

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2016

PREPARED BY:

FINANCE DEPARTMENT

PAUL HOYE  
Finance Director

Member GFOA of U.S. and Canada  
Published April 20, 2017

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**INTRODUCTORY SECTION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016



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

Phone (507) 238-9461

Fax (507) 238-9469

April 20, 2017

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, 2016.

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

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

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

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

Respectfully submitted,

City of Fairmont

Mike Humpal, CEcD  
City Administrator

MH/sko  
Encls.

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April 20, 2017

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, 2016. 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, agribusinesses and a variety of other products. The City's financial base is currently sound with taxable market values increasing 4.5% in 2016. 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 2017. Unemployment rates have remained below average compared to the state and national level at 3.9% compared to 4.1% for Minnesota and 4.5% 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 opened a new clinic 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 –

In 2016, the City of Fairmont was awarded a Small Cities Development Program grant through the Department of Employment and Economic Development to assist income eligible, single family homeowners in completing some structural, health and life safety improvements to their homes. This program is expected to assist 15 homeowners in our community's target area.

Zierke Built Manufacturing came to the Fairmont Economic Development Authority in 2016 to request Tax Abatement from the City of Fairmont and Martin County to be used to purchase and rehabilitate a large, vacant and underutilized building in town. This project will relocate 30 full-time jobs to Fairmont from Winnebago, Minnesota and also generate another 30 full-time jobs over the next five years. The business is family owned and operated, which produces custom fabricated products for both domestic and international markets. The Fairmont Economic Development Authority also allowed the company access to the Minnesota Investment Fund from the State of Minnesota so they could purchase state-of-the-art equipment.

Taking advantage of Tax Increment Financing, through the Fairmont Economic Development Authority, the Fairmont Realty Group, LLC in 2017 will demolish three blighted area houses and build seven, three-bedroom, multifamily rental housing units within walking distance of Fairmont's historical downtown and local college campus. The redevelopment ensures that residents have access to the sort of safe, affordable housing that attracts workers and families of all income levels.

The Fairmont Economic Development Authority assisted an entrepreneur with the use of the Revolving Loan Fund in purchasing and renovating a building in order to provide custom butcher services to residents for the first time in the city's recent history. There is also a retail counter to serve walkup traffic. Four full-time jobs were created as a result of this endeavor, which spurred private investment in the community.

The City was awarded a grant through the Southern Minnesota Initiative Foundation to kick off the Brain Gain project. With the help of the Fairmont Area Chamber of Commerce, Workforce Center, Visit Fairmont, Fairmont Area Schools and a number of private businesses, the endeavor included launching a website called FairmontAreaLife.com and conducting assorted marketing and social media marketing campaigns to recruit folks between the ages of 30 and 49 to relocate to friendly Fairmont to live, work and play. The project's brand – "All We're Missing is You" – is a hit with residents, visitors and local businesses.

For the future -

Infrastructure improvement continues to be a community priority. Street improvements are planned for 2017 totaling \$6,100,000. The City Council held a budget and goal setting session in 2016 to set improvement goals for the upcoming year. Projects include improvements to the Lincoln Park shelter house, trail improvements, demolition of the Pioneer Bridge in preparation for the constructions of a new bridge, a new phone system 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 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 2017 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, 2016 the General fund balance was 85.5% 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, 2015. 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-five (25) consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Honorable Mayor and City Council  
April 20, 2017

#### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

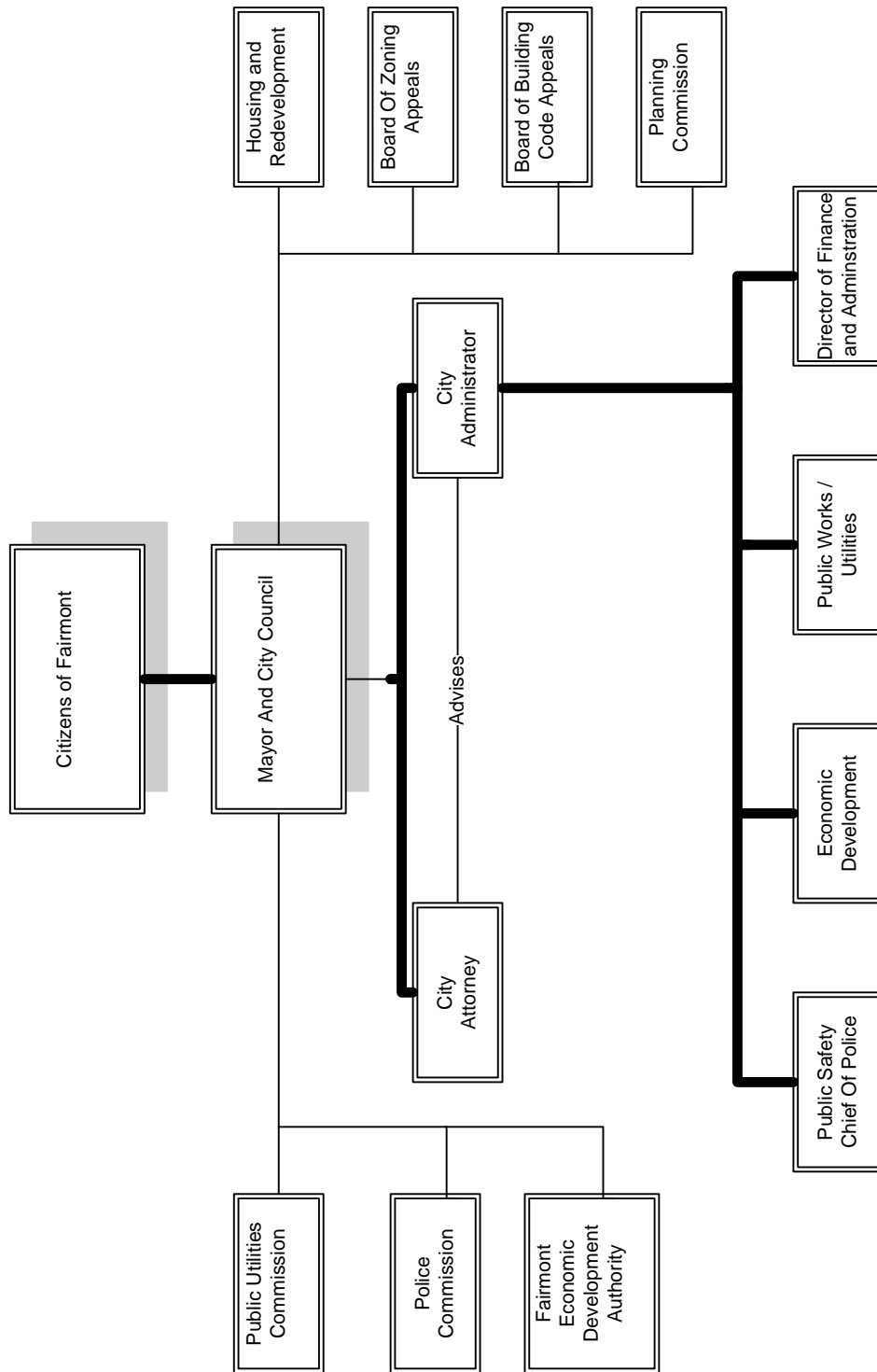
A handwritten signature in blue ink, appearing to read "Paul Hoyer".

City of Fairmont  
Paul Hoyer  
Finance Director



CITY OF FAIRMONT  
FAIRMONT, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Bob Wallace	12/31/2016
Council Members	Wes Clerc	12/31/2016
	Bruce Peters	12/31/2018
	Terry Anderson	12/31/2016
	Jim Zarling	12/31/2018
	Chad Askeland	12/31/2016
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	Michael N. Hunter	





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, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is fluid and cursive.

Executive Director/CEO



**FINANCIAL SECTION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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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, 2016, 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Report on Summarized Comparative Information*

We have previously audited the City's 2015 financial statements, and we expressed unmodified opinions on the respective proprietary fund financial statements in our report dated May 9, 2016. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *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 117 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*

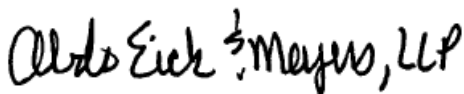
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional 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 schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 April 20, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 20, 2017

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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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$104,123,695 (*net position*). Of this amount, \$17,065,455 (*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 \$1,468,257, compared to an increase of \$2,923,804 in the previous year. The increase in net position is attributed to continued strong performance of the City's enterprise funds specifically the Water, Wastewater, Electric and Municipal Liquor funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,521,248, a decrease of \$482,667 in comparison with the prior year. This decrease is mainly the result capital outlay expenditures for the 2016 Capital Improvement Program. Unassigned fund balance at year end is \$3,159,209. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$10,818,055), 2) committed (\$1,139,392), 3) assigned (\$3,403,805) or 4) nonspendable (\$787) 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**

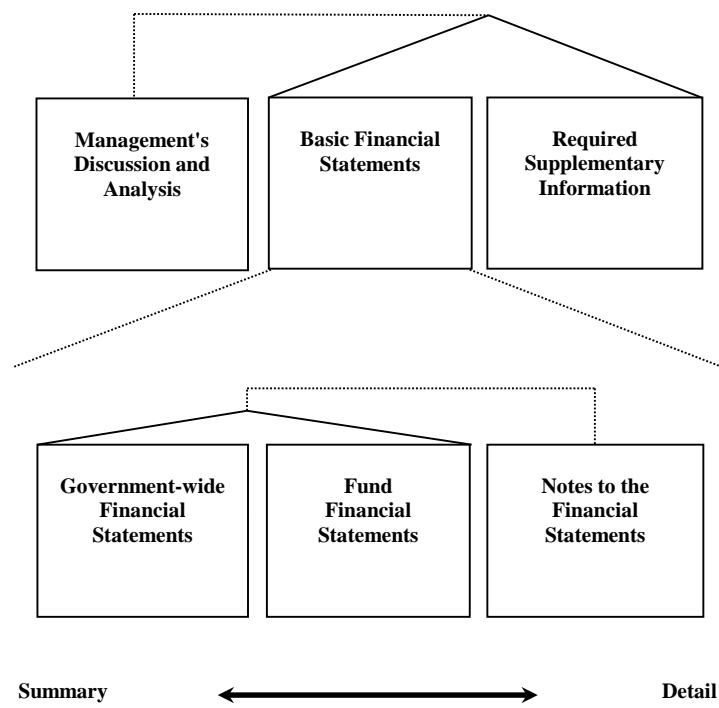


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City’s assets and 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, streets and highways, sanitation and waste removal, culture and recreation, housing development, economic development and airport and lake restoration. The business-type activities of the City include electric, water, wastewater, storm sewer utilities, 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 32 individual governmental funds, 14 of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and the 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 72 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 73 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fairmont's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 117 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 123 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 \$104,123,695 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (74.0 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	\$ 23,392,343	\$ 23,693,886	\$ (301,543)	\$ 18,054,514	\$ 16,924,895	\$ 1,129,619
Capital assets	55,128,496	54,416,768	711,728	66,419,093	67,576,093	(1,157,000)
Total assets	78,520,839	78,110,654	410,185	84,473,607	84,500,988	(27,381)
Deferred inflows of resources	5,088,199	774,445	4,313,754	1,260,418	258,728	1,001,690
Long-term liabilities						
outstanding	24,680,515	20,741,069	3,939,446	35,998,235	36,372,037	(373,802)
Other liabilities	1,272,178	754,342	517,836	1,823,865	1,763,502	60,363
Total liabilities	25,952,693	21,495,411	4,457,282	37,822,100	38,135,539	(313,439)
Deferred outflows of resources	1,050,683	881,532	169,151	393,892	476,895	(83,003)
Net position						
Net investment in						
capital assets	42,677,369	41,232,320	1,445,049	34,422,093	33,949,598	472,495
Restricted	9,958,778	12,367,042	(2,408,264)	-	-	-
Unrestricted	3,969,515	2,908,794	1,060,721	13,095,940	12,197,684	898,256
Total net position	\$ 56,605,662	\$ 56,508,156	\$ 97,506	\$ 47,518,033	\$ 46,147,282	\$ 1,370,751

An additional portion of the City's net position (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (16.4 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 \$97,506. The primary reason for the increase in net position was a result of an increase in property taxes and capital grants and contributions. Key elements of this increase are as follows:

- Daily attendance and season pass sales at the aquatic park were up.
- The City received a grant for toughbooks at the police department.
- Street light conversions to LED saved \$50,000 in utilities.
- The low cost of fuel led to a \$55,000 savings.

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

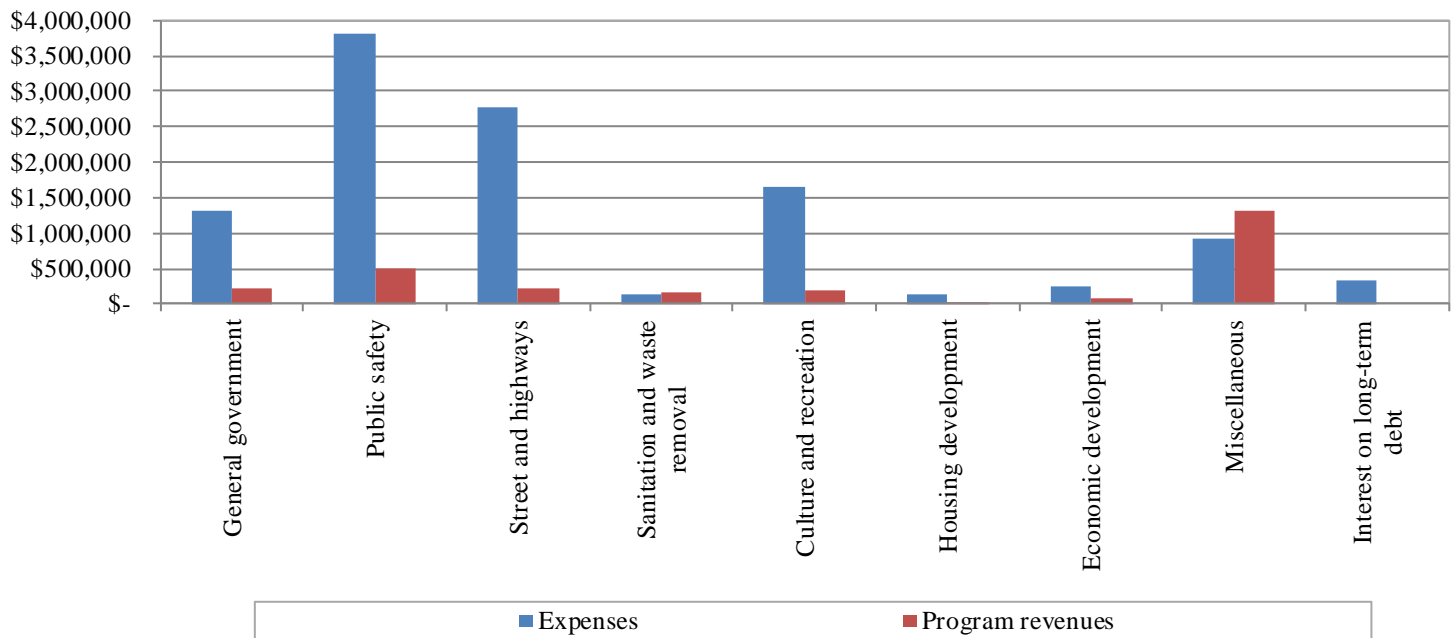
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,361,620	\$ 1,417,888	\$ (56,268)	\$25,539,288	\$24,494,837	\$ 1,044,451
Operating grants and contributions	413,384	369,600	43,784	-	-	-
Capital grants and contributions	890,243	824,310	65,933	10,227	(97)	10,324
General revenues						
Property taxes/tax increments	3,705,113	3,390,033	315,080	-	-	-
Other taxes	39,526	38,294	1,232	-	-	-
Grants and contributions not restricted to specific programs	3,646,550	3,691,778	(45,228)	-	-	-
Unrestricted						
investment earnings	138,795	94,493	44,302	139,802	97,213	42,589
Other	41,825	605,936	(564,111)	-	-	-
Total revenues	10,237,056	10,432,332	(195,276)	25,689,317	24,591,953	1,097,364
Expenses						
General government	1,315,890	1,216,566	99,324	-	-	-
Public safety	3,806,893	2,717,662	1,089,231	-	-	-
Streets and highways	2,787,405	3,128,949	(341,544)	-	-	-
Sanitation and waste removal	138,831	100,740	38,091	-	-	-
Culture and recreation	1,643,560	1,584,291	59,269	-	-	-
Housing development	127,407	120,042	7,365	-	-	-
Economic development	234,923	148,400	86,523	-	-	-
Miscellaneous	910,637	728,443	182,194	-	-	-
Interest on long-term debt	323,637	477,400	(153,763)	-	-	-
Electric	-	-	-	14,297,048	13,285,756	1,011,292
Water	-	-	-	3,547,150	3,279,741	267,409
Wastewater	-	-	-	1,745,686	1,818,529	(72,843)
Storm sewer	-	-	-	437,661	453,463	(15,802)
Liquor	-	-	-	3,134,956	3,035,247	99,709
Parking lot	-	-	-	6,432	5,252	1,180
Total expenses	11,289,183	10,222,493	1,066,690	23,168,933	21,877,988	1,290,945
Change in net position before transfers	(1,052,127)	209,839	(1,261,966)	2,520,384	2,713,965	(193,581)
Transfers	1,149,633	1,565,689	(416,056)	(1,149,633)	(1,565,689)	416,056
Change in net position	97,506	1,775,528	(1,678,022)	1,370,751	1,148,276	222,475
Net position - January 1	56,508,156	54,732,628	1,775,528	46,147,282	44,999,006	1,148,276
Net position - December 31	\$56,605,662	\$56,508,156	\$ 97,506	\$47,518,033	\$46,147,282	\$ 1,370,751

Property tax levies increased by 8.9 percent during the year. The increase was used for operating costs, capital replacement and set aside for future capital replacement in the General fund.

