

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

PREPARED BY:

FINANCE DEPARTMENT

PAUL HOYE
Finance Director

Member GFOA of U.S. and Canada
Published May 9, 2016

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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

May 9, 2016

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, 2015.

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
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May 9, 2016

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, 2015. 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 2016. Unemployment rates have remained below average compared to the national level at 4.4% compared to 3.7% for Minnesota and 4.8% 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, Dulcimer Medical Center continues to grow and add staff and most recently, United Hospital District headquartered in Blue Earth, MN has announced an expansion of a clinic and secured a building in Fairmont.
- 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 Fairmont City Council is committed to supporting economic development in the Fairmont Area and has made the financial commitment and hired a full time Economic Development Coordinator, who began the position in February 2015.

The City of Fairmont's Economic Development Authority approved a loan through the Revolving Loan Fund program and the City Council approved Tax Increment Financing to Graffiti Corner which allowed for the demolition of a blighted property to be replaced with a newly constructed retail building, featuring the frozen yogurt and coffee shop. The project is expected to create 3 full-time and 12 part-time jobs and will leverage approximately \$1.5M in private investment.

The City of Fairmont's Economic Development Authority approved a loan through the Revolving Loan Fund program to B&B Gas Piping Plus to expand their facility and make energy-efficient upgrades to their building. This expansion is projected to retain 20 jobs, create 6 full time positions and leverage approximately \$250,000 in private investment.

The City Council approved Tax Increment Financing to Commodity Services to assist in the demolition of an old building to be replaced with a newly constructed 12,000 square foot, two-story office complex. Commodity Services, a professional transportation dispatch firm, will occupy a portion of the building and the remainder will be leased to a multi office civil engineering firm. The project will help redevelop an underutilized area of Fairmont and will leverage approximately \$3M in private investment.

The Fairmont Economic Development Authority's immediate attention and response was necessary as news broke of the looming plant closure of Fairmont Foods. Board members and staff assisted a new firm to acquire the facility and keep it operational by providing information and offering state and local incentives. Ultimately, Downs Food Group, Inc of Mankato, MN exclusively financed the project, while retaining 167 jobs in Fairmont.

The Fairmont Economic Development Authority supported a classic case of succession planning, when the owner of Cleanrite Carpet Service was ready to exit the market, while Hilltop Chem Dry was looking to expand. The approval of a Revolving Loan Fund program allowed for a smooth business transfer without disrupting operations and continued employment for 12 part-time employees and leveraging of approximately \$130,000 in private investment.

The Fairmont Economic Development Authority approved a Revolving Loan Fund program to Wiederhoeft Welding and Machine to expand the business into a larger facility that was vacant and neglected. As a result of the loan, a property was refurbished, a business expanded, 3 employment positions were retained and 3 additional full-time jobs are projected while leveraging approximately \$370,000 in private investment.

For the future -

Infrastructure improvement continues to be a community priority. Airport hangar pavement improvements are planned for 2016 totaling \$1,100,000. The City Council held a budget and goal setting session in 2015 to set improvement goals for the upcoming year. Projects include improvements to the Sylvania Park shelter house, trail improvements, carpet and furniture at the Library and upgrades to the Aquatic 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 a number of businesses looking at locating or expanding in Fairmont and utilizing the Revolving Loan Fund and Tax Abatement financing tools. Without full details of the projects, it is difficult to project the job or tax base creation; however the City Council did approve Tax Increment Financing for Ingleside to assist in the development of an additional care unit to the current facility. The project will create an estimated 12 full-time equivalent positions, leverage \$2.5M in private investment and ensure Fairmont has a good inventory of safe, decent, quality housing options of all income levels. This construction project will take place during the 2016 construction season.

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, 2015 the General fund balance was 85.1% 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, 2014. 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-four (24) 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.

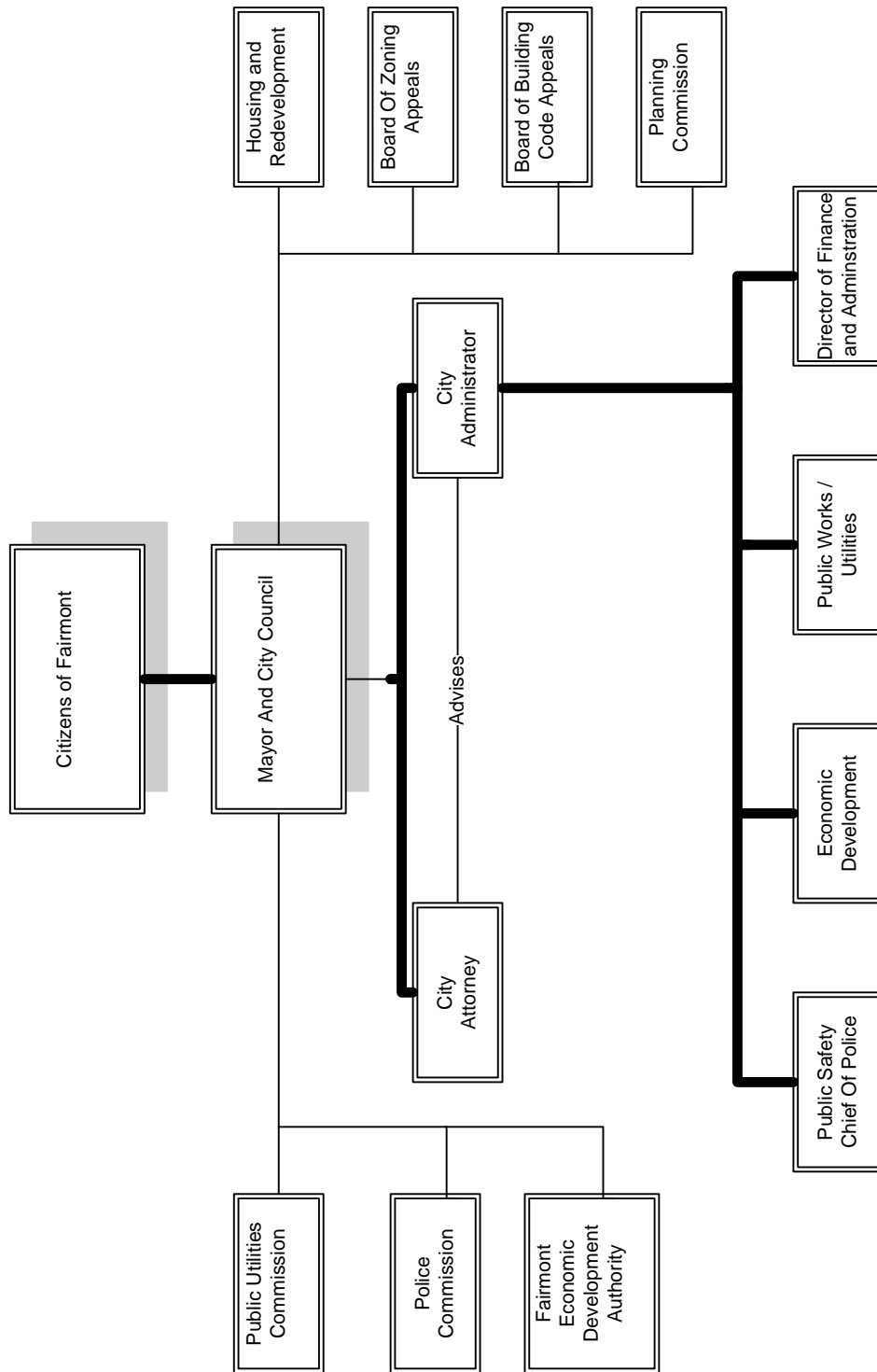
Respectfully submitted,



City of Fairmont
Paul Hoyer
Finance Director

CITY OF FAIRMONT
FAIRMONT, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Randy Quiring	12/31/18
Council Members	Chad Askeland	12/31/16
	Bruce Peters	12/31/18
	Terry Anderson	12/31/18
	Wes Clerc	12/31/16
	Jim Zarling	12/31/18
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, 2014

Executive Director/CEO

FINANCIAL SECTION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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. 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, 2015, 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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Change in Accounting Standards

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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 Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Funding Progress for the Retiree Health Plan starting on page 103 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

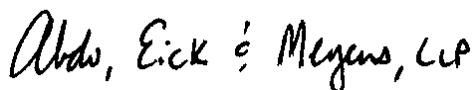
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements.

The combining and individual fund financial statements 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 the Schedule of Expenditures of Federal Awards are 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 May 9, 2016, 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
May 9, 2016

People
+ Process®
Going
Beyond the
Numbers

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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, 2015. 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

- Recognition of pension balances accounted for a \$6,333,200 decrease in total net position of the City due to the implementation of GASB Statement No. 68.
- The assets and deferred outflows of resources of the City exceeded its liabilities deferred inflows of resources at the close of the most recent fiscal year by \$102,655,438 (*net position*). Of this amount, \$15,106,478 (*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 \$2,923,804, compared to an increase of \$4,591,772 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. The City also received a one-time payment of \$498,004 from the State of Minnesota as the result of merging the Fairmont Police Pension fund with Minnesota Public Employees Retirement Association.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,003,915, an increase of \$1,531,021 in comparison with the prior year. This increase is mainly the result of bond proceeds of \$2,330,000 during the year. Unassigned fund balance at year end is \$3,485,151. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$11,337,886), 2) committed (\$1,234,327), or 3) assigned (\$2,946,551) 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

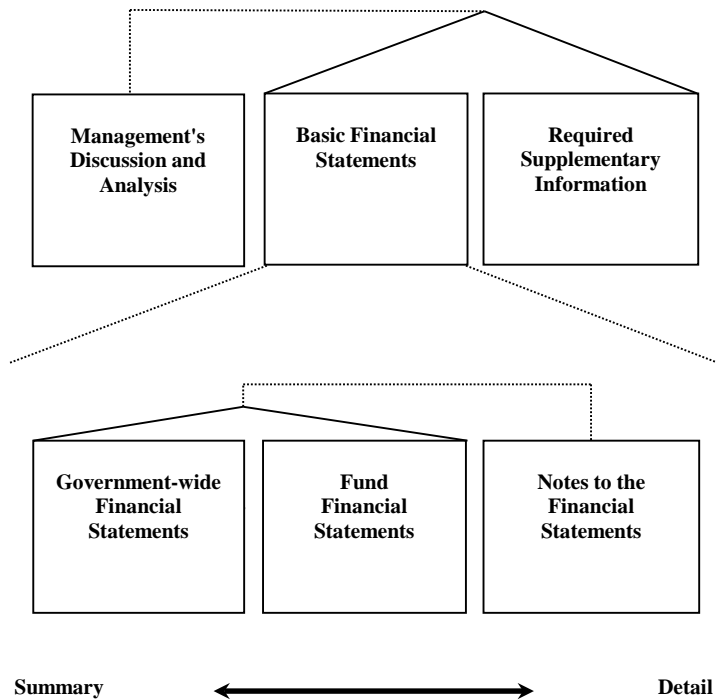


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 35 individual governmental funds, 13 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, the 2014 Capital Improvements and the 2015 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 62 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 63 of this report.

Required supplementary information. The required supplementary information can be found starting on page 103 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 \$102,655,438 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (73.3 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	\$ 23,693,886	\$ 22,157,067	\$ 1,536,819	\$ 16,924,895	\$ 16,105,613	\$ 819,282
Capital assets	54,416,768	53,371,835	1,044,933	67,576,093	68,885,641	(1,309,548)
Total assets	78,110,654	75,528,902	2,581,752	84,500,988	84,991,254	(490,266)
Deferred inflows of resources	774,445	-	774,445	258,728	-	258,728
Long-term liabilities outstanding	20,741,069	16,132,279	4,608,790	36,372,037	35,717,098	654,939
Other liabilities	754,342	797,043	(42,701)	1,763,502	1,808,902	(45,400)
Total liabilities	21,495,411	16,929,322	4,566,089	38,135,539	37,526,000	609,539
Deferred outflows of resources	881,532	-	881,532	476,895	-	476,895
Net position						
Net investment in capital assets	41,232,320	40,916,624	315,696	33,949,598	33,735,220	214,378
Restricted	12,367,042	12,265,446	101,596	-	-	-
Unrestricted	2,908,794	5,417,510	(2,508,716)	12,197,684	13,730,034	(1,532,350)
Total net position	\$ 56,508,156	\$ 58,599,580	\$ (2,091,424)	\$ 46,147,282	\$ 47,465,254	\$ (1,317,972)

An additional portion of the City's net position (12.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (14.7 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 \$1,775,528. The primary reason for the increase in net position was a result of capital grants and contributions and decreases in expenses. Key elements of this increase are as follows:

- The City received a one time payment of \$498,004 from the State of Minnesota as the result of merging the Fairmont Police Pension Fund with MN PERA.
- Building permit revenue exceeded budget by \$36,579.
- Daily attendance and season pass sales at the Aquatic Park were up.
- The City received aid from FEMA for a storm related event.
- Street light conversions to LED saved \$73,569 in utilities.

City of Fairmont's Changes in Net Position

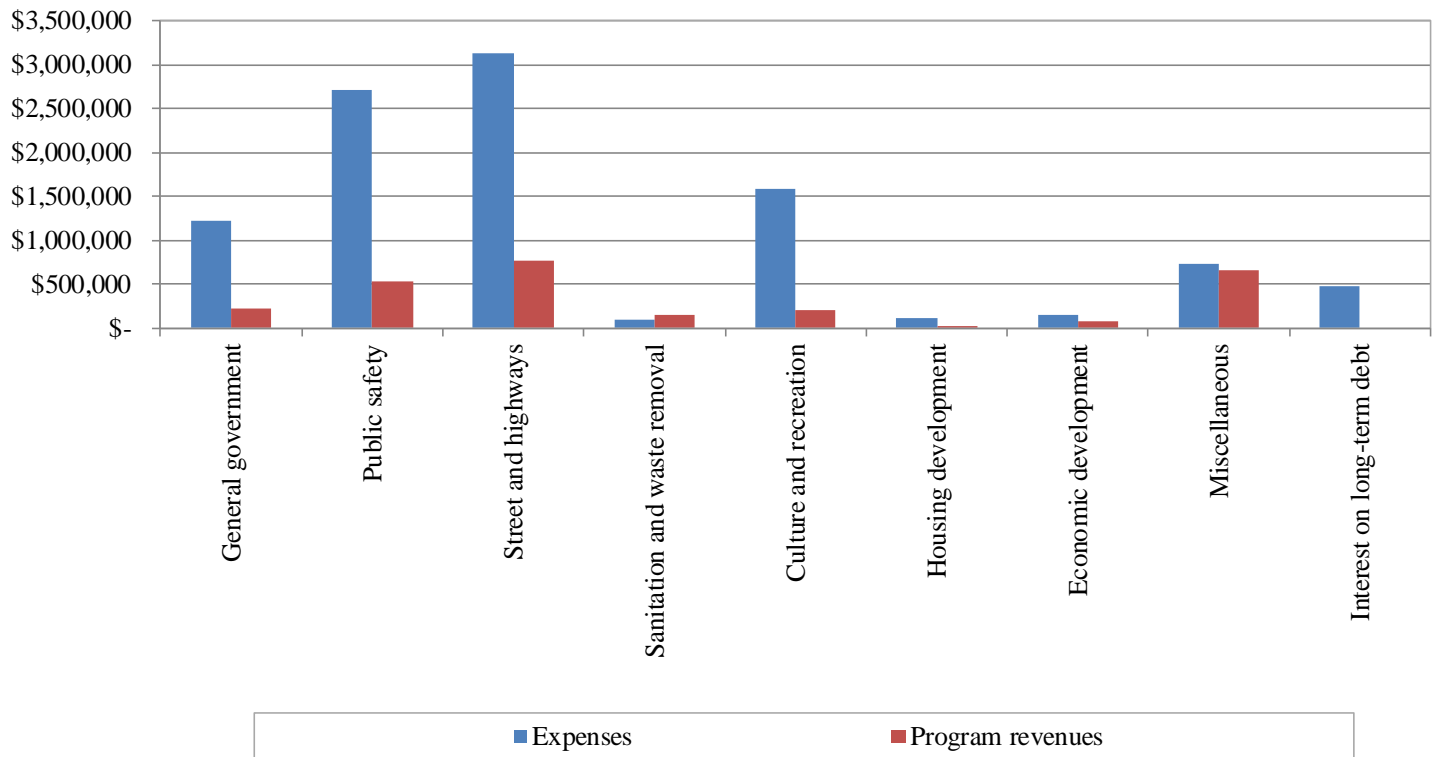
	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,417,888	\$ 1,252,695	\$ 165,193	\$ 24,494,837	\$ 24,679,936	\$ (185,099)
Operating grants and contributions	369,600	285,926	83,674	-	-	-
Capital grants and contributions	824,310	2,031,172	(1,206,862)	(97)	7,429	(7,526)
General revenues						
Property taxes/tax increments	3,390,033	3,275,002	115,031	-	-	-
Other taxes	38,294	36,927	1,367	-	-	-
Grants and contributions not restricted to specific programs	3,691,778	3,789,473	(97,695)	-	-	-
Unrestricted						
investment earnings	94,493	170,917	(76,424)	97,213	89,997	7,216
Other	605,936	102,801	503,135	-	-	-
Total revenues	10,432,332	10,944,913	(512,581)	24,591,953	24,777,362	(185,409)
Expenses						
General government	1,216,566	1,142,823	73,743	-	-	-
Public safety	2,717,662	3,035,606	(317,944)	-	-	-
Streets and highways	3,128,949	2,567,586	561,363	-	-	-
Sanitation and waste removal	100,740	132,693	(31,953)	-	-	-
Culture and recreation	1,584,291	1,520,715	63,576	-	-	-
Housing development	120,042	173,290	(53,248)	-	-	-
Economic development	148,400	55,579	92,821	-	-	-
Miscellaneous	728,443	760,332	(31,889)	-	-	-
Interest on long-term debt	477,400	446,355	31,045	-	-	-
Electric	-	-	-	13,285,756	13,617,700	(331,944)
Water	-	-	-	3,279,741	2,489,640	790,101
Wastewater	-	-	-	1,818,529	1,811,386	7,143
Storm sewer	-	-	-	453,463	421,155	32,308
Liquor	-	-	-	3,035,247	2,950,980	84,267
Parking lot	-	-	-	5,252	4,663	589
Total expenses	10,222,493	9,834,979	387,514	21,877,988	21,295,524	582,464
Change in net position before transfers	209,839	1,109,934	(900,095)	2,713,965	3,481,838	(767,873)
Transfers	1,565,689	964,632	601,057	(1,565,689)	(964,632)	(601,057)
Change in net position	1,775,528	2,074,566	(299,038)	1,148,276	2,517,206	(1,368,930)
Net position - January 1 as restated (Note 7)	54,732,628	56,525,014	(1,792,386)	44,999,006	44,948,048	50,958
Net position - December 31	<u>\$ 56,508,156</u>	<u>\$ 58,599,580</u>	<u>\$ (2,091,424)</u>	<u>\$ 46,147,282</u>	<u>\$ 47,465,254</u>	<u>\$ (1,317,972)</u>

Property tax levies increased by 5.3 percent during the year. The increase was used for operating costs, capital replacement and set aside for future capital replacement in the General fund.

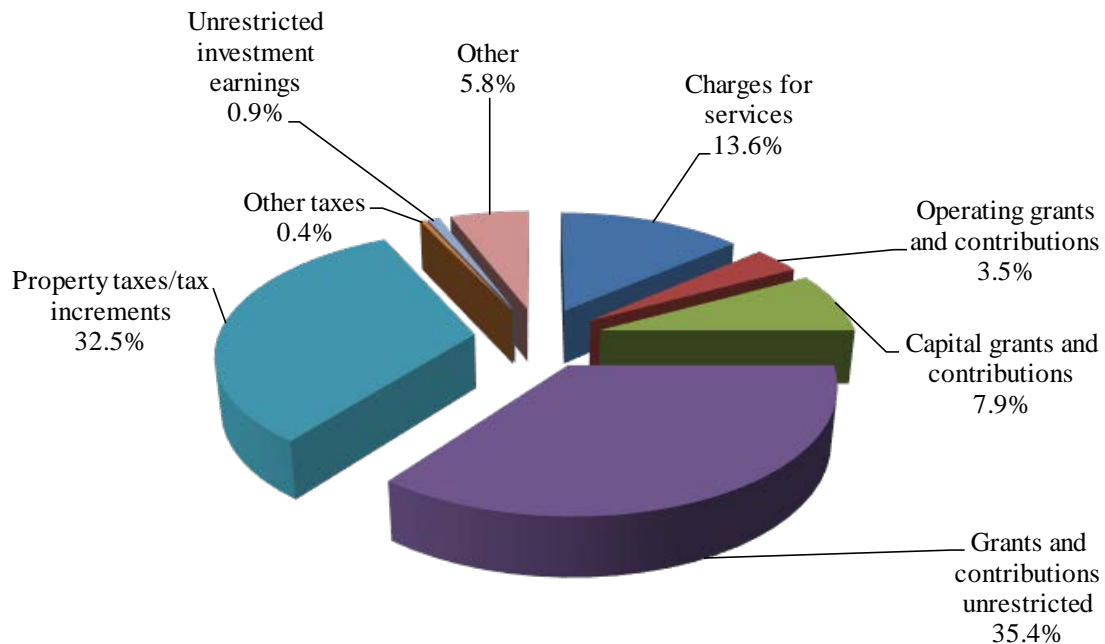
The beginning unrestricted net position was decreased by \$6,333,200 to recognize the effects of GASB Statement No. 68 implementation.

