40.7588	9,559,000 9,344,000	41.6966
2007	298,515 15.4048	2,844 0.1468	50 0.0026	28,410 1.4661	329,819 17.0203	19,378,000 11,287,000	29.2211
2006	510,224 12.8731	34,384 0.8675	12,554 0.3167	28,688 0.7238	585,850 14.7811	39,635,000 18,939,000	30.9335
2005	548,359 13.4362	46,459 1.1384	13,294 0.3257	17,933 0.4394	626,045 15.3397	40,812,000 21,222,000	29.4998

CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
WASTEWATER INFLOW AND COST PER THOUSAND GALLONS TREATED  
LAST TEN FISCAL YEARS

TABLE 32

Year	Total M Gallons to Treatment Facility	Treatment Cost Per M Gallons	Collection Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Cost Per M Gallons	Daily Flow Gallons Minimum/ Maximum
2014	475,036	\$ 532,665 1.1213	\$ 287,866 0.6060	\$ 235,712 0.4962	\$ 603,592 1.2706	\$ 1,659,835 3.4941	904,000 6,580,000
2013	468,170	633,326 1.3528	303,052 0.6473	205,663 0.4393	638,193 1.3632	1,780,234 3.8026	890,000 3,200,000
2012	404,830	623,509 1.5402	279,944 0.6915	151,457 0.3741	630,541 1.5575	1,685,451 4.1633	840,000 3,010,000
2011	656,800	588,910 0.8966	284,448 0.4331	170,820 0.2601	609,304 0.9277	1,653,482 2.5175	990,000 6,380,000
2010	741,060	587,921 0.7934	271,987 0.3670	88,233 0.1191	621,179 0.8382	1,569,320 2.1177	1,280,000 7,310,000
2009	536,740	584,674 1.0893	293,973 0.5477	71,296 0.1328	619,184 1.1536	1,569,127 2.9234	1,040,000 2,300,000
2008	526,650	617,598 1.1727	260,666 0.4950	62,800 0.1192	613,657 1.1652	1,554,721 2.9521	1,100,000 7,450,000
2007	654,970	530,013 0.8092	267,312 0.4081	61,112 0.0933	615,847 0.9403	1,474,284 2.2509	1,150,000 15,770,000
2006	676,750	501,320 0.7408	248,060 0.3665	51,114 0.0755	203,313 0.3004	1,003,807 1.4832	1,050,000 8,540,000
2005	582,090	343,793 0.5906	269,299 0.4626	47,442 0.0815	199,225 0.3423	859,759 1.4770	900,000 8,020,000

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**SINGLE AUDIT AND  
OTHER REQUIRED REPORTS**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014



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INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Fairmont, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairmont, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Abdo, Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 29, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council  
City of Fairmont, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairmont, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Abdo, Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 29, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY *OMB CIRCULAR A-133*

Honorable Mayor and City Council  
City of Fairmont, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the City of Fairmont's, Fairmont, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014

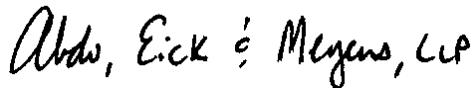
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 29, 2015

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Awarding Agency</u>	<u>Pass-through Entity</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Amount Expended</u>
U.S. Department of Commerce		Economic Adjustment Assistance	11.307	\$ 669,893
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401	4,894
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	100
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety	20.600	10,687
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	830
U.S. Department of Transportation	Minnesota Department of Transportation	National Priority Safety Program	20.616	1,074
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	1,034,659
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036	<u>15,580</u>
	Total expended			<u>\$ 1,737,717</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of City of Fairmont, Minnesota, (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**2. Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for the major program and modified accrual basis of accounting for nonmajor programs, which is described in Note 1B to the City's financial statements.

**3. Calculation of Economic Adjustment Assistance (CFDA 11.307) Federal award program expenditures**

The following is the calculation for this Federal award program's expenditures:

Balance of RLF loans outstanding at year end	\$ 485,931
Cash and investment balances in the RLF at year end	182,581
Administrative expenses paid out of RLF income during the year	<u>1,381</u>
Subtotal	669,893
Federal share of the RLF	<u>100%</u>
Total expenditures	<u><u>\$ 669,893</u></u>



CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

***Identification of Major Programs/Projects***

**CFDA No.**

Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

None

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with OMB Circular A-133.

**Section IV - Schedule of Prior Year Audit Findings**

There was a prior year audit finding that is attached.

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014

<b><u>Finding</u></b>	<b><u>Description</u></b>
<b>2013-001</b>	<b>Material audit adjustment</b>
<i>Condition:</i>	During our audit, a material adjustment was needed to adjust inventory in the Municipal Liquor fund.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff had not used the correct inventory amount from the final inventory listing.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review the journal entry, obtain an understanding of why the entry was necessary and modify current procedures to insure that future corrections are not needed.
<i>Management response:</i>	
	Management thoroughly reviews journal entries prepared for the audit and asks questions throughout the year in an attempt to eliminate as many adjusting entries as possible.
<i>Updated progress since prior year:</i>	
	The City is now using the correct inventory amount from the final inventory listing.