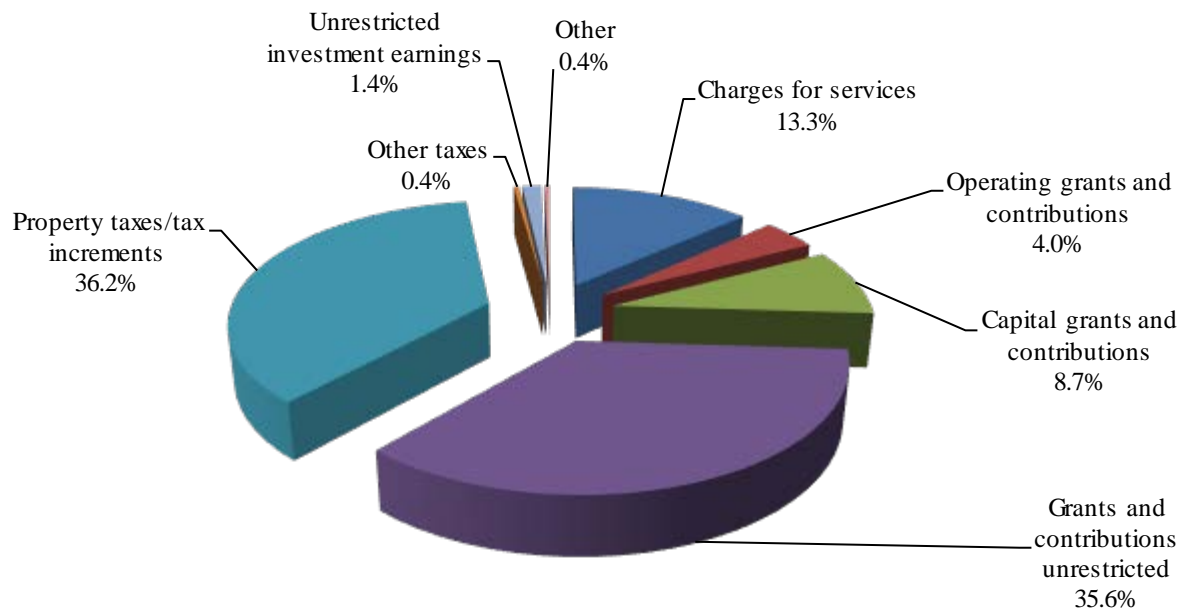


The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues – Governmental Activities



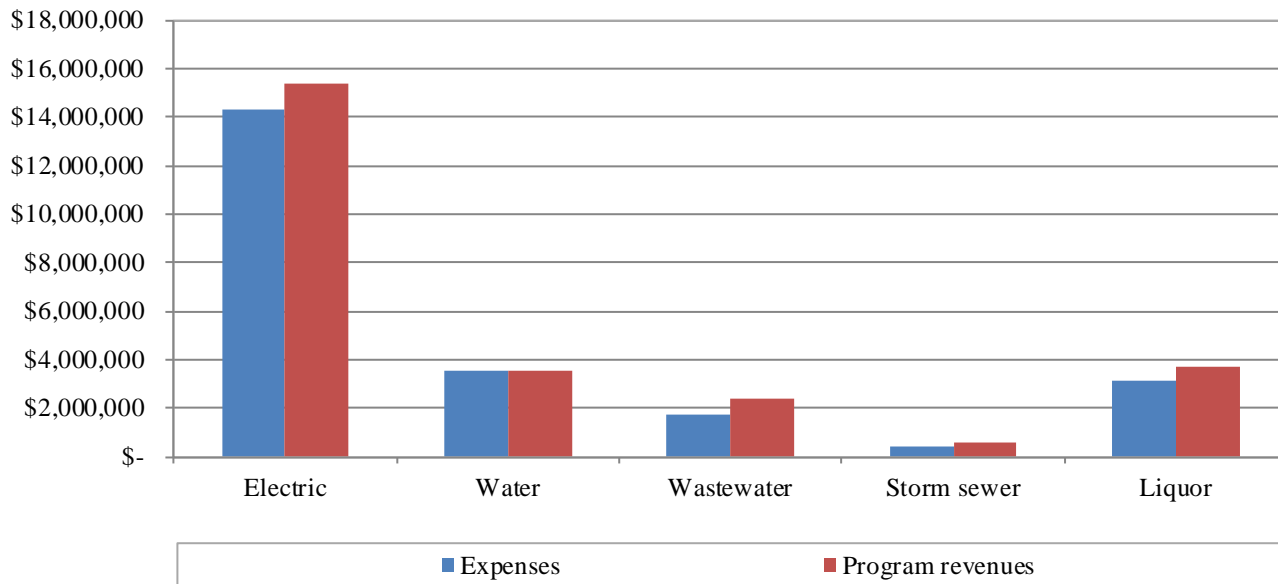
### Revenues by Source



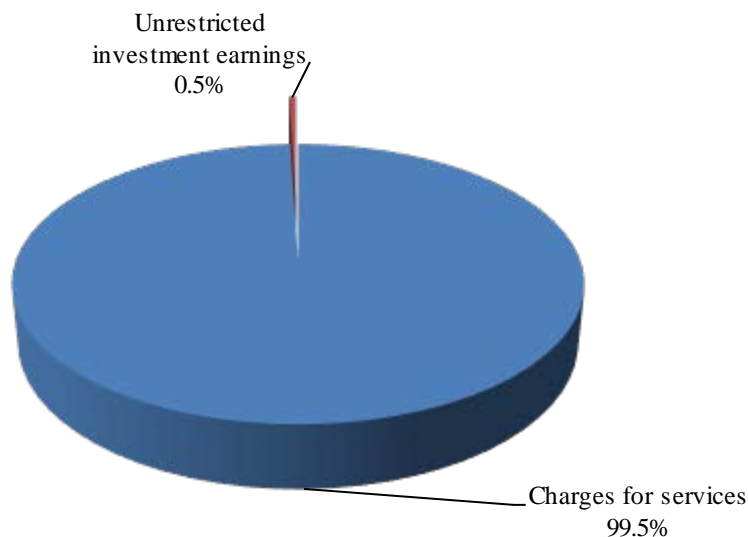
**Business-type activities.** Business-type activities increased the City’s net position by \$1,370,751. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) operating income of \$2,418,521, with a total change in net position of \$991,411.
- Chemical expenses were down considerably from 2015 for Wastewater.
- Sales at the Liquor Store were up 2.4 percent from 2015 and 5.3 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 \$6,991,940. 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 \$3,923,212, or 48.0 percent of total General fund expenditures, while total fund balance represents 85.5 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$613,186 during the current fiscal year. Contributing factors to the increase are actual expenditures under budget of \$736,296 due to miscellaneous capital outlay expenditures were under budget by \$533,146. The Council delayed a \$500,000 trail project to a later date.

The Debt Service fund has a total fund balance of \$6,969,283, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$367,660. The major reason for the decrease is the 2008 Improvement Bond was refunded during the year.

The 2015 Capital Improvements fund was set up to account for the 2015 improvement projects. Bond proceeds of \$2,200,000 in the previous year were used to pay construction costs of \$1,824,615. Fund balance at year end was \$387,123.

**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 \$12,894,875, of which \$10,546,970 was for the Public Utilities Commission fund, \$1,098,049 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,248,000. The total increase in net position for the enterprise funds was \$1,317,733. 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. Budgeted revenues exceeded actual by \$122,862 and actual expenditures were under budget by \$736,296 in 2016. The primary reasons for the variances are as follows:

- Revenue for fire calls came in \$9,432 over budget.
- The aquatic park had a successful season and revenues were over budget by \$24,634.
- The police department received a grant to replace the toughbooks in our squads in the amount of \$17,636.
- General government expenditures were under budget by \$74,200. The City was only able to remove one dilapidated home out of the housing demolition account leaving that account \$32,367 under budget.
- Streets and highways expenditures were under budget by \$142,983. One open position was not filled in 2016. Street light conversions to LED saved \$50,174 in utilities. The low cost of fuel saved the City \$40,065.
- Culture and recreation expenditures were under budget by \$48,193.
- Capital outlay expenditures were under budget by \$469,162. The Council delayed a larger trail project that was budgeted in 2016 to a later date.

## 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, 2016, amounts to \$121,547,589 (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 2016 including Lair Rd Bridge and 3<sup>rd</sup> Street.
- Began construction on the Prairie Avenue extension for the new Whitetail Ridge development.
- Completed the rehabilitation of runway 13/31 and taxiway and apron improvements at the airport.
- Painted the interior and doors at the aquatic park and purchased new deck chairs.
- Installed new carpet and furniture at the library.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Installed a new squad video system at the police department.
- Purchased a new rescue truck for the fire department.
- Replaced all the air packs at the fire department.
- Renovated the Sylvania Park Shelter House.

Additional information on the City's capital assets can be found in Note 3C starting on page 86 of this report.

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

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and structures	5,469,746	5,645,433	(175,687)	36,413,758	37,221,250	(807,492)
Improvement other than buildings	9,519,021	10,019,586	(500,565)	22,947,410	23,430,305	(482,895)
Machinery and equipment	1,453,987	919,888	534,099	5,044,181	5,199,168	(154,987)
Vehicles	607,573	408,791	198,782	-	-	-
Infrastructure	31,730,240	29,091,881	2,638,359	-	-	-
Construction in progress	2,398,451	4,381,711	(1,983,260)	295,029	6,655	288,374
Total	<u>\$ 55,128,496</u>	<u>\$ 54,416,768</u>	<u>\$ 711,728</u>	<u>\$ 66,419,093</u>	<u>\$ 67,576,093</u>	<u>\$ (1,157,000)</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,442,000. Of this amount, \$15,445,000 is special assessment debt and \$31,997,000 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
G.O. improvement bonds	\$ 15,445,000	\$ 16,510,000	\$ (1,065,000)	\$ -	\$ -	\$ -
G.O. revenue bonds	-	-	-	31,997,000	33,626,495	(1,629,495)
Total	<u>\$ 15,445,000</u>	<u>\$ 16,510,000</u>	<u>\$ (1,065,000)</u>	<u>\$ 31,997,000</u>	<u>\$ 33,626,495</u>	<u>\$ (1,629,495)</u>

The City's total debt decreased by \$2,694,495 (5.4 percent) during the current fiscal year. The key factor in this decrease was the issuance of \$2,715,000 in new long-term debt and the retirement of long-term debt of \$5,409,495.

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 \$19,234,896. 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 91 of this report.

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

- The unemployment rate for Martin County in December 2016 was 3.9 percent, which is a decrease from 4.5 percent a year ago. This rate is lower than the average of 4.1 percent for the State and the national average rate of 4.5 percent.
- Residential and commercial property valuations within the City increased 4.7 percent and 6.6 percent respectively, while agricultural values decreased 7.6 percent in 2016.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

- The City's property tax levy will increase in 2017 by 9.0 percent. The tax increase will provide an additional \$334,324 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 increase will also allow the City to hire an additional police officer and to re-establish a school resource officer in the Fairmont Area School system. 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, 2017 wastewater rates will remain at the 2016 level. The Public Utilities Commission approved spending down our net position in the Water fund in order to maintain our water rates at the 2016 level. SMMPA approved a 2.1 percent increase to our purchase power costs effective January 1, 2016. As a result, the City will need to do a 2 percent electric rate increase in 2017 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, 2016



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CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,219,768	\$ 13,848,591	\$ 30,068,359	\$ 423,953
Escrowed investments	3,200,874	-	3,200,874	-
Receivables				
Interest	63,793	-	63,793	-
Delinquent taxes	67,019	-	67,019	1,972
Accounts	112,540	2,975,812	3,088,352	158
Notes	860,515	-	860,515	10,855
Special assessments	2,337,299	6,395	2,343,694	-
Intergovernmental	686,077	-	686,077	702
Due from component unit	3,826	-	3,826	-
Internal balances	(179,426)	179,426	-	-
Inventories	-	871,986	871,986	-
Prepaid items	20,058	1,350	21,408	-
Unamortized maintenance charges	-	170,954	170,954	-
Capital assets				
Nondepreciable	6,347,929	2,013,744	8,361,673	-
Depreciable, net of accumulated depreciation	48,780,567	64,405,349	113,185,916	-
<b>TOTAL ASSETS</b>	<b>78,520,839</b>	<b>84,473,607</b>	<b>162,994,446</b>	<b>437,640</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	5,088,199	1,260,418	6,348,617	-
<b>LIABILITIES</b>				
Accounts and contracts payable	1,036,655	1,286,421	2,323,076	2,646
Due to primary government	-	-	-	3,826
Due to other governments	278	90,746	91,024	-
Accrued interest payable	103,334	250,520	353,854	-
Accrued salaries and vacation payable	109,311	82,771	192,082	2,854
Deposits payable	-	109,485	109,485	1,335
Unearned revenue	22,600	3,922	26,522	-
Noncurrent liabilities				
Due within one year	3,870,034	1,835,513	5,705,547	2,439
Due in more than one year	20,810,481	34,162,722	54,973,203	4,804
<b>TOTAL LIABILITIES</b>	<b>25,952,693</b>	<b>37,822,100</b>	<b>63,774,793</b>	<b>17,904</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	1,050,683	393,892	1,444,575	-
<b>NET POSITION</b>				
Net investment in capital assets	42,677,369	34,422,093	77,099,462	-
Restricted for				
Debt service	6,497,129	-	6,497,129	-
Capital projects	1,997,046	-	1,997,046	-
Housing and economic development	1,464,603	-	1,464,603	-
Unrestricted	3,969,515	13,095,940	17,065,455	419,736
<b>TOTAL NET POSITION</b>	<b>\$ 56,605,662</b>	<b>\$ 47,518,033</b>	<b>\$ 104,123,695</b>	<b>\$ 419,736</b>

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

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,315,890	\$ 206,187	\$ -	\$ -
Public safety	3,806,893	229,177	265,006	-
Streets and highways	2,787,405	7,995	29,085	183,005
Sanitation and waste removal	138,831	162,841	-	-
Culture and recreation	1,643,560	188,734	-	-
Housing development	127,407	9,044	-	-
Economic development	234,923	65,973	-	-
Airport and lake restoration	910,637	491,669	119,293	707,238
Interest on long-term debt	323,637	-	-	-
Total governmental activities	11,289,183	1,361,620	413,384	890,243
Business-type activities				
Electric	14,297,048	15,375,663	-	-
Water	3,547,150	3,502,969	-	10,107
Wastewater	1,745,686	2,389,450	-	120
Storm sewer	437,661	581,011	-	-
Liquor	3,134,956	3,684,487	-	-
Parking lot	6,432	5,708	-	-
Total business-type activities	23,168,933	25,539,288	-	10,227
Total primary government	\$ 34,458,116	\$ 26,900,908	\$ 413,384	\$ 900,470
Component unit				
Housing and economic development	\$ 210,547	\$ 29,095	\$ 100,000	\$ -
General revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, January 1				
Net position, December 31				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (1,109,703)		\$ (1,109,703)	
(3,312,710)		(3,312,710)	
(2,567,320)		(2,567,320)	
24,010		24,010	
(1,454,826)		(1,454,826)	
(118,363)		(118,363)	
(168,950)		(168,950)	
407,563		407,563	
(323,637)		(323,637)	
(8,623,936)		(8,623,936)	
-	\$ 1,078,615	1,078,615	
-	(34,074)	(34,074)	
-	643,884	643,884	
-	143,350	143,350	
-	549,531	549,531	
-	(724)	(724)	
-	2,380,582	2,380,582	
(8,623,936)	2,380,582	(6,243,354)	
			\$ (81,452)
2,556,358	-	2,556,358	100,191
1,074,582	-	1,074,582	-
74,173	-	74,173	-
39,526	-	39,526	-
3,646,550	-	3,646,550	-
138,795	139,802	278,597	3,842
13,141	-	13,141	-
28,684	-	28,684	-
1,149,633	(1,149,633)	-	-
8,721,442	(1,009,831)	7,711,611	104,033
97,506	1,370,751	1,468,257	22,581
56,508,156	46,147,282	102,655,438	397,155
\$ 56,605,662	\$ 47,518,033	\$ 104,123,695	\$ 419,736