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

Expenses and Program Revenues – Governmental Activities



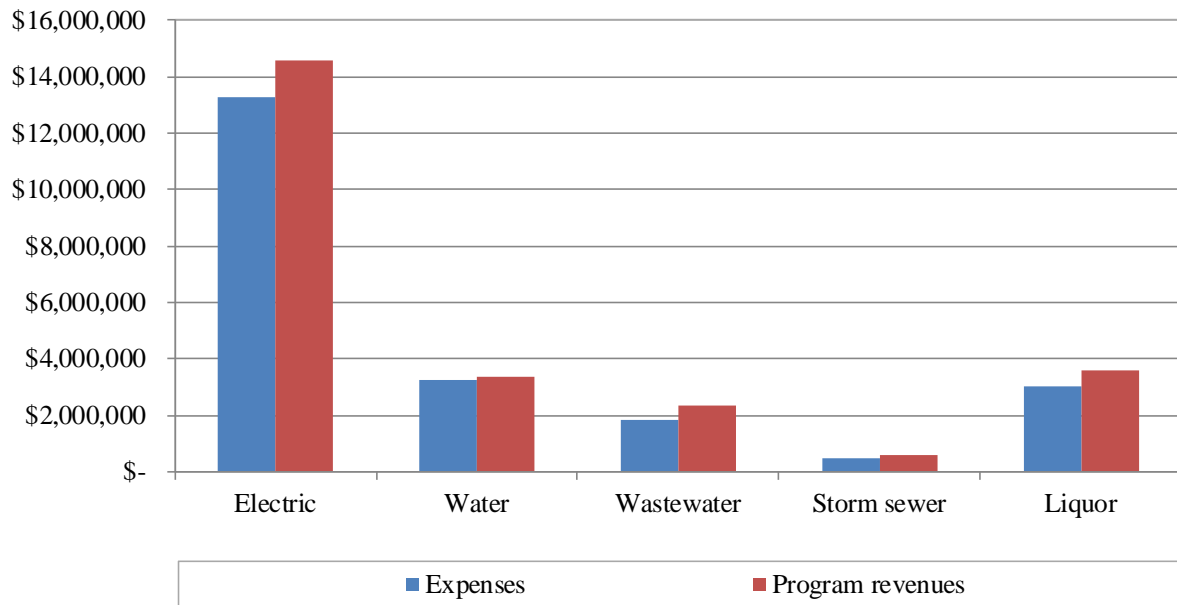
Revenues by Source



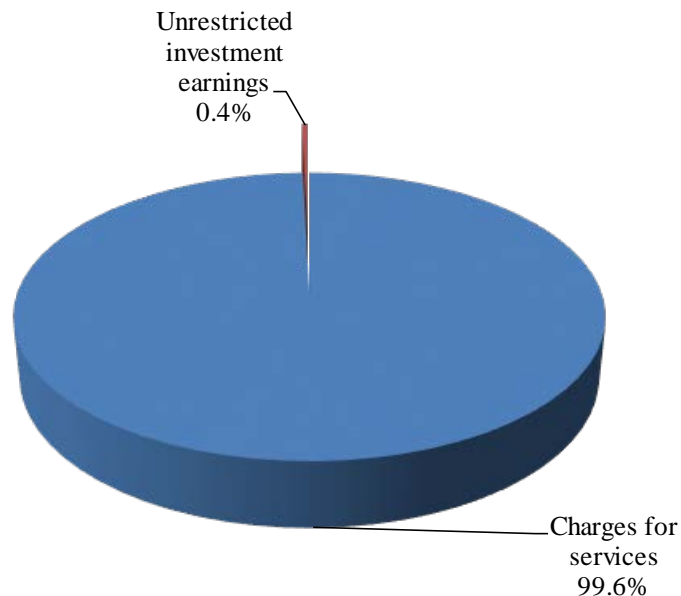
Business-type activities. Business-type activities increased the City’s net position by \$1,148,276. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) operating income of \$2,606,204, with a total change in net position of \$1,151,747.
- Chemical expenses were down considerably from 2014 for both Water and Wastewater.
- Sales at the Liquor Store were up 4.4 percent from 2014 and 7.1 percent over budget.

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 \$6,378,754. 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 \$3,488,001, or 46.5 percent of total General fund expenditures, while total fund balance represents 85.1 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$1,071,395 during the current fiscal year. Contributing factors to the increase are actual expenditures under budget of \$183,239 and other revenues exceeding its budget by \$557,945 due to the \$498,004 reimbursement from the State of Minnesota for funds from the police relief association and its merger with PERA.

The Debt Service fund has a total fund balance of \$7,336,943, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$154,315. The major reason for the increase are the bond proceeds of \$130,000.

The 2014 Capital Improvements fund was closed at year end. Final construction costs made during the year of \$474,297 were covered by transfers in.

The 2015 Capital Improvements fund was set up during the year to account for the 2015 improvement projects. Bond proceeds of \$2,200,000 were used to pay construction costs of \$1,571,619. Fund balance at year end was \$633,927.

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 \$12,049,637, of which \$9,882,424 was for the Public Utilities Commission fund, \$1,140,381 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,024,282. The total increase in net position for the enterprise funds was \$1,059,991. 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 \$722,716 and actual expenditures were under budget by \$183,239 in 2015. The primary reasons for the variances are as follows:

- Miscellaneous revenues were over budget by \$593,016. The City received a one time payment of \$498,004 from the State of Minnesota as the result of merging the Fairmont Police Pension fund with Minnesota Public Employees Retirement Association.
- License and permit revenues were over budget by \$45,547. There were 2 larger new commercial development permits and 1 industrial expansion permit issued in 2015.
- Intergovernmental revenues were over budget by \$50,425. The City received aid from FEMA for storm damage and Fire Aid from the State was higher than expected.
- General government expenditures were under budget by \$34,653. A \$30,000 capital improvement project at City Hall was delayed.
- Public works expenditures were under budget by \$140,665. One open position was not filled in 2015. Street light conversions to LED saved \$73,569 in utilities.
- Culture and recreation expenditures were under budget by \$10,503.
- Capital outlay expenditures were over budget by \$44,106.

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, 2015, amounts to \$121,992,861 (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 2015 including 3rd Street reconstruction.
- Replaced pumps and boilers at the Aquatic Park.
- Completed construction on the new Water Plant.
- Completed construction on a new sports complex, Winnebago Ball Diamonds.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Completed Woodland Channel improvements.
- Renovated the Cedar Creek Park Shelter House.

Additional information on the City's capital assets can be found in Note 3C starting on page 76 of this report.

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and structures	5,645,433	5,800,406	(154,973)	37,221,250	31,289,015	5,932,235
Improvement other than buildings	10,019,586	5,221,374	4,798,212	23,430,305	30,337,463	(6,907,158)
Machinery and equipment	919,888	855,977	63,911	5,199,168	5,540,448	(341,280)
Vehicles	408,791	387,487	21,304	-	-	-
Infrastructure	29,091,881	27,547,824	1,544,057	-	-	-
Construction in progress	4,381,711	9,609,289	(5,227,578)	6,655	-	6,655
Total	<u>\$ 54,416,768</u>	<u>\$ 53,371,835</u>	<u>\$ 1,044,933</u>	<u>\$ 67,576,093</u>	<u>\$ 68,885,641</u>	<u>\$ (1,309,548)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$50,136,495. Of this amount, \$16,510,000 is special assessment debt and \$33,626,495 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
G.O. improvement bonds	\$ 16,510,000	\$ 15,410,000	\$ 1,100,000	\$ -	\$ -	\$ -
G.O. revenue bonds	-	-	-	33,626,495	35,150,421	(1,523,926)
Total	<u>\$ 16,510,000</u>	<u>\$ 15,410,000</u>	<u>\$ 1,100,000</u>	<u>\$ 33,626,495</u>	<u>\$ 35,150,421</u>	<u>\$ (1,523,926)</u>

The City's total debt decreased by \$423,926 (0.8 percent) during the current fiscal year. The key factor in this decrease was the issuance of \$2,430,074 in new long-term debt and the retirement of long-term debt of \$2,854,000.

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 \$18,414,708. 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 81 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Martin County in December 2015 was 4.4 percent, which is a slight increase from 4.1 percent a year ago. The rate is higher than the average of 3.7 percent for the State but lower than the national average rate of 4.8 percent.
- Residential and commercial property valuations within the City remain stable while agricultural values decreased 9.1% in 2015.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

- The City's property tax levy will increase in 2016 by 8.9 percent. The tax increase will provide an additional \$304,671 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.
- With healthy reserves in the Wastewater fund, 2016 wastewater rates will remain at the 2015 level. Current water conservation efforts have led to a decrease in gallons sold which will lead to a 5 percent increase in water rates for 2016. After six years of no rate increases from SMMPA for the City's purchase power, SMMPA did approve a 6 percent increase effective January 1, 2016. The City will need to do a 6 percent electric rate increase in 2016 to fund operations.

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, 2015

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CITY OF FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 16,700,456	\$ 12,579,659	\$ 29,280,115	\$ 381,961
Escrowed investments	2,552,683	-	2,552,683	-
Receivables				
Interest	44,455	-	44,455	-
Delinquent taxes	90,790	-	90,790	2,862
Accounts, net of allowance for doubtful accounts	92,756	2,730,264	2,823,020	272
Notes	994,307	-	994,307	24,887
Special assessments	2,783,016	6,645	2,789,661	-
Intergovernmental	543,844	440,495	984,339	1,356
Due from component unit	4,358	-	4,358	-
Internal balances	(131,132)	131,132	-	-
Inventories	-	827,046	827,046	-
Prepaid items	18,353	1,293	19,646	-
Unamortized maintenance charges	-	208,361	208,361	-
Capital assets				
Nondepreciable	8,331,189	1,725,370	10,056,559	-
Depreciable, net of accumulated depreciation	46,085,579	65,850,723	111,936,302	-
TOTAL ASSETS	78,110,654	84,500,988	162,611,642	411,338
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	774,445	258,728	1,033,173	-
LIABILITIES				
Accounts and contracts payable	476,660	1,234,175	1,710,835	1,121
Due to primary government	-	-	-	4,358
Due to other governments	1,292	84,501	85,793	-
Accrued interest payable	136,935	262,835	399,770	-
Accrued salaries and vacation payable	99,102	68,764	167,866	2,326
Deposits payable	-	110,123	110,123	1,335
Unearned revenue	40,353	3,104	43,457	-
Noncurrent liabilities				
Due within one year	3,910,765	1,787,092	5,697,857	277
Due in more than one year	16,830,304	34,584,945	51,415,249	4,766
TOTAL LIABILITIES	21,495,411	38,135,539	59,630,950	14,183
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	881,532	476,895	1,358,427	-
NET POSITION				
Net investment in capital assets	41,232,320	33,949,598	75,181,918	-
Restricted for				
Debt service	7,191,356	-	7,191,356	-
Capital projects	1,808,670	-	1,808,670	-
Housing and economic development	1,558,346	-	1,558,346	-
Unrestricted	2,908,794	12,197,684	15,106,478	397,155
TOTAL NET POSITION	\$ 56,508,156	\$ 46,147,282	\$ 102,655,438	\$ 397,155

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,216,566	\$ 218,618	\$ -	\$ -
Public safety	2,717,662	267,438	272,923	-
Streets and highways	3,128,949	3,327	29,085	727,990
Sanitation and waste removal	100,740	142,225	-	-
Culture and recreation	1,584,291	185,412	-	22,448
Housing development	120,042	7,669	-	-
Economic development	148,400	76,006	-	-
Airport and lake restoration	728,443	517,193	67,592	73,872
Interest on long-term debt	477,400	-	-	-
Total governmental activities	10,222,493	1,417,888	369,600	824,310
Business-type activities				
Electric	13,285,756	14,599,368	-	-
Water	3,279,741	3,359,568	-	(282)
Wastewater	1,818,529	2,349,903	-	185
Storm sewer	453,463	582,566	-	-
Liquor	3,035,247	3,597,659	-	-
Parking lot	5,252	5,773	-	-
Total business-type activities	21,877,988	24,494,837	-	(97)
Total primary government	\$ 32,100,481	\$ 25,912,725	\$ 369,600	\$ 824,213
Component unit				
Housing and economic development	\$ 162,003	\$ 35,870	\$ 113,950	\$ -
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, as restated (Note 7)				
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
\$ (997,948)		\$ (997,948)	
(2,177,301)		(2,177,301)	
(2,368,547)		(2,368,547)	
41,485		41,485	
(1,376,431)		(1,376,431)	
(112,373)		(112,373)	
(72,394)		(72,394)	
(69,786)		(69,786)	
(477,400)		(477,400)	
<u>(7,610,695)</u>		<u>(7,610,695)</u>	
-	\$ 1,313,612	1,313,612	
-	79,545	79,545	
-	531,559	531,559	
-	129,103	129,103	
-	562,412	562,412	
-	521	521	
-	<u>2,616,752</u>	<u>2,616,752</u>	
<u>(7,610,695)</u>	<u>2,616,752</u>	<u>(4,993,943)</u>	
			<u>\$ (12,183)</u>
2,297,072	-	2,297,072	100,067
1,025,796	-	1,025,796	-
67,165	-	67,165	-
38,294	-	38,294	-
3,691,778	-	3,691,778	-
94,493	97,213	191,706	2,432
567,451	-	567,451	-
38,485	-	38,485	7,500
<u>1,565,689</u>	<u>(1,565,689)</u>	<u>-</u>	<u>-</u>
<u>9,386,223</u>	<u>(1,468,476)</u>	<u>7,917,747</u>	<u>109,999</u>
<u>1,775,528</u>	<u>1,148,276</u>	<u>2,923,804</u>	<u>97,816</u>
<u>54,732,628</u>	<u>44,999,006</u>	<u>99,731,634</u>	<u>299,339</u>
<u>\$ 56,508,156</u>	<u>\$ 46,147,282</u>	<u>\$ 102,655,438</u>	<u>\$ 397,155</u>

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, 2015

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CITY OF FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Debt Service	2014 Capital Improvements	2015 Capital Improvements
ASSETS				
Cash and cash equivalents	\$ 6,531,081	\$ 4,768,423	\$ 24,542	\$ 728,669
Escrowed investments	-	2,552,683	-	-
Receivables				
Interest	44,455	-	-	-
Delinquent taxes	58,278	31,079	-	-
Accounts	75,100	-	-	-
Loans	-	-	-	-
Special assessments	12,747	2,770,269	-	-
Intergovernmental	34,638	25,087	-	-
Due from other funds	-	20,000	-	-
TOTAL ASSETS	<u>\$ 6,756,299</u>	<u>\$ 10,167,541</u>	<u>\$ 24,542</u>	<u>\$ 728,669</u>
LIABILITIES				
Accounts and contracts payable	\$ 169,644	\$ 9,250	\$ 24,542	\$ 94,742
Due to other funds	19,804	20,000	-	-
Due to other governments	1,292	-	-	-
Accrued salaries payable	93,829	-	-	-
Unearned revenue	21,951	-	-	-
TOTAL LIABILITIES	<u>306,520</u>	<u>29,250</u>	<u>24,542</u>	<u>94,742</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	58,278	31,079	-	-
Unavailable revenue - special assessments	12,747	2,770,269	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>71,025</u>	<u>2,801,348</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	7,336,943	-	633,927
Committed	151,622	-	-	-
Assigned	2,739,131	-	-	-
Unassigned	3,488,001	-	-	-
TOTAL FUND BALANCES	<u>6,378,754</u>	<u>7,336,943</u>	<u>-</u>	<u>633,927</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,756,299</u>	<u>\$ 10,167,541</u>	<u>\$ 24,542</u>	<u>\$ 728,669</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 3,275,980	\$ 15,328,695
-	2,552,683
-	44,455
1,433	90,790
8,034	83,134
994,307	994,307
-	2,783,016
484,119	543,844
-	20,000
<u>\$ 4,763,873</u>	<u>\$ 22,440,924</u>
\$ 88,065	\$ 386,243
105	39,909
-	1,292
1,577	95,406
18,402	40,353
<u>108,149</u>	<u>563,203</u>
1,433	90,790
-	2,783,016
<u>1,433</u>	<u>2,873,806</u>
3,367,016	11,337,886
1,082,705	1,234,327
207,420	2,946,551
(2,850)	3,485,151
<u>4,654,291</u>	<u>19,003,915</u>
<u>\$ 4,763,873</u>	<u>\$ 22,440,924</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, 2015

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

Total fund balances - governmental funds	\$ 19,003,915
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	54,383,904
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	(407,202)
Postemployment benefits other than pension obligation	(174,593)
Pension liability	(3,524,814)
Bonds payable	(16,510,000)
Bond premiums, net of accumulated amortization	(118,375)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	90,790
Special assessments receivable	2,783,016
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	774,445
Deferred inflows of pension resources	(881,532)
Governmental funds do not report a liability for accrued interest until due and payable.	(136,935)
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>1,225,537</u>
Total net position - governmental activities	<u>\$ 56,508,156</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, 2015

	General	Debt Service	2014 Capital Improvements	2015 Capital Improvements
REVENUES				
Taxes	\$ 2,305,400	\$ 1,092,961	\$ -	\$ -
Special assessments	-	589,366	-	-
Licenses and permits	213,922	-	-	-
Intergovernmental	3,949,381	-	-	-
Charges for services	435,735	-	-	-
Fines and forfeits	56,129	-	-	-
Investment earnings	8,580	45,491	(598)	5,546
Miscellaneous	714,204	-	-	-
TOTAL REVENUES	7,683,351	1,727,818	(598)	5,546
EXPENDITURES				
Current				
General government	1,218,580	-	-	-
Public safety	3,016,290	-	-	-
Streets and highways	1,406,649	-	-	-
Sanitation and waste removal	100,740	-	-	-
Culture and recreation	1,330,948	-	-	-
Housing and economic development	-	70,899	-	-
Miscellaneous	-	-	-	-
Capital outlay				
General government	10,792	-	-	-
Public safety	39,074	-	-	-
Streets and highways	72,329	-	473,299	1,571,619
Culture and recreation	298,471	-	-	-
Miscellaneous	-	-	-	-
Debt service				
Principal	-	1,230,000	-	-
Interest and other	-	408,708	-	-
Bond issuance costs	-	54,271	-	-
TOTAL EXPENDITURES	7,493,873	1,763,878	473,299	1,571,619
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	189,478	(36,060)	(473,897)	(1,566,073)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	38,485	-	-	-
Transfers in	879,632	40,639	359,766	-
Bonds issued	-	130,000	-	2,200,000
Premium on bonds issued	-	24,175	-	-
Transfers out	(36,200)	(4,439)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	881,917	190,375	359,766	2,200,000
NET CHANGE IN FUND BALANCES	1,071,395	154,315	(114,131)	633,927
FUND BALANCES, JANUARY 1	5,307,359	7,182,628	114,131	-
FUND BALANCES, DECEMBER 31	\$ 6,378,754	\$ 7,336,943	\$ -	\$ 633,927

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

Other Governmental Funds	Total Governmental Funds
\$ 50,568	\$ 3,448,929
-	589,366
-	213,922
364,304	4,313,685
363,611	799,346
-	56,129
27,901	86,920
260,245	974,449
<u>1,066,629</u>	<u>10,482,746</u>
-	1,218,580
-	3,016,290
-	1,406,649
-	100,740
-	1,330,948
128,248	199,147
492,002	492,002
-	10,792
-	39,074
27,764	2,145,011
53,505	351,976
905,886	905,886
-	1,230,000
-	408,708
-	54,271
<u>1,607,405</u>	<u>12,910,074</u>
<u>(540,776)</u>	<u>(2,427,328)</u>
-	38,485
1,086,765	2,366,802
-	2,330,000
-	24,175
<u>(760,474)</u>	<u>(801,113)</u>
<u>326,291</u>	<u>3,958,349</u>
(214,485)	1,531,021
<u>4,868,776</u>	<u>17,472,894</u>
<u>\$ 4,654,291</u>	<u>\$ 19,003,915</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, 2015

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

Net change in fund balances - governmental funds	\$ 1,531,021
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	2,940,341
Depreciation expense	(1,871,319)
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.	
Debt issued or incurred	(2,330,000)
Principal repayments	1,230,000
Amortization of premiums on bonds issued	(15,091)
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.	(23,505)
Long-term pension activity is not reported in governmental funds.	
Pension expense	223,171
Direct aid contributions	11,880
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	(20,602)
Special assessments	(87,750)
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	53,173
Post employment benefits other than pension costs	(21,859)
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.	156,068
Change in net position - governmental activities	<u>\$ 1,775,528</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
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 2,279,866	\$ 2,279,866	\$ 2,305,400	\$ 25,534
Licenses and permits	168,375	168,375	213,922	45,547
Intergovernmental	3,898,956	3,898,956	3,949,381	50,425
Charges for services	395,250	395,250	435,735	40,485
Fines and forfeits	72,000	72,000	56,129	(15,871)
Investment earnings	25,000	25,000	8,580	(16,420)
Miscellaneous	121,188	121,188	714,204	593,016
TOTAL REVENUES	6,960,635	6,960,635	7,683,351	722,716
EXPENDITURES				
Current				
General government	1,253,233	1,253,233	1,218,580	34,653
Public safety	3,023,567	3,023,567	3,016,290	7,277
Streets and highways	1,547,314	1,547,314	1,406,649	140,665
Sanitation and waste removal	134,987	134,987	100,740	34,247
Culture and recreation	1,341,451	1,341,451	1,330,948	10,503
Capital outlay				
General government	30,000	30,000	10,792	19,208
Public safety	99,060	99,060	39,074	59,986
Culture and recreation	69,000	69,000	72,329	(3,329)
Miscellaneous	178,500	178,500	298,471	(119,971)
TOTAL EXPENDITURES	7,677,112	7,677,112	7,493,873	183,239
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(716,477)	(716,477)	189,478	905,955
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	38,485	38,485
Transfers in	879,632	879,632	879,632	-
Transfers out	(50,000)	(50,000)	(36,200)	13,800
TOTAL OTHER FINANCING SOURCES (USES)	829,632	829,632	881,917	52,285
NET CHANGE IN FUND BALANCES	113,155	113,155	1,071,395	958,240
FUND BALANCES, JANUARY 1	5,307,359	5,307,359	5,307,359	-
FUND BALANCES, DECEMBER 31	\$ 5,420,514	\$ 5,420,514	\$ 6,378,754	\$ 958,240

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

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,964,570	\$ 3,915,927	\$ 3,330,009	\$ 10,210,506
Receivables				
Accounts, net of allowance for doubtful accounts of \$0 and \$63,426	419,226	328,033	1,886,483	2,633,742
Special assessments - current	3,821	2,824	-	6,645
Intergovernmental	440,495	-	-	440,495
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Inventories	74,047	-	443,212	517,259
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	3,902,159	4,246,784	5,659,704	13,808,647
NONCURRENT ASSETS				
Unamortized maintenance charges	208,361	-	-	208,361
Capital assets				
Land	468,687	58,186	90,991	617,864
Buildings	28,556,341	11,052,591	1,287,040	40,895,972
Improvements other than buildings	-	-	-	-
Utility plant in service	12,231,631	7,551,458	13,210,635	32,993,724
Machinery and equipment	353,344	6,903,228	3,502,252	10,758,824
Construction in progress	-	-	-	-
Total capital assets	41,610,003	25,565,463	18,090,918	85,266,384
Less accumulated depreciation	(4,174,255)	(10,051,025)	(12,465,334)	(26,690,614)
Total capital assets (net of accumulated depreciation)	37,435,748	15,514,438	5,625,584	58,575,770
TOTAL NONCURRENT ASSETS	37,644,109	15,514,438	5,625,584	58,784,131
TOTAL ASSETS	41,546,268	19,761,222	11,285,288	72,592,778
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	76,713	40,150	105,472	222,335

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	611 Parking Lot	Total	
\$ 1,271,581	\$ 1,094,143	\$ 3,429	\$ 12,579,659	\$ 1,371,761
56,409	40,583	(470)	2,730,264	9,622
-	-	-	6,645	-
-	-	-	440,495	-
-	-	-	-	87,694
-	-	-	-	32
-	309,787	-	827,046	-
-	1,293	-	1,293	18,353
1,327,990	1,445,806	2,959	16,585,402	1,487,462
-	-	-	208,361	-
495,863	229,138	375,850	1,718,715	-
-	1,725,625	-	42,621,597	-
8,874,173	8,889	-	8,883,062	-
-	-	-	32,993,724	-
-	33,344	-	10,792,168	300,979
6,655	-	-	6,655	-
9,376,691	1,996,996	375,850	97,015,921	300,979
(2,468,601)	(280,613)	-	(29,439,828)	(268,115)
6,908,090	1,716,383	375,850	67,576,093	32,864
6,908,090	1,716,383	375,850	67,784,454	32,864
8,236,080	3,162,189	378,809	84,369,856	1,520,326
13,438	22,955	-	258,728	-