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, 2016

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CITY OF FAIRMONT, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	Debt Service	2015 Capital Improvements
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,094,590	\$ 3,753,657	\$ 512,621
Escrowed investments	-	3,200,874	-
Receivables			
Interest	63,793	-	-
Delinquent taxes	44,517	21,266	-
Accounts	86,866	-	-
Loans	-	-	-
Special assessments	12,385	2,324,914	-
Intergovernmental	20,258	14,752	-
Due from other funds	-	30,000	-
Prepaid items	787	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,323,196</b>	<b>\$ 9,345,463</b>	<b>\$ 512,621</b>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 120,745	\$ -	\$ 125,498
Due to other funds	26,350	30,000	-
Due to other governments	278	-	-
Accrued salaries payable	104,381	-	-
Unearned revenue	22,600	-	-
<b>TOTAL LIABILITIES</b>	<b>274,354</b>	<b>30,000</b>	<b>125,498</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	44,517	21,266	-
Unavailable revenue - special assessments	12,385	2,324,914	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>56,902</b>	<b>2,346,180</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	787	-	-
Restricted	-	6,969,283	387,123
Committed	29,122	-	-
Assigned	3,038,819	-	-
Unassigned	3,923,212	-	-
<b>TOTAL FUND BALANCES</b>	<b>6,991,940</b>	<b>6,969,283</b>	<b>387,123</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,323,196</b>	<b>\$ 9,345,463</b>	<b>\$ 512,621</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 3,339,083	\$ 14,699,951
-	3,200,874
-	63,793
1,236	67,019
16,095	102,961
860,515	860,515
-	2,337,299
651,067	686,077
502,670	532,670
-	787
<u>\$ 5,370,666</u>	<u>\$ 22,551,946</u>
\$ 691,508	\$ 937,751
503,120	559,470
-	278
1,900	106,281
-	22,600
<u>1,196,528</u>	<u>1,626,380</u>
1,236	67,019
-	2,337,299
<u>1,236</u>	<u>2,404,318</u>
-	787
3,461,649	10,818,055
1,110,270	1,139,392
364,986	3,403,805
(764,003)	3,159,209
<u>4,172,902</u>	<u>18,521,248</u>
<u>\$ 5,370,666</u>	<u>\$ 22,551,946</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, 2016

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

Total fund balances - governmental funds	\$ 18,521,248
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	55,105,309
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	(473,201)
Postemployment benefits other than pension obligation	(203,422)
Pension liability	(8,447,722)
Bonds payable	(15,445,000)
Bond premiums, net of accumulated amortization	(108,250)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	67,019
Special assessments receivable	2,337,299
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	5,088,199
Deferred inflows of pension resources	(1,050,683)
Governmental funds do not report a liability for accrued interest until due and payable.	(103,334)
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.	1,318,200
Total net position - governmental activities	<u>\$ 56,605,662</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, 2016

	General	Debt Service	2015 Capital Improvements
REVENUES			
Taxes	\$ 2,534,441	\$ 1,158,568	\$ -
Special assessments	798	459,027	-
Licenses and permits	155,757	-	-
Intergovernmental	3,836,202	-	-
Charges for services	482,029	-	-
Fines and forfeits	55,554	-	-
Investment earnings	41,864	43,166	6,193
Miscellaneous	193,100	-	-
TOTAL REVENUES	7,299,745	1,660,761	6,193
EXPENDITURES			
Current			
General government	1,133,899	-	-
Public safety	3,079,878	-	-
Streets and highways	1,394,179	-	-
Sanitation and waste removal	138,831	-	-
Culture and recreation	1,319,819	-	-
Housing and economic development	-	80,490	-
Miscellaneous	-	-	-
Capital outlay			
General government	67,685	-	-
Public safety	650,939	-	-
Streets and highways	261,860	-	252,997
Culture and recreation	133,854	-	-
Housing and economic development	-	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	3,780,000	-
Interest and other	-	390,173	-
Bond issuance costs	-	44,715	-
TOTAL EXPENDITURES	8,180,944	4,295,378	252,997
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(881,199)	(2,634,617)	(246,804)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	9,184	-	-
Transfers in	1,519,633	34,432	-
Bonds issued	-	2,715,000	-
Premium on bonds issued	-	67,525	-
Transfers out	(34,432)	(550,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,494,385	2,266,957	-
NET CHANGE IN FUND BALANCES	613,186	(367,660)	(246,804)
FUND BALANCES, JANUARY 1	6,378,754	7,336,943	633,927
FUND BALANCES, DECEMBER 31	\$ 6,991,940	\$ 6,969,283	\$ 387,123

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

Other Governmental Funds	Total Governmental Funds
\$ 75,401	\$ 3,768,410
-	459,825
-	155,757
995,428	4,831,630
348,703	830,732
-	55,554
36,770	127,993
218,193	411,293
1,674,495	10,641,194
-	1,133,899
-	3,079,878
-	1,394,179
-	138,831
-	1,319,819
203,169	283,659
460,580	460,580
-	67,685
-	650,939
845,981	1,360,838
-	133,854
5,458	5,458
840,196	840,196
-	3,780,000
-	390,173
-	44,715
2,355,384	15,084,703
(680,889)	(4,443,509)
19,500	28,684
180,000	1,734,065
-	2,715,000
-	67,525
-	(584,432)
199,500	3,960,842
(481,389)	(482,667)
4,654,291	19,003,915
<u>\$ 4,172,902</u>	<u>\$ 18,521,248</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, 2016

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

Net change in fund balances - governmental funds	\$ (482,667)
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	2,927,104
Depreciation expense	(2,205,699)
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	(2,715,000)
Principal repayments	3,780,000
Amortization of premiums on bonds issued	10,125
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.	33,601
Long-term pension activity is not reported in governmental funds.	
Pension expense	(804,169)
Direct aid contributions	25,864
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	(23,771)
Special assessments	(445,717)
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	(65,999)
Post employment benefits other than pension costs	(28,829)
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.	92,663
Change in net position - governmental activities	<u>\$ 97,506</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 2,502,996	\$ 2,502,996	\$ 2,534,441	\$ 31,445
Special assessments	3,000	3,000	798	(2,202)
Licenses and permits	163,375	163,375	155,757	(7,618)
Intergovernmental	4,143,016	4,143,016	3,836,202	(306,814)
Charges for services	393,665	393,665	482,029	88,364
Fines and forfeits	65,000	65,000	55,554	(9,446)
Investment earnings	40,000	40,000	41,864	1,864
Miscellaneous	111,555	111,555	193,100	81,545
TOTAL REVENUES	7,422,607	7,422,607	7,299,745	(122,862)
EXPENDITURES				
Current				
General government	1,208,099	1,208,099	1,133,899	74,200
Public safety	3,080,416	3,080,416	3,079,878	538
Streets and highways	1,537,162	1,537,162	1,394,179	142,983
Sanitation and waste removal	140,051	140,051	138,831	1,220
Culture and recreation	1,368,012	1,368,012	1,319,819	48,193
Capital outlay				
General government	84,500	84,500	67,685	16,815
Public safety	585,000	585,000	650,939	(65,939)
Streets and highways	247,000	247,000	261,860	(14,860)
Culture and recreation	667,000	667,000	133,854	533,146
TOTAL EXPENDITURES	8,917,240	8,917,240	8,180,944	736,296
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,494,633)	(1,494,633)	(881,199)	613,434
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	9,184	9,184
Transfers in	1,519,633	1,519,633	1,519,633	-
Transfers out	(25,000)	(25,000)	(34,432)	(9,432)
TOTAL OTHER FINANCING SOURCES (USES)	1,494,633	1,494,633	1,494,385	(248)
NET CHANGE IN FUND BALANCES	-	-	613,186	613,186
FUND BALANCES, JANUARY 1	6,378,754	6,378,754	6,378,754	-
FUND BALANCES, DECEMBER 31	\$ 6,378,754	\$ 6,378,754	\$ 6,991,940	\$ 613,186

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



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2016	2015	2016	2015
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,285,771	\$ 2,964,570	\$ 4,148,020	\$ 3,915,927
Receivables				
Accounts	464,606	419,226	330,786	328,033
Special assessments - current	3,451	3,821	2,944	2,824
Intergovernmental	-	440,495	-	-
Due from other funds	-	-	-	-
Inventories	67,932	74,047	-	-
Prepaid items	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>3,821,760</b>	<b>3,902,159</b>	<b>4,481,750</b>	<b>4,246,784</b>
<b>NONCURRENT ASSETS</b>				
Unamortized maintenance charges	170,954	208,361	-	-
Capital assets				
Land	468,687	468,687	58,186	58,186
Buildings	28,556,341	28,556,341	11,057,825	11,052,591
Improvements other than buildings	-	-	-	-
Utility plant in service	12,256,371	12,231,631	7,629,784	7,551,458
Machinery and equipment	361,679	353,344	6,724,884	6,903,228
Construction in progress	124,802	-	-	-
Total capital assets	41,767,880	41,610,003	25,470,679	25,565,463
Less accumulated depreciation	(5,099,753)	(4,174,255)	(10,382,831)	(10,051,025)
Total capital assets (net of accumulated depreciation)	36,668,127	37,435,748	15,087,848	15,514,438
<b>TOTAL NONCURRENT ASSETS</b>	<b>36,839,081</b>	<b>37,644,109</b>	<b>15,087,848</b>	<b>15,514,438</b>
<b>TOTAL ASSETS</b>	<b>40,660,841</b>	<b>41,546,268</b>	<b>19,569,598</b>	<b>19,761,222</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	368,403	76,713	186,286	40,150

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

Business-type Activities - Enterprise Funds

<b>604</b>		Total		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 3,817,003	\$ 3,330,009	\$ 11,250,794	\$ 10,210,506	\$ 1,260,522	\$ 1,271,581	\$ 1,334,557	\$ 1,094,143
2,078,922	1,886,483	2,874,314	2,633,742	56,652	56,409	45,316	40,583
-	-	6,395	6,645	-	-	-	-
-	-	-	440,495	-	-	-	-
-	-	-	-	-	-	-	-
447,673	443,212	515,605	517,259	-	-	356,381	309,787
-	-	-	-	-	-	1,350	1,293
6,343,598	5,659,704	14,647,108	13,808,647	1,317,174	1,327,990	1,737,604	1,445,806
-	-	170,954	208,361	-	-	-	-
90,991	90,991	617,864	617,864	495,863	495,863	229,138	229,138
1,287,040	1,287,040	40,901,206	40,895,972	-	-	1,725,625	1,725,625
-	-	-	-	8,908,102	8,874,173	8,889	8,889
13,405,387	13,210,635	33,291,542	32,993,724	-	-	-	-
3,731,697	3,502,252	10,818,260	10,758,824	-	-	33,344	33,344
-	-	124,802	-	170,227	6,655	-	-
18,515,115	18,090,918	85,753,674	85,266,384	9,574,192	9,376,691	1,996,996	1,996,996
(12,822,950)	(12,465,334)	(28,305,534)	(26,690,614)	(2,646,302)	(2,468,601)	(329,783)	(280,613)
5,692,165	5,625,584	57,448,140	58,575,770	6,927,890	6,908,090	1,667,213	1,716,383
5,692,165	5,625,584	57,619,094	58,784,131	6,927,890	6,908,090	1,667,213	1,716,383
12,035,763	11,285,288	72,266,202	72,592,778	8,245,064	8,236,080	3,404,817	3,162,189
524,384	105,472	1,079,073	222,335	63,176	13,438	118,169	22,955

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

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				
	611				Governmental
	Parking Lot		Totals		Activities -
	2016	2015	2016	2015	Internal Service
					Fund
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,718	\$ 3,429	\$ 13,848,591	\$ 12,579,659	\$ 1,519,817
Receivables					
Accounts	(470)	(470)	2,975,812	2,730,264	9,579
Special assessments - current	-	-	6,395	6,645	-
Intergovernmental	-	-	-	440,495	-
Due from other funds	-	-	-	-	49,413
Inventories	-	-	871,986	827,046	-
Prepaid items	-	-	1,350	1,293	19,271
TOTAL CURRENT ASSETS	2,248	2,959	17,704,134	16,585,402	1,598,080
NONCURRENT ASSETS					
Unamortized maintenance charges	-	-	170,954	208,361	-
Capital assets					
Land	375,850	375,850	1,718,715	1,718,715	-
Buildings	-	-	42,626,831	42,621,597	-
Improvements other than buildings	-	-	8,916,991	8,883,062	-
Utility plant in service	-	-	33,291,542	32,993,724	-
Machinery and equipment	-	-	10,851,604	10,792,168	308,604
Construction in progress	-	-	295,029	6,655	-
Total capital assets	375,850	375,850	97,700,712	97,015,921	308,604
Less accumulated depreciation	-	-	(31,281,619)	(29,439,828)	(285,417)
Total capital assets (net of accumulated depreciation)	375,850	375,850	66,419,093	67,576,093	23,187
TOTAL NONCURRENT ASSETS	375,850	375,850	66,590,047	67,784,454	23,187
TOTAL ASSETS	378,098	378,809	84,294,181	84,369,856	1,621,267
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension resources	-	-	1,260,418	258,728	-

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

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	\$ 37,883	\$ 74,621	\$ 14,949	\$ 91,249
Due to other funds	5,813	4,810	3,649	2,674
Due to other governments	-	-	-	-
Accrued interest payable	202,257	208,341	38,313	42,744
Accrued salaries payable	26,069	23,392	12,443	10,131
Sick leave/severance payable - current portion	60,955	53,114	22,438	19,566
Deposits payable	14,130	13,988	-	-
Unearned revenue	-	-	-	-
Bonds payable - current portion	765,000	749,495	717,000	705,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,112,107</b>	<b>1,127,761</b>	<b>808,792</b>	<b>871,364</b>
<b>NONCURRENT LIABILITIES</b>				
Sick leave/severance payable, net of current portion	90,276	97,187	51,335	54,435
Postemployment benefits other than pension obligation	18,393	15,580	9,716	8,061
Pension liability	996,469	645,686	503,873	337,936
Bonds payable, net of current portion	24,152,000	24,917,000	5,378,000	6,095,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>25,257,138</b>	<b>25,675,453</b>	<b>5,942,924</b>	<b>6,495,432</b>
<b>TOTAL LIABILITIES</b>	<b>26,369,245</b>	<b>26,803,214</b>	<b>6,751,716</b>	<b>7,366,796</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	115,129	141,400	58,216	74,005
<b>NET POSITION</b>				
Net investment in capital assets	11,751,127	11,769,253	8,992,848	8,714,438
Unrestricted	2,793,743	2,909,114	3,953,104	3,646,133
<b>TOTAL NET POSITION</b>	<b>\$ 14,544,870</b>	<b>\$ 14,678,367</b>	<b>\$ 12,945,952</b>	<b>\$ 12,360,571</b>

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

Business-type Activities - Enterprise Funds

<b>604</b>		Total		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 1,026,672	\$ 925,813	\$ 1,079,504	\$ 1,091,683	\$ 34,155	\$ 431	\$ 172,370	\$ 141,652
9,131	7,034	18,593	14,518	999	-	2,047	1,574
52,073	46,890	52,073	46,890	-	823	38,673	37,611
-	-	240,570	251,085	9,950	11,750	-	-
30,478	25,045	68,990	58,568	24,709	26,862	15,168	10,569
73,105	75,746	156,498	148,426	-	-	3,799	3,104
95,355	96,135	109,485	110,123	-	-	-	-
-	-	-	-	-	-	3,922	3,104
-	-	1,482,000	1,454,495	185,000	175,000	-	-
1,286,814	1,176,663	3,207,713	3,175,788	254,813	214,866	235,979	197,614
152,382	141,981	293,993	293,603	-	372	2,757	799
46,419	37,197	74,528	60,838	4,808	3,792	12,482	10,541
1,418,369	887,749	2,918,711	1,871,371	170,882	113,104	319,626	193,213
-	-	29,530,000	31,012,000	817,055	1,004,144	-	-
1,617,170	1,066,927	32,817,232	33,237,812	992,745	1,121,412	334,865	204,553
2,903,984	2,243,590	36,024,945	36,413,600	1,247,558	1,336,278	570,844	402,167
163,875	194,409	337,220	409,814	19,743	24,769	36,929	42,312
5,692,165	5,625,584	26,436,140	26,109,275	5,942,890	5,748,090	1,667,213	1,716,383
3,800,123	3,327,177	10,546,970	9,882,424	1,098,049	1,140,381	1,248,000	1,024,282
\$ 9,492,288	\$ 8,952,761	\$ 36,983,110	\$ 35,991,699	\$ 7,040,939	\$ 6,888,471	\$ 2,915,213	\$ 2,740,665

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

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611				
	Parking Lot		Totals		
	2016	2015	2016	2015	
LIABILITIES					
CURRENT LIABILITIES					
Accounts and contracts payable	\$ 392	\$ 409	\$ 1,286,421	\$ 1,234,175	\$ 98,904
Due to other funds	-	-	21,639	16,092	974
Due to other governments	-	-	90,746	85,324	-
Accrued interest payable	-	-	250,520	262,835	-
Accrued salaries payable	-	-	108,867	95,999	5,950
Sick leave/severance payable - current portion	-	-	160,297	151,530	-
Deposits payable	-	-	109,485	110,123	-
Unearned revenue	-	-	3,922	3,104	-
Bonds payable - current portion	-	-	1,667,000	1,629,495	-
TOTAL CURRENT LIABILITIES	392	409	3,698,897	3,588,677	105,828
NONCURRENT LIABILITIES					
Sick leave/severance payable, net of current portion	-	-	296,750	294,774	-
Postemployment benefits other than pension obligation	-	-	91,818	75,171	-
Pension liability	-	-	3,409,219	2,177,688	-
Bonds payable, net of current portion	-	-	30,347,055	32,016,144	-
TOTAL NONCURRENT LIABILITIES	-	-	34,144,842	34,563,777	-
TOTAL LIABILITIES	392	409	37,843,739	38,152,454	105,828
DEFERRED INFLOWS OF RESOURCES					
Deferred pension resources	-	-	393,892	476,895	-
NET POSITION					
Net investment in capital assets	375,850	375,850	34,422,093	33,949,598	23,187
Unrestricted	1,856	2,550	12,894,875	12,049,637	1,492,252
TOTAL NET POSITION	\$ 377,706	\$ 378,400	47,316,968	45,999,235	\$ 1,515,439
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			201,065	148,047	
Net position of business-type activities			\$ 47,518,033	\$ 46,147,282	

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



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	3,121,434	2,942,896	1,601,022	1,564,932
Miscellaneous revenues	376,195	386,245	786,461	784,971
<b>TOTAL OPERATING REVENUES</b>	<b>3,497,629</b>	<b>3,329,141</b>	<b>2,387,483</b>	<b>2,349,903</b>
<b>OPERATING EXPENSES</b>				
Production or purchase	-	-	-	-
Filtration	1,339,214	1,028,792	-	-
Treatment	-	-	491,159	589,736
Distribution	301,137	439,942	-	-
Collection	-	-	296,240	294,909
Administration and other	409,857	298,889	219,344	204,631
Depreciation	925,498	930,611	610,867	602,976
<b>TOTAL OPERATING EXPENSES</b>	<b>2,975,706</b>	<b>2,698,234</b>	<b>1,617,610</b>	<b>1,692,252</b>
<b>OPERATING INCOME (LOSS)</b>	<b>521,923</b>	<b>630,907</b>	<b>769,873</b>	<b>657,651</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	34,676	23,340	41,500	30,369
State grants	3,881	-	1,962	-
Miscellaneous income	1,361	30,206	5	-
Gain (loss) on sale of assets	-	(1,754)	(10,128)	-
Interest expense	(567,306)	(582,937)	(113,208)	(125,273)
Bond discount/premium amortization	-	-	-	-
Payments to Economic Development Authority	(15,749)	(12,161)	(11,941)	(9,190)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(543,137)</b>	<b>(543,306)</b>	<b>(91,810)</b>	<b>(104,094)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>(21,214)</b>	<b>87,601</b>	<b>678,063</b>	<b>553,557</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>10,107</b>	<b>(282)</b>	<b>120</b>	<b>185</b>
<b>TRANSFERS OUT</b>	<b>(122,390)</b>	<b>(116,676)</b>	<b>(92,802)</b>	<b>(88,171)</b>
<b>CHANGE IN NET POSITION</b>	<b>(133,497)</b>	<b>(29,357)</b>	<b>585,381</b>	<b>465,571</b>
<b>NET POSITION, JANUARY 1</b>	<b>14,678,367</b>	<b>14,707,724</b>	<b>12,360,571</b>	<b>11,895,000</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 14,544,870</b>	<b>\$ 14,678,367</b>	<b>\$ 12,945,952</b>	<b>\$ 12,360,571</b>

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

Business-type Activities - Enterprise Funds

<b>604</b>		<b>Total</b>		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2016	2015	2016	2015	2016	2015	2016	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,683,737	\$ 3,596,468
-	-	-	-	-	-	(2,616,437)	(2,566,008)
14,919,089	14,089,241	19,641,545	18,597,069	586,621	585,969	-	-
419,002	472,407	1,581,658	1,643,623	-	-	-	-
<u>15,338,091</u>	<u>14,561,648</u>	<u>21,223,203</u>	<u>20,240,692</u>	<u>586,621</u>	<u>585,969</u>	<u>1,067,300</u>	<u>1,030,460</u>
11,652,003	10,697,955	11,652,003	10,697,955	-	-	-	-
-	-	1,339,214	1,028,792	-	-	-	-
-	-	491,159	589,736	-	-	-	-
1,309,186	1,158,176	1,610,323	1,598,118	-	-	-	-
-	-	296,240	294,909	-	-	-	-
861,771	994,948	1,490,972	1,498,468	237,625	255,976	485,421	430,840
388,406	392,923	1,924,771	1,926,510	177,701	170,039	49,170	48,590
<u>14,211,366</u>	<u>13,244,002</u>	<u>18,804,682</u>	<u>17,634,488</u>	<u>415,326</u>	<u>426,015</u>	<u>534,591</u>	<u>479,430</u>
<u>1,126,725</u>	<u>1,317,646</u>	<u>2,418,521</u>	<u>2,606,204</u>	<u>171,295</u>	<u>159,954</u>	<u>532,709</u>	<u>551,030</u>
38,341	23,343	114,517	77,052	11,666	11,607	13,589	8,528
5,524	-	11,367	-	665	-	1,245	-
4,527	6,478	5,893	36,684	203	460	(495)	1,191
(1,339)	-	(11,467)	(1,754)	-	-	-	-
-	-	(680,514)	(708,210)	(33,450)	(38,604)	-	-
-	-	-	-	2,089	2,088	-	-
<u>(72,310)</u>	<u>(59,649)</u>	<u>(100,000)</u>	<u>(81,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(25,257)</u>	<u>(29,828)</u>	<u>(660,204)</u>	<u>(677,228)</u>	<u>(18,827)</u>	<u>(24,449)</u>	<u>14,339</u>	<u>9,719</u>
1,101,468	1,287,818	1,758,317	1,928,976	152,468	135,505	547,048	560,749
-	-	10,227	(97)	-	-	-	-
<u>(561,941)</u>	<u>(572,285)</u>	<u>(777,133)</u>	<u>(777,132)</u>	<u>-</u>	<u>-</u>	<u>(372,500)</u>	<u>(788,557)</u>
539,527	715,533	991,411	1,151,747	152,468	135,505	174,548	(227,808)
<u>8,952,761</u>	<u>8,237,228</u>	<u>35,991,699</u>	<u>34,839,952</u>	<u>6,888,471</u>	<u>6,752,966</u>	<u>2,740,665</u>	<u>2,968,473</u>
<u>\$ 9,492,288</u>	<u>\$ 8,952,761</u>	<u>\$ 36,983,110</u>	<u>\$ 35,991,699</u>	<u>\$ 7,040,939</u>	<u>\$ 6,888,471</u>	<u>\$ 2,915,213</u>	<u>\$ 2,740,665</u>

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

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611 Parking Lot		Totals		
	2016	2015	2016	2015	
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ 3,683,737	\$ 3,596,468	\$ -
Cost of sales	-	-	(2,616,437)	(2,566,008)	-
Charges for services	5,708	5,773	20,233,874	19,188,811	2,478,519
Miscellaneous revenues	-	-	1,581,658	1,643,623	20,257
TOTAL OPERATING REVENUES	5,708	5,773	22,882,832	21,862,894	2,498,776
OPERATING EXPENSES					
Production or purchase	-	-	11,652,003	10,697,955	-
Filtration	-	-	1,339,214	1,028,792	-
Treatment	-	-	491,159	589,736	-
Distribution	-	-	1,610,323	1,598,118	-
Collection	-	-	296,240	294,909	-
Administration and other	6,432	5,252	2,220,450	2,190,536	2,346,095
Depreciation	-	-	2,151,642	2,145,139	17,302
TOTAL OPERATING EXPENSES	6,432	5,252	19,761,031	18,545,185	2,363,397
OPERATING INCOME (LOSS)	(724)	521	3,121,801	3,317,709	135,379
NONOPERATING REVENUES (EXPENSES)					
Investment income	30	26	139,802	97,213	10,802
State grants	-	-	13,277	-	-
Miscellaneous income	-	-	5,601	38,335	-
Gain (loss) on sale of assets	-	-	(11,467)	(1,754)	-
Interest expense	-	-	(713,964)	(746,814)	-
Bond discount/premium amortization	-	-	2,089	2,088	-
Payments to Economic Development Authority	-	-	(100,000)	(81,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	30	26	(664,662)	(691,932)	10,802
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	(694)	547	2,457,139	2,625,777	146,181
CAPITAL GRANTS AND CONTRIBUTIONS TRANSFERS OUT	-	-	10,227	(97)	-
	-	-	(1,149,633)	(1,565,689)	-
CHANGE IN NET POSITION	(694)	547	1,317,733	1,059,991	146,181
NET POSITION, JANUARY 1	378,400	377,853	45,999,235	44,939,244	1,369,258
NET POSITION, DECEMBER 31	\$ 377,706	\$ 378,400	\$ 47,316,968	\$ 45,999,235	\$ 1,515,439
Change in net position as shown above			\$ 1,317,733	\$ 1,059,991	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			53,018	88,285	
Change in net position of business-type activities			\$ 1,370,751	\$ 1,148,276	

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

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,453,752	\$ 3,370,436	\$ 2,384,735	\$ 2,356,068
Payments to suppliers	(1,027,141)	(745,583)	(552,712)	(451,787)
Payments to and on behalf of employees	(983,281)	(1,083,844)	(525,239)	(544,708)
Payments for interfund services used	-	-	-	-
Other receipts	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,443,330</b>	<b>1,541,009</b>	<b>1,306,784</b>	<b>1,359,573</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers to other funds	(122,390)	(116,676)	(92,802)	(88,171)
Payments to Economic Development Authority	(15,749)	(12,161)	(11,941)	(9,190)
Increase in due from other funds	-	-	-	-
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	1,003	865	975	358
Decrease in due to other funds	-	-	-	-
Decrease in due from component unit	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(137,136)</b>	<b>(127,972)</b>	<b>(103,768)</b>	<b>(97,003)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(151,637)	(273,691)	(191,746)	(319,538)
Receipt of sales tax paid on capital purchases	440,495	-	-	-
Capital grants received	10,477	-	-	-
State aids received	3,881	-	1,962	-
Proceeds from issuance of debt	-	100,074	-	-
Principal paid on revenue bond obligations	(749,495)	(756,000)	(705,000)	(693,000)
Interest paid on revenue bond obligations	(573,390)	(586,422)	(117,639)	(129,630)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,019,669)</b>	<b>(1,516,039)</b>	<b>(1,012,423)</b>	<b>(1,142,168)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	34,676	23,340	41,500	30,369
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>321,201</b>	<b>(79,662)</b>	<b>232,093</b>	<b>150,771</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>2,964,570</b>	<b>3,044,232</b>	<b>3,915,927</b>	<b>3,765,156</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 3,285,771</b>	<b>\$ 2,964,570</b>	<b>\$ 4,148,020</b>	<b>\$ 3,915,927</b>
<b>CASH AND CASH EQUIVALENTS SUMMARY</b>				
Unrestricted	\$ 3,285,771	\$ 2,964,570	\$ 4,148,020	\$ 3,915,927
Restricted	-	-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 3,285,771</b>	<b>\$ 2,964,570</b>	<b>\$ 4,148,020</b>	<b>\$ 3,915,927</b>

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

Business-type Activities - Enterprise Funds							
<b>604</b>		Totals		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 15,149,399	\$ 14,656,787	\$ 20,987,886	\$ 20,383,291	\$ 586,378	\$ 585,821	\$ 3,679,822	\$ 3,585,252
(12,284,809)	(11,395,630)	(13,864,662)	(12,593,000)	(24,731)	(68,416)	(2,685,194)	(2,714,405)
(1,362,483)	(1,517,276)	(2,871,003)	(3,145,828)	(138,332)	(143,383)	(318,556)	(338,502)
-	-	-	-	(39,333)	(39,044)	(77,970)	(81,649)
-	-	-	-	203	460	(495)	1,191
1,502,107	1,743,881	4,252,221	4,644,463	384,185	335,438	597,607	451,887
(561,941)	(572,285)	(777,133)	(777,132)	-	-	(372,500)	(788,557)
(72,310)	(59,649)	(100,000)	(81,000)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	450,000
2,097	986	4,075	2,209	176	124	473	63
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(632,154)	(630,948)	(873,058)	(855,923)	176	124	(372,027)	(338,494)
(426,824)	(294,730)	(770,207)	(887,959)	(197,501)	(380,993)	-	(8,889)
-	-	440,495	-	-	-	-	-
-	-	10,477	-	-	-	-	-
5,524	-	11,367	-	665	-	1,245	-
-	-	-	100,074	-	-	-	-
-	-	(1,454,495)	(1,449,000)	(175,000)	(175,000)	-	-
-	-	(691,029)	(716,052)	(35,250)	(40,281)	-	-
(421,300)	(294,730)	(2,453,392)	(2,952,937)	(407,086)	(596,274)	1,245	(8,889)
38,341	23,343	114,517	77,052	11,666	11,607	13,589	8,528
486,994	841,546	1,040,288	912,655	(11,059)	(249,105)	240,414	113,032
3,330,009	2,488,463	10,210,506	9,297,851	1,271,581	1,520,686	1,094,143	981,111
<u>\$ 3,817,003</u>	<u>\$ 3,330,009</u>	<u>\$ 11,250,794</u>	<u>\$ 10,210,506</u>	<u>\$ 1,260,522</u>	<u>\$ 1,271,581</u>	<u>\$ 1,334,557</u>	<u>\$ 1,094,143</u>
\$ 3,817,003	\$ 3,330,009	\$ 11,250,794	\$ 10,210,506	\$ 1,260,522	\$ 1,271,581	\$ 1,334,557	\$ 1,094,143
-	-	-	-	-	-	-	-
<u>\$ 3,817,003</u>	<u>\$ 3,330,009</u>	<u>\$ 11,250,794</u>	<u>\$ 10,210,506</u>	<u>\$ 1,260,522</u>	<u>\$ 1,271,581</u>	<u>\$ 1,334,557</u>	<u>\$ 1,094,143</u>

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

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611 Parking Lot		Totals		
	2016	2015	2016	2015	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 5,708	\$ 5,496	\$ 25,259,794	\$ 24,559,860	\$ 2,478,562
Payments to suppliers	(6,432)	(5,217)	(16,581,019)	(15,381,038)	(510,091)
Payments to and on behalf of employees	-	-	(3,327,891)	(3,627,713)	(1,795,342)
Payments for interfund services used	(17)	(17)	(117,320)	(120,710)	(36,924)
Other receipts	-	-	(292)	1,651	20,257
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(741)	262	5,233,272	5,432,050	156,462
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers to other funds	-	-	(1,149,633)	(1,565,689)	-
Payments to Economic Development Authority	-	-	(100,000)	(81,000)	-
Increase in due from other funds	-	-	-	-	(10,967)
Decrease in due from other funds	-	-	-	450,000	49,248
Increase in due to other funds	-	-	4,724	2,396	104
Decrease in due to other funds	-	-	-	-	(50,000)
Decrease in due from component unit	-	-	-	-	32
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(1,244,909)	(1,194,293)	(11,583)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(967,708)	(1,277,841)	(7,625)
Receipt of sales tax paid on capital purchases	-	-	440,495	-	-
Capital grants received	-	-	10,477	-	-
State aids received	-	-	13,277	-	-
Proceeds from issuance of debt	-	-	-	100,074	-
Principal paid on revenue bond obligations	-	-	(1,629,495)	(1,624,000)	-
Interest paid on revenue bond obligations	-	-	(726,279)	(756,333)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(2,859,233)	(3,558,100)	(7,625)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	30	26	139,802	97,213	10,802
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(711)	288	1,268,932	776,870	148,056
CASH AND CASH EQUIVALENTS, JANUARY 1	3,429	3,141	12,579,659	11,802,789	1,371,761
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,718	\$ 3,429	\$ 13,848,591	\$ 12,579,659	\$ 1,519,817
CASH AND CASH EQUIVALENTS SUMMARY					
Unrestricted	\$ 2,718	\$ 3,429	\$ 13,848,591	\$ 12,579,659	\$ 1,519,817
Restricted	-	-	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,718	\$ 3,429	\$ 13,848,591	\$ 12,579,659	\$ 1,519,817

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



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Wastewater Utility	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 521,923	\$ 630,907	\$ 769,873	\$ 657,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	1,361	30,206	5	-
Depreciation	925,498	930,611	610,867	602,976
(Increase) decrease in assets				
Net accounts receivable	(45,380)	10,738	(2,753)	6,165
Inventories	6,115	5,241	-	-
Prepaid items	-	-	-	-
Unamortized maintenance charges	37,407	37,407	-	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(291,690)	30,424	(146,136)	10,830
Increase (decrease) in liabilities				
Accounts and contracts payable	(42,978)	(95,137)	(78,959)	56,479
Due to other governments	-	-	-	-
Accrued wages and sick leave/severance payable	3,607	13,870	2,084	13,419
Postemployment benefits other than pension obligation	2,813	2,316	1,655	1,251
Pension liability	350,783	(17,998)	165,937	22,128
Deposits payable	142	351	-	-
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(26,271)	(37,927)	(15,789)	(11,326)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,443,330</u>	<u>\$ 1,541,009</u>	<u>\$ 1,306,784</u>	<u>\$ 1,359,573</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 10,128	\$ -
Capital assets acquired on account	6,240	-	2,659	-
Special assessments levied	-	550	120	625
Amortization of bond (premium) discount	-	-	-	-
Due from other governments on sales tax paid on capital assets	-	440,495	-	-