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

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	\$ 74,621	\$ 91,249	\$ 925,813	\$ 1,091,683
Due to other funds	4,810	2,674	7,034	14,518
Due to other governments	-	-	46,890	46,890
Accrued interest payable	208,341	42,744	-	251,085
Accrued salaries payable	23,392	10,131	25,045	58,568
Sick leave/severance payable - current portion	53,114	19,566	75,746	148,426
Deposits payable	13,988	-	96,135	110,123
Unearned revenue	-	-	-	-
Bonds payable - current portion	749,495	705,000	-	1,454,495
TOTAL CURRENT LIABILITIES	1,127,761	871,364	1,176,663	3,175,788
NONCURRENT LIABILITIES				
Sick leave/severance payable, net of current portion	97,187	54,435	141,981	293,603
Postemployment benefits other than pension obligation	15,580	8,061	37,197	60,838
Pension liability	645,686	337,936	887,749	1,871,371
Bonds payable, net of current portion	24,917,000	6,095,000	-	31,012,000
TOTAL NONCURRENT LIABILITIES	25,675,453	6,495,432	1,066,927	33,237,812
TOTAL LIABILITIES	26,803,214	7,366,796	2,243,590	36,413,600
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	141,400	74,005	194,409	409,814
NET POSITION				
Net investment in capital assets	11,769,253	8,714,438	5,625,584	26,109,275
Unrestricted	2,909,114	3,646,133	3,327,177	9,882,424
TOTAL NET POSITION	\$ 14,678,367	\$ 12,360,571	\$ 8,952,761	\$ 35,991,699

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

Business-type Activities - Enterprise Funds				Governmental
603	609	611		Activities -
Storm Sewer	Municipal	Parking Lot	Total	Internal Service
Utility	Liquor			Fund
\$ 431	\$ 141,652	\$ 409	\$ 1,234,175	\$ 90,417
823	1,574	-	16,915	50,870
-	37,611	-	84,501	-
11,750	-	-	262,835	-
26,862	10,569	-	95,999	9,781
-	3,104	-	151,530	-
-	-	-	110,123	-
-	3,104	-	3,104	-
175,000	-	-	1,629,495	-
214,866	197,614	409	3,588,677	151,068
372	799	-	294,774	-
3,792	10,541	-	75,171	-
113,104	193,213	-	2,177,688	-
1,004,144	-	-	32,016,144	-
1,121,412	204,553	-	34,563,777	-
1,336,278	402,167	409	38,152,454	151,068
24,769	42,312	-	476,895	-
5,748,090	1,716,383	375,850	33,949,598	32,864
1,140,381	1,024,282	2,550	12,049,637	1,336,394
<u>\$ 6,888,471</u>	<u>\$ 2,740,665</u>	<u>\$ 378,400</u>	45,999,235	<u>\$ 1,369,258</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			148,047	
Net position of business-type activities			<u><u>\$ 46,147,282</u></u>	

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

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	2,942,896	1,564,932	14,089,241	18,597,069
Miscellaneous revenues	386,245	784,971	472,407	1,643,623
TOTAL OPERATING REVENUES	3,329,141	2,349,903	14,561,648	20,240,692
OPERATING EXPENSES				
Production or purchase	-	-	10,697,955	10,697,955
Filtration	1,028,792	-	-	1,028,792
Treatment	-	589,736	-	589,736
Distribution	439,942	-	1,158,176	1,598,118
Collection	-	294,909	-	294,909
Administration and other	298,889	204,631	994,948	1,498,468
Depreciation	930,611	602,976	392,923	1,926,510
TOTAL OPERATING EXPENSES	2,698,234	1,692,252	13,244,002	17,634,488
OPERATING INCOME (LOSS)	630,907	657,651	1,317,646	2,606,204
NONOPERATING REVENUES (EXPENSES)				
Investment income	23,340	30,369	23,343	77,052
Miscellaneous income	30,206	-	6,478	36,684
Gain (loss) on sale of assets	(1,754)	-	-	(1,754)
Interest expense	(582,937)	(125,273)	-	(708,210)
Bond discount/premium amortization	-	-	-	-
Payments to Economic Development Authority	(12,161)	(9,190)	(59,649)	(81,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(543,306)	(104,094)	(29,828)	(677,228)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	87,601	553,557	1,287,818	1,928,976
CAPITAL GRANTS AND CONTRIBUTIONS TRANSFERS OUT	(282) (116,676)	185 (88,171)	- (572,285)	(97) (777,132)
CHANGE IN NET POSITION	(29,357)	465,571	715,533	1,151,747
NET POSITION, JANUARY 1 AS RESTATED (NOTE 7)	14,707,724	11,895,000	8,237,228	34,839,952
NET POSITION, DECEMBER 31	\$ 14,678,367	\$ 12,360,571	\$ 8,952,761	\$ 35,991,699

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	611 Parking Lot	Total	
\$ -	\$ 3,596,468	\$ -	\$ 3,596,468	\$ -
-	(2,566,008)	-	(2,566,008)	-
585,969	-	5,773	19,188,811	2,586,011
-	-	-	1,643,623	4,189
585,969	1,030,460	5,773	21,862,894	2,590,200
-	-	-	10,697,955	-
-	-	-	1,028,792	-
-	-	-	589,736	-
-	-	-	1,598,118	-
-	-	-	294,909	-
255,976	430,840	5,252	2,190,536	2,325,019
170,039	48,590	-	2,145,139	26,316
426,015	479,430	5,252	18,545,185	2,351,335
159,954	551,030	521	3,317,709	238,865
11,607	8,528	26	97,213	7,573
460	1,191	-	38,335	-
-	-	-	(1,754)	-
(38,604)	-	-	(746,814)	-
2,088	-	-	2,088	-
-	-	-	(81,000)	-
(24,449)	9,719	26	(691,932)	7,573
135,505	560,749	547	2,625,777	246,438
-	-	-	(97)	-
-	(788,557)	-	(1,565,689)	-
135,505	(227,808)	547	1,059,991	246,438
6,752,966	2,968,473	377,853	44,939,244	1,122,820
<u>\$ 6,888,471</u>	<u>\$ 2,740,665</u>	<u>\$ 378,400</u>	<u>\$ 45,999,235</u>	<u>\$ 1,369,258</u>
Change in net position as shown above			\$ 1,059,991	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			88,285	
Change in net position of business-type activities			<u>\$ 1,148,276</u>	

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

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,370,436	\$ 2,356,068	\$ 14,656,787	\$ 20,383,291
Payments to suppliers	(745,583)	(451,787)	(11,395,630)	(12,593,000)
Payments to and on behalf of employees	(1,083,844)	(544,708)	(1,517,276)	(3,145,828)
Payments for interfund services used	-	-	-	-
Other receipts	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,541,009</u>	<u>1,359,573</u>	<u>1,743,881</u>	<u>4,644,463</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers to other funds	(116,676)	(88,171)	(572,285)	(777,132)
Payments to Economic Development Authority	(12,161)	(9,190)	(59,649)	(81,000)
Increase in due from other funds	-	-	-	-
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	865	358	986	2,209
Decrease in due from component unit	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(127,972)</u>	<u>(97,003)</u>	<u>(630,948)</u>	<u>(855,923)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(273,691)	(319,538)	(294,730)	(887,959)
Proceeds from issuance of debt	100,074	-	-	100,074
Principal paid on revenue bond obligations	(756,000)	(693,000)	-	(1,449,000)
Interest paid on revenue bond obligations	(586,422)	(129,630)	-	(716,052)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,516,039)</u>	<u>(1,142,168)</u>	<u>(294,730)</u>	<u>(2,952,937)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>23,340</u>	<u>30,369</u>	<u>23,343</u>	<u>77,052</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(79,662)	150,771	841,546	912,655
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>3,044,232</u>	<u>3,765,156</u>	<u>2,488,463</u>	<u>9,297,851</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,964,570</u></u>	<u><u>\$ 3,915,927</u></u>	<u><u>\$ 3,330,009</u></u>	<u><u>\$ 10,210,506</u></u>

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	611 Parking Lot	Total	
\$ 585,821	\$ 3,585,252	\$ 5,496	\$ 24,559,860	\$ 2,576,389
(68,416)	(2,714,405)	(5,217)	(15,381,038)	(592,446)
(143,383)	(338,502)	-	(3,627,713)	(1,695,815)
(39,044)	(81,649)	(17)	(120,710)	(46,293)
460	1,191	-	1,651	4,189
<u>335,438</u>	<u>451,887</u>	<u>262</u>	<u>5,432,050</u>	<u>246,024</u>
-	(788,557)	-	(1,565,689)	-
-	-	-	(81,000)	-
-	-	-	-	(4,926)
-	450,000	-	450,000	-
124	63	-	2,396	43
-	-	-	-	18
<u>124</u>	<u>(338,494)</u>	<u>-</u>	<u>(1,194,293)</u>	<u>(4,865)</u>
(380,993)	(8,889)	-	(1,277,841)	(2,227)
-	-	-	100,074	-
(175,000)	-	-	(1,624,000)	-
(40,281)	-	-	(756,333)	-
<u>(596,274)</u>	<u>(8,889)</u>	<u>-</u>	<u>(3,558,100)</u>	<u>(2,227)</u>
<u>11,607</u>	<u>8,528</u>	<u>26</u>	<u>97,213</u>	<u>7,573</u>
(249,105)	113,032	288	776,870	246,505
<u>1,520,686</u>	<u>981,111</u>	<u>3,141</u>	<u>11,802,789</u>	<u>1,125,256</u>
<u>\$ 1,271,581</u>	<u>\$ 1,094,143</u>	<u>\$ 3,429</u>	<u>\$ 12,579,659</u>	<u>\$ 1,371,761</u>

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

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 630,907	\$ 657,651	\$ 1,317,646	\$ 2,606,204
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	30,206	-	6,478	36,684
Depreciation	930,611	602,976	392,923	1,926,510
(Increase) decrease in assets				
Net accounts receivable	10,738	6,165	86,442	103,345
Inventories	5,241	-	1,958	7,199
Prepaid items	-	-	-	-
Unamortized maintenance charges	37,407	-	-	37,407
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	30,424	10,830	45,225	86,479
Increase (decrease) in liabilities				
Accounts and contracts payable	(95,137)	56,479	(1,428)	(40,086)
Due to other governments	-	-	(563)	(563)
Accrued wages and sick leave/severance payable	13,870	13,419	(10,369)	16,920
Postemployment benefits other than pension obligation	2,316	1,251	6,950	10,517
Pension liability	(17,998)	22,128	(45,772)	(41,642)
Deposits payable	351	-	2,219	2,570
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(37,927)	(11,326)	(57,828)	(107,081)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,541,009</u>	<u>\$ 1,359,573</u>	<u>\$ 1,743,881</u>	<u>\$ 4,644,463</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Special assessments levied	\$ 550	\$ 625	\$ -	\$ 1,175
Amortization of bond (premium) discount	-	-	-	-
Due from other governments on sales tax paid on capital assets	440,495	-	-	440,495

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	611 Parking Lot	Total	
\$ 159,954	\$ 551,030	\$ 521	\$ 3,317,709	\$ 238,865
460	1,191	-	38,335	-
170,039	48,590	-	2,145,139	26,316
(148)	(11,460)	(277)	91,460	(9,622)
-	(102,072)	-	(94,873)	-
-	(118)	-	(118)	(18,353)
-	-	-	37,407	-
3,371	10,487	-	100,337	-
(10,044)	(5,081)	18	(55,193)	7,594
-	2,934	-	2,371	-
5,419	(17,733)	-	4,606	1,224
777	1,492	-	12,786	-
8,976	(13,953)	-	(46,619)	-
-	-	-	2,570	-
-	244	-	244	-
(3,366)	(13,664)	-	(124,111)	-
<u>\$ 335,438</u>	<u>\$ 451,887</u>	<u>\$ 262</u>	<u>\$ 5,432,050</u>	<u>\$ 246,024</u>
\$ -	\$ -	\$ -	\$ 1,175	\$ -
(2,088)	-	-	(2,088)	-
-	-	-	440,495	-

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, 2015

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 372,131
Receivables	
Accounts	60
Due from other funds	<u>964</u>
TOTAL ASSETS	<u><u>\$ 373,155</u></u>
LIABILITIES	
Accounts payable	\$ 357,791
Deposits payable	<u>15,364</u>
TOTAL LIABILITIES	<u><u>\$ 373,155</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, 2015

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, 2015

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.

The *2015 Capital Improvements fund* accounts for street construction projects associated with the 2015 improvements program.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources, 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, 2015

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, 2015 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, 2015

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 2015. 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, 2015 was \$0.

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, 2015

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

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Fairmont Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

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.

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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 deferred outflows of resources and liabilities and deferred inflows of resources. 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".

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Special revenue			
Lake Restoration	\$ 430,770	\$ 775,750	\$ 344,980

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

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2015:

<u>Fund</u>	<u>Amount</u>
Capital Projects	
2016 Capital Improvements	\$ 2,850
Internal Service	
Central Garage and Equipment	10,664

The Capital Projects fund deficit will be funded by future bond proceeds. The Internal Service fund deficit will be funded by future charges to other funds.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 \$10,856,216, including \$372,131 reported in fiduciary funds. The bank balance was \$11,227,111. The bank balance was covered by federal depository insurance of \$750,000. Of the remaining balance, \$10,477,111 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	\$ 63,391
Minnesota Municipal Money Market (4M Fund)	NR	less than 6 months	20
Total pooled investments			63,411
Non-pooled investments:			
Broker Certificates of Deposit	NR	less than 6 months	1,147,463
Broker Certificates of Deposit	NR	6 to 12 months	4,077,011
Broker Certificates of Deposit	NR	1 to 3 years	8,026,542
Broker Certificates of Deposit	NR	more than 3 years	2,062,243
Total Broker Certificates of Deposit			15,313,259
Asset Backed Securities	AAA/AA+	6 to 12 months	996,080
Asset Backed Securities	AAA/AA+	more than 3 years	3,873,234
State and local government securities	AA+	more than 3 years	1,480,500
Total asset backed securities			6,349,814
Total non-pooled investments			21,663,073
Total investments			\$ 21,726,484

(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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 \$4,190.

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	\$ 10,102,124	\$ 381,961	\$ 372,131	\$ 10,856,216
Investments	21,726,484	-	-	21,726,484
Cash on hand	4,190	-	-	4,190
Total	<u>\$ 31,832,798</u>	<u>\$ 381,961</u>	<u>\$ 372,131</u>	<u>\$ 32,586,890</u>
Cash and cash equivalents	\$ 29,280,115	\$ 381,961	\$ 372,131	\$ 30,034,207
Escrowed investments	2,552,683	-	-	2,552,683
Total	<u>\$ 31,832,798</u>	<u>\$ 381,961</u>	<u>\$ 372,131</u>	<u>\$ 32,586,890</u>

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, 2015 is \$799,662.

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, 2015 are \$194,645 of which \$24,653 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 \$169,992 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, 2015 is \$24,887.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Primary government

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	9,609,289	2,394,975	(7,622,553)	4,381,711
 Total capital assets not being depreciated	 13,558,767	 2,394,975	 (7,622,553)	 8,331,189
Capital assets being depreciated				
Buildings and structures	9,060,942	40,872	-	9,101,814
Improvements other than buildings	9,121,096	5,126,683	-	14,247,779
Machinery and equipment	4,626,979	234,191	-	4,861,170
Vehicles	2,676,354	114,068	(17,700)	2,772,722
Infrastructure	41,996,275	2,654,332	-	44,650,607
Bridges	2,378,790	-	-	2,378,790
 Total capital assets being depreciated	 69,860,436	 8,170,146	 (17,700)	 78,012,882
Less accumulated depreciation for				
Buildings and structures	(3,260,536)	(195,845)	-	(3,456,381)
Improvements other than buildings	(3,899,722)	(328,471)	-	(4,228,193)
Machinery and equipment	(3,771,002)	(170,280)	-	(3,941,282)
Vehicles	(2,288,867)	(92,764)	17,700	(2,363,931)
Infrastructure	(15,765,093)	(1,050,806)	-	(16,815,899)
Bridges	(1,062,148)	(59,469)	-	(1,121,617)
 Total accumulated depreciation	 (30,047,368)	 (1,897,635)	 17,700	 (31,927,303)
 Total capital assets being depreciated, net	 39,813,068	 6,272,511	 -	 46,085,579
 Governmental activities capital assets, net	 \$ 53,371,835	 \$ 8,667,486	 \$ (7,622,553)	 \$ 54,416,768

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,718,715	\$ -	\$ -	\$ -	\$ 1,718,715
Construction in progress	-	-	6,655	-	6,655
Total capital assets not being depreciated	1,718,715	-	6,655	-	1,725,370
Capital assets being depreciated					
Buildings and structures	35,870,415	7,117,479	74,199	(440,496)	42,621,597
Improvements other than buildings	47,885,222	(7,117,479)	1,110,797	(1,754)	41,876,786
Machinery and equipment	10,705,978	-	86,190	-	10,792,168
Total capital assets being depreciated	94,461,615	-	1,271,186	(442,250)	95,290,551
Less accumulated depreciation for					
Buildings and structures	(4,581,400)	-	(818,947)	-	(5,400,347)
Improvements other than buildings	(17,547,759)	-	(898,722)	-	(18,446,481)
Machinery and equipment	(5,165,530)	-	(427,470)	-	(5,593,000)
Total accumulated depreciation	(27,294,689)	-	(2,145,139)	-	(29,439,828)
Total capital assets being depreciated, net	67,166,926	-	(873,953)	(442,250)	65,850,723
Business-type activities capital assets, net	<u>\$ 68,885,641</u>	<u>\$ -</u>	<u>\$ (867,298)</u>	<u>\$ (442,250)</u>	<u>\$ 67,576,093</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 57,833
Public safety	104,596
Streets and highways	1,187,206
Culture and recreation	260,120
Housing and economic development	68,534
Airport	193,030
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>26,316</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,897,635</u></u>

Business-type activities

Electric utility	\$ 392,923
Water utility	930,611
Wastewater utility	602,976
Storm sewer	170,039
Liquor	<u>48,590</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,145,139</u></u>

Construction commitments

The City has active construction projects as of December 31, 2015. The projects include street construction in areas with new commercial developments, widening and construction of existing streets and bridge improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Woodland Avenue Channel	\$ 676,406	\$ 7,349
Lair Bridge Road	2,417,094	25,162
2015 Street Improvements	<u>1,698,657</u>	<u>293,694</u>
Total	<u><u>\$ 4,792,157</u></u>	<u><u>\$ 326,205</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
DECEMBER 31, 2015

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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Debt Service	\$ 20,000
Internal service		
Medical self-insurance	Public Utilities Commission	14,518
	Storm Sewer Utility	823
	Municipal Liquor	1,574
	General	14,479
	Nonmajor governmental	105
	Internal service	
	Central garage and equipment	870
Worker's compensation self-insurance	General	5,325
	Internal service	
	Medical self-insurance	50,000
		<u>50,000</u>
Total		<u>\$ 107,694</u>

The majority of the above amounts represent interfund billings that will repaid during the first couple of months of 2016. The Debt Service funds have loaned certain amounts for project costs and cash flow purposes.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 is as follows:

Receivable Entity	Payable Entity	Amount
Component unit	Primary government	
Economic Development Authority	Medical self-insurance fund	\$ 32
Primary government	Component unit	
Amounts related to internal service	Amounts related to internal service	
fund elimination	fund elimination	4,326
Totals		<u>\$ 4,358</u>

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

Fund	General	Debt Service	Capital Improvements	Nonmajor Governmental	Total
Transfers out					
General	\$ -	\$ 36,200	\$ -	\$ -	\$ 36,200
Nonmajor governmental	-	-	359,766	400,708	760,474
Municipal Liquor	102,500	-	-	686,057	788,557
Water Utility	116,676	-	-	-	116,676
Wastewater Utility	88,171	-	-	-	88,171
Electric Utility	572,285	-	-	-	572,285
Total transfers out	<u>\$ 879,632</u>	<u>\$ 36,200</u>	<u>\$ 359,766</u>	<u>\$ 1,086,765</u>	<u>\$ 2,362,363</u>

The transfer of \$102,500 from the Municipal Liquor fund to the General fund for housing demolition (\$42,500), soccer field walking path (\$20,000), soccer field parking lot lighting (\$15,000), Winnebago sports complex parking lot lighting (\$15,000), park equipment (\$10,000).

The transfer of \$55,000 from the Municipal Liquor fund to the SMEC Restoration fund to cover any operating losses.

The transfer of \$777,132 from the Water Utility (\$116,676), Wastewater Utility (\$88,171) and the Electric Utility (\$572,285) funds to the General fund is payment in lieu of taxes.

The transfer of \$600,000 from the Municipal Liquor fund to the Airport Construction fund for the City's share of the 2012 airport improvement grant.

The transfer from the Municipal Liquor fund to the Dog Park fund for \$31,057 for project costs.

The transfer of \$36,200 from the General fund to the Fire Truck fund for fire call revenue received.

The transfer of \$25,000 from the Municipal State Aid - Streets fund to the 2017 Capital Improvement fund to cover capital needs for the Margaret Street construction.

The transfer of \$359,766 from the Municipal State Aid - Streets fund to the 2014 Capital Improvement fund to cover capital needs for the Albion Avenue construction.

The transfer of \$375,708 was transferred from the 2013 Capital Improvements fund to close the fund to the Municipal State Aid - Streets fund.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 \$10,616,212 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 Crossover Refunding Bonds of 2008A	\$ 5,325,000	3.00 - 4.00 %	06/19/08	03/01/16	\$ 2,810,000
G.O. Improvement Bonds of 2009A	3,590,000	2.00 - 4.00	09/16/09	04/01/25	1,250,000
G.O. Improvement Bonds of 2010A	2,615,000	2.00 - 3.50	06/17/10	03/01/26	1,660,000
G.O. Improvement Bonds of 2011A	1,820,000	2.00 - 4.00	09/20/11	09/01/27	1,500,000
G.O. Improvement Crossover Refunding Bonds of 2012A	5,755,000	0.50 - 1.95	03/15/12	03/01/24	5,345,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,615,000
G.O. Improvement Bonds of 2015A	2,330,000	2.00-3.00	08/20/15	03/01/31	2,330,000
Total G.O. Special Assessment Bonds					<u>\$ 16,510,000</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
2016	\$ 3,780,000	\$ 360,355	\$ 4,140,355
2017	1,470,000	282,485	1,752,485
2018	1,505,000	256,854	1,761,854
2019	1,345,000	230,840	1,575,840
2020	1,355,000	204,899	1,559,899
2021 - 2025	5,190,000	605,252	5,795,252
2026 - 2030	1,700,000	132,077	1,832,077
2031	165,000	2,475	167,475
Total	<u>\$ 16,510,000</u>	<u>\$ 2,075,237</u>	<u>\$ 18,585,237</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 6,800,000
G.O. Storm Sewer Crossover Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	1,160,000
2011 G.O. Revenue Notes (PFA)	28,902,811	2.23	10/11/11	08/20/41	25,666,495
Total G.O. Revenue Bonds					<u>\$ 33,626,495</u>

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
2016	\$ 1,629,495	\$ 1,352,209	\$ 2,981,704
2017	1,667,000	744,610	2,411,610
2018	1,701,000	709,744	2,410,744
2019	1,742,000	674,067	2,416,067
2020	1,773,000	637,304	2,410,304
2021 - 2025	7,734,000	2,629,061	10,363,061
2026 - 2030	4,882,000	1,893,181	6,775,181
2031 - 2035	5,453,000	1,317,502	6,770,502
2036 - 2040	6,089,000	674,579	6,763,579
2041	956,000	73,298	1,029,298
Total	<u>\$ 33,626,495</u>	<u>\$ 10,705,555</u>	<u>\$ 44,332,050</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, 2015 are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,329,141	\$ 2,349,903	\$ 585,969
Principal and interest	1,342,422	822,630	215,281
Percentage of revenues	40.3%	35.0%	36.7%

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation special assessment bonds	\$ 15,410,000	\$ 2,330,000	\$ (1,230,000)	\$ 16,510,000	\$ 3,780,000
Bond premiums	103,284	24,175	(9,084)	118,375	-
Total bonds payable	15,513,284	2,354,175	(1,239,084)	16,628,375	3,780,000
Sick leave/severance payable	466,261	429,757	(482,731)	413,287	130,765
Pension liability					
GERF	-	1,837,274 *	(138,438)	1,698,836	-
PEPFF	-	1,702,207 *	(202,378)	1,499,829	-
FRA	-	395,877 *	(69,728)	326,149	-
Postemployment benefits other than pensions obligation	152,734	47,694	(25,835)	174,593	-
Governmental activity long-term liabilities	<u>\$ 16,132,279</u>	<u>\$ 6,766,984</u>	<u>\$ (2,158,194)</u>	<u>\$ 20,741,069</u>	<u>\$ 3,910,765</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 35,150,421	\$ 100,074	\$ (1,624,000)	\$ 33,626,495	\$ 1,629,495
Bond premiums	21,232	-	(2,088)	19,144	-
Total bonds payable	35,171,653	100,074	(1,626,088)	33,645,639	1,629,495
Sick leave/severance payable	483,060	283,539	(293,060)	473,539	157,597
Pension liability					
GERF	-	2,445,136 *	(267,448)	2,177,688	-
Postemployment benefits other than pensions obligation	62,385	27,898	(15,112)	75,171	-
Business-type activity long-term liabilities	<u>\$ 35,717,098</u>	<u>\$ 2,856,647</u>	<u>\$ (2,201,708)</u>	<u>\$ 36,372,037</u>	<u>\$ 1,787,092</u>

* Includes January 1, 2015 pension liability balance related to GASB Statement No. 68 implementation.
See Notes 4 and 5 for further details.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Sick leave/severance payable	\$ 12,188	\$ 9,138	\$ (21,049)	\$ 277	\$ 277
Postemployment benefits other than pensions obligation	4,499	583	(316)	4,766	-
Component unit activity long-term liabilities	<u>\$ 16,687</u>	<u>\$ 9,721</u>	<u>\$ (21,365)</u>	<u>\$ 5,043</u>	<u>\$ 277</u>

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	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

F. Components of fund balance

At December 31, 2015, 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	2015 Capital Improvements	Other Governmental Funds	Total
Restricted for						
Debt service	\$ -	\$ 7,336,943	\$ -	\$ -	\$ -	\$ 7,336,943
State aid street improvements	-	-	-	633,927	1,808,670	2,442,597
Housing and economic development	-	-	-	-	1,558,346	1,558,346
Total	<u>\$ -</u>	<u>\$ 7,336,943</u>	<u>\$ -</u>	<u>\$ 633,927</u>	<u>\$ 3,367,016</u>	<u>\$11,337,886</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	General	Debt Service	2014 Capital Improvements	2015 Capital Improvements	Other Governmental Funds	Total
Committed for						
Bike trail	\$ 1,950	\$ -	\$ -	\$ -	\$ -	\$ 1,950
LaFrance	4,172	-	-	-	-	4,172
Fire department	145,500	-	-	-	-	145,500
Housing and economic development	-	-	-	-	30,067	30,067
Capital projects	-	-	-	-	803,825	803,825
Conservation	-	-	-	-	248,813	248,813
Total	<u>\$ 151,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,082,705</u>	<u>\$ 1,234,327</u>
Assigned for						
Police equipment	\$ 35,723	\$ -	\$ -	\$ -	\$ -	\$ 35,723
Fire department truck	525,000	-	-	-	-	525,000
Building inspection	11,143	-	-	-	-	11,143
Housing demolition	58,769	-	-	-	-	58,769
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	22,406	-	-	-	-	22,406
Street building	36,237	-	-	-	-	36,237
Park land	86,280	-	-	-	-	86,280
Street/park building replacement	1,250,000	-	-	-	-	1,250,000
Government building	101,826	-	-	-	-	101,826
Street equipment	120,880	-	-	-	-	120,880
Housing and economic development	-	-	-	-	207,420	207,420
Total	<u>\$ 2,739,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,420</u>	<u>\$ 2,946,551</u>
Unassigned	<u>\$ 3,488,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,850)</u>	<u>\$ 3,485,151</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a 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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$341,038, \$325,376 and \$310,694, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$199,315, \$184,614 and \$172,033, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$3,876,524 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0748 percent which was a decrease of 0.0076 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$314,161 for its proportionate share of GERF's pension expense.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,602	\$ 195,442
Changes in actuarial assumptions	237,764	-
Net difference between projected and actual earnings on plan investments	-	345,081
Changes in proportion	-	308,401
Contributions to GERP subsequent to the measurement date	183,198	-
Total	<u>\$ 460,564</u>	<u>\$ 848,924</u>

Deferred outflows of resources totaling \$183,198 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ (174,874)
2017	(174,874)
2018	(313,557)
2019	91,747
2020	-
Thereafter	-

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$1,499,829 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1320 percent which was an increase of 0.0020 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$158,483 for its proportionate share of PEPFF's pension expense. The City also recognized \$11,880 for the year ended December 31, 2015 as pension revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,571	\$ 243,223
Changes in actuarial assumptions	285,095	-
Net difference between projected and actual earnings on plan investments	-	266,280
Changes in proportion	22,359	-
Contributions to PEPFF subsequent to the measurement date	107,459	-
	<u>\$ 416,484</u>	<u>\$ 509,503</u>
Total		

Deferred outflows of resources totaling \$107,459 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ (83,043)
2017	(83,043)
2018	(83,043)
2019	92,824
2020	(44,173)
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERP and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

9. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
GERF	\$ 6,095,274	\$ 3,876,524	\$ 2,044,178
PEPFF	2,923,182	1,499,829	323,891

H. Pension plan fiduciary net position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

A. Plan description

All members of the Fairmont Fire Department (the Department) are covered by a defined benefit plan administered by the Fairmont Fire Department Relief Association (the Association). As of December 31, 2014, the plan covered 29 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$91,908 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2015 were \$39,019. The City's contributions were equal to the required contributions as set by state statute.

D. Pension costs

At December 31, 2015, the City reported a net pension liability of \$326,149 for the plan. The net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$94,926.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

At December 31, 2015, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 25,198
Contributions to plan subsequent to the measurement date	<u>130,927</u>
Total	<u>\$ 156,125</u>

Deferred outflows of resources totaling \$130,927 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2016	\$ 6,300
2017	6,300
2018	6,300
2019	6,298
2020	-
Thereafter	-

F. Actuarial assumptions

The total pension liability at December 31, 2014 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at age 50 with 20 years of service, 60 percent for members at age 50 with 10 years of service, increased by 4 percent for each additional year of service.

Discount rate	5.75%
Inflation rate	2.75%
Investment rate of return	5.75%
20 year municipal bond yield	3.56%

There were no changes in actuarial assumptions in 2014.

The 5.75 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	37.38 %	8.00 %
International equity	10.82	8.00
Fixed income	39.34	4.50
Real estate and alternatives	3.54	6.50
Cash and equivalents	8.92	3.00
Total	<u>100.00 %</u>	

G. Discount rate

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension liability sensitivity

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

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined benefit plan	\$ 391,880	\$ 326,149	\$ 265,612

I. Pension plan fiduciary net position

The Association issues a publicly available financial report. The report may be obtained by writing to the Fairmont Fire Department Relief Association, 100 Downtown Plaza, Fairmont, MN 56031.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 \$345,172 at December 31, 2015. The claims liability of \$22,593 reported in the fund at December 31, 2015 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 2015, 2014 and 2013 were:

<u>Year</u>	<u>January 1 Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>December 31 Claims Liability</u>
2015	\$ 19,567	\$ 183,229	\$ (180,203)	\$ 22,593
2014	15,093	253,876	(249,402)	19,567
2013	30,652	254,130	(269,689)	15,093

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 was \$541,147 and \$432,704 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, 2015 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 2015, 2014 and 2013 were:

<u>Year</u>	<u>January 1 Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>December 31 Claims Liability</u>
2015	\$ -	\$ 111,917	\$ (111,917)	\$ -
2014	-	28,733	(28,733)	-
2013	-	24,760	(24,760)	-

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, 2015

Note 6: OTHER INFORMATION - CONTINUED

C. Commitments

Power Purchase Commitment - Southern Minnesota Municipal Power Agency (SMPMA) 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 SMPMA to purchase power from SMPMA 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 SMPMA 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 2015 was \$3,635,699. This accounted for 47 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 2015, the City contributed \$40,947 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	\$ 79,700	\$ 613	\$ 80,313
Interest on net OPEB obligation	9,807	76	9,883
Adjustment to annual required contribution	(13,915)	(106)	(14,021)
Annual OPEB cost	75,592	583	76,175
Contributions made	(40,947)	(316)	(41,263)
Increase in net OPEB obligation	34,645	267	34,912
Net OPEB obligation - beginning of year	215,119	4,499	219,618
NET OPEB obligation - end of year	\$ 249,764	\$ 4,766	\$ 254,530

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015 and the two preceding fiscal years were as follows:

Year Ending	Three Year Trend Information		
	Primary Government		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 75,592	54.2%	\$ 249,764
12/31/14	76,317	61.7%	215,119
12/31/13	78,288	73.9%	185,914

Year Ending	Component Unit		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 583	54.2%	\$ 4,766
12/31/14	525	61.7%	4,499
12/31/13	567	73.9%	4,298

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, 2015

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, 2015 was 30 years.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 7: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 58,599,580	\$ (3,866,952)	\$ 54,732,628
Business-type activities	\$ 47,465,254	\$ (2,466,248)	\$ 44,999,006
Business-type activities			
Water Utility	\$ 15,443,598	\$ (735,874)	\$ 14,707,724
Wastewater Utility	12,245,159	(350,159)	11,895,000
Electric Utility	9,272,289	(1,035,061)	8,237,228
Storm Sewer Utility	6,868,420	(115,454)	6,752,966
Municipal Liquor	3,198,173	(229,700)	2,968,473
Parking Lot	377,853	-	377,853
Total business-type activities	\$ 47,405,492	\$ (2,466,248)	\$ 44,939,244

- (1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF FAIRMONT, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0748 %	\$ 3,876,524	\$ -	\$ 3,876,524	\$ 4,324,853	89.6 %	78.2 %

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 341,038	\$ 341,038	\$ -	\$ 4,547,173	7.5 %

CITY OF FAIRMONT, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.1320 %	\$ 1,499,829	\$ -	\$ 1,499,829	\$ 2,536,707	59.1 %	86.6 %

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 199,315	\$ 199,315	\$ -	\$ 1,230,340	16.2 %

CITY OF FAIRMONT, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of changes in the Fire Relief Association's net pension liability and related ratios

	<u>2015</u>
Total pension liability	
Service cost	\$ 46,403
Interest	104,175
Benefit payments, including refunds of employee contributions	<u>(161,823)</u>
Net change in total pension liability	(11,245)
Total pension liability - January 1, 2015	<u>1,846,247</u>
 Total pension liability - December 31, 2015 (a)	 <u><u>\$ 1,835,002</u></u>
Plan fiduciary net position	
Contributions - employer	171,691
Contributions - employee	13,760
Net investment income	52,082
Benefit payments, including refunds of employee contributions	(161,823)
Administrative expense	<u>(17,227)</u>
Net change in plan fiduciary net position	58,483
Plan fiduciary net position - January 1, 2015	<u>1,450,370</u>
 Plan fiduciary net position - December 31, 2015 (b)	 <u><u>\$ 1,508,853</u></u>
Fire Relief's net pension liability (asset) - December 31, 2015 (a-b)	<u><u>\$ 326,149</u></u>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	82.23%
Covered-employee payroll	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A

Notes to Schedule:

Benefit changes. In 2015, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes of assumptions. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF FAIRMONT, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)
	(a)	(b)	(a-b)
12/31/15	\$ - *	\$ - *	\$ -
12/31/14	153,574	185,451	(31,877)

* Information not available at the time of the audit.

Schedule of funding progress for the retiree health plan

Actuarial Valuation Date	Required Supplementary Information						UAAL as a Percentage Payroll ((b-a)/c)
	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)		
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

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

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF FAIRMONT, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,108,791	\$ 2,167,189	\$ 3,275,980
Receivables			
Delinquent taxes	1,433	-	1,433
Accounts	8,034	-	8,034
Loans	994,307	-	994,307
Intergovernmental	680	483,439	484,119
TOTAL ASSETS	<u>\$ 2,113,245</u>	<u>\$ 2,650,628</u>	<u>\$ 4,763,873</u>
LIABILITIES			
Accounts and contracts payable	\$ 47,082	\$ 40,983	\$ 88,065
Due to other funds	105	-	105
Accrued wages payable	1,577	-	1,577
Unearned revenue	18,402	-	18,402
TOTAL LIABILITIES	<u>67,166</u>	<u>40,983</u>	<u>108,149</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	1,433	-	1,433
FUND BALANCES			
Restricted	1,558,346	1,808,670	3,367,016
Committed	278,880	803,825	1,082,705
Assigned	207,420	-	207,420
Unassigned	-	(2,850)	(2,850)
TOTAL FUND BALANCES	<u>2,044,646</u>	<u>2,609,645</u>	<u>4,654,291</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,113,245</u>	<u>\$ 2,650,628</u>	<u>\$ 4,763,873</u>

CITY OF FAIRMONT, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 50,568	\$ -	\$ 50,568
Intergovernmental	67,592	296,712	364,304
Charges for services	363,611	-	363,611
Investment earnings	9,630	18,271	27,901
Miscellaneous	237,257	22,988	260,245
TOTAL REVENUES	728,658	337,971	1,066,629
EXPENDITURES			
Current			
Housing and economic development	128,248	-	128,248
Miscellaneous	492,002	-	492,002
Capital outlay			
Streets and highways	-	27,764	27,764
Culture and recreation	-	53,505	53,505
Miscellaneous	764,325	141,561	905,886
TOTAL EXPENDITURES	1,384,575	222,830	1,607,405
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(655,917)	115,141	(540,776)
OTHER FINANCING SOURCES (USES)			
Transfers in	55,000	1,031,765	1,086,765
Transfers out	-	(760,474)	(760,474)
TOTAL OTHER FINANCING SOURCES (USES)	55,000	271,291	326,291
NET CHANGE IN FUND BALANCES	(600,917)	386,432	(214,485)
FUND BALANCES, JANUARY 1	2,645,563	2,223,213	4,868,776
FUND BALANCES, DECEMBER 31	\$ 2,044,646	\$ 2,609,645	\$ 4,654,291

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, 2015

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2
ASSETS				
Cash and cash equivalents	\$ 33,615	\$ 84,671	\$ 86,201	\$ 465,813
Receivables				
Delinquent taxes	-	-	-	-
Accounts	697	-	-	-
Loans	-	-	600,879	233,783
Intergovernmental	-	-	-	-
TOTAL ASSETS	<u><u>\$ 34,312</u></u>	<u><u>\$ 84,671</u></u>	<u><u>\$ 687,080</u></u>	<u><u>\$ 699,596</u></u>
LIABILITIES				
Accounts and contracts payable	\$ 4,245	\$ -	\$ 314	\$ -
Due to other funds	-	-	-	-
Accrued wages payable	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>4,245</u>	<u>-</u>	<u>314</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
FUND BALANCES				
Restricted	-	-	686,766	699,596
Committed	30,067	-	-	-
Assigned	-	84,671	-	-
TOTAL FUND BALANCES	<u>30,067</u>	<u>84,671</u>	<u>686,766</u>	<u>699,596</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 34,312</u></u>	<u><u>\$ 84,671</u></u>	<u><u>\$ 687,080</u></u>	<u><u>\$ 699,596</u></u>

217	220	222	224	226	230	240	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
\$ 19,275	\$ -	\$ 7,450	\$ 6,881	\$ 4,181	\$ 121,947	\$ 278,757	\$ 1,108,791
-	-	-	-	-	1,433	-	1,433
-	-	-	-	-	-	7,337	8,034
6,173	1,107	12,131	57,099	83,135	-	-	994,307
-	-	-	-	-	680	-	680
<u>\$ 25,448</u>	<u>\$ 1,107</u>	<u>\$ 19,581</u>	<u>\$ 63,980</u>	<u>\$ 87,316</u>	<u>\$ 124,060</u>	<u>\$ 286,094</u>	<u>\$ 2,113,245</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,242	\$ 37,281	\$ 47,082
-	-	-	-	-	105	-	105
-	-	-	-	-	1,577	-	1,577
-	-	-	-	-	18,402	-	18,402
-	-	-	-	-	25,326	37,281	67,166
-	-	-	-	-	1,433	-	1,433
-	1,107	19,581	63,980	87,316	-	-	1,558,346
-	-	-	-	-	-	248,813	278,880
25,448	-	-	-	-	97,301	-	207,420
<u>25,448</u>	<u>1,107</u>	<u>19,581</u>	<u>63,980</u>	<u>87,316</u>	<u>97,301</u>	<u>248,813</u>	<u>2,044,646</u>
<u>\$ 25,448</u>	<u>\$ 1,107</u>	<u>\$ 19,581</u>	<u>\$ 63,980</u>	<u>\$ 87,316</u>	<u>\$ 124,060</u>	<u>\$ 286,094</u>	<u>\$ 2,113,245</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, 2015

	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	(72)	594	1,073	3,562
Miscellaneous				
Rents	-	-	-	-
Loan interest	-	-	16,836	7,003
Other	39,645	17,500	2,025	-
	<u>39,573</u>	<u>18,094</u>	<u>19,934</u>	<u>10,565</u>
TOTAL REVENUES				
	<u>39,573</u>	<u>18,094</u>	<u>19,934</u>	<u>10,565</u>
EXPENDITURES				
Current				
Housing and economic development	62,865	500	1,412	567
Miscellaneous				
Conservation - water resources	-	-	-	-
Airport operation and maintenance	-	-	-	-
Capital outlay				
Miscellaneous				
Conservation - water resources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>62,865</u>	<u>500</u>	<u>1,412</u>	<u>567</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,292)	17,594	18,522	9,998
OTHER FINANCING SOURCES (USES)				
Transfers in	55,000	-	-	-
	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	31,708	17,594	18,522	9,998
FUND BALANCES, JANUARY 1	(1,641)	67,077	668,244	689,598
	<u>(1,641)</u>	<u>67,077</u>	<u>668,244</u>	<u>689,598</u>
FUND BALANCES, DECEMBER 31	<u>\$ 30,067</u>	<u>\$ 84,671</u>	<u>\$ 686,766</u>	<u>\$ 699,596</u>

217 Micro Loan	220 State Housing Grant I	222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011	230 Aeronautics	240 Lake Restoration	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,568	\$ -	\$ 50,568
-	-	-	-	-	67,592	-	67,592
-	-	-	-	-	288,916	74,695	363,611
108	-	36	37	32	817	3,443	9,630
-	-	-	-	-	152,193	-	152,193
214	-	284	168	-	-	-	24,505
-	-	-	-	-	1,389	-	60,559
322	-	320	205	32	561,475	78,138	728,658
-	1,328	3,864	41,006	16,706	-	-	128,248
-	-	-	-	-	-	11,425	11,425
-	-	-	-	-	480,577	-	480,577
-	-	-	-	-	-	764,325	764,325
-	1,328	3,864	41,006	16,706	480,577	775,750	1,384,575
322	(1,328)	(3,544)	(40,801)	(16,674)	80,898	(697,612)	(655,917)
-	-	-	-	-	-	-	55,000
322	(1,328)	(3,544)	(40,801)	(16,674)	80,898	(697,612)	(600,917)
25,126	2,435	23,125	104,781	103,990	16,403	946,425	2,645,563
<u>\$ 25,448</u>	<u>\$ 1,107</u>	<u>\$ 19,581</u>	<u>\$ 63,980</u>	<u>\$ 87,316</u>	<u>\$ 97,301</u>	<u>\$ 248,813</u>	<u>\$ 2,044,646</u>

CITY OF FAIRMONT, MINNESOTA
AERONAUTICS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 50,000	\$ 50,568	\$ 568	\$ 50,562
Intergovernmental				
State				
Airport maintenance aid	60,000	67,592	7,592	10,896
Charges for services				
Miscellaneous	258,750	288,916	30,166	263,270
Investment earnings (loss)	-	817	817	(96)
Miscellaneous				
Rents	146,428	152,193	5,765	152,009
Other	-	1,389	1,389	31,195
TOTAL REVENUES	<u>515,178</u>	<u>561,475</u>	<u>46,297</u>	<u>507,836</u>
EXPENDITURES				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	121,151	83,248	37,903	80,972
Supplies	230,750	244,044	(13,294)	232,871
Other services and charges	152,356	153,285	(929)	206,550
Capital outlay				
Miscellaneous				
Airport operation and maintenance	10,921	-	10,921	3,035
TOTAL EXPENDITURES	<u>515,178</u>	<u>480,577</u>	<u>34,601</u>	<u>523,428</u>
NET CHANGE IN FUND BALANCES	-	80,898	80,898	(15,592)
FUND BALANCES, JANUARY 1	<u>16,403</u>	<u>16,403</u>	-	<u>31,995</u>
FUND BALANCES, DECEMBER 31	<u>\$ 16,403</u>	<u>\$ 97,301</u>	<u>\$ 80,898</u>	<u>\$ 16,403</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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 6,000	\$ 3,443	\$ (2,557)	\$ 7,748
Charges for services				
Miscellaneous - restoration	64,836	74,695	9,859	64,950
TOTAL REVENUES	70,836	78,138	7,302	72,698
EXPENDITURES				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	2,000	505	1,495	450
Other services and charges	8,770	10,920	(2,150)	45,347
Capital outlay				
Miscellaneous				
Conservation - water resources	420,000	764,325	(344,325)	1,185
TOTAL EXPENDITURES	430,770	775,750	(344,980)	46,982
NET CHANGE IN FUND BALANCES	(359,934)	(697,612)	(337,678)	25,716
FUND BALANCES, JANUARY 1	946,425	946,425	-	920,709
FUND BALANCES, DECEMBER 31	\$ 586,491	\$ 248,813	\$ (337,678)	\$ 946,425

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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 2012.