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

Business-type Activities - Enterprise Funds							
<b>604</b>		Totals		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 1,126,725	\$ 1,317,646	\$ 2,418,521	\$ 2,606,204	\$ 171,295	\$ 159,954	\$ 532,709	\$ 551,030
4,527	6,478	5,893	36,684	203	460	(495)	1,191
388,406	392,923	1,924,771	1,926,510	177,701	170,039	49,170	48,590
(192,439)	86,442	(240,572)	103,345	(243)	(148)	(4,733)	(11,460)
(4,461)	1,958	1,654	7,199	-	-	(46,594)	(102,072)
-	-	-	-	-	-	(57)	(118)
-	-	37,407	37,407	-	-	-	-
(418,912)	45,225	(856,738)	86,479	(49,738)	3,371	(95,214)	10,487
71,357	(1,428)	(50,580)	(40,086)	33,724	(10,044)	30,718	(5,081)
5,183	(563)	5,183	(563)	-	-	1,062	2,934
13,193	(10,369)	18,884	16,920	(2,525)	5,419	7,252	(17,733)
9,222	6,950	13,690	10,517	1,016	777	1,941	1,492
530,620	(45,772)	1,047,340	(41,642)	57,778	8,976	126,413	(13,953)
(780)	2,219	(638)	2,570	-	-	-	-
-	-	-	-	-	-	818	244
(30,534)	(57,828)	(72,594)	(107,081)	(5,026)	(3,366)	(5,383)	(13,664)
<u>\$ 1,502,107</u>	<u>\$ 1,743,881</u>	<u>\$ 4,252,221</u>	<u>\$ 4,644,463</u>	<u>\$ 384,185</u>	<u>\$ 335,438</u>	<u>\$ 597,607</u>	<u>\$ 451,887</u>
\$ 1,339	\$ -	\$ 11,467	\$ -	\$ -	\$ -	\$ -	\$ -
29,502	-	38,401	-	-	-	-	-
-	-	120	1,175	-	-	-	-
-	-	-	-	(2,089)	(2,088)	-	-
-	-	-	440,495	-	-	-	-

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

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CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611		Totals		
	Parking Lot				
	2016	2015	2016	2015	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (724)	\$ 521	\$ 3,121,801	\$ 3,317,709	\$ 135,379
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	5,601	38,335	-
Depreciation	-	-	2,151,642	2,145,139	17,302
(Increase) decrease in assets					
Net accounts receivable	-	(277)	(245,548)	91,460	43
Inventories	-	-	(44,940)	(94,873)	-
Prepaid items	-	-	(57)	(118)	(918)
Unamortized maintenance charges	-	-	37,407	37,407	-
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	-	-	(1,001,690)	100,337	-
Increase (decrease) in liabilities					
Accounts and contracts payable	(17)	18	13,845	(55,193)	8,487
Due to other governments	-	-	6,245	2,371	-
Accrued wages and sick leave/severance payable	-	-	23,611	4,606	(3,831)
Postemployment benefits other than pension obligation	-	-	16,647	12,786	-
Pension liability	-	-	1,231,531	(46,619)	-
Deposits payable	-	-	(638)	2,570	-
Unearned revenue	-	-	818	244	-
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	-	-	(83,003)	(124,111)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (741)</u>	<u>\$ 262</u>	<u>\$ 5,233,272</u>	<u>\$ 5,432,050</u>	<u>\$ 156,462</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 11,467	\$ -	\$ -
Capital assets acquired on account	-	-	38,401	-	-
Special assessments levied	-	-	120	1,175	-
Amortization of bond (premium) discount	-	-	(2,089)	(2,088)	-
Due from other governments on sales tax paid on capital assets	-	-	-	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, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$     397,289
Due from other governments	<u>          1,066</u>
TOTAL ASSETS	<u><u>\$     398,355</u></u>
LIABILITIES	
Accounts payable	\$     383,346
Deposits payable	<u>          15,009</u>
TOTAL LIABILITIES	<u><u>\$     398,355</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, 2016

**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 180 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, 2016

**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 *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, 2016

**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: Convention and Visitors' Bureau (C.V.B.), Flex Plan, Multi-family Housing, HRA Potter's Addition, Focus on Fairmont, Project 1590 and Inclusive Playground.

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, 2016

**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. 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 from such investments are allocated on the basis of applicable participation by each of the funds.

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.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2016:

- Governmental agency securities of \$9,594,002 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$3,297,376 are valued using a matrix pricing model (Level 2 inputs)

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. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

***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, 2016 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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***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.

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2016. 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, 2016 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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***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.

***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

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***Deferred outflows of resources***

In addition to assets, the statement of net 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.

***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.

***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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***Deferred inflows of resources***

In addition to liabilities, the statement of net 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.

***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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***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".

***Comparative data/reclassifications***

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

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

**A. Budgetary information**

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

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

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

**B. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2016:

Fund	Amount
Capital Projects	
2016 Capital Improvements	\$ 649,694
2017 Capital Improvements	114,309
Internal Service	
Central Garage and Equipment	5,983

The 2017 Capital Improvements fund deficits will be funded by future bond proceeds and the 2016 Capital Improvements fund will be funded internally from the Municipal State Aid - Streets fund. 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, 2016

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

**A. Deposits and investments**

*Deposits*

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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 \$7,569,117, including \$397,289 reported in fiduciary funds. The bank balance was \$7,443,075. The bank balance was covered by federal depository insurance of \$750,000. Of the remaining balance, \$6,693,075, 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:

Type of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled investments at amortized costs					
4M Fund	N/A	less than 6 months	\$ 20		
Non-pooled investments at amortized costs					
Money Market Funds	N/A	less than 6 months	7,139		
Non-pooled investments at fair value					
Governmental agency securities	AAA	more than 3 years	9,594,002	\$ 9,594,002	\$ -
Negotiable certificates of deposit	N/A	less than 6 months	1,241,231	-	1,241,231
Negotiable certificates of deposit	N/A	6 months to 1 year	5,083,422	-	248,956
Negotiable certificates of deposit	N/A	1 to 3 years	8,053,373	-	1,214,794
Negotiable certificates of deposit	N/A	more than 3 years	2,538,948	-	592,395
Total investments			\$ 26,518,135	\$ 9,594,002	\$ 3,297,376

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk. N/A indicates not applicable or available.

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

Note: The City does not have any level 3 investments.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***Cash on hand***

Cash in the possession of the City, consisting of undeposited receipts, petty cash, and change funds totals \$3,223.

***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	\$ 6,747,875	\$ 423,953	\$ 397,289	\$ 7,569,117
Investments	26,518,135	-	-	26,518,135
Cash on hand	3,223	-	-	3,223
	<u>33,269,233</u>	<u>423,953</u>	<u>397,289</u>	<u>34,090,475</u>
Total	<u>\$ 33,269,233</u>	<u>\$ 423,953</u>	<u>\$ 397,289</u>	<u>\$ 34,090,475</u>
Cash and cash equivalents	\$ 30,068,359	\$ 423,953	\$ 397,289	\$ 30,889,601
Escrowed investments	3,200,874	-	-	3,200,874
	<u>33,269,233</u>	<u>423,953</u>	<u>397,289</u>	<u>34,090,475</u>
Total	<u>\$ 33,269,233</u>	<u>\$ 423,953</u>	<u>\$ 397,289</u>	<u>\$ 34,090,475</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, 2016 is \$727,244.

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, 2016 are \$133,271 of which \$29,594 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 \$103,677 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, 2016 is \$10,855.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

**C. Capital assets**

*Primary government*

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	4,381,711	1,770,286	(3,753,546)	2,398,451
Total capital assets not being depreciated	8,331,189	1,770,286	(3,753,546)	6,347,929
Capital assets being depreciated				
Buildings and structures	9,101,814	20,685	-	9,122,499
Improvements other than buildings	14,247,779	80,285	-	14,328,064
Machinery and equipment	4,861,170	707,875	(122,556)	5,446,489
Vehicles	2,772,722	293,842	(10,626)	3,055,938
Infrastructure	44,650,607	1,303,574	-	45,954,181
Bridges	2,378,790	2,511,728	-	4,890,518
Total capital assets being depreciated	78,012,882	4,917,989	(133,182)	82,797,689
Less accumulated depreciation for				
Buildings and structures	(3,456,381)	(196,372)	-	(3,652,753)
Improvements other than buildings	(4,228,193)	(580,850)	-	(4,809,043)
Machinery and equipment	(3,941,282)	(173,776)	122,556	(3,992,502)
Vehicles	(2,363,931)	(95,060)	10,626	(2,448,365)
Infrastructure	(16,815,899)	(1,117,473)	-	(17,933,372)
Bridges	(1,121,617)	(59,470)	-	(1,181,087)
Total accumulated depreciation	(31,927,303)	(2,223,001)	133,182	(34,017,122)
Total capital assets being depreciated, net	46,085,579	2,694,988	-	48,780,567
Governmental activities capital assets, net	<u>\$ 54,416,768</u>	<u>\$ 4,465,274</u>	<u>\$ (3,753,546)</u>	<u>\$ 55,128,496</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,718,715	\$ -	\$ -	\$ 1,718,715
Construction in progress	6,655	288,374	-	295,029
Total capital assets not being depreciated	1,725,370	288,374	-	2,013,744
Capital assets being depreciated				
Buildings and structures	42,621,597	5,234	-	42,626,831
Improvements other than buildings	41,876,786	442,593	(110,846)	42,208,533
Machinery and equipment	10,792,168	269,908	(210,472)	10,851,604
Total capital assets being depreciated	95,290,551	717,735	(321,318)	95,686,968
Less accumulated depreciation for				
Buildings and structures	(5,400,347)	(812,726)	-	(6,213,073)
Improvements other than buildings	(18,446,481)	(925,488)	110,846	(19,261,123)
Machinery and equipment	(5,593,000)	(413,428)	199,005	(5,807,423)
Total accumulated depreciation	(29,439,828)	(2,151,642)	309,851	(31,281,619)
Total capital assets being depreciated, net	65,850,723	(1,433,907)	(11,467)	64,405,349
Business-type activities capital assets, net	\$ 67,576,093	\$ (1,145,533)	\$ (11,467)	\$ 66,419,093

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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	\$ 58,181
Public safety	110,411
Streets and highways	1,260,624
Culture and recreation	284,055
Housing and economic development	65,606
Airport	426,822
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>17,302</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,223,001</u></u>

**Business-type activities**

Electric utility	\$ 388,406
Water utility	925,498
Wastewater utility	610,867
Storm sewer	177,701
Liquor	<u>49,170</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,151,642</u></u>

**Construction commitments**

The City has active construction projects as of December 31, 2016. The projects include street construction in areas with new commercial developments, widening and construction of existing streets. 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
Reconstruction Hangar Area Pavement	620,792	32,026
Prairie Avenue	-	749,996
2016 Distribution Mains	<u>118,562</u>	<u>38,258</u>
Total	<u><u>\$ 1,415,760</u></u>	<u><u>\$ 827,629</u></u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Debt Service	\$ 30,000
Nonmajor governmental	Nonmajor governmental	502,670
Internal service		
Medical self-insurance	Public Utilities Commission	15,013
	Storm Sewer Utility	999
	General	26,350
	Internal service	
	Central garage and equipment	974
Worker's compensation self-insurance	Nonmajor governmental	450
	Public Utilities Commission	3,580
	Municipal Liquor	2,047
		<hr/>
Total		<u><u>\$ 582,083</u></u>

The majority of the above amounts represent interfund billings that will repaid during the first couple of months of 2017. 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, 2016

**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, 2016, is as follows:

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
Amounts related to internal service	Amounts related to internal service	
fund elimination	fund elimination	<u>\$ 3,826</u>

***Interfund transfers***

The composition of interfund transfers for the year ended December 31, 2016, is as follows:

Fund	General	Debt Service	Nonmajor Governmental	Total
Transfers out				
General	\$ -	\$ 34,432	\$ -	\$ 34,432
Debt Service	550,000	-	-	550,000
Municipal Liquor	192,500	-	180,000	372,500
Water Utility	122,390	-	-	122,390
Wastewater Utility	92,802	-	-	92,802
Electric Utility	561,941	-	-	561,941
Total transfers out	<u>\$ 1,519,633</u>	<u>\$ 34,432</u>	<u>\$ 180,000</u>	<u>\$ 1,734,065</u>

The transfer of \$192,500 from the Municipal Liquor fund to the General fund for housing demolition (\$42,500), trail improvements (\$150,000).

The transfer of \$20,000 from the Municipal Liquor fund to the Central College Incubator fund to cover any operating losses.

The transfer of \$160,000 from the Municipal Liquor fund to the Airport Reconstruction Project for the City share of the 2016 airport improvement grant.

The transfer of \$777,133 from the Water Utility (\$122,390), Wastewater Utility (\$92,802) and the Electric Utility (\$561,941) funds to the General fund is payment in lieu of taxes.

The transfer of \$34,432 from the General fund to the Fire Truck fund for fire call revenue received.

The transfer of \$550,000 from the Special Assessment fund to the General fund for fire truck.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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 \$8,779,803 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 Bonds of 2009A	\$ 3,590,000	2.00 - 4.00 %	09/16/09	03/01/18	\$ 1,140,000
G.O. Improvement Bonds of 2010A	2,615,000	2.00 - 3.50	06/17/10	03/01/18	1,410,000
G.O. Improvement Bonds of 2011A	1,820,000	2.00 - 4.00	09/20/11	03/01/17	1,390,000
G.O. Improvement Crossover Refunding Bonds of 2012A	5,755,000	0.50 - 1.95	03/15/12	03/01/24	4,945,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,515,000
G.O. Improvement Bonds of 2015A	2,330,000	2.00-3.00	08/20/15	03/01/31	2,330,000
G.O. Improvement Crossover Refunding Bonds of 2016A	2,715,000	1.50 - 2.00	05/01/16	03/01/27	2,715,000
Total G.O. Special Assessment Bonds					<u>\$ 15,445,000</u>

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

Year Ending December 31,	<b>G.O. Special Assessment Bonds</b> Governmental Activities		
	Principal	Interest	Total
2017	\$ 3,730,000	\$ 327,738	\$ 4,057,738
2018	2,430,000	217,349	2,647,349
2019	1,295,000	178,238	1,473,238
2020	1,300,000	157,809	1,457,809
2021	1,320,000	135,029	1,455,029
2022 - 2026	4,050,000	383,369	4,433,369
2027 - 2031	1,320,000	81,842	1,401,842
Total	<u>\$ 15,445,000</u>	<u>\$ 1,481,374</u>	<u>\$ 16,926,374</u>



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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	\$ 6,095,000
G.O. Storm Sewer Crossover Refunding					
Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	985,000
2011 G.O. Revenue					
Notes (PFA)	28,902,811	2.23	10/11/11	08/20/41	24,917,000
Total G.O. Revenue Bonds					<u>\$ 31,997,000</u>

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

Year Ending December 31,	G.O. Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2017	\$ 1,667,000	\$ 691,939	\$ 2,358,939
2018	1,701,000	656,820	2,357,820
2019	1,742,000	620,639	2,362,639
2020	1,773,000	583,180	2,356,180
2021	1,814,000	544,407	2,358,407
2022 - 2026	6,854,000	2,223,974	9,077,974
2027 - 2031	4,991,000	1,618,980	6,609,980
2032 - 2036	5,575,000	1,035,973	6,610,973
2037 - 2041	5,880,000	384,806	6,264,806
Total	<u>\$ 31,997,000</u>	<u>\$ 8,360,718</u>	<u>\$ 40,357,718</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, 2016, are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,497,629	\$ 2,387,483	\$ 586,621
Principal and interest	1,322,885	822,639	210,250
Percentage of revenues	37.8%	34.5%	35.8%

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation special assessment bonds	\$ 16,510,000	\$ 2,715,000	\$ (3,780,000)	\$ 15,445,000	\$ 3,730,000
Bond premiums	118,375	-	(10,125)	108,250	-
Total bonds payable	16,628,375	2,715,000	(3,790,125)	15,553,250	3,730,000
Sick leave/severance payable	413,287	414,323	(351,489)	476,121	140,034
Pension liability					
GERF	1,698,836	1,242,935	(155,808)	2,785,963	-
PEPFF	1,499,829	4,140,793	(222,837)	5,417,785	-
FRA	326,149	-	(82,175)	243,974	-
Postemployment benefits other than pensions obligation	174,593	47,748	(18,919)	203,422	-
Governmental activity long-term liabilities	<u>\$ 20,741,069</u>	<u>\$ 8,560,799</u>	<u>\$ (4,621,353)</u>	<u>\$ 24,680,515</u>	<u>\$ 3,870,034</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 33,626,495	\$ -	\$ (1,629,495)	\$ 31,997,000	\$ 1,667,000
Bond premiums	19,144	-	(2,089)	17,055	-
Total bonds payable	33,645,639	-	(1,631,584)	32,014,055	1,667,000
Sick leave/severance payable	473,539	283,264	(273,660)	483,143	168,513
Pension liability					
GERF	2,177,688	1,513,111	(281,580)	3,409,219	-
Postemployment benefits other than pensions obligation	75,171	27,571	(10,924)	91,818	-
Business-type activity long-term liabilities	<u>\$ 36,372,037</u>	<u>\$ 1,823,946</u>	<u>\$ (2,197,748)</u>	<u>\$ 35,998,235</u>	<u>\$ 1,835,513</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component unit activities</b>					
Sick leave/severance payable	\$ 277	\$ 9,793	\$ (7,631)	\$ 2,439	\$ 2,439
Postemployment benefits other than pensions obligation	4,766	63	(25)	4,804	-
Component unit activity long-term liabilities	<u>\$ 5,043</u>	<u>\$ 9,856</u>	<u>\$ (7,656)</u>	<u>\$ 7,243</u>	<u>\$ 2,439</u>

Crossover Refunding Bond

On April 26, 2016, the City issued \$2,715,000 of General Obligation Crossover Refunding Bonds, Series 2016A. The bonds issued will crossover refund the 2009A General Obligation Bond, 2010A General Obligation Bonds and the 2011A General Obligation Improvement Bond. The proceeds of the bonds were deposited in an escrow account and will be used to pay issuance costs and to purchase government obligations. The government obligations will bear interest rates that will provide sufficient funds to refund the old bonds. The 2009A bond will be refunded on March 1, 2018, the 2010A bond will be refunded on March 1, 2017 (the City will continue to pay the principal and interest payments on the portion of the 2010A bonds designed as the refunding portion until they mature in 2018) and the 2011A bond will be refunded on March 1, 2017. The escrow account will also provide debt service payments on the new bond until the crossover dates. The old bonds are not considered defeased until the crossover dates, and therefore will not be removed as liabilities. As a result of the crossover refunding issue, the City will save \$274,477 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$218,091.

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	05/21/15	<u>\$ 5,454,000</u>	<u>\$ 5,044,937</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

**F. Components of fund balance**

At December 31, 2016, 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	2015 Capital Improvements	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	\$ 787	\$ -	\$ -	\$ -	\$ 787
Restricted for					
Debt service	\$ -	\$ 6,969,283	\$ -	\$ -	\$ 6,969,283
State aid street improvements	-	-	387,123	1,997,046	2,384,169
Housing and economic development	-	-	-	1,464,603	1,464,603
Total	\$ -	\$ 6,969,283	\$ 387,123	\$ 3,461,649	\$ 10,818,055
Committed for					
Bike trail	\$ 1,950	\$ -	\$ -	\$ -	\$ 1,950
LaFrance	4,172	-	-	-	4,172
Fire department	20,000	-	-	-	20,000
Lincoln park	3,000	-	-	-	3,000
Aeronautics	-	-	-	27,954	27,954
Capital projects	-	-	-	772,422	772,422
Central college incubator	-	-	-	4,673	4,673
Conservation	-	-	-	305,221	305,221
Total	\$ 29,122	\$ -	\$ -	\$ 1,110,270	\$ 1,139,392

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

	General	Debt Service	2015 Capital Improvements	Other Governmental Funds	Total
Assigned for					
Police equipment	\$ 35,723	\$ -	\$ -	\$ -	\$ 35,723
Fire department truck	288,764	-	-	-	288,764
Building inspection	11,143	-	-	-	11,143
Housing demolition	91,136	-	-	-	91,136
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	25,963	-	-	-	25,963
Street building	36,237	-	-	-	36,237
Park land	86,280	-	-	-	86,280
Street/park building replacement	1,600,000	-	-	-	1,600,000
Government building	101,826	-	-	-	101,826
Street equipment	120,880	-	-	-	120,880
Park trail	150,000	-	-	-	150,000
Aeronautics	-	-	-	241,973	241,973
Central college incubator	-	-	-	20,158	20,158
Wetland bank	-	-	-	77,103	77,103
Housing and economic development	-	-	-	25,752	25,752
Total	<u>\$ 3,038,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,986</u>	<u>\$ 3,403,805</u>
Unassigned	<u>\$ 3,923,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (764,003)</u>	<u>\$ 3,159,209</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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  
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**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 members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**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 2016. 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 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$346,231, \$341,038 and \$325,376, 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 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$203,906, \$199,315 and \$184,614, 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, 2016, the City reported a liability of \$6,195,182 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$80,915. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0763 percent which was a 0.0015 percent increase from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$694,022 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$24,127 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

At December 31, 2016, the City reported its proportionate share of GERS'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	\$ 20,283	\$ 510,173
Changes in actuarial assumptions	1,335,131	-
Net difference between projected and actual earnings on plan investments	698,231	-
Changes in proportion	62,260	205,601
Contributions to GERS subsequent to the measurement date	174,507	-
Total	<u>\$ 2,290,412</u>	<u>\$ 715,774</u>

Deferred outflows of resources totaling \$174,507 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2017	\$ 348,503
2018	209,820
2019	618,026
2020	223,782
2021	-
Thereafter	-

PEPFF pension costs

At December 31, 2016, the City reported a liability of \$5,417,785 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, 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, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$158,483 for its proportionate share of PEPFF's pension expense. The City also recognized \$25,864 for the year ended December 31, 2016, 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.



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

At December 31, 2016, 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	\$ 1,207	\$ 626,693
Changes in actuarial assumptions	3,200,648	-
Net difference between projected and actual earnings on plan investments	470,912	-
Changes in proportion	50,514	-
Contributions to PEPFF subsequent to the measurement date	101,119	-
Total	<u>\$ 3,824,400</u>	<u>\$ 626,693</u>

Deferred outflows of resources totaling \$101,119 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 590,902
2018	590,902
2019	766,769
2020	629,669
2021	518,346
Thereafter	-

**E. Actuarial assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERF and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF and PEPFF.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The experience study for PEPFF was for the period July 1, 2004 through June 30, 2009.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

The following changes in actuarial assumptions occurred in 2016:

GERF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent.

The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic 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 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FAIRMONT, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent after.

**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 (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 8,798,994	\$ 6,195,182	\$ 4,050,349
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF	\$ 7,584,180	\$ 5,417,785	\$ 3,647,676

**H. Pension plan fiduciary net position**

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

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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, 2015, 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 \$89,043 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2015, 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, 2016 were \$36,298. The City's contributions were equal to the required contributions as set by state statute.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

**D. Pension costs**

At December 31, 2016, the City reported a net pension liability of \$243,974 for the plan. The net pension liability was measured as of December 31, 2015. 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, 2015. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance January 1, 2016	\$ 1,835,002	\$ 1,508,853	\$ 326,149
Changes for the year			
Service cost	47,679	-	47,679
Interest	106,331	-	106,331
Differences between expected and actual experience	(73,104)	-	(73,104)
Changes in assumptions	(42,248)	-	(42,248)
Contributions - State and local	-	143,804	(143,804)
Contributions - member	-	15,320	(15,320)
Net investment income	-	(24,723)	24,723
Benefit payments	(66,890)	(66,890)	-
Administrative expenses	-	(13,568)	13,568
Total net changes	(28,232)	53,943	(82,175)
Ending balance December 31, 2016	\$ 1,806,770	\$ 1,562,796	\$ 243,974

For the year ended December 31, 2016, the City recognized pension expense of \$54,882.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

At December 31, 2016, 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	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 64,711
Changes in actuarial assumptions	-	37,397
Net difference between projected and actual earnings on plan investments	108,464	-
Contributions to plan subsequent to the measurement date	125,341	-
Total	<u>\$ 233,805</u>	<u>\$ 102,108</u>

Deferred outflows of resources totaling \$125,341 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, 2017. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2017	\$ 15,447
2018	15,447
2019	15,445
2020	9,149
2021	(13,244)
Thereafter	(35,888)

**E. Actuarial assumptions**

The total pension liability at December 31, 2015 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	6.50%
Inflation rate	2.75%
Investment rate of return	6.50%
20 year municipal bond yield	3.57%

There were no changes in actuarial assumptions in 2015.

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, 2016

**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 Nominal Rate of Return
Domestic equity	39.64 %	8.27 %
International equity	11.02	8.53
Fixed income	38.05	4.87
Real estate and alternatives	2.17	6.87
Cash and equivalents	9.12	3.57
Total	<u>100.00 %</u>	

**F. Discount rate**

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in 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.

**G. 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 (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined benefit plan	\$ 300,830	\$ 243,974	\$ 191,085

**H. 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, 2016

**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 position of \$436,456 at December 31, 2016. The claims liability of \$8,514 reported in the fund at December 31, 2016 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 2016, 2015 and 2014 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2016	\$ 22,593	\$ 190,032	\$ (204,111)	\$ 8,514
2015	19,567	183,229	(180,203)	22,593
2014	15,093	253,876	(249,402)	19,567



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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, 2016, was \$670,473 and \$362,354 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, 2016, 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 2016, 2015 and 2014 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2016	\$ -	\$ 3,618	\$ (3,618)	\$ -
2015	-	111,917	(111,917)	-
2014	-	28,733	(28,733)	-

**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  
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**Note 6: OTHER INFORMATION - CONTINUED**

**C. Commitments**

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

**D. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2016 was \$3,530,759. This accounted for 48 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 2016, the City contributed \$29,843 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	\$ 80,246	\$ 67	\$ 80,313
Interest on net OPEB obligation	11,444	10	11,454
Adjustment to annual required contribution	(16,371)	(14)	(16,385)
Annual OPEB cost	75,319	63	75,382
Contributions made	(29,843)	(25)	(29,868)
Increase in net OPEB obligation	45,476	38	45,514
Net OPEB obligation - beginning of year	249,764	4,766	254,530
NET OPEB obligation - end of year	\$ 295,240	\$ 4,804	\$ 300,044

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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 2016 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
12/31/16	\$ 75,319	39.6%	\$ 295,240
12/31/15	75,592	54.2%	249,764
12/31/14	76,317	61.7%	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
12/31/16	\$ 63	39.7%	\$ 4,804
12/31/15	583	54.2%	4,766
12/31/14	525	61.7%	4,499

*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, 2016

**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, 2016 was 30 years.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 7: TAX ABATEMENTS**

As of December 31, 2016, the City has seven agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement on September 1, 2016 with a business in which the business incurred costs for the renovation of an existing building to accommodate the manufacturing of industrial custom fabricated products. In return, the City will reimburse the business for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$231,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1816) and has a maximum duration of February 1, 2027. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #22) on August 22, 2011 with a developer in which the developer demolished an existing substandard building and the acquisition, construction and equipping of an approximately 10,000 square foot banking facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the redevelopment. The pay-as-you-go agreement has a maximum return to the developer of \$591,884 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of December 31, 2038. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #23) on September 24, 2012 with a developer in which the developer incurs costs for the construction of an approximate 15,000 square foot facility for the expansion of an existing business currently within the City. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$225,134 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of December 31, 2022. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #24) on February 23, 2015 with a developer in which the developer incurs costs for the construction of retail and office complex consisting of two buildings, one approximately 2,364 square feet and the other approximately 5,468 square feet. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$154,560 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1794) and has a maximum duration of December 31, 2028. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #25) on April 27, 2015 with a developer in which the developer demolished an existing substandard building and the acquisition, construction and equipping of an approximately 12,000 square foot office building. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$290,798 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1794) and has a maximum duration of December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #26) on July 27, 2015 with a developer in which the developer incurred costs to construct a 14,000-15,000 square foot expansion to an existing assisted living facility to add approximately 20 new housing units. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$198,641 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1794) and has a maximum duration of December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 7: TAX ABATEMENTS - CONTINUED**

The City entered into a tax increment financing agreement (TIF #27) on August 22, 2016 with a developer in which the developer incurred costs to demolish an existing substandard building and the acquisition, construction and equipping a multifamily rental housing project consisting of one four plex with three bedrooms per unit and one three plex unit with three bedrooms per unit. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$121,330 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1794) and has a maximum duration of December 31, 2044. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2016, was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated the fiscal year
Tax Abatement Agreements			
Zierke Built Manufacturing, Inc.			\$ -
Tax Increment Districts (PAYGO)			
TIF District #22	42.272%	\$ 46,034	19,459
TIF District #23	49.454%	21,802	10,782
TIF District #24	46.113%	-	-
TIF District #25	46.113%	-	-
TIF District #26	46.165%	-	-
TIF District #27	48.739%	-	-
			<u>          </u>
Total			<u><u>\$ 30,241</u></u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016



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CITY OF FAIRMONT, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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
06/30/16	0.0763 %	\$ 6,195,182	\$ 80,915	\$ 6,276,097	\$ 4,732,291	132.6 %	68.9 %
06/30/15	0.0748	3,876,524	-	3,876,524	4,324,853	89.6	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**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)
12/31/16	\$ 346,231	\$ 346,231	\$ -	\$ 4,616,416	7.5 %
12/31/15	341,038	341,038	-	4,547,173	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

CITY OF FAIRMONT, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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
06/30/16	0.1350 %	\$ 5,417,785	\$ -	\$ 5,417,785	\$ 1,297,817	417.5 %	63.9 %
06/30/15	0.1320	1,499,829	-	1,499,829	1,210,128	123.9	86.6

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**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)
12/31/16	\$ 203,906	\$ 203,906	\$ -	\$ 1,258,681	16.2 %
12/31/15	199,315	199,315	-	1,230,340	16.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

CITY OF FAIRMONT, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total pension liability		
Service cost	\$ 47,679	\$ 46,403
Interest	106,331	104,175
Differences between expected and actual experience	(73,104)	-
Changes of assumptions	(42,248)	-
Benefit payments, including refunds of employee contributions	(66,890)	(161,823)
Net change in total pension liability	(28,232)	(11,245)
Total pension liability - January 1	1,835,002	1,846,247
	<u>\$ 1,806,770</u>	<u>\$ 1,835,002</u>
Plan fiduciary net position		
Contributions - employer	143,804	171,691
Contributions - employee	15,320	13,760
Net investment income	(24,723)	52,082
Benefit payments, including refunds of employee contributions	(66,890)	(161,823)
Administrative expense	(13,568)	(17,227)
Net change in plan fiduciary net position	53,943	58,483
Plan fiduciary net position - January 1	1,508,853	1,450,370
	<u>\$ 1,562,796</u>	<u>\$ 1,508,853</u>
Fire Relief's net pension liability (asset) - December 31 (a-b)	<u>\$ 243,974</u>	<u>\$ 326,149</u>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	86.50%	82.23%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

**Notes to Schedule:**

*Benefit changes.* No changes in 2016.

*Changes of assumptions.* No changes in 2016.

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, 2016

**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)
12/31/16	\$ - *	\$ - *	\$ -
12/31/15	134,935	152,186	(17,251)
12/31/14	153,574	192,239	(38,665)

\* Information not available at the time of the audit.