2016 Capital Improvements: This fund is used to account for costs associated with major street replacement projects which began in 2015.

2017 Capital Improvements: This fund is used to account for costs associated with major street replacement projects which began in 2015.

Dog Park: This fund is used to account for costs associated with the construction of a dog park which began in 2015.

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CITY OF FAIRMONT, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	410	402	450
	Lair Road Bridge	Municipal State Aid - Streets	Airport Reconstruction Project
ASSETS			
Cash and cash equivalents	\$ 392,003	\$ 1,741,824	\$ 15,362
Receivables			
Intergovernmental	-	66,846	416,593
TOTAL ASSETS	<u><u>\$ 392,003</u></u>	<u><u>\$ 1,808,670</u></u>	<u><u>\$ 431,955</u></u>
LIABILITIES			
Accounts and contracts payable	\$ 12,146	-	8,073
FUND BALANCES			
Restricted	-	1,808,670	-
Committed	379,857	-	423,882
Unassigned	-	-	-
TOTAL FUND BALANCES	<u><u>379,857</u></u>	<u><u>1,808,670</u></u>	<u><u>423,882</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 392,003</u></u>	<u><u>\$ 1,808,670</u></u>	<u><u>\$ 431,955</u></u>

473 2013 Capital Improvements	476 2016 Capital Improvement Program	477 2017 Capital Improvement Program	875 Dog Park	Total Nonmajor Capital Projects
\$ -	\$ -	\$ 18,000	\$ -	\$ 2,167,189
-	-	-	-	483,439
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 2,650,628</u>
\$ -	\$ 2,850	\$ 17,914	\$ -	\$ 40,983
-	-	-	-	1,808,670
-	-	86	-	803,825
-	(2,850)	-	-	(2,850)
-	(2,850)	86	-	2,609,645
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 2,650,628</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, 2015

	410	402	450
	Lair Road Bridge	Municipal State Aid - Streets	Airport Reconstruction Project
REVENUES			
Intergovernmental			
Federal			
Airport reconstruction grant	\$ -	\$ -	\$ (6,742)
State			
Airport reconstruction grant	-	-	80,614
Street construction aid	-	222,840	-
County			
Investment earnings (loss)	3,339	12,633	(336)
Miscellaneous			
Refunds and reimbursements	-	540	-
Contributions	-	-	-
	<u>3,339</u>	<u>236,013</u>	<u>73,536</u>
TOTAL REVENUES	<u>3,339</u>	<u>236,013</u>	<u>73,536</u>
EXPENDITURES			
Capital outlay			
Streets and highways	-	-	-
Culture and recreation	-	-	-
Miscellaneous	-	-	141,561
	<u>-</u>	<u>-</u>	<u>141,561</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>141,561</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,339</u>	<u>236,013</u>	<u>(68,025)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	375,708	600,000
Transfers out	-	(384,766)	-
	<u>-</u>	<u>(9,058)</u>	<u>600,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(9,058)</u>	<u>600,000</u>
NET CHANGE IN FUND BALANCES	3,339	226,955	531,975
FUND BALANCES, JANUARY 1	<u>376,518</u>	<u>1,581,715</u>	<u>(108,093)</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 379,857</u></u>	<u><u>\$ 1,808,670</u></u>	<u><u>\$ 423,882</u></u>

473 2013 Capital Improvements	476 2016 Capital Improvement Program	477 2017 Capital Improvement Program	875 Dog Park	Total Nonmajor Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ (6,742)
-	-	-	-	80,614
-	-	-	-	222,840
2,635	-	-	-	18,271
-	-	-	-	540
-	-	-	22,448	22,448
2,635	-	-	22,448	337,971
-	2,850	24,914	-	27,764
-	-	-	53,505	53,505
-	-	-	-	141,561
-	2,850	24,914	53,505	222,830
2,635	(2,850)	(24,914)	(31,057)	115,141
-	-	25,000	31,057	1,031,765
(375,708)	-	-	-	(760,474)
(375,708)	-	25,000	31,057	271,291
(373,073)	(2,850)	86	-	386,432
373,073	-	-	-	2,223,213
\$ -	\$ (2,850)	\$ 86	\$ -	\$ 2,609,645

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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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 6,531,081	\$ 5,512,739
Receivables		
Interest	44,455	43,812
Delinquent taxes	58,278	69,390
Special assessments	12,747	13,589
Accounts	75,100	27,320
Intergovernmental	<u>34,638</u>	<u>41,353</u>
 TOTAL ASSETS	 <u><u>\$ 6,756,299</u></u>	 <u><u>\$ 5,708,203</u></u>
LIABILITIES		
Accounts and contracts payable	\$ 169,644	\$ 208,338
Due to other funds	19,804	17,159
Due to other governments	1,292	718
Accrued salaries payable	93,829	72,174
Unearned revenue	<u>21,951</u>	<u>19,476</u>
 TOTAL LIABILITIES	 <u>306,520</u>	 <u>317,865</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	58,278	69,390
Unavailable revenue - special assessments	<u>12,747</u>	<u>13,589</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>71,025</u>	 <u>82,979</u>
FUND BALANCES		
Committed	151,622	134,658
Assigned	2,739,131	1,766,336
Unassigned	<u>3,488,001</u>	<u>3,406,365</u>
 TOTAL FUND BALANCES	 <u>6,378,754</u>	 <u>5,307,359</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 6,756,299</u></u>	 <u><u>\$ 5,708,203</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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 2,244,866	\$ 2,244,866	\$ 2,267,106	\$ 22,240	\$ 2,098,422
Franchise taxes	35,000	35,000	38,294	3,294	36,927
Total taxes	2,279,866	2,279,866	2,305,400	25,534	2,135,349
Licenses and permits					
Business	33,375	33,375	41,001	7,626	39,939
Nonbusiness	135,000	135,000	172,921	37,921	109,127
Total licenses and permits	168,375	168,375	213,922	45,547	149,066
Intergovernmental					
Federal					
Other Federal aids	-	-	4,755	4,755	15,580
State					
Local government aid	3,635,699	3,635,699	3,635,699	-	3,740,909
Property tax credits	-	-	1,882	1,882	950
Street maintenance aid	29,085	29,085	29,085	-	29,085
Police aid	212,500	212,500	227,358	14,858	224,022
Other State aids	21,672	21,672	50,602	28,930	28,015
Total State	3,898,956	3,898,956	3,944,626	45,670	4,022,981
County					
Other County aids	-	-	-	-	2,351
Total intergovernmental	3,898,956	3,898,956	3,949,381	50,425	4,040,912
Charges for services					
General government	9,750	9,750	11,609	1,859	11,586
Public safety	99,000	99,000	96,489	(2,511)	62,251
Sanitation	145,000	145,000	142,225	(2,775)	98,879
Culture and recreation	141,500	141,500	185,412	43,912	167,687
Total charges for services	395,250	395,250	435,735	40,485	340,403
Fines and forfeits					
Court fines	72,000	72,000	56,129	(15,871)	66,829
Investment earnings	25,000	25,000	8,580	(16,420)	90,989
Miscellaneous					
Rents	70,000	70,000	72,546	2,546	70,046
Contributions and donations	-	-	32,525	32,525	25,942
Other	51,188	51,188	609,133	557,945	74,235
Total miscellaneous	121,188	121,188	714,204	593,016	170,223
TOTAL REVENUES	6,960,635	6,960,635	7,683,351	722,716	6,993,771

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 28,845	\$ 28,845	\$ 23,814	\$ 5,031	\$ 20,599
Supplies	2,200	2,200	2,416	(216)	661
Other services and charges	4,100	4,100	4,231	(131)	6,405
Total Mayor and Council	35,145	35,145	30,461	4,684	27,665
City administrator					
Personal services	89,918	89,918	90,396	(478)	88,282
Supplies	2,600	2,600	1,864	736	1,457
Other services and charges	20,345	20,345	19,751	594	18,796
Total city administrator	112,863	112,863	112,011	852	108,535
Elections					
Personal services	11,183	11,183	14,191	(3,008)	24,412
Supplies	1,900	1,900	403	1,497	1,938
Other services and charges	575	575	49	526	227
Total elections	13,658	13,658	14,643	(985)	26,577
Recording and reporting					
Personal services	55,918	55,918	55,808	110	52,352
Supplies	2,800	2,800	2,396	404	2,063
Other services and charges	3,775	3,775	4,182	(407)	3,935
Total recording and reporting	62,493	62,493	62,386	107	58,350
Local access channel					
Personal services	1,798	1,798	1,826	(28)	1,747
Supplies	1,500	1,500	-	1,500	-
Other services and charges	6,910	6,910	6,727	183	6,243
Total local access channel	10,208	10,208	8,553	1,655	7,990
Accounting					
Personal services	225,968	225,968	246,210	(20,242)	210,024
Supplies	3,500	3,500	2,039	1,461	5,031
Other services and charges	71,609	71,609	62,508	9,101	42,403
Total accounting	301,077	301,077	310,757	(9,680)	257,458
City attorney					
Personal services	149,356	149,356	151,001	(1,645)	144,358
Supplies	2,500	2,500	1,642	858	2,946
Other services and charges	11,265	11,265	13,825	(2,560)	8,821
Total city attorney	163,121	163,121	166,468	(3,347)	156,125

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

EXPENDITURES - CONTINUED	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current - Continued					
General government - Continued					
Planning and zoning					
Personal services	\$ 121,951	\$ 121,951	\$ 123,437	\$ (1,486)	\$ 101,243
Supplies	1,300	1,300	551	749	802
Other services and charges	3,900	3,900	3,829	71	3,072
Total planning and zoning	127,151	127,151	127,817	(666)	105,117
General government building					
Personal services	69,138	69,138	67,051	2,087	62,238
Supplies	8,000	8,000	2,211	5,789	2,520
Other services and charges	57,208	57,208	60,309	(3,101)	50,292
Total general government building	134,346	134,346	129,571	4,775	115,050
Library building					
Supplies	6,000	6,000	1,710	4,290	2,564
Other services and changes	58,560	58,560	54,731	3,829	85,842
Total library building	64,560	64,560	56,441	8,119	88,406
Other general government					
Supplies	-	-	64	(64)	-
Other services and changes	228,611	228,611	199,408	29,203	122,100
Total other general government	228,611	228,611	199,472	29,139	122,100
Total general government	1,253,233	1,253,233	1,218,580	34,653	1,073,373
Public safety					
Police					
Administration					
Personal services	408,816	408,816	425,504	(16,688)	398,302
Supplies	4,750	4,750	2,881	1,869	3,901
Other services and charges	21,040	21,040	16,312	4,728	15,609
Total administration	434,606	434,606	444,697	(10,091)	417,812
Crime control					
Personal services	1,518,313	1,518,313	1,524,880	(6,567)	1,403,330
Supplies	93,100	93,100	53,070	40,030	67,500
Other services and charges	208,498	208,498	239,468	(30,970)	271,781
Total crime control	1,819,911	1,819,911	1,817,418	2,493	1,742,611
Training					
Personal services	25,461	25,461	26,733	(1,272)	24,654
Supplies	2,000	2,000	-	2,000	129
Other services and charges	14,100	14,100	17,050	(2,950)	18,909
Total training	41,561	41,561	43,783	(2,222)	43,692

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety - Continued					
Police					
D.A.R.E. program					
Supplies	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ -
Crossing guards					
Personal services	-	-	404	(404)	(359)
Other services and charges	3,000	3,000	48	2,952	-
Total crossing guards	3,000	3,000	452	2,548	(359)
Drug task force					
Other services and charges	500	500	4,306	(3,806)	6,155
Total police	2,302,078	2,302,078	2,310,656	(8,578)	2,209,911
Fire					
Fire fighting					
Personal services	228,344	228,344	221,612	6,732	246,565
Supplies	57,175	57,175	20,569	36,606	40,584
Other services and charges	66,574	66,574	110,649	(44,075)	78,401
Total fire fighting	352,093	352,093	352,830	(737)	365,550
Training					
Personal services	40,279	40,279	32,399	7,880	27,448
Supplies	5,000	5,000	600	4,400	1,666
Other services and charges	10,200	10,200	12,532	(2,332)	12,565
Total training	55,479	55,479	45,531	9,948	41,679
Total fire	407,572	407,572	398,361	9,211	407,229
Inspection					
Building inspection					
Personal services	146,345	146,345	150,118	(3,773)	133,560
Supplies	6,300	6,300	2,364	3,936	4,420
Other services and charges	11,325	11,325	9,489	1,836	12,248
Total building inspection	163,970	163,970	161,971	1,999	150,228
Fire inspection					
Personal services	20,346	20,346	20,176	170	17,446
Supplies	1,000	1,000	-	1,000	-
Other services and charges	1,150	1,150	471	679	381
Total fire inspection	22,496	22,496	20,647	1,849	17,827
Total inspection	186,466	186,466	182,618	3,848	168,055
Civil defense					
Supplies	600	600	-	600	500
Other services and charges	350	350	88	262	136
Total civil defense	950	950	88	862	636

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety - Continued					
Animal control					
Personal services	\$ 87,067	\$ 87,067	\$ 85,682	\$ 1,385	\$ 77,338
Supplies	11,225	11,225	11,202	23	10,489
Other services and charges	28,209	28,209	27,683	526	29,000
Total animal control	126,501	126,501	124,567	1,934	116,827
Total public safety	3,023,567	3,023,567	3,016,290	7,277	2,902,658
Streets and highways					
Paved streets					
Personal services	377,566	377,566	383,707	(6,141)	359,850
Supplies	166,200	166,200	140,089	26,111	137,563
Other services and charges	55,600	55,600	45,748	9,852	40,404
Total paved streets	599,366	599,366	569,544	29,822	537,817
Ice and snow removal					
Personal services	170,940	170,940	173,955	(3,015)	163,177
Supplies	35,500	35,500	42,993	(7,493)	64,310
Other services and charges	17,050	17,050	16,666	384	14,881
Total ice and snow removal	223,490	223,490	233,614	(10,124)	242,368
Road and bridge equipment					
Personal services	34,188	34,188	34,792	(604)	32,638
Supplies	25,000	25,000	18,775	6,225	15,498
Other services and charges	96,300	96,300	118,635	(22,335)	125,394
Total road and bridge equipment	155,488	155,488	172,202	(16,714)	173,530
Street lighting					
Other services and charges	226,600	226,600	153,283	73,317	211,005
Engineering					
Personal services	288,524	288,524	218,402	70,122	185,920
Supplies	10,500	10,500	3,932	6,568	3,967
Other services and charges	43,346	43,346	55,672	(12,326)	37,381
Total engineering	342,370	342,370	278,006	64,364	227,268
Total streets and highways	1,547,314	1,547,314	1,406,649	140,665	1,391,988
Sanitation and waste removal					
Weed control					
Other services and charges	10,370	10,370	18,528	(8,158)	10,311
Recreation - garbage collection					
Personal services	32,117	32,117	31,937	180	28,888
Supplies	4,900	4,900	1,667	3,233	2,988
Other services and charges	87,600	87,600	48,608	38,992	90,506
Total recreation - garbage collection	124,617	124,617	82,212	42,405	122,382
Total sanitation and waste removal	134,987	134,987	100,740	34,247	132,693
Culture and recreation					
Parks					
Personal services	687,381	687,381	650,919	36,462	613,146
Supplies	51,000	51,000	77,901	(26,901)	73,927
Other services and charges	232,600	232,600	221,843	10,757	272,954
Total parks	970,981	970,981	950,663	20,318	960,027

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation - Continued					
Recreation - aquatic park					
Personal services	\$ 234,266	\$ 234,266	\$ 251,982	\$ (17,716)	\$ 199,976
Supplies	56,900	56,900	48,470	8,430	45,625
Other services and charges	79,304	79,304	79,833	(529)	91,260
Total recreation - aquatic park	370,470	370,470	380,285	(9,815)	336,861
Total culture and recreation	1,341,451	1,341,451	1,330,948	10,503	1,296,888
Total current	7,300,552	7,300,552	7,073,207	227,345	6,797,600
Capital outlay					
General government	30,000	30,000	10,792	19,208	50,831
Public safety	99,060	99,060	39,074	59,986	84,477
Streets and highways	69,000	69,000	72,329	(3,329)	133,409
Culture and recreation	178,500	178,500	298,471	(119,971)	179,402
Total capital outlay	376,560	376,560	420,666	(44,106)	448,119
TOTAL EXPENDITURES	7,677,112	7,677,112	7,493,873	183,239	7,245,719
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(716,477)	(716,477)	189,478	905,955	(251,948)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	38,485	38,485	69,662
Transfers in	879,632	879,632	879,632	-	934,632
Transfers out	(50,000)	(50,000)	(36,200)	13,800	-
TOTAL OTHER FINANCING SOURCES (USES)	829,632	829,632	881,917	52,285	1,004,294
NET CHANGE IN FUND BALANCES	113,155	113,155	1,071,395	958,240	752,346
FUND BALANCES, JANUARY 1	5,307,359	5,307,359	5,307,359	-	4,555,013
FUND BALANCES, DECEMBER 31	\$ 5,420,514	\$ 5,420,514	\$ 6,378,754	\$ 958,240	\$ 5,307,359

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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, 2015

	323	349	369
	Special Assessment	2005B Refunding Bonds	2009 Special Assessments
ASSETS			
Cash and cash equivalents	\$ 1,917,642	\$ -	\$ 712,359
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	2,180	-	3,080
Special assessments			
Delinquent	10,400	-	303,861
Noncurrent	428,492	-	17,302
Intergovernmental	4,635	-	2,043
Due from other funds	20,000	-	-
	<u>2,383,349</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,383,349</u>	<u>\$ -</u>	<u>\$ 1,038,645</u>
LIABILITIES			
Accounts payable	\$ 1,250	\$ -	\$ -
Due to other funds	-	-	-
	<u>1,250</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,250</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	2,180	-	3,080
Unavailable revenue - special assessments	438,892	-	321,163
	<u>441,072</u>	<u>-</u>	<u>324,243</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>441,072</u>	<u>-</u>	<u>324,243</u>
FUND BALANCES			
Restricted	1,941,027	-	714,402
	<u>1,941,027</u>	<u>-</u>	<u>714,402</u>
	<u>1,941,027</u>	<u>-</u>	<u>714,402</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,383,349</u>	<u>\$ -</u>	<u>\$ 1,038,645</u>

CITY OF FAIRMONT, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	305	370	371	320
	Fire Truck Debt	2010A Refunding Bonds	2011 Improvement Bonds	Tax Increment District No. 23
ASSETS				
Cash and cash equivalents	\$ 47,783	\$ 613,784	\$ 307,089	\$ 10,593
Escrowed investments	-	-	-	-
Receivables				
Delinquent taxes	875	5,565	2,588	-
Special assessments				
Delinquent	-	4,637	204,581	-
Noncurrent	-	81,563	14,263	-
Intergovernmental	46	3,641	1,673	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u><u>\$ 48,704</u></u>	<u><u>\$ 709,190</u></u>	<u><u>\$ 530,194</u></u>	<u><u>\$ 10,593</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	875	5,565	2,588	-
Unavailable revenue - special assessments	-	86,200	218,844	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>875</u>	<u>91,765</u>	<u>221,432</u>	<u>-</u>
FUND BALANCES				
Restricted	<u>47,829</u>	<u>617,425</u>	<u>308,762</u>	<u>10,593</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 48,704</u></u>	<u><u>\$ 709,190</u></u>	<u><u>\$ 530,194</u></u>	<u><u>\$ 10,593</u></u>

322 Tax Increment District No. 22	325 Tax Increment District No. 25	326 Tax Increment District No. 26	372 2012 Refunding Bonds	373 2013 Improvement Bonds	375 2015 Improvement Bonds	Totals
\$ -	\$ -	\$ 8,000	\$ 666,596	\$ 295,999	\$ 188,578	\$ 4,768,423
-	-	-	2,552,683	-	-	2,552,683
-	-	-	15,605	1,186	-	31,079
-	-	-	1,117,355	199,641	311,233	2,151,708
-	-	-	48,975	8,700	19,266	618,561
-	-	-	11,299	1,750	-	25,087
-	-	-	-	-	-	20,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 4,412,513</u>	<u>\$ 507,276</u>	<u>\$ 519,077</u>	<u>\$ 10,167,541</u>
\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ 9,250
-	10,000	10,000	-	-	-	20,000
-	10,000	18,000	-	-	-	29,250
-	-	-	15,605	1,186	-	31,079
-	-	-	1,166,330	208,341	330,499	2,770,269
-	-	-	1,181,935	209,527	330,499	2,801,348
-	(10,000)	(10,000)	3,230,578	297,749	188,578	7,336,943
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 4,412,513</u>	<u>\$ 507,276</u>	<u>\$ 519,077</u>	<u>\$ 10,167,541</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, 2015

	323	349	369
	Special Assessment	2005B Refunding Bonds	2009 Special Assessments
REVENUES			
Taxes			
Property taxes	\$ 440	\$ 1,740	\$ 125,950
Tax increment district taxes	-	-	-
Special assessments	79,284	1,138	67,541
Investment earnings	14,160	11	4,723
TOTAL REVENUES	93,884	2,889	198,214
EXPENDITURES			
Current			
Housing and economic development	-	-	-
Debt service			
Principal	-	-	105,000
Interest and other	1,250	-	46,281
Bond issuance costs	-	-	-
TOTAL EXPENDITURES	1,250	-	151,281
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	92,634	2,889	46,933
OTHER FINANCING SOURCES (USES)			
Transfers in	4,439	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	-	(4,439)	-
TOTAL OTHER FINANCING SOURCES (USES)	4,439	(4,439)	-
NET CHANGE IN FUND BALANCES	97,073	(1,550)	46,933
FUND BALANCES, JANUARY 1	1,843,954	1,550	667,469
FUND BALANCES, DECEMBER 31	\$ 1,941,027	\$ -	\$ 714,402