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

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



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

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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CITY OF FAIRMONT, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,315,799	\$ 2,023,284	\$ 3,339,083
Receivables			
Delinquent taxes	1,236	-	1,236
Accounts	16,095	-	16,095
Loans	860,515	-	860,515
Intergovernmental	28,713	622,354	651,067
Due from other funds	-	502,670	502,670
<b>TOTAL ASSETS</b>	<u><u>\$ 2,222,358</u></u>	<u><u>\$ 3,148,308</u></u>	<u><u>\$ 5,370,666</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 51,335	\$ 640,173	\$ 691,508
Due to other funds	450	502,670	503,120
Accrued wages payable	1,900	-	1,900
<b>TOTAL LIABILITIES</b>	<u>53,685</u>	<u>1,142,843</u>	<u>1,196,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	<u>1,236</u>	<u>-</u>	<u>1,236</u>
<b>FUND BALANCES</b>			
Restricted	1,464,603	1,997,046	3,461,649
Committed	337,848	772,422	1,110,270
Assigned	364,986	-	364,986
Unassigned	-	(764,003)	(764,003)
<b>TOTAL FUND BALANCES</b>	<u>2,167,437</u>	<u>2,005,465</u>	<u>4,172,902</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 2,222,358</u></u>	<u><u>\$ 3,148,308</u></u>	<u><u>\$ 5,370,666</u></u>

CITY OF FAIRMONT, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 75,401	\$ -	\$ 75,401
Intergovernmental	119,293	876,135	995,428
Charges for services	348,703	-	348,703
Investment earnings	12,183	24,587	36,770
Miscellaneous	217,983	210	218,193
TOTAL REVENUES	773,563	900,932	1,674,495
EXPENDITURES			
Current			
Housing and economic development	203,169	-	203,169
Miscellaneous	460,580	-	460,580
Capital outlay			
Streets and highways	-	845,981	845,981
Housing and economic development	5,458	-	5,458
Miscellaneous	1,565	838,631	840,196
TOTAL EXPENDITURES	670,772	1,684,612	2,355,384
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	102,791	(783,680)	(680,889)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	19,500	19,500
Transfers in	20,000	160,000	180,000
TOTAL OTHER FINANCING SOURCES (USES)	20,000	179,500	199,500
NET CHANGE IN FUND BALANCES	122,791	(604,180)	(481,389)
FUND BALANCES, JANUARY 1	2,044,646	2,609,645	4,654,291
FUND BALANCES, DECEMBER 31	\$ 2,167,437	\$ 2,005,465	\$ 4,172,902

## 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, 2016

	<b>212</b> Central College Incubator	<b>214</b> Wetland Bank	<b>215</b> Revolving Loan	<b>216</b> Revolving Loan 2
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,878	\$ 79,693	\$ 168,761	\$ 423,763
Receivables				
Delinquent taxes	-	-	-	-
Accounts	210	-	-	-
Loans	-	-	473,641	288,603
Intergovernmental	-	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 32,088</u></u>	<u><u>\$ 79,693</u></u>	<u><u>\$ 642,402</u></u>	<u><u>\$ 712,366</u></u>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 7,257	\$ 2,590	\$ 338	\$ -
Due to other funds	-	-	-	-
Accrued wages payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>7,257</u>	<u>2,590</u>	<u>338</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	-	642,064	712,366
Committed	4,673	-	-	-
Assigned	<u>20,158</u>	<u>77,103</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>24,831</u>	<u>77,103</u>	<u>642,064</u>	<u>712,366</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 32,088</u></u>	<u><u>\$ 79,693</u></u>	<u><u>\$ 642,402</u></u>	<u><u>\$ 712,366</u></u>

<b>217</b>	<b>220</b>	<b>222</b>	<b>224</b>	<b>226</b>	<b>230</b>	<b>240</b>	Total
Micro Loan	State Housing Grant I	State Housing Grant II	State Housing Grant III	State Housing Grant 2011	Aeronautics	Lake Restoration	Nonmajor Special Revenue
\$ 14,854	\$ -	\$ 10,741	\$ 7,851	\$ 4,223	\$ 240,088	\$ 333,947	\$ 1,315,799
-	-	-	-	-	1,236	-	1,236
-	-	-	-	-	8,524	7,361	16,095
10,913	-	5,675	28,413	53,270	-	-	860,515
-	-	-	-	-	28,713	-	28,713
<u>\$ 25,767</u>	<u>\$ -</u>	<u>\$ 16,416</u>	<u>\$ 36,264</u>	<u>\$ 57,493</u>	<u>\$ 278,561</u>	<u>\$ 341,308</u>	<u>\$ 2,222,358</u>
\$ 15	\$ -	\$ -	\$ -	\$ -	\$ 5,048	\$ 36,087	\$ 51,335
-	-	-	-	-	450	-	450
-	-	-	-	-	1,900	-	1,900
15	-	-	-	-	7,398	36,087	53,685
-	-	-	-	-	1,236	-	1,236
-	-	16,416	36,264	57,493	-	-	1,464,603
-	-	-	-	-	27,954	305,221	337,848
25,752	-	-	-	-	241,973	-	364,986
25,752	-	16,416	36,264	57,493	269,927	305,221	2,167,437
<u>\$ 25,767</u>	<u>\$ -</u>	<u>\$ 16,416</u>	<u>\$ 36,264</u>	<u>\$ 57,493</u>	<u>\$ 278,561</u>	<u>\$ 341,308</u>	<u>\$ 2,222,358</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, 2016

	<b>212</b> Central College Incubator	<b>214</b> Wetland Bank	<b>215</b> Revolving Loan	<b>216</b> Revolving Loan 2
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
State				
Airport maintenance aid	-	-	-	-
Charges for services				
Miscellaneous	-	-	-	-
Investment earnings	158	847	1,324	4,632
Miscellaneous				
Rents	-	-	-	-
Loan interest	-	-	18,879	8,524
Other	47,129	-	-	-
	<u>47,287</u>	<u>847</u>	<u>20,203</u>	<u>13,156</u>
TOTAL REVENUES				
	<u>47,287</u>	<u>847</u>	<u>20,203</u>	<u>13,156</u>
EXPENDITURES				
Current				
Housing and economic development	67,065	8,415	64,905	386
Miscellaneous				
Conservation - water resources	-	-	-	-
Airport operation and maintenance	-	-	-	-
Capital outlay				
Housing and economic development	5,458	-	-	-
Miscellaneous				
Conservation - water resources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES				
	<u>72,523</u>	<u>8,415</u>	<u>64,905</u>	<u>386</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,236)	(7,568)	(44,702)	12,770
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	-	-	-
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(5,236)	(7,568)	(44,702)	12,770
FUND BALANCES, JANUARY 1	30,067	84,671	686,766	699,596
	<u>30,067</u>	<u>84,671</u>	<u>686,766</u>	<u>699,596</u>
FUND BALANCES, DECEMBER 31	<u>\$ 24,831</u>	<u>\$ 77,103</u>	<u>\$ 642,064</u>	<u>\$ 712,366</u>



<b>217</b> Micro Loan	<b>220</b> State Housing Grant I	<b>222</b> State Housing Grant II	<b>224</b> State Housing Grant III	<b>226</b> State Housing Grant 2011	<b>230</b> Aeronautics	<b>240</b> Lake Restoration	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,401	\$ -	\$ 75,401
-	-	-	-	-	119,293	-	119,293
-	-	-	-	-	283,872	64,831	348,703
194	-	94	75	43	1,706	3,110	12,183
-	-	-	-	-	136,850	-	136,850
186	-	181	118	-	-	-	27,888
-	-	-	-	-	6,116	-	53,245
380	-	275	193	43	623,238	67,941	773,563
76	1,107	3,440	27,909	29,866	-	-	203,169
-	-	-	-	-	-	9,968	9,968
-	-	-	-	-	450,612	-	450,612
-	-	-	-	-	-	-	5,458
-	-	-	-	-	-	1,565	1,565
76	1,107	3,440	27,909	29,866	450,612	11,533	670,772
304	(1,107)	(3,165)	(27,716)	(29,823)	172,626	56,408	102,791
-	-	-	-	-	-	-	20,000
304	(1,107)	(3,165)	(27,716)	(29,823)	172,626	56,408	122,791
25,448	1,107	19,581	63,980	87,316	97,301	248,813	2,044,646
<u>\$ 25,752</u>	<u>\$ -</u>	<u>\$ 16,416</u>	<u>\$ 36,264</u>	<u>\$ 57,493</u>	<u>\$ 269,927</u>	<u>\$ 305,221</u>	<u>\$ 2,167,437</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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 75,000	\$ 75,401	\$ 401	\$ 50,568
Intergovernmental				
State				
Airport maintenance aid	60,000	119,293	59,293	67,592
Charges for services				
Miscellaneous	255,375	283,872	28,497	288,916
Investment earnings	300	1,706	1,406	817
Miscellaneous				
Rents	145,000	136,850	(8,150)	152,193
Other	-	6,116	6,116	1,389
TOTAL REVENUES	<u>535,675</u>	<u>623,238</u>	<u>87,563</u>	<u>561,475</u>
EXPENDITURES				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	122,193	80,411	41,782	83,248
Supplies	223,375	210,331	13,044	244,044
Other services and charges	168,206	159,870	8,336	153,285
Capital outlay				
Miscellaneous				
Airport operation and maintenance	20,000	-	20,000	-
TOTAL EXPENDITURES	<u>533,774</u>	<u>450,612</u>	<u>83,162</u>	<u>480,577</u>
NET CHANGE IN FUND BALANCES	1,901	172,626	170,725	80,898
FUND BALANCES, JANUARY 1	<u>97,301</u>	<u>97,301</u>	-	<u>16,403</u>
FUND BALANCES, DECEMBER 31	<u>\$ 99,202</u>	<u>\$ 269,927</u>	<u>\$ 170,725</u>	<u>\$ 97,301</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, 2016  
 With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
State	\$ 25,000	\$ -	\$ (25,000)	\$ -
Investment earnings	2,500	3,110	610	3,443
Charges for services				
Miscellaneous - restoration	65,000	64,831	(169)	74,695
TOTAL REVENUES	92,500	67,941	(24,559)	78,138
EXPENDITURES				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	2,000	679	1,321	505
Other services and charges	11,870	9,289	2,581	10,920
Capital outlay				
Miscellaneous				
Conservation - water resources	50,000	1,565	48,435	764,325
TOTAL EXPENDITURES	63,870	11,533	52,337	775,750
NET CHANGE IN FUND BALANCES	28,630	56,408	27,778	(697,612)
FUND BALANCES, JANUARY 1	248,813	248,813	-	946,425
FUND BALANCES, DECEMBER 31	\$ 277,443	\$ 305,221	\$ 27,778	\$ 248,813

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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.

**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.

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CITY OF FAIRMONT, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	<b>410</b>	<b>402</b>	<b>450</b>
	Lair Road Bridge	Municipal State Aid - Streets	Airport Reconstruction Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ 395,990	\$ 1,494,376	\$ 132,918
Receivables			
Intergovernmental	-	-	622,354
Due from other funds	-	502,670	-
	<u>-</u>	<u>502,670</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 395,990</u></u>	<u><u>\$ 1,997,046</u></u>	<u><u>\$ 755,272</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 77,178	\$ -	\$ 51,662
Due to other funds	-	-	250,000
	<u>-</u>	<u>-</u>	<u>250,000</u>
<b>TOTAL LIABILITIES</b>	<u>77,178</u>	<u>-</u>	<u>301,662</u>
<b>FUND BALANCES</b>			
Restricted	-	1,997,046	-
Committed	318,812	-	453,610
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>318,812</u>	<u>1,997,046</u>	<u>453,610</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 395,990</u></u>	<u><u>\$ 1,997,046</u></u>	<u><u>\$ 755,272</u></u>



<b>476</b> 2016 Capital Improvement Program	<b>477</b> 2017 Capital Improvement Program	Total Nonmajor Capital Projects
\$ -	\$ -	\$ 2,023,284
-	-	622,354
-	-	502,670
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,148,308</u>
 \$ 511,333 138,361	 \$ - 114,309	 \$ 640,173 502,670
<u>649,694</u>	<u>114,309</u>	<u>1,142,843</u>
-	-	1,997,046
-	-	772,422
<u>(649,694)</u>	<u>(114,309)</u>	<u>(764,003)</u>
<u>(649,694)</u>	<u>(114,309)</u>	<u>2,005,465</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,148,308</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, 2016

	<b>410</b>	<b>402</b>	<b>450</b>
	Lair Road Bridge	Municipal State Aid - Streets	Airport Reconstruction Project
REVENUES			
Intergovernmental			
Federal			
Airport reconstruction grant	\$ -	\$ -	\$ 385,586
State			
Airport reconstruction grant	-	-	321,652
Street construction aid	-	168,897	-
County			
Investment earnings	3,987	19,479	1,121
Miscellaneous			
Refunds and reimbursements	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>3,987</u>	<u>188,376</u>	<u>708,359</u>
EXPENDITURES			
Capital outlay			
Streets and highways	65,032	-	-
Miscellaneous	-	-	838,631
	<u>-</u>	<u>-</u>	<u>838,631</u>
TOTAL EXPENDITURES	<u>65,032</u>	<u>-</u>	<u>838,631</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(61,045)</u>	<u>188,376</u>	<u>(130,272)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	160,000
Proceeds from sale of capital assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>160,000</u>
NET CHANGE IN FUND BALANCES	(61,045)	188,376	29,728
FUND BALANCES, JANUARY 1	<u>379,857</u>	<u>1,808,670</u>	<u>423,882</u>
FUND BALANCES, DECEMBER 31	<u>\$ 318,812</u>	<u>\$ 1,997,046</u>	<u>\$ 453,610</u>

<b>476</b> 2016 Capital Improvement Program	<b>477</b> 2017 Capital Improvement Program	Total Nonmajor Capital Projects
\$ -	\$ -	\$ 385,586
-	-	321,652
-	-	168,897
-	-	24,587
<u>210</u>	<u>-</u>	<u>210</u>
<u>210</u>	<u>-</u>	<u>900,932</u>
666,554	114,395	845,981
<u>-</u>	<u>-</u>	<u>838,631</u>
<u>666,554</u>	<u>114,395</u>	<u>1,684,612</u>
<u>(666,344)</u>	<u>(114,395)</u>	<u>(783,680)</u>
-	-	160,000
<u>19,500</u>	<u>-</u>	<u>19,500</u>
<u>19,500</u>	<u>-</u>	<u>179,500</u>
(646,844)	(114,395)	(604,180)
<u>(2,850)</u>	<u>86</u>	<u>2,609,645</u>
<u>\$ (649,694)</u>	<u>\$ (114,309)</u>	<u>\$ 2,005,465</u>

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## **THE GENERAL FUND**

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

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CITY OF FAIRMONT, MINNESOTA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,094,590	\$ 6,531,081
Receivables		
Interest	63,793	44,455
Delinquent taxes	44,517	58,278
Special assessments	12,385	12,747
Accounts	86,866	75,100
Intergovernmental	20,258	34,638
Prepaid items	<u>787</u>	<u>-</u>
 TOTAL ASSETS	 <u><u>\$ 7,323,196</u></u>	 <u><u>\$ 6,756,299</u></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 120,745	\$ 169,644
Due to other funds	26,350	19,804
Due to other governments	278	1,292
Accrued salaries payable	104,381	93,829
Unearned revenue	<u>22,600</u>	<u>21,951</u>
 TOTAL LIABILITIES	 <u>274,354</u>	 <u>306,520</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	44,517	58,278
Unavailable revenue - special assessments	<u>12,385</u>	<u>12,747</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>56,902</u>	 <u>71,025</u>
<b>FUND BALANCES</b>		
Nonspendable	787	-
Committed	29,122	151,622
Assigned	3,038,819	2,739,131
Unassigned	<u>3,923,212</u>	<u>3,488,001</u>
 TOTAL FUND BALANCES	 <u>6,991,940</u>	 <u>6,378,754</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 7,323,196</u></u>	 <u><u>\$ 6,756,299</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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 2,467,996	\$ 2,467,996	\$ 2,494,915	\$ 26,919	\$ 2,267,106
Franchise taxes	35,000	35,000	39,526	4,526	38,294
Total taxes	2,502,996	2,502,996	2,534,441	31,445	2,305,400
Special assessments	3,000	3,000	798	(2,202)	3,534
Licenses and permits					
Business	33,375	33,375	41,599	8,224	41,001
Nonbusiness	130,000	130,000	114,158	(15,842)	167,079
Total licenses and permits	163,375	163,375	155,757	(7,618)	208,080
Intergovernmental					
Federal					
Other Federal aids	-	-	20,434	20,434	4,755
State					
Local government aid	3,530,759	3,530,759	3,530,759	-	3,635,699
Property tax credits	-	-	1,830	1,830	1,882
Street maintenance aid	29,085	29,085	29,085	-	29,085
Police aid	211,500	211,500	232,422	20,922	227,358
Other State aids	371,672	371,672	21,672	(350,000)	50,602
Total State	4,143,016	4,143,016	3,815,768	(327,248)	3,944,626
Total intergovernmental	4,143,016	4,143,016	3,836,202	(306,814)	3,949,381
Charges for services					
General government	10,500	10,500	11,632	1,132	11,609
Public safety	76,000	76,000	107,802	31,802	96,489
Streets and highways	4,500	4,500	10,300	5,800	5,842
Sanitation	145,165	145,165	162,841	17,676	142,225
Culture and recreation	157,500	157,500	189,454	31,954	185,412
Total charges for services	393,665	393,665	482,029	88,364	441,577
Fines and forfeits					
Court fines	65,000	65,000	55,554	(9,446)	56,129
Investment earnings	40,000	40,000	41,864	1,864	8,580
Miscellaneous					
Rents	60,500	60,500	47,741	(12,759)	72,546
Contributions and donations	-	-	92,289	92,289	32,525
Other	51,055	51,055	53,070	2,015	605,599
Total miscellaneous	111,555	111,555	193,100	81,545	710,670
TOTAL REVENUES	7,422,607	7,422,607	7,299,745	(122,862)	7,683,351



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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 27,255	\$ 27,255	\$ 32,793	\$ (5,538)	\$ 23,814
Supplies	2,200	2,200	764	1,436	2,416
Other services and charges	5,300	5,300	3,420	1,880	4,231
Total Mayor and Council	34,755	34,755	36,977	(2,222)	30,461
City administrator					
Personal services	90,188	90,188	92,678	(2,490)	90,396
Supplies	2,600	2,600	3,355	(755)	1,864
Other services and charges	22,345	22,345	17,812	4,533	19,751
Total city administrator	115,133	115,133	113,845	1,288	112,011
Elections					
Personal services	27,302	27,302	27,696	(394)	14,191
Supplies	2,000	2,000	3,554	(1,554)	403
Other services and charges	625	625	571	54	49
Total elections	29,927	29,927	31,821	(1,894)	14,643
Recording and reporting					
Personal services	55,567	55,567	55,659	(92)	55,808
Supplies	2,800	2,800	1,917	883	2,396
Other services and charges	4,325	4,325	3,131	1,194	4,182
Total recording and reporting	62,692	62,692	60,707	1,985	62,386
Local access channel					
Personal services	1,796	1,796	1,657	139	1,826
Supplies	1,000	1,000	230	770	-
Other services and charges	6,915	6,915	7,673	(758)	6,727
Total local access channel	9,711	9,711	9,560	151	8,553
Accounting					
Personal services	220,949	220,949	220,195	754	246,210
Supplies	4,000	4,000	3,253	747	2,039
Other services and charges	70,518	70,518	58,094	12,424	62,508
Total accounting	295,467	295,467	281,542	13,925	310,757
City attorney					
Personal services	149,658	149,658	151,514	(1,856)	151,001
Supplies	2,500	2,500	2,436	64	1,642
Other services and charges	10,865	10,865	10,767	98	13,825
Total city attorney	163,023	163,023	164,717	(1,694)	166,468