CITY OF FAIRMONT, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	305	370	371	320
	Fire Truck Debt	2010A Refunding Bonds	2011 Improvement Bonds	Tax Increment District No. 23
REVENUES				
Taxes				
Property taxes	\$ 518	\$ 207,515	\$ 99,879	\$ -
Tax increment district taxes	-	-	-	21,186
Special assessments	-	41,253	36,888	-
Investment earnings	2,244	3,849	1,926	-
TOTAL REVENUES	2,762	252,617	138,693	21,186
EXPENDITURES				
Current				
Housing and economic development	-	-	-	3,089
Debt service				
Principal	-	245,000	110,000	-
Interest and other	-	49,413	50,513	-
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	-	294,413	160,513	3,089
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,762	(41,796)	(21,820)	18,097
OTHER FINANCING SOURCES (USES)				
Transfers in	36,200	-	-	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	36,200	-	-	-
NET CHANGE IN FUND BALANCES	38,962	(41,796)	(21,820)	18,097
FUND BALANCES, JANUARY 1	8,867	659,221	330,582	(7,504)
FUND BALANCES, DECEMBER 31	\$ 47,829	\$ 617,425	\$ 308,762	\$ 10,593

322 Tax Increment District No. 22	325 Tax Increment District No. 25	326 Tax Increment District No. 26	372 2012 Refunding Bonds	373 2013 Improvement Bonds	375 2015 Improvement Bonds	Totals
\$ -	\$ -	\$ -	\$ 499,472	\$ 90,282	\$ -	\$ 1,025,796
45,979	-	-	-	-	-	67,165
-	-	-	220,587	26,737	115,938	589,366
5	-	-	16,400	1,422	751	45,491
45,984	-	-	736,459	118,441	116,689	1,727,818
47,810	10,000	10,000	-	-	-	70,899
-	-	-	670,000	100,000	-	1,230,000
-	-	-	186,323	46,913	28,015	408,708
-	-	-	-	-	54,271	54,271
47,810	10,000	10,000	856,323	146,913	82,286	1,763,878
(1,826)	(10,000)	(10,000)	(119,864)	(28,472)	34,403	(36,060)
-	-	-	-	-	-	40,639
-	-	-	-	-	130,000	130,000
-	-	-	-	-	24,175	24,175
-	-	-	-	-	-	(4,439)
-	-	-	-	-	154,175	190,375
(1,826)	(10,000)	(10,000)	(119,864)	(28,472)	188,578	154,315
1,826	-	-	3,350,442	326,221	-	7,182,628
\$ -	\$ (10,000)	\$ (10,000)	\$ 3,230,578	\$ 297,749	\$ 188,578	\$ 7,336,943

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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, 2015 AND 2014

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2015	2014	2015	2014
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,815	\$ 2,216	\$ 385,320	\$ 78,564
Receivables				
Accounts	-	-	44	-
Due from other funds	-	-	32,369	29,065
Due from component unit	-	-	32	50
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	1,815	2,216	417,765	107,679
CAPITAL ASSETS				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
NET CAPITAL ASSETS	-	-	-	-
TOTAL ASSETS	1,815	2,216	417,765	107,679
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	1,828	1,374	22,593	20,135
Due to other funds	870	827	50,000	50,000
Accrued salaries payable	9,781	8,557	-	-
TOTAL LIABILITIES	12,479	10,758	72,593	70,135
NET POSITION				
Investment in capital assets	-	-	-	-
Unrestricted	(10,664)	(8,542)	345,172	37,544
TOTAL NET POSITION	\$ (10,664)	\$ (8,542)	\$ 345,172	\$ 37,544

704 Property, Equipment and Liability Self-insurance		705 Worker's Compensation Self-insurance		710 Data Processing		Totals	
2015	2014	2015	2014	2015	2014	2015	2014
\$ 541,147	\$ 563,648	\$ 429,410	\$ 466,588	\$ 14,069	\$ 14,240	\$ 1,371,761	\$ 1,125,256
-	-	9,578	-	-	-	9,622	-
-	-	55,325	53,703	-	-	87,694	82,768
-	-	-	-	-	-	32	50
-	-	-	-	18,353	-	18,353	-
541,147	563,648	494,313	520,291	32,422	14,240	1,487,462	1,208,074
-	-	-	-	300,979	298,752	300,979	298,752
-	-	-	-	(268,115)	(241,799)	(268,115)	(241,799)
-	-	-	-	32,864	56,953	32,864	56,953
541,147	563,648	494,313	520,291	65,286	71,193	1,520,326	1,265,027
-	-	61,609	55,789	4,387	5,525	90,417	82,823
-	-	-	-	-	-	50,870	50,827
-	-	-	-	-	-	9,781	8,557
-	-	61,609	55,789	4,387	5,525	151,068	142,207
-	-	-	-	32,864	56,953	32,864	56,953
541,147	563,648	432,704	464,502	28,035	8,715	1,336,394	1,065,867
\$ 541,147	\$ 563,648	\$ 432,704	\$ 464,502	\$ 60,899	\$ 65,668	\$ 1,369,258	\$ 1,122,820

CITY OF FAIRMONT, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2015	2014	2015	2014
OPERATING REVENUES				
Charges for services	\$ 190,444	\$ 183,197	\$ 1,721,106	\$ 1,397,855
Miscellaneous revenues	-	-	37	79
TOTAL OPERATING REVENUES	190,444	183,197	1,721,143	1,397,934
OPERATING EXPENSES				
Administration and other				
Personal services	172,097	154,526	-	-
Supplies	15,648	11,654	-	-
Other services and charges	4,838	4,735	43,693	25,472
Insurance premiums paid	-	-	1,186,766	1,129,869
Insurance claims paid	-	-	183,229	253,876
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	192,583	170,915	1,413,688	1,409,217
OPERATING INCOME (LOSS)	(2,139)	12,282	307,455	(11,283)
NONOPERATING REVENUES				
Investment income	17	34	173	259
CHANGE IN NET POSITION	(2,122)	12,316	307,628	(11,024)
NET POSITION, JANUARY 1	(8,542)	(20,858)	37,544	48,568
NET POSITION, DECEMBER 31	<u>\$ (10,664)</u>	<u>\$ (8,542)</u>	<u>\$ 345,172</u>	<u>\$ 37,544</u>

704 Property, Equipment and Liability Self-insurance		705 Worker's Compensation Self-insurance		710 Data Processing		Totals	
2015	2014	2015	2014	2015	2014	2015	2014
\$ 358,497	\$ 325,521	\$ 213,946	\$ 196,455	\$ 102,018	\$ 60,498	\$ 2,586,011	\$ 2,163,526
-	-	4,152	10,702	-	-	4,189	10,781
358,497	325,521	218,098	207,157	102,018	60,498	2,590,200	2,174,307
-	-	-	-	-	-	172,097	154,526
-	-	270	870	2,334	5,943	18,252	18,467
15,040	15,326	45,201	39,928	78,245	54,511	187,017	139,972
257,807	263,081	207,934	207,243	-	-	1,652,507	1,600,193
111,917	28,733	-	-	-	-	295,146	282,609
-	-	-	-	26,316	24,141	26,316	24,141
384,764	307,140	253,405	248,041	106,895	84,595	2,351,335	2,219,908
(26,267)	18,381	(35,307)	(40,884)	(4,877)	(24,097)	238,865	(45,601)
3,766	3,714	3,509	3,828	108	110	7,573	7,945
(22,501)	22,095	(31,798)	(37,056)	(4,769)	(23,987)	246,438	(37,656)
563,648	541,553	464,502	501,558	65,668	89,655	1,122,820	1,160,476
<u>\$ 541,147</u>	<u>\$ 563,648</u>	<u>\$ 432,704</u>	<u>\$ 464,502</u>	<u>\$ 60,899</u>	<u>\$ 65,668</u>	<u>\$ 1,369,258</u>	<u>\$ 1,122,820</u>

CITY OF FAIRMONT, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 190,444	\$ 183,197	\$ 1,721,062	\$ 1,397,855
Payments to suppliers	(18,960)	(14,044)	(43,693)	(25,472)
Payments to and on behalf of employees	(126,164)	(133,231)	(1,367,537)	(1,379,500)
Payments for interfund services used	(45,781)	(36,665)	-	-
Other receipts	-	-	37	79
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(461)	(743)	309,869	(7,038)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Increase in due from other funds	-	-	(3,304)	-
Decrease in due from other funds	-	-	-	47,119
Decrease in due from component unit	-	-	18	-
Increase in due from component unit	-	-	-	(50)
Decrease in due to component unit	-	-	-	(883)
Increase in due to other funds	43	-	-	-
Decrease in due to other funds	-	(2,691)	-	(205,000)
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	43	(2,691)	(3,286)	(158,814)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	17	34	173	259
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(401)	(3,400)	306,756	(165,593)
CASH AND CASH EQUIVALENTS, JANUARY 1	2,216	5,616	78,564	244,157
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,815	\$ 2,216	\$ 385,320	\$ 78,564
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (2,139)	\$ 12,282	\$ 307,455	\$ (11,283)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in assets				
Net accounts receivable	-	-	(44)	-
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	454	1,188	2,458	4,245
Accrued wages payable	1,224	(14,213)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (461)	\$ (743)	\$ 309,869	\$ (7,038)

704 Property, Equipment and Liability Self-insurance		705 Worker's Compensation Self-insurance		710 Data Processing		Totals	
2015	2014	2015	2014	2015	2014	2015	2014
\$ 358,497 (384,764)	\$ 325,521 (307,140)	\$ 204,368 (45,471)	\$ 196,455 (40,798)	\$ 102,018 (99,558)	\$ 60,498 (57,520)	\$ 2,576,389 (592,446)	\$ 2,163,526 (444,974)
-	-	(202,114)	(212,517)	-	-	(1,695,815)	(1,725,248)
-	-	-	-	(512)	(642)	(46,293)	(37,307)
-	-	4,152	10,702	-	-	4,189	10,781
(26,267)	18,381	(39,065)	(46,158)	1,948	2,336	246,024	(33,222)
-	-	(1,622)	-	-	-	(4,926)	-
-	-	-	6,250	-	-	-	53,369
-	-	-	-	-	-	18	-
-	-	-	-	-	-	-	(50)
-	-	-	-	-	-	-	(883)
-	-	-	-	-	-	43	-
-	-	-	-	-	-	-	(207,691)
-	-	(1,622)	6,250	-	-	(4,865)	(155,255)
-	-	-	-	(2,227)	(5,761)	(2,227)	(5,761)
3,766	3,714	3,509	3,828	108	110	7,573	7,945
(22,501)	22,095	(37,178)	(36,080)	(171)	(3,315)	246,505	(186,293)
563,648	541,553	466,588	502,668	14,240	17,555	1,125,256	1,311,549
<u>\$ 541,147</u>	<u>\$ 563,648</u>	<u>\$ 429,410</u>	<u>\$ 466,588</u>	<u>\$ 14,069</u>	<u>\$ 14,240</u>	<u>\$ 1,371,761</u>	<u>\$ 1,125,256</u>
\$ (26,267)	\$ 18,381	\$ (35,307)	\$ (40,884)	\$ (4,877)	\$ (24,097)	\$ 238,865	\$ (45,601)
-	-	-	-	26,316	24,141	26,316	24,141
-	-	(9,578)	-	-	-	(9,622)	-
-	-	-	-	(18,353)	-	(18,353)	-
-	-	5,820	(5,274)	(1,138)	2,292	7,594	2,451
-	-	-	-	-	-	1,224	(14,213)
<u>\$ (26,267)</u>	<u>\$ 18,381</u>	<u>\$ (39,065)</u>	<u>\$ (46,158)</u>	<u>\$ 1,948</u>	<u>\$ 2,336</u>	<u>\$ 246,024</u>	<u>\$ (33,222)</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.

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, 2015

	873 C.V.B. Tax Agency	706 Flex Plan	871 Multi- Family Housing	872 HRA Potter's Addition
ASSETS				
Cash and cash equivalents	\$ 9,641	\$ 11,315	\$ 125,837	\$ 216,704
Receivables				
Accounts	-	-	-	60
Due from other funds	-	964	-	-
	<u>-</u>	<u>964</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 9,641</u></u>	<u><u>\$ 12,279</u></u>	<u><u>\$ 125,837</u></u>	<u><u>\$ 216,764</u></u>
LIABILITIES				
Accounts payable	\$ 9,641	\$ 12,279	\$ 120,932	\$ 206,305
Deposits payable	-	-	4,905	10,459
	<u>-</u>	<u>-</u>	<u>4,905</u>	<u>10,459</u>
TOTAL LIABILITIES	<u><u>\$ 9,641</u></u>	<u><u>\$ 12,279</u></u>	<u><u>\$ 125,837</u></u>	<u><u>\$ 216,764</u></u>

874	876	
Focus on Fairmont	Project 1590	Total
\$ 1,657	\$ 6,977	\$ 372,131
-	-	60
-	-	964
<u>\$ 1,657</u>	<u>\$ 6,977</u>	<u>\$ 373,155</u>
\$ 1,657	\$ 6,977	\$ 357,791
-	-	15,364
<u>\$ 1,657</u>	<u>\$ 6,977</u>	<u>\$ 373,155</u>

CITY OF FAIRMONT, MINNESOTA
 AGENCY FUNDS
 INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
C. V. B. TAX AGENCY FUND (873)				
ASSETS				
Cash and cash equivalents	\$ 7,343	\$ 156,008	\$ 153,710	\$ 9,641
LIABILITIES				
Accounts payable	\$ 7,343	\$ 147,807	\$ 145,509	\$ 9,641
FLEX PLAN FUND (706)				
ASSETS				
Cash and cash equivalents	\$ 9,202	\$ 78,970	\$ 76,857	\$ 11,315
Due from other governments	730	39,714	39,480	964
TOTAL ASSETS	\$ 9,932	\$ 118,684	\$ 116,337	\$ 12,279
LIABILITIES				
Accounts payable	\$ 9,932	\$ 79,948	\$ 77,601	\$ 12,279
MULTI-FAMILY HOUSING FUND (871)				
ASSETS				
Cash and cash equivalents	\$ 110,769	\$ 68,370	\$ 53,302	\$ 125,837
Accounts receivable	-	67,440	67,440	-
TOTAL ASSETS	\$ 110,769	\$ 135,810	\$ 120,742	\$ 125,837
LIABILITIES				
Accounts payable	\$ 105,864	\$ 58,156	\$ 43,088	\$ 120,932
Deposits payable	4,905	-	-	4,905
TOTAL LIABILITIES	\$ 110,769	\$ 58,156	\$ 43,088	\$ 125,837
HRA POTTER'S ADDITION FUND (872)				
ASSETS				
Cash and cash equivalents	\$ 206,126	\$ 143,557	\$ 132,979	\$ 216,704
Accounts receivable	-	141,008	140,948	60
TOTAL ASSETS	\$ 206,126	\$ 284,565	\$ 273,927	\$ 216,764
LIABILITIES				
Accounts payable	\$ 195,833	\$ 140,199	\$ 129,727	\$ 206,305
Deposits payable	10,293	2,190	2,024	10,459
TOTAL LIABILITIES	\$ 206,126	\$ 142,389	\$ 131,751	\$ 216,764
FOCUS ON FAIRMONT (874)				
ASSETS				
Cash and cash equivalents	\$ 1,654	\$ 1,140	\$ 1,137	\$ 1,657
LIABILITIES				
Accounts payable	\$ 1,654	\$ 1,139	\$ 1,136	\$ 1,657

CITY OF FAIRMONT, MINNESOTA
 AGENCY FUNDS
 INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
PROJECT 1590 (876)				
ASSETS				
Cash and cash equivalents	\$ 4,373	\$ 17,951	\$ 15,347	\$ 6,977
		.		
LIABILITIES				
Accounts payable	\$ 4,373	\$ 13,491	\$ 10,887	\$ 6,977
TOTALS - ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 339,467	\$ 465,996	\$ 433,332	\$ 372,131
Accounts receivable	-	208,448	208,388	60
Due from other funds	730	39,714	39,480	964
TOTAL ASSETS	\$ 340,197	\$ 714,158	\$ 681,200	\$ 373,155
LIABILITIES				
Accounts payable	\$ 324,999	\$ 440,740	\$ 407,948	\$ 357,791
Deposits payable	15,198	2,190	2,024	15,364
TOTAL LIABILITIES	\$ 340,197	\$ 442,930	\$ 409,972	\$ 373,155

CITY OF FAIRMONT, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and temporary investments	\$ 381,961	\$ 279,731
Receivables		
Delinquent taxes	2,862	3,592
Accounts	272	482
Loans	24,887	41,661
Due from other governments	1,356	864
TOTAL ASSETS	<u><u>\$ 411,338</u></u>	<u><u>\$ 326,330</u></u>
LIABILITIES		
Accounts and contracts payable	\$ 2,456	\$ 3,802
Due to primary government	32	10
Accrued wages payable	2,326	81
TOTAL LIABILITIES	<u>4,814</u>	<u>3,893</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	<u>2,862</u>	<u>3,592</u>
FUND BALANCES		
Assigned for		
Economic development	<u>403,662</u>	<u>318,845</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 411,338</u></u>	<u><u>\$ 326,330</u></u>
Amounts reported for governmental activities in the statement of net position are different because		
Total fund balances - governmental funds as shown above	\$ 403,662	\$ 318,845
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(277)	(12,188)
Postemployment benefits other than pension obligation	(4,766)	(4,499)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	2,862	3,592
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>(4,326)</u>	<u>(6,411)</u>
Total net position - governmental activities	<u><u>\$ 397,155</u></u>	<u><u>\$ 299,339</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, 2015 AND 2014

	2015	2014
REVENUES		
Taxes	\$ 100,797	\$ 101,124
Intergovernmental	32,950	-
Payments from City	81,000	81,000
Investment earnings	2,432	1,648
Miscellaneous	43,370	26,427
	<u>260,549</u>	<u>210,199</u>
TOTAL REVENUES	260,549	210,199
EXPENDITURES		
Current		
Housing and economic development	175,732	128,634
	<u>84,817</u>	<u>81,565</u>
NET CHANGE IN FUND BALANCES	84,817	81,565
FUND BALANCES, JANUARY 1	318,845	237,280
FUND BALANCES, DECEMBER 31	<u>\$ 403,662</u>	<u>\$ 318,845</u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ 84,817	\$ 81,565
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	(730)	67
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	11,911	(1,065)
Post employment benefits other than pension costs	(267)	(201)
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.		
	<u>2,085</u>	<u>(80)</u>
Change in net position - governmental activities	<u>\$ 97,816</u>	<u>\$ 80,286</u>

CITY OF FAIRMONT, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)	
	2015	2014		
REVENUES				
Taxes	\$ 3,448,929	\$ 3,307,262	4.28	%
Special assessments	589,366	674,620	(12.64)	
Licenses and permits	213,922	149,066	43.51	
Intergovernmental	4,313,685	5,786,044	(25.45)	
Charges for services	799,346	668,623	19.55	
Fines and forfeits	56,129	66,829	(16.01)	
Investment earnings (loss)	86,920	165,770	(47.57)	
Miscellaneous	974,449	429,845	126.70	
TOTAL REVENUES	<u>\$ 10,482,746</u>	<u>\$ 11,248,059</u>	(6.80)	%
Per Capita	<u>\$ 1,002</u>	<u>\$ 1,072</u>	(6.54)	%
EXPENDITURES				
Current				
General government	\$ 1,218,580	\$ 1,041,291	17.03	%
Public safety	3,016,290	2,902,658	3.91	
Streets and highways	1,406,649	1,391,988	1.05	
Sanitation and waste removal	100,740	10,311	877.01	
Culture and recreation	1,330,948	1,419,270	(6.22)	
Housing and economic development	199,147	262,042	(24.00)	
Miscellaneous	492,002	566,190	(13.10)	
Capital outlay				
General government	10,792	50,831	(78.77)	
Public safety	39,074	84,477	(53.75)	
Streets and highways	2,145,011	1,880,929	14.04	
Culture and recreation	351,976	211,484	66.43	
Miscellaneous	905,886	58,345	1,452.64	
Debt service				
Principal	1,230,000	4,650,000	(73.55)	
Interest and other charges	408,708	504,376	(18.97)	
Bond issuance costs	54,271	-	100.00	
TOTAL EXPENDITURES	<u>\$ 12,910,074</u>	<u>\$ 15,034,192</u>	(14.13)	%
Per Capita	<u>\$ 1,234</u>	<u>\$ 1,433</u>	(13.88)	%
Total Long-term Indebtedness	\$ 16,510,000	\$ 15,410,000	7.14	%
Per Capita	1,578	1,468	7.45	
General Fund Balance - December 31	\$ 6,378,754	\$ 5,307,359	20.19	%
Per Capita	610	506	20.53	

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 Hoye 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				
	2015	2014	2013	2012	2011
Governmental activities					
Net investment in capital assets	\$ 41,232,320	\$ 40,916,624	\$ 38,956,915	\$ 33,902,134	\$ 31,176,518
Restricted	12,367,042	12,265,446	9,957,243	8,523,280	12,247,802
Unrestricted	2,908,794	1,550,558	7,610,856	9,029,687	6,960,460
Total governmental activities net position	56,508,156	54,732,628	56,525,014	51,455,101	50,384,780
Business-type activities					
Net investment in capital assets	33,949,598	33,735,220	32,805,088	33,021,655	30,733,612
Restricted	-	-	-	-	-
Unrestricted	12,197,684	11,263,786	12,142,960	10,123,274	9,556,319
Total business-type activities net position	46,147,282	44,999,006	44,948,048	43,144,929	40,289,931
Primary government					
Net investment in capital assets	75,181,918	74,651,844	71,762,003	66,923,789	61,910,130
Restricted	12,367,042	12,265,446	9,957,243	8,523,280	12,247,802
Unrestricted	15,106,478	12,814,344	19,753,816	19,152,961	16,516,779
Total primary government net position	<u>\$ 102,655,438</u>	<u>\$ 99,731,634</u>	<u>\$ 101,473,062</u>	<u>\$ 94,600,030</u>	<u>\$ 90,674,711</u>

Table 1

Fiscal Year				
2010	2009	2008	2007	2006
\$ 31,067,381	\$ 29,608,919	\$ 29,466,796	\$ 30,163,926	\$ 28,694,891
11,329,052	8,777,860	8,742,535	7,109,482	6,749,627
6,469,646	8,413,308	9,094,484	7,824,533	9,112,251
48,866,079	46,800,087	47,303,815	45,097,941	44,556,769
28,564,935	27,473,728	25,963,034	25,102,399	24,242,515
-	230,583	188,920	188,770	192,065
5,724,972	5,575,435	6,451,241	7,054,255	8,194,097
34,289,907	33,279,746	32,603,195	32,345,424	32,628,677
59,632,316	57,082,647	55,429,830	55,266,325	52,937,406
11,329,052	9,008,443	8,931,455	7,298,252	6,941,692
12,194,618	13,988,743	15,545,725	14,878,788	17,306,348
<u>\$ 83,155,986</u>	<u>\$ 80,079,833</u>	<u>\$ 79,907,010</u>	<u>\$ 77,443,365</u>	<u>\$ 77,185,446</u>

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

	Fiscal Year				
	2015	2014	2013	2012	2011
EXPENSES					
Governmental activities					
General government	\$ 1,216,566	\$ 1,142,823	\$ 1,230,371	\$ 1,181,084	\$ 1,123,699
Public safety	2,717,662	3,035,606	3,210,448	2,880,151	2,941,828
Public works/streets	3,128,949	2,567,586	3,286,029	2,853,511	3,599,560
Sanitation and waste removal	100,740	132,693	95,337	46,686	35,685
Culture and recreation	1,584,291	1,520,715	1,364,368	1,286,209	1,265,100
Housing development	120,042	173,290	76,316	439,722	32,366
Economic development	148,400	55,579	157,187	387,642	492,852
Miscellaneous	728,443	760,332	573,647	302,744	318,644
Interest on long-term debt	477,400	446,355	674,359	658,275	539,480
Total governmental activities expenses	<u>10,222,493</u>	<u>9,834,979</u>	<u>10,668,062</u>	<u>10,036,024</u>	<u>10,349,214</u>
Business-type activities					
Electric	13,285,756	13,617,700	13,983,971	14,199,539	14,751,216
District heat	-	-	-	-	244,063
Water	3,279,741	2,489,640	2,675,602	1,931,755	1,680,372
Wastewater	1,818,529	1,811,386	1,932,731	1,810,984	1,837,211
Storm sewer	453,463	421,155	367,738	299,870	366,330
Liquor	3,035,247	2,950,980	2,898,764	2,931,921	2,848,468
Parking lot	5,252	4,663	4,830	4,905	4,735
Total business-type activities expenses	<u>21,877,988</u>	<u>21,295,524</u>	<u>21,863,636</u>	<u>21,178,974</u>	<u>21,732,395</u>
Total primary government expenses	<u>\$ 32,100,481</u>	<u>\$ 31,130,503</u>	<u>\$ 32,531,698</u>	<u>\$ 31,214,998</u>	<u>\$ 32,081,609</u>

Table 2

Fiscal Year				
2010	2009	2008	2007	2006
\$ 1,092,840	\$ 1,194,126	\$ 1,060,319	\$ 1,008,433	\$ 994,539
2,887,905	3,126,827	3,197,366	2,954,994	2,804,377
2,927,285	3,166,996	3,018,328	3,200,264	3,033,356
46,879	36,222	38,485	25,159	35,724
1,309,746	1,395,361	1,423,616	1,300,403	1,292,290
282,849	172,673	50,661	11,281	4,502
411,663	482,270	493,343	586,654	597,198
325,526	543,557	346,929	371,100	390,795
579,300	604,535	502,413	538,319	516,123
9,863,993	10,722,567	10,131,460	9,996,607	9,668,904
14,472,796	13,773,937	14,015,988	14,099,206	12,842,254
363,596	345,237	389,609	330,122	588,710
1,867,238	1,889,420	1,718,635	1,591,493	1,457,492
1,788,281	1,776,424	1,770,331	1,696,362	1,234,535
356,087	347,372	354,246	369,270	355,847
2,671,313	2,494,940	2,397,033	2,219,043	2,064,655
4,456	4,529	4,170	4,243	4,142
21,523,767	20,631,859	20,650,012	20,309,739	18,547,635
\$ 31,387,760	\$ 31,354,426	\$ 30,781,472	\$ 30,306,346	\$ 28,216,539

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

	Fiscal Year				
	2015	2014	2013	2012	2011
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 218,618	\$ 223,894	\$ 207,868	\$ 188,707	\$ 213,341
Public safety	267,438	173,616	157,367	220,627	192,848
Public works/streets	3,327	1,177	3,141	4,738	1,511
Sanitation and waste removal	142,225	98,879	103,531	14,471	12,850
Culture and recreation	185,412	167,287	164,170	154,816	138,197
Housing development	7,669	7,585	8,198	9,248	7,453
Economic development	76,006	68,833	61,749	56,746	146,488
Miscellaneous	517,193	511,424	261,149	116,964	98,727
Operating grants and contributions	369,600	285,926	407,550	662,907	125,964
Capital grants and contributions	824,310	2,031,172	6,144,669	1,250,688	2,280,747
Total governmental activities program revenues	<u>2,611,798</u>	<u>3,569,793</u>	<u>7,519,392</u>	<u>2,679,912</u>	<u>3,218,126</u>
Business-type activities					
Charges for services					
Electric	14,599,368	14,742,850	14,675,757	15,074,146	15,649,347
District heat	-	-	-	-	82,626
Water	3,359,568	3,299,993	3,338,756	3,015,814	2,863,396
Wastewater	2,349,903	2,602,355	2,542,395	2,159,105	2,280,406
Storm sewer	582,566	583,369	587,188	576,106	575,513
Liquor	3,597,659	3,446,532	3,392,791	3,293,151	3,171,724
Parking	5,773	4,837	4,797	4,824	4,228
Operating grants and contributions	-	-	-	-	8,964
Capital grants and contributions	(97)	7,429	200,172	801,928	4,000,000
Total business-type activities program revenues	<u>24,494,740</u>	<u>24,687,365</u>	<u>24,741,856</u>	<u>24,925,074</u>	<u>28,636,204</u>
Total primary government program revenues	<u>\$ 27,106,538</u>	<u>\$ 28,257,158</u>	<u>\$ 32,261,248</u>	<u>\$ 27,604,986</u>	<u>\$ 31,854,330</u>
Net (expense)/revenue					
Governmental activities	\$ (7,610,695)	\$ (6,265,186)	\$ (3,148,670)	\$ (7,356,112)	\$ (7,131,088)
Business-type activities	<u>2,616,752</u>	<u>3,391,841</u>	<u>2,878,220</u>	<u>3,746,100</u>	<u>6,903,809</u>
Total primary government net expense	<u>\$ (4,993,943)</u>	<u>\$ (2,873,345)</u>	<u>\$ (270,450)</u>	<u>\$ (3,610,012)</u>	<u>\$ (227,279)</u>

Table 2 (Continued)

Fiscal Year				
2010	2009	2008	2007	2006
\$ 168,661	\$ 199,666	\$ 210,471	\$ 167,619	\$ 163,751
225,456	253,974	266,785	351,482	325,685
750	12,356	5,135	(100)	7,020
16,112	13,159	12,351	8,693	11,695
155,301	131,581	156,581	168,027	187,881
11,651	2,720	1,282	1,872	1,303
39,159	57,607	70,305	76,199	80,621
111,911	64,452	61,189	59,544	52,756
276,326	240,165	138,964	252,957	112,729
2,909,384	817,689	3,169,280	1,356,039	3,333,795
3,914,711	1,793,369	4,092,343	2,442,332	4,277,236
14,782,836	14,263,137	13,840,140	13,599,866	12,843,502
129,919	144,589	170,136	211,636	359,384
2,425,175	2,142,344	1,817,612	1,690,094	1,487,589
2,249,994	2,131,641	2,121,385	2,080,509	1,684,915
577,995	570,837	534,682	533,656	506,346
3,151,913	2,862,973	2,773,689	2,595,689	2,355,085
4,798	4,619	4,760	4,300	4,442
-	-	-	-	-
-	-	-	-	-
23,322,630	22,120,140	21,262,404	20,715,750	19,241,263
\$ 27,237,341	\$ 23,913,509	\$ 25,354,747	\$ 23,158,082	\$ 23,518,499
\$ (5,949,282)	\$ (8,929,198)	\$ (6,039,117)	\$ (7,554,275)	\$ (5,391,668)
1,798,863	1,488,281	612,392	406,011	693,628
\$ (4,150,419)	\$ (7,440,917)	\$ (5,426,725)	\$ (7,148,264)	\$ (4,698,040)

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

	Fiscal Year				
	2015	2014	2013	2012	2011
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 2,297,072	\$ 2,153,651	\$ 1,975,108	\$ 1,885,398	\$ 1,596,716
Property taxes, levied for debt service	1,025,796	1,094,331	1,153,660	1,152,523	1,025,257
Tax increments	67,165	27,020	-	334,725	341,402
Franchise taxes	38,294	36,927	36,205	34,343	35,392
Grants and contributions not restricted to specific programs	3,691,778	3,789,473	3,918,992	3,822,810	3,795,820
Unrestricted investment earnings (loss)	94,493	170,917	(14,237)	144,501	148,810
Other revenues	567,451	33,139	17,052	32,397	7,615
Gain on sale of capital assets	38,485	69,662	3,241	42,104	957,136
Transfers	1,565,689	964,632	1,128,562	977,632	941,148
Total governmental activities	<u>9,386,223</u>	<u>8,339,752</u>	<u>8,218,583</u>	<u>8,426,433</u>	<u>8,849,296</u>
Business-type activities					
Unrestricted investment earnings	97,213	89,997	53,461	86,530	53,591
Transfers	(1,565,689)	(964,632)	(1,128,562)	(977,632)	(941,148)
Total business-type activities	<u>(1,468,476)</u>	<u>(874,635)</u>	<u>(1,075,101)</u>	<u>(891,102)</u>	<u>(887,557)</u>
Total primary government	<u>\$ 7,917,747</u>	<u>\$ 7,465,117</u>	<u>\$ 7,143,482</u>	<u>\$ 7,535,331</u>	<u>\$ 7,961,739</u>
CHANGES IN NET POSITION					
Governmental activities	\$ 1,775,528	\$ 2,074,566	\$ 5,069,913	\$ 1,070,321	\$ 1,718,208
Business-type activities	1,148,276	2,517,206	1,803,119	2,854,998	6,016,252
Total primary government	<u>\$ 2,923,804</u>	<u>\$ 4,591,772</u>	<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>	<u>\$ 7,734,460</u>

Table 2 (Continued)

Fiscal Year				
2010	2009	2008	2007	2006
\$ 1,473,465	\$ 1,384,997	\$ 1,294,022	\$ 928,986	\$ 644,696
1,013,775	1,019,496	960,718	948,981	922,207
563,453	618,379	535,153	517,057	476,193
35,749	35,119	34,966	31,684	30,406
3,863,130	4,228,418	4,062,298	4,105,271	3,894,734
155,334	182,804	372,450	424,745	507,842
10,497	68,704	38,373	89,469	94,688
6,423	767	23,202	8,552	11,202
890,561	885,601	905,600	1,040,702	743,001
8,012,387	8,424,285	8,226,782	8,095,447	7,324,969
101,859	73,871	266,672	351,438	298,377
(890,561)	(885,601)	(905,600)	(1,040,702)	(743,001)
(788,702)	(811,730)	(638,928)	(689,264)	(444,624)
\$ 7,223,685	\$ 7,612,555	\$ 7,587,854	\$ 7,406,183	\$ 6,880,345
\$ 2,063,105	\$ (504,913)	\$ 2,187,665	\$ 541,172	\$ 1,933,301
1,010,161	676,551	(26,536)	(283,253)	249,004
\$ 3,073,266	\$ 171,638	\$ 2,161,129	\$ 257,919	\$ 2,182,305

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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			
2015	\$ 2,297,072	\$ 1,025,796	\$ 67,165	\$ 38,294	\$ 3,428,327
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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2006 - 2010)	305	674	660	2,300	-
Committed	-	-	-	-	40,387
Assigned	-	-	-	-	1,757,373
Unassigned (Unreserved 2006 - 2010)	<u>3,907,756</u>	<u>4,382,179</u>	<u>4,430,488</u>	<u>4,744,998</u>	<u>3,091,341</u>
Total General fund	<u>\$ 3,908,061</u>	<u>\$ 4,382,853</u>	<u>\$ 4,431,148</u>	<u>\$ 4,747,298</u>	<u>\$ 4,889,101</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2006 - 2010)	6,536,169	5,663,487	6,084,586	6,368,794	7,530,799
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2006 - 2010)	<u>2,511,771</u>	<u>902,816</u>	<u>2,609,474</u>	<u>2,248,030</u>	<u>3,242,524</u>
Total all other governmental funds	<u>\$ 9,047,940</u>	<u>\$ 6,566,303</u>	<u>\$ 8,694,060</u>	<u>\$ 8,616,824</u>	<u>\$ 10,773,323</u>

Table 4

Fiscal Year				
2011	2012	2013	2014	2015
\$ -	\$ 205,000	\$ 205,000	\$ -	\$ -
-	-	-	-	-
40,387	104,777	135,575	134,658	151,622
1,757,373	909,063	989,402	1,766,336	2,739,131
3,456,713	3,178,069	3,225,036	3,406,365	3,488,001
<u>\$ 5,254,473</u>	<u>\$ 4,396,909</u>	<u>\$ 4,555,013</u>	<u>\$ 5,307,359</u>	<u>\$ 6,378,754</u>
\$ 4,000	\$ 4,080	\$ 3,200	\$ 3,200	\$ -
8,178,777	12,491,677	12,731,158	10,843,720	11,337,886
89,950	137,347	604,172	1,322,943	1,082,705
2,525,140	2,412,379	2,045,307	105,406	207,420
(276,237)	(207,534)	(10,218)	(109,734)	(2,850)
<u>\$ 10,521,630</u>	<u>\$ 14,837,949</u>	<u>\$ 15,373,619</u>	<u>\$ 12,165,535</u>	<u>\$ 12,625,161</u>

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

	Fiscal Year				
	2006	2007	2008	2009	2010
REVENUES					
Taxes	\$ 2,068,198	\$ 2,402,159	\$ 2,790,577	\$ 3,027,035	\$ 3,071,934
Special assessments	762,723	883,363	822,304	961,413	1,209,484
Intergovernmental revenue	5,703,021	4,838,805	5,024,945	4,576,936	6,356,499
Licenses and permits	285,907	305,566	191,497	259,405	209,472
Charges for services	290,390	263,051	294,254	194,932	246,652
Fines and forfeits	66,097	72,315	101,767	90,530	79,054
Interest	460,553	374,172	320,276	160,308	138,235
Other revenues	411,508	449,753	514,536	314,345	294,939
TOTAL REVENUES	10,048,397	9,589,184	10,060,156	9,584,904	11,606,269
EXPENDITURES					
General government	933,372	919,007	986,375	979,188	1,019,439
Public safety	2,627,231	2,768,860	2,980,583	2,816,119	2,742,200
Public works	1,208,480	1,237,171	1,406,628	1,472,077	1,549,746
Culture and recreation	1,101,949	1,092,247	1,226,788	1,151,695	1,199,478
Housing and economic development	426,497	470,839	480,122	650,853	707,778
Public transportation	232,903	179,355	166,621	183,804	186,214
Capital outlay	4,595,167	2,687,112	3,987,549	2,583,866	2,965,921
Debt service					
Principal	1,440,000	2,745,000	1,625,000	1,535,000	1,840,000
Interest and fees	508,009	537,140	490,739	629,690	590,692
TOTAL EXPENDITURES	13,073,608	12,636,731	13,350,405	12,002,292	12,801,468
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,025,211)</u>	<u>(3,047,547)</u>	<u>(3,290,249)</u>	<u>(2,417,388)</u>	<u>(1,195,199)</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	2,617	2,423
Transfers in	1,360,040	1,946,802	4,707,116	1,200,490	1,126,742
Transfers out	(628,039)	(906,100)	(3,801,516)	(314,889)	(236,181)
Bonds issued	3,500,000	-	5,575,000	1,755,000	2,615,000
Premium/discount on bonds issued	(48,398)	-	10,701	13,084	(14,484)
Payments to refunded bond escrow agent	-	-	(1,025,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,183,603	1,040,702	5,466,301	2,656,302	3,493,500
NET CHANGE IN FUND BALANCES	<u>\$ 1,158,392</u>	<u>\$ (2,006,845)</u>	<u>\$ 2,176,052</u>	<u>\$ 238,914</u>	<u>\$ 2,298,301</u>
Debt service as a percentage of noncapital expenditures	21%	30%	21%	22%	24%

Table 5

Fiscal Year				
2011	2012	2013	2014	2015
\$ 2,977,296	\$ 3,398,775	\$ 3,153,610	\$ 3,307,262	\$ 3,448,929
795,914	736,782	815,756	674,620	589,366
5,466,554	5,399,277	9,716,414	5,786,044	4,313,685
164,159	192,982	134,360	149,066	213,922
293,483	304,432	416,091	668,623	799,346
72,617	74,671	55,394	66,829	56,129
135,391	132,406	(19,866)	165,770	86,920
326,767	315,626	565,643	429,845	974,449
10,232,181	10,554,951	14,837,402	11,248,059	10,482,746
1,085,598	1,157,782	1,196,929	1,041,291	1,218,580
2,837,558	2,826,749	2,981,980	2,902,658	3,016,290
1,621,730	1,500,995	1,525,919	1,402,299	1,561,660
1,134,889	1,207,576	1,283,893	1,419,270	1,330,948
502,151	573,075	134,378	262,042	199,147
187,033	210,815	336,450	566,190	492,002
3,415,045	3,996,105	7,612,851	2,286,066	3,452,739
2,735,000	1,465,000	1,410,000	4,650,000	1,230,000
594,109	946,826	544,346	504,376	408,708
14,113,113	13,884,923	17,026,746	15,034,192	12,910,074
(3,880,932)	(3,329,972)	(2,189,344)	(3,786,133)	(2,427,328)
957,136	42,104	9,183	69,662	38,485
1,674,392	3,165,011	1,822,851	989,632	2,366,802
(483,244)	(2,173,388)	(694,289)	(25,000)	(801,113)
1,820,000	5,755,000	1,715,000	-	2,330,000
26,327	-	30,373	-	24,175
-	-	-	-	-
3,994,611	6,788,727	2,883,118	1,034,294	3,958,349
\$ 113,679	\$ 3,458,755	\$ 693,774	\$ (2,751,839)	\$ 1,531,021
29%	24%	19%	40%	16%

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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
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
2015	3,343,470	67,165	38,294	3,448,929

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

Fiscal Year Ended December 31,	Real and Personal Property		Agricultural Property	Other
	Residential Property	Commercial Property		
2006	\$ 340,834,820	\$ 95,797,060	\$ 13,314,718	\$ 3,606,600
2007	398,836,187	103,352,140	15,537,691	3,980,033
2008	432,654,773	121,011,160	16,087,582	2,965,633
2009	429,003,100	171,694,300	21,590,900	3,896,600
2010	424,819,600	167,521,200	24,328,100	4,262,700
2011	372,248,320	142,268,133	25,308,200	3,339,700
2012 (1)	351,585,800	165,135,200	30,989,100	4,977,800
2013 (1)	352,320,150	173,337,800	41,821,000	4,833,400
2014 (1)	374,953,000	191,196,300	45,612,200	5,487,600
2015 (1)	374,369,300	191,816,100	41,456,700	6,181,500

Source: Martin County Assessors' Office

(1) Total Market Value after HMVE

Table 7

Total Taxable Market Value		Total Direct Tax Rate	Indicated Market Value		Assessed Value (1) as a Percentage of Actual Value
\$	453,553,198	38.570	\$	487,882,781	92.96 %
	521,706,051	39.789		516,333,077	101.04
	572,719,148	42.021		561,668,253	101.97
	626,184,900	39.481		592,616,000	105.66
	620,931,600	42.272		675,914,203	91.87
	543,164,353	49.454		670,211,836	81.04
	552,687,900	48.349		629,089,800	87.86
	572,312,350	48.381		647,810,000	88.35
	617,249,100	46.165		692,285,200	89.16
	613,823,600	48.739		689,312,500	89.05

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
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
2015	35.060	13.679	48.739	33.929	0.620	34.549

Source: Martin County Assessors' Office.

(1) Detail breakdown not available before 2007.

Table 8

Overlapping Rates				Total Direct and Overlapping Rates
School District			Special Districts	
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total School Tax Capacity Rate		
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
8.887	17.176	26.063	0.387	109.738

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

Taxpayer	Type of Business	2015		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Green Plains Fairmont LLC	Ethanol Manufacturing	\$ 20,471,800	1	3.3 %
Cenex Harvest States	Soybean Crushing	18,252,300	2	3.0
Wal-Mart	Retail	11,274,100	3	1.8
SMMPA	Utilities	9,569,100	4	1.6
Goldfinch Estates	Assisted Living	8,871,300	5	1.4
Mayo Health Systems-Fairmont	Medical Facility	5,837,400	6	1.0
Weigh-Tronix, Inc.	Scale Manufacturing	5,256,000	7	0.9
Bank Midwest	Banking	5,080,700	8	0.8
AL & CE Ward Inc.	Professional Services	3,857,000	9	0.6
Minnesota Energy Resources	Utilities	3,856,900	10	0.6
Five Lakes Center	Shopping Center	-		-
Goldfinch Estates	Assisted Living	-		-
Fairmont Foods	Frozen Gourmet Food	-		-
Fairmont Partners LP	Discount Retail Store	-		-
Welchland Investments, LLC	Commercial	-		-
Great River Energy, Inc.	Utilities	-		-
Shopko Real Estate, LLC	Retail	-		-
Total		<u>\$ 92,326,600</u>		<u>15.0 %</u>

Source: Martin County Assessors' Office.

Table 9

2006		Rank	Percentage of Total Taxable Market Value
Taxable Market Value			
\$ 14,043,000	1		3.1 %
-			-
-			-
-			-
4,748,400	2		1.0
3,644,900	5		0.8
-			-
-			-
-			-
4,200,000	3		0.9
4,174,100	4		0.9
2,721,400	6		0.6
2,547,300	7		0.6
2,627,900	8		0.6
2,382,800	9		0.5
2,084,800	10		0.5
<u>\$ 43,174,600</u>			<u>9.5 %</u>

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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
2006	\$ 1,926,500	\$ 1,907,580	99.0 %	\$ 18,915	\$ 1,926,495	100.0 %
2007	2,226,200	2,203,042	99.0	23,132	2,226,174	100.0
2008	2,622,200	2,590,697	98.8	31,487	2,622,184	100.0
2009	2,760,620	2,727,817	98.8	31,627	2,759,444	100.0
2010	2,857,242	2,816,532	98.6	38,571	2,855,103	99.9
2011	2,992,245	2,936,191	98.1	52,721	2,988,912	99.9
2012	3,120,665	3,064,821	98.2	39,275	3,104,096	99.5
2013	3,214,285	3,156,697	98.2	38,518	3,195,215	99.4
2014	3,310,714	3,264,224	98.6	32,601	3,296,825	99.6
2015	3,410,035	3,372,606	98.9	-	3,372,606	98.9

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	
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
2015	-	16,628,375	-	1,179,144	32,466,495	50,274,014

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
2.97 %	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
2.41	17.51	4,804

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CITY OF FAIRMONT, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2015

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	<u>\$ 16,628,375</u>	100.00 %	<u>\$ 16,628,375</u>
Total direct debt	<u>16,628,375</u>		<u>16,628,375</u>
Martin County	6,331,000	13.90	880,009
Independent School District No. 2752	<u>36,565,000</u>	42.92	<u>15,693,698</u>
Total overlapping debt	<u>42,896,000</u>		<u>16,573,707</u>
Total direct and overlapping debt	<u><u>\$ 59,524,375</u></u>		<u><u>\$ 33,202,082</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 9,071,064	\$ 10,434,121	\$ 17,181,574	\$ 18,785,547	\$ 18,627,948
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Legal debt margin	<u>\$ 9,071,064</u>	<u>\$ 10,434,121</u>	<u>\$ 17,181,574</u>	<u>\$ 18,785,547</u>	<u>\$ 18,452,948</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.9</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

2011	2012	2013	2014	2015
\$ 16,294,931	\$ 16,580,637	\$ 17,169,371	\$ 18,517,473	\$ 18,414,708
125,000	65,000	-	-	-
<u>\$ 16,169,931</u>	<u>\$ 16,515,637</u>	<u>\$ 17,169,371</u>	<u>\$ 18,517,473</u>	<u>\$ 18,414,708</u>
<u>0.8</u>	<u>0.4</u>	<u>-</u>	<u>-</u>	<u>-</u>

Legal Debt Margin Calculation for Fiscal Year 2015

Market value	\$ 613,823,600
Debt limit (3% of total assessed value)	<u>18,414,708</u>
Debt applicable to limit	
General obligation bonds	-
Less Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 18,414,708</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 ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
					Principal	Interest	Total	
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
2015	(5)	6,330,329	3,112,875	3,217,454	1,624,000	756,333	2,380,333	1.35

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

Fiscal Year	Population (A)	Per Capita Personal Income	Total Personal Income (B)	Median Age (B & C)	School Enrollment (D)	Unemployment Rate (E)
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	6.0
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
2015	10,464	27,443	287,163,552	47.6	1,695	4.5

(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	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	546	1	5.39 %	650	1	5.72 %
Weigh-Tronix Scale Manufacturing	305	2	3.01	375	2	3.30
ISD 2752	260	3	2.57	242	4	2.13
Hy-Vee	240	4	2.37	-		-
Torgerson Properties	219	5	2.16	-		-
Wal-Mart	191	6	1.88	-		-
REM Heartland	185	7	1.83	200	6	1.76
Fairmont Foods of Minnesota	165	8	1.63	250	3	2.20
Lakeview Health Care Facility	151	9	1.49	215	5	1.89
Martin County	131	10	1.29	165	8	1.45
Aerospace Systems	-		-	180	7	1.58
3M	-		-	150	9	1.32
Fairmont Surgical Center	-		-	120	10	1.06
Total	<u>2,393</u>		<u>23.62 %</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				
	2006	2007	2008	2009	2010
General government	14	14	14	14	14
Public safety					
Police					
Officers	18	18	18	18	18
Civilians	2	2	2	1	1
Streets and highways					
Engineering	4	4	4	4	4
Maintenance	10	10	11	12	12
Culture and recreation					
Parks	9	8	8	8	8
Housing and economic development	2	2	2	2	2
Water	10	10	10	11	11
Sewer	6	6	6	6	6
Electric	28	26	25	17	17
Liquor Store	4	3	3	3	3
Airport	-	-	-	-	-
Total	<u>107</u>	<u>103</u>	<u>103</u>	<u>96</u>	<u>96</u>

Source: City of Fairmont Records

Table 17

Full-time Equivalent Employees as of December 31				
2011	2012	2013	2014	2015
14	11	11	11	11
17	17	16	16	16
2	2	2	2	2
3	4	4	3	3
12	10	10	10	10
8	8	8	9	9
2	2	2	3	3
10	10	10	11	12
6	6	6	5	5
12	12	12	11	11
3	3	3	3	3
-	-	-	1	1
89	85	84	85	86

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Adult arrests	1,357	1,337	1,301	1,426	1,483
Juvenile arrests	150	153	150	132	125
Fire					
Number of fire calls answered	69	111	109	97	128
Number of rescue calls answered	14	50	28	35	34
Highways and streets					
Street resurfacing (miles)	18	9	10	5	4
Culture and recreation					
Attendance at water park	32,532	27,000	28,000	25,000	26,346
Water					
Annual water consumption (thousands of gallons)	516,765	536,442	522,275	481,836	465,407
Wastewater					
Annual treatment flows (thousands of gallons)	676,750	654,970	526,650	536,740	741,060
Electric					
Annual KWH electricity sold (thousands of kwh)	148,178	154,797	158,024	147,794	153,605

Sources: Various government departments.

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

Table 18

Fiscal Year				
2011	2012	2013	2014	2015
1,175	1,306	1,178	1,310	979
162	125	54	74	87
140	122	126	114	119
20	28	22	17	19
5	5	4	3	5
21,000	24,500	22,400	22,771	25,336
455,140	430,334	414,121	354,293	367,127
656,800	404,830	468,170	475,036	490,670
156,001	151,973	148,187	147,322	142,562

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Public safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	18	18	18
Part-time paid police	4	5	3	3	3
Civilian employees	2	2	2	1	1
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	32	32	32	32	32
Hydrants		554	556	556	556
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	73	74	74	74	74
Percent of paved streets	96%	96%	96%	96%	96%
Signalized intersections	9	10	10	10	10
Parks division					
Neighborhood parks	19	19	26	26	26
Area in acres	380	380	540	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	5	5	5
Swimming areas	2	2	2	2	2
Tennis courts	2	2	4	2	2
Volleyball courts	2	2	2	2	2
Utilities					
Municipal water					
Consumers	4,591	4,595	4,598	4,599	4,443
Average daily consumption	1,571,569	1,627,440	1,634,208	1,546,175	1,539,775
Maximum production capacity	4,300,000	4,300,000	5,400,000	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	82	83	83	83	83
Municipal wastewater treatment					
Average daily treatment	1,854,109	1,663,014	1,442,877	1,470,521	2,030,301
Maximum design capacity	6,000,000	6,000,000	11,500,000	11,500,000	11,500,000
Miles of sanitary sewer	74	80	80	80	80
Storm drains					
Miles of storm sewer	41	41	41	41	41
Holding ponds	8	8	8	8	8
Parking system					
Off-street parking					
Off street lots	7	7	7	7	7
Employees					
Supervisors	15	12	13	13	13
Union employees	82	73	72	65	65
Other employees	20	18	18	18	18
Total employees	107	103	103	96	96

Source: City of Fairmont Records

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

Table 19

Fiscal Year				
2011	2012	2013	2014	2015
1	1	1	1	1
17	17	16	15	15
3	3	3	3	3
2	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	29
540	540	540	540	560
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
-	1	1	1	1
5	3	3	3	3
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
4,442	4,429	4,426	4,410	4,423
1,413,036	1,272,199	1,134,577	970,665	1,238,628
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
1,799,452	1,109,123	1,282,658	1,301,468	1,342,500
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
11	10	10	10	10
59	58	57	58	59
19	17	17	17	17
89	85	84	85	86

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CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
MISCELLANEOUS STATISTICAL FACTS
FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE 20

WATER SYSTEM

Source	Budd Lake
Number of Connections - Residential	3,930
- Commercial	492
- Industrial	1
Daily Average Consumption (Gallons)	1,005,828
System Capacity (Gallons)	5,400,000
Miles of Water Mains in Service	83
Number of Fire Hydrants	574
Wells	1

SEWER SYSTEM

Discharge	Center Creek
Number of Connections - Residential	3,927
- Commercial	454
- Industrial	1
Miles of Sanitary Sewer	80
Number of Lift Stations	30
Daily Average Treatment (Gallons)	1,344,301
Maximum Capacity of Treatment Plant (Gallons)	11,500,000

ELECTRIC SYSTEM

Generating Capacity	-
Number of Connections - Residential	4,984
- 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

	2015	2014	2013	2012	2011
Electric Department					
Production	\$ 10,697,955	\$ 10,973,273	\$ 11,370,136	\$ 11,488,996	\$ 11,793,263
Distribution	1,158,176	1,171,484	1,173,817	1,251,599	1,234,196
Administration and depreciation	1,387,871	1,364,473	1,357,745	1,253,489	1,210,384
Total Electric Department	<u>13,244,002</u>	<u>13,509,230</u>	<u>13,901,698</u>	<u>13,994,084</u>	<u>14,237,843</u>
Water Department					
Filtration	1,028,792	986,423	950,375	957,550	1,007,315
Distribution	439,942	420,787	466,580	449,489	282,000
Administration and depreciation	1,229,500	479,722	436,620	356,590	327,437
Total Water Department	<u>2,698,234</u>	<u>1,886,932</u>	<u>1,853,575</u>	<u>1,763,629</u>	<u>1,616,752</u>
District Heat Department					
Production	-	-	-	-	62,657
Distribution	-	-	-	-	602
Administration and depreciation	-	-	-	-	-
Total District Heat Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,259</u>
Wastewater Department					
Treatment	589,736	532,665	633,326	623,509	588,910
Collection	294,909	287,866	303,052	279,944	284,448
Administration and depreciation	807,607	839,304	843,856	781,998	780,124
Total Wastewater Department	<u>1,692,252</u>	<u>1,659,835</u>	<u>1,780,234</u>	<u>1,685,451</u>	<u>1,653,482</u>
TOTAL	<u>\$ 17,634,488</u>	<u>\$ 17,055,997</u>	<u>\$ 17,535,507</u>	<u>\$ 17,443,164</u>	<u>\$ 17,571,336</u>

Table 21

2010	2009	2008	2007	2006
\$ 11,907,333	\$ 11,457,408	\$ 11,856,255	\$ 12,023,808	\$ 10,847,733
1,212,690	1,071,154	998,186	833,174	806,975
1,219,437	1,066,353	1,013,880	1,030,065	1,037,615
14,339,460	13,594,915	13,868,321	13,887,047	12,692,323
1,128,507	1,164,881	1,039,526	948,844	851,656
432,482	437,103	401,887	370,711	331,522
286,837	264,022	259,007	250,072	249,915
1,847,826	1,866,006	1,700,420	1,569,627	1,433,093
116,599	122,270	164,148	298,515	510,224
794	654	6,909	2,844	34,384
246,203	222,305	218,556	28,460	41,242
363,596	345,229	389,613	329,819	585,850
587,921	584,674	617,598	530,013	501,320
271,987	293,973	260,666	267,312	248,060
709,412	690,480	676,457	676,959	254,427
1,569,320	1,569,127	1,554,721	1,474,284	1,003,807
\$ 18,120,202	\$ 17,375,277	\$ 17,513,075	\$ 17,260,777	\$ 15,715,073

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Electric Department	\$ 14,561,648	\$ 14,713,001	\$ 14,639,236	\$ 14,856,538	\$ 15,601,619
Water Department	3,329,141	3,273,006	3,332,167	3,023,394	2,838,809
District Heat Department	-	-	-	-	82,626
Wastewater Department	<u>2,349,903</u>	<u>2,599,354</u>	<u>2,542,395</u>	<u>2,159,105</u>	<u>2,246,597</u>
Total	<u>\$ 20,240,692</u>	<u>\$ 20,585,361</u>	<u>\$ 20,513,798</u>	<u>\$ 20,039,037</u>	<u>\$ 20,769,651</u>

Table 22

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 14,724,031	\$ 14,270,358	\$ 13,775,629	\$ 13,465,436	\$ 12,776,569
2,413,865	2,037,674	1,810,191	1,679,360	1,475,229
129,919	144,589	170,136	211,636	359,280
<u>2,250,191</u>	<u>2,143,140</u>	<u>2,121,165</u>	<u>2,080,260</u>	<u>1,683,571</u>
<u><u>\$ 19,518,006</u></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>

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

Table 23

Year	Gross Generation	Purchased KWH	Purchased From	Total KWH	* Sales KWH	Own Use	Peak Demand
2015	-	149,679,834	SMMPA/WAPA	149,679,834	142,562,065	-	29,449
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

* 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 24

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
2015	\$ 10,697,955 0.07147	\$ 1,158,176 0.00774	\$ 994,948 0.00665	\$ 392,923 0.00263	\$ 13,244,002 0.08849	\$ 149,679,834 142,562,065	\$ 0.09290
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

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

Table 25

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
2015						
Residential Light	27,532,940	\$ 3,132,345	\$ 0.113767	19.3 %	22.2 %	3,849
Commercial Service	20,172,539	2,180,659	0.108100	14.2	15.5	753
General Service	17,502,445	1,765,020	0.100844	12.3	12.5	43
Industrial Sales	50,448,638	4,503,510	0.089269	35.4	31.9	12
All Electric	8,595,082	759,629	0.088379	6.0	5.4	8
Rural Electric	3,749,447	417,365	0.111314	2.6	3.0	226
Filter Plant	1,391,200	92,515	0.066500	1.0	0.7	1
Street Lighting	1,634,671	122,601	0.075000	1.1	0.9	6
Flat Rate Security Lights	126,678	10,545	0.083243	0.1	0.1	-
Residential Heat	8,938,461	934,426	0.104540	6.3	6.6	901
Wastewater Plant	1,401,166	93,178	0.066500	1.0	0.7	1
Seasonal Heat Rate	1,068,798	77,445	0.072460	0.7	0.5	24
Energy Cost Adjustment	-	3	-	-	-	-
Total Sales	<u>142,562,065</u>	<u>\$ 14,089,241</u>	<u>\$ 0.098829</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,824</u>
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>

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

Table 25 (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
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	148,187,120	\$ 14,265,649	\$ 0.096268	100.0 %	100.0 %	5,856

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	151,973,053	\$ 14,432,607	\$ 0.094968	100.0 %	100.0 %	5,867

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

Table 25 (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
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
SMMPA Expansion Rate	974,039	45,552	0.046766	0.6	0.3	26
Energy Cost Adjustment	-	3,823,925	-	-	26.2	-
Total Sales	155,661,326	\$ 14,612,493	\$ 0.093874	100.0 %	100.0 %	5,867
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	-
Energy Cost Adjustment	-	2,895,457	-	-	21.1	-
Total Sales	153,605,131	\$ 13,733,691	\$ 0.089409	100.0 %	100.0 %	5,917

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

Table 25 (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
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>
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	<u>158,023,616</u>	<u>\$ 11,986,092</u>	<u>\$ 0.075850</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,064</u>

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

Table 25 (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
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	<u>154,796,516</u>	<u>\$ 10,995,710</u>	<u>\$ 0.071033</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,102</u>
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>

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

	2015	2014	2013	2012	2011
Industrial/Commercial Users					
Fairmont Foods	14,158,043	13,051,618	2,464,831	14,315,307	15,975,378
	\$ 1,210,805	\$ 1,107,336	\$ 1,042,803	\$ 1,180,918	\$ 1,317,813
Minnesota Mining and Manufacturing	8,211,144	7,825,221	7,591,649	7,712,425	7,361,865
	\$ 701,501	\$ 651,696	\$ 619,290	\$ 631,048	\$ 604,175
Harsco Track Technology	518,400	517,200	552,000	571,200	1,136,400
	\$ 50,927	\$ 51,381	\$ 54,207	\$ 56,457	\$ 122,519
Hancor	6,089,000	6,670,000	7,509,000	8,627,000	7,840,000
	\$ 567,118	\$ 601,875	\$ 666,009	\$ 723,634	\$ 661,645
Weigh-Tronix	5,418,081	5,597,822	5,734,080	6,392,412	6,501,321
	\$ 518,706	\$ 523,817	\$ 530,950	\$ 575,467	\$ 589,774
Fareway Foods	1,339,479	1,378,376	1,484,452	1,398,829	1,309,292
	\$ 117,101	\$ 119,403	\$ 124,463	\$ 119,854	\$ 115,007
Shopko	1,123,000	1,218,750	1,414,500	1,451,000	1,287,750
	\$ 108,445	\$ 109,459	\$ 122,882	\$ 123,958	\$ 113,221
Holiday Inn	1,443,250	1,565,250	1,633,500	1,552,500	1,759,000
	\$ 134,459	\$ 141,662	\$ 143,720	\$ 139,323	\$ 154,431
Fairmall Shopping Center	1,044,880	1,129,560	1,092,200	945,860	776,400
	\$ 103,581	\$ 105,865	\$ 103,406	\$ 88,258	\$ 90,337
Hy-Vee Foods	2,756,800	2,666,800	2,698,800	2,605,120	2,657,440
	\$ 234,366	\$ 224,510	\$ 222,689	\$ 221,566	\$ 211,168
Fairmont Refrigerated Services	5,660,120	6,055,200	6,139,800	6,127,560	6,030,720
	\$ 460,842	\$ 485,452	\$ 480,003	\$ 474,287	\$ 465,861
Kmart	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Wal-Mart Stores	3,110,800	3,234,800	3,296,000	3,449,200	3,506,800
	\$ 264,077	\$ 266,997	\$ 270,157	\$ 283,831	\$ 285,919
Fairmont Hospital	6,192,900	3,487,368	6,375,600	6,314,400	6,735,600
	\$ 537,020	\$ 399,776	\$ 527,157	\$ 516,892	\$ 557,202
I.S.D. No. 2752	1,980,000	3,487,368	3,585,720	3,427,680	3,211,200
	\$ 247,891	\$ 399,776	\$ 400,658	\$ 384,529	\$ 346,486
Wastewater Treatment Plant	1,401,166	1,437,200	1,325,800	1,248,800	1,270,200
	\$ 93,178	\$ 99,569	\$ 89,004	\$ 83,835	\$ 79,786
Water Treatment Plant	1,391,200	1,535,800	1,212,440	1,475,640	1,647,730
	\$ 92,515	\$ 93,366	\$ 76,158	\$ 92,691	\$ 103,500

Table 26

2010	2009	2008	2007	2006
14,405,962	15,229,904	16,305,260	16,582,991	15,601,780
\$ 1,114,623	\$ 1,130,627	\$ 1,032,066	\$ 945,836	\$ 843,067
7,172,204	6,743,792	7,023,623	4,696,660	4,180,645
\$ 547,629	\$ 498,185	\$ 448,190	\$ 301,849	\$ 256,485
1,742,400	1,935,600	1,990,800	2,187,600	2,823,600
\$ 177,622	\$ 184,883	\$ 173,609	\$ 171,938	\$ 188,840
7,092,000	6,536,000	6,944,000	6,014,920	5,823,360
\$ 566,223	\$ 519,326	\$ 477,075	\$ 400,844	\$ 394,952
6,501,551	6,111,050	7,540,040	7,607,048	7,158,260
\$ 551,984	\$ 511,612	\$ 526,424	\$ 487,991	\$ 436,365
1,142,880	-	-	-	-
\$ 89,704	\$ -	\$ -	\$ -	\$ -
1,280,250	1,246,000	1,419,000	1,407,000	1,428,000
\$ 105,200	\$ 98,515	\$ 94,750	\$ 89,319	\$ 84,316
1,674,250	1,610,500	1,803,000	1,739,750	1,642,000
\$ 138,570	\$ 127,840	\$ 121,897	\$ 109,607	\$ 99,697
789,640	760,940	905,540	990,760	1,069,700
\$ 71,990	\$ 69,330	\$ 71,467	\$ 72,912	\$ 70,974
2,525,920	2,670,880	2,649,280	2,862,720	2,869,440
\$ 189,363	\$ 192,183	\$ 161,366	\$ 157,690	\$ 147,512
5,872,680	6,031,080	6,042,600	6,460,920	6,207,840
\$ 424,233	\$ 414,539	\$ 358,950	\$ 349,012	\$ 325,735
-	129,984	1,114,752	1,640,832	1,788,480
\$ -	\$ 11,927	\$ 84,373	\$ 104,679	\$ 101,591
3,476,800	3,461,200	3,676,400	1,945,200	-
\$ 268,115	\$ 255,977	\$ 232,011	\$ 113,010	\$ -
6,806,700	6,521,400	6,997,500	7,279,200	6,711,300
\$ 540,320	\$ 485,053	\$ 444,303	\$ 423,944	\$ 362,057
2,558,880	2,312,000	2,367,120	2,384,800	2,372,760
\$ 240,995	\$ 209,171	\$ 190,684	\$ 179,895	\$ 168,889
1,239,000	1,286,800	1,297,400	1,278,400	1,169,400
\$ 70,727	\$ 69,939	\$ 57,887	\$ 49,573	\$ 40,168
1,637,640	1,768,320	1,834,560	1,825,560	1,892,520
\$ 93,483	\$ 96,110	\$ 81,854	\$ 70,790	\$ 65,006

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

Table 27

	<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>2015</u>					
Net Raw Water	442,895,764	100.0 %			
Used in Production	<u>8,100,838</u>	<u>1.8</u>			
Net Finished Water	434,794,926	98.2			
Loss in Distribution System (including hydrant)	<u>67,667,767</u>	<u>15.3</u>			
Total Sales	<u>367,127,159</u>	<u>82.9</u>	\$ 2,942,896	\$ 8.016013	4,423
<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

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

Table 27 (Continued)

	<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>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
<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

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

Table 28

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
2015	\$ 1,028,792 2.3662	\$ 439,942 1.0118	\$ 298,889 0.6874	\$ 930,611 2.1403	\$ 2,698,234 6.2057	434,794,926 367,127,159	\$ 7.3496
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

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

Table 29

	<u>Total Pounds</u>	<u>Percent of Total</u>	<u>Total Revenue</u>	<u>Revenue Per M Pounds</u>	<u>Steam Meters</u>
<u>2015</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	-
Metered Power Plant use	-	-	-	-	-
Loss	-	-	-	-	-
Fuel cost adder	-	-	-	-	-
Total steam metered to District Heat Department	-	-	-	-	-
<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	-

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

Table 29 (Continued)

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<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	
<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	

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

Table 30

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
2015	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ -
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

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

Table 31

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
2015	490,670	\$ 589,736 1.2019	\$ 294,909 0.6010	\$ 204,631 0.4170	\$ 602,976 1.2289	\$ 1,692,252 3.4488	945,000 4,600,000
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

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**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*. 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.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 9, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2016.

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.

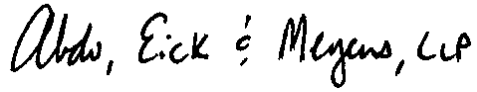
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
Mankato, Minnesota
May 9, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015

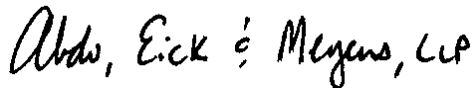
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 9, 2016

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor	Pass-through Grantor	Program Title	Federal Domestic Assistance Number	Total Federal Expenditures
U.S. Department of Commerce		Economic Adjustment Assistance	11.307	\$ 688,492
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401	7,446
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	52,802
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety	20.600	3,011
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2,848
U.S. Department of Transportation	Minnesota Department of Transportation	National Priority Safety Program	20.616	1,493
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	100,074
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036	<u>4,755</u>
	Total expended			<u><u>\$ 860,921</u></u>
Balance of RLF loans outstanding at year end				\$ 600,879
Cash and investment balances in the RLF at year end				86,201
Administrative expenses paid out of RLF income during the year				<u>1,412</u>
Subtotal				688,492
Federal share of the RLF				<u>100%</u>
Total expenditures				<u><u>\$ 688,492</u></u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1: Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Fairmont, Minnesota, (the City) for the year ended December 31, 2015. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of significant accounting policies for expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through entity identifying numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect cost rate

During the year ended December 31, 2015, the City did not elect to use the 10% de minimis indirect cost rate.

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CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2CFR section 200.516(a)?	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Economic Adjustment Assistance	11.307
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
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 the Uniform Guidance?