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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
General government - Continued					
Planning and zoning					
Personal services	\$ 130,998	\$ 130,998	\$ 130,344	\$ 654	\$ 123,437
Supplies	1,300	1,300	880	420	551
Other services and charges	3,900	3,900	2,889	1,011	3,829
Total planning and zoning	136,198	136,198	134,113	2,085	127,817
General government building					
Personal services	68,613	68,613	66,093	2,520	67,051
Supplies	8,000	8,000	2,438	5,562	2,211
Other services and charges	59,970	59,970	48,230	11,740	60,309
Total general government building	136,583	136,583	116,761	19,822	129,571
Library building					
Supplies	6,000	6,000	1,411	4,589	1,710
Other services and charges	59,860	59,860	73,405	(13,545)	54,731
Total library building	65,860	65,860	74,816	(8,956)	56,441
Other general government					
Supplies	250	250	177	73	64
Other services and charges	158,500	158,500	108,863	49,637	199,408
Total other general government	158,750	158,750	109,040	49,710	199,472
Total general government	1,208,099	1,208,099	1,133,899	74,200	1,218,580
Public safety					
Police					
Administration					
Personal services	416,668	416,668	440,629	(23,961)	425,504
Supplies	4,750	4,750	4,481	269	2,881
Other services and charges	21,665	21,665	41,488	(19,823)	16,312
Total administration	443,083	443,083	486,598	(43,515)	444,697
Crime control					
Personal services	1,526,282	1,526,282	1,591,292	(65,010)	1,524,880
Supplies	89,350	89,350	43,631	45,719	53,070
Other services and charges	236,198	236,198	213,096	23,102	239,468
Total crime control	1,851,830	1,851,830	1,848,019	3,811	1,817,418
Training					
Personal services	-	-	-	-	26,733
Other services and charges	-	-	-	-	17,050
Total training	-	-	-	-	43,783

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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

EXPENDITURES - CONTINUED	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current - Continued					
Public safety - Continued					
Police					
D.A.R.E. program					
Supplies	\$ 2,500	\$ 2,500	\$ 917	\$ 1,583	\$ -
Crossing guards					
Personal services	-	-	1,019	(1,019)	404
Other services and charges	3,000	3,000	60	2,940	48
Total crossing guards	3,000	3,000	1,079	1,921	452
Drug task force					
Other services and charges	15,200	15,200	29,238	(14,038)	4,306
Total police	2,315,613	2,315,613	2,365,851	(50,238)	2,310,656
Fire					
Fire fighting					
Personal services	248,956	248,956	245,803	3,153	221,612
Supplies	41,000	41,000	12,152	28,848	20,569
Other services and charges	80,700	80,700	94,597	(13,897)	110,649
Total fire fighting	370,656	370,656	352,552	18,104	352,830
Training					
Personal services	49,462	49,462	36,660	12,802	32,399
Supplies	5,000	5,000	-	5,000	600
Other services and charges	10,250	10,250	4,229	6,021	12,532
Total training	64,712	64,712	40,889	23,823	45,531
Total fire	435,368	435,368	393,441	41,927	398,361
Inspection					
Building inspection					
Personal services	180,200	180,200	163,888	16,312	150,118
Supplies	7,300	7,300	2,838	4,462	2,364
Other services and charges	13,175	13,175	10,937	2,238	9,489
Total building inspection	200,675	200,675	177,663	23,012	161,971
Fire inspection					
Personal services	-	-	19,458	(19,458)	20,176
Other services and charges	-	-	720	(720)	471
Total fire inspection	-	-	20,178	(20,178)	20,647
Total inspection	200,675	200,675	197,841	2,834	182,618
Civil defense					
Supplies	600	600	-	600	-
Other services and charges	350	350	71	279	88
Total civil defense	950	950	71	879	88

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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety - Continued					
Animal control					
Personal services	\$ 85,826	\$ 85,826	\$ 83,898	\$ 1,928	\$ 85,682
Supplies	11,225	11,225	9,828	1,397	11,202
Other services and charges	30,759	30,759	28,948	1,811	27,683
Total animal control	127,810	127,810	122,674	5,136	124,567
Total public safety	3,080,416	3,080,416	3,079,878	538	3,016,290
Streets and highways					
Paved streets					
Personal services	383,414	383,414	383,229	185	383,707
Supplies	166,250	166,250	136,664	29,586	140,089
Other services and charges	54,870	54,870	37,840	17,030	45,748
Total paved streets	604,534	604,534	557,733	46,801	569,544
Ice and snow removal					
Personal services	173,597	173,597	173,826	(229)	173,955
Supplies	44,000	44,000	42,849	1,151	42,993
Other services and charges	17,200	17,200	17,422	(222)	16,666
Total ice and snow removal	234,797	234,797	234,097	700	233,614
Road and bridge equipment					
Personal services	34,720	34,720	34,765	(45)	34,792
Supplies	25,000	25,000	16,167	8,833	18,775
Other services and charges	106,300	106,300	111,286	(4,986)	118,635
Total road and bridge equipment	166,020	166,020	162,218	3,802	172,202
Street lighting					
Other services and charges	191,900	191,900	156,027	35,873	153,283
Engineering					
Personal services	285,840	285,840	234,987	50,853	218,402
Supplies	10,500	10,500	6,287	4,213	3,932
Other services and charges	43,571	43,571	42,830	741	55,672
Total engineering	339,911	339,911	284,104	55,807	278,006
Total streets and highways	1,537,162	1,537,162	1,394,179	142,983	1,406,649
Sanitation and waste removal					
Weed control					
Other services and charges	10,390	10,390	38,356	(27,966)	18,528
Garbage collection					
Personal services	31,611	31,611	31,242	369	31,937
Supplies	4,900	4,900	1,598	3,302	1,667
Other services and charges	93,150	93,150	67,635	25,515	48,608
Total garbage collection	129,661	129,661	100,475	29,186	82,212
Total sanitation and waste removal	140,051	140,051	138,831	1,220	100,740
Culture and recreation					
Parks					
Personal services	677,121	677,121	643,516	33,605	650,919
Supplies	56,100	56,100	74,806	(18,706)	77,901
Other services and charges	242,800	242,800	228,355	14,445	370,167
Total parks	976,021	976,021	946,677	29,344	1,098,987

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, 2016  
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016				2015
	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	\$ 244,537	\$ 244,537	\$ 246,729	\$ (2,192)	\$ 251,982
Supplies	56,900	56,900	49,289	7,611	48,470
Other services and charges	90,554	90,554	77,124	13,430	79,833
Total recreation - aquatic park	391,991	391,991	373,142	18,849	380,285
Total culture and recreation	1,368,012	1,368,012	1,319,819	48,193	1,479,272
Total current	7,333,740	7,333,740	7,066,606	267,134	7,221,531
Capital outlay					
General government	84,500	84,500	67,685	16,815	10,792
Public safety	585,000	585,000	650,939	(65,939)	39,074
Streets and highways	247,000	247,000	261,860	(14,860)	72,329
Culture and recreation	667,000	667,000	133,854	533,146	150,147
Total capital outlay	1,583,500	1,583,500	1,114,338	469,162	272,342
TOTAL EXPENDITURES	8,917,240	8,917,240	8,180,944	736,296	7,493,873
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,494,633)	(1,494,633)	(881,199)	613,434	189,478
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	9,184	9,184	38,485
Transfers in	1,519,633	1,519,633	1,519,633	-	879,632
Transfers out	(25,000)	(25,000)	(34,432)	(9,432)	(36,200)
TOTAL OTHER FINANCING SOURCES (USES)	1,494,633	1,494,633	1,494,385	(248)	881,917
NET CHANGE IN FUND BALANCES	-	-	613,186	613,186	1,071,395
FUND BALANCES, JANUARY 1	6,378,754	6,378,754	6,378,754	-	5,307,359
FUND BALANCES, DECEMBER 31	<u>\$ 6,378,754</u>	<u>\$ 6,378,754</u>	<u>\$ 6,991,940</u>	<u>\$ 613,186</u>	<u>\$ 6,378,754</u>

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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, 2016

	323	369	305	370
	Special Assessment	2009 Special Assessments	Fire Truck Debt	2010A Refunding Bonds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,451,671	\$ 324,883	\$ 83,552	\$ 531,503
Escrowed investments	-	427,363	-	41,826
Receivables				
Delinquent taxes	809	2,316	254	4,020
Special assessments				
Delinquent	10,114	252,263	-	1,971
Noncurrent	271,581	17,177	-	56,637
Intergovernmental	2,261	844	15	2,944
Due from other funds	30,000	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,766,436</u>	<u>\$ 1,024,846</u>	<u>\$ 83,821</u>	<u>\$ 638,901</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	809	2,316	254	4,020
Unavailable revenue - special assessments	281,695	269,440	-	58,608
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>282,504</u>	<u>271,756</u>	<u>254</u>	<u>62,628</u>
<b>FUND BALANCES</b>				
Restricted	<u>1,483,932</u>	<u>753,090</u>	<u>83,567</u>	<u>576,273</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,766,436</u>	<u>\$ 1,024,846</u>	<u>\$ 83,821</u>	<u>\$ 638,901</u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2106

	<b>371</b>	<b>320</b>	<b>322</b>	<b>325</b>	<b>326</b>
	2011	Tax	Tax	Tax	Tax
	Improvement	Increment	Increment	Increment	Increment
	Bonds	District	District	District	District
	No. 23	No. 22	No. 25	No. 26	No. 26
<b>ASSETS</b>					
Cash and cash equivalents	\$ 265,760	\$ 11,919	\$ -	\$ -	\$ -
Escrowed investments	22,783	-	-	-	-
Receivables					
Delinquent taxes	1,828	-	-	-	-
Special assessments					
Delinquent	177,927	-	-	-	-
Noncurrent	14,263	-	-	-	-
Intergovernmental	859	-	-	-	-
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 483,420</b>	<b>\$ 11,919</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	1,828	-	-	-	-
Unavailable revenue - special assessments	192,190	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>194,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted	289,402	11,919	-	(10,000)	(10,000)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 483,420</b>	<b>\$ 11,919</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>327</b> Tax Increment District No. 27	<b>372</b>  2012 Refunding Bonds	<b>373</b>  2013 Improvement Bonds	<b>375</b>  2015 Improvement Bonds	<b>376</b>  2016 G.O. Bonds	Totals
\$ 2,357	\$ 627,424	\$ 276,849	\$ 177,739	\$ -	\$ 3,753,657
-	-	-	-	2,708,902	3,200,874
-	10,680	1,359	-	-	21,266
-	984,166	179,947	281,927	-	1,888,315
-	48,975	8,700	19,266	-	436,599
-	6,139	1,107	583	-	14,752
-	-	-	-	-	30,000
<u>\$ 2,357</u>	<u>\$ 1,677,384</u>	<u>\$ 467,962</u>	<u>\$ 479,515</u>	<u>\$ 2,708,902</u>	<u>\$ 9,345,463</u>
 \$ 10,000	 \$ -	 \$ -	 \$ -	 \$ -	 \$ 30,000
-	10,680	1,359	-	-	21,266
-	1,033,141	188,647	301,193	-	2,324,914
-	1,043,821	190,006	301,193	-	2,346,180
(7,643)	633,563	277,956	178,322	2,708,902	6,969,283
<u>\$ 2,357</u>	<u>\$ 1,677,384</u>	<u>\$ 467,962</u>	<u>\$ 479,515</u>	<u>\$ 2,708,902</u>	<u>\$ 9,345,463</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, 2016

	323	369	305	370
	Special Assessment	2009 Special Assessments	Fire Truck Debt	2010A Refunding Bonds
REVENUES				
Taxes				
Property taxes	\$ 1,134	\$ 124,394	\$ 793	\$ 217,222
Tax increment district taxes	-	-	-	-
Special assessments	72,392	63,762	-	31,571
Investment earnings	19,379	3,720	513	4,393
	<u>92,905</u>	<u>191,876</u>	<u>1,306</u>	<u>253,186</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Housing and economic development	-	-	-	-
Debt service				
Principal	-	110,000	-	250,000
Interest and other	-	43,188	-	44,338
Bond issuance costs	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>153,188</u>	<u>-</u>	<u>294,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>92,905</u>	<u>38,688</u>	<u>1,306</u>	<u>(41,152)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	34,432	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	(550,000)	-	-	-
	<u>(550,000)</u>	<u>-</u>	<u>34,432</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(457,095)	38,688	35,738	(41,152)
FUND BALANCES, JANUARY 1	<u>1,941,027</u>	<u>714,402</u>	<u>47,829</u>	<u>617,425</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,483,932</u>	<u>\$ 753,090</u>	<u>\$ 83,567</u>	<u>\$ 576,273</u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>371</b>	<b>320</b>	<b>322</b>	<b>325</b>
	2011	Tax	Tax	Tax
	Improvement	Increment	Increment	Increment
	Bonds	District	District	District
	No. 23	No. 22	No. 25	No. 25
REVENUES				
Taxes				
Property taxes	\$ 98,778	\$ -	\$ -	\$ -
Tax increment district taxes	-	23,838	50,335	-
Special assessments	36,838	-	-	-
Investment earnings	2,237	-	-	-
	<u>137,853</u>	<u>23,838</u>	<u>50,335</u>	<u>-</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Housing and economic development	-	22,512	50,335	-
Debt service				
Principal	110,000	-	-	-
Interest and other	47,213	-	-	-
Bond issuance costs	-	-	-	-
	<u>157,213</u>	<u>22,512</u>	<u>50,335</u>	<u>-</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER				
(UNDER) EXPENDITURES	<u>(19,360)</u>	<u>1,326</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(19,360)	1,326	-	-
FUND BALANCES, JANUARY 1	<u>308,762</u>	<u>10,593</u>	<u>-</u>	<u>(10,000)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 289,402</u>	<u>\$ 11,919</u>	<u>\$ -</u>	<u>\$ (10,000)</u>

<b>326</b> Tax Increment District No. 26	<b>327</b> Tax Increment District No. 27	<b>372</b>  2012 Refunding Bonds	<b>373</b>  2013 Improvement Bonds	<b>375</b>  2015 Improvement Bonds	<b>376</b>  2016 G.O. Bonds	Totals
\$ -	\$ -	\$ 546,383	\$ 95,691	\$ -	\$ -	\$ 1,084,395
-	-	-	-	-	-	74,173
-	-	182,171	27,203	45,090	-	459,027
-	-	9,334	2,226	1,087	277	43,166
-	-	737,888	125,120	46,177	277	1,660,761
-	7,643	-	-	-	-	80,490
-	-	3,210,000	100,000	-	-	3,780,000
-	-	124,903	44,913	56,433	29,185	390,173
-	-	-	-	-	44,715	44,715
-	7,643	3,334,903	144,913	56,433	73,900	4,295,378
-	(7,643)	(2,597,015)	(19,793)	(10,256)	(73,623)	(2,634,617)
-	-	-	-	-	-	34,432
-	-	-	-	-	2,715,000	2,715,000
-	-	-	-	-	67,525	67,525
-	-	-	-	-	-	(550,000)
-	-	-	-	-	2,782,525	2,266,957
-	(7,643)	(2,597,015)	(19,793)	(10,256)	2,708,902	(367,660)
(10,000)	-	3,230,578	297,749	188,578	-	7,336,943
<u>\$ (10,000)</u>	<u>\$ (7,643)</u>	<u>\$ 633,563</u>	<u>\$ 277,956</u>	<u>\$ 178,322</u>	<u>\$ 2,708,902</u>	<u>\$ 6,969,283</u>

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## **INTERNAL SERVICE FUNDS**

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

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

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

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

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

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

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CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,599	\$ 1,815	\$ 403,663	\$ 385,320
Receivables				
Accounts	894	-	-	44
Due from other funds	-	-	43,336	32,369
Due from component unit	-	-	-	32
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	<u>2,493</u>	<u>1,815</u>	<u>446,999</u>	<u>417,765</u>
CAPITAL ASSETS				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
NET CAPITAL ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>2,493</u>	<u>1,815</u>	<u>446,999</u>	<u>417,765</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	1,552	1,828	10,543	22,593
Due to other funds	974	870	-	50,000
Accrued salaries payable	5,950	9,781	-	-
TOTAL LIABILITIES	<u>8,476</u>	<u>12,479</u>	<u>10,543</u>	<u>72,593</u>
NET POSITION				
Investment in capital assets	-	-	-	-
Unrestricted	(5,983)	(10,664)	436,456	345,172
TOTAL NET POSITION	<u>\$ (5,983)</u>	<u>\$ (10,664)</u>	<u>\$ 436,456</u>	<u>\$ 345,172</u>

<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 670,473	\$ 541,147	\$ 430,013	\$ 429,410	\$ 14,069	\$ 14,069	\$ 1,519,817	\$ 1,371,761
-	-	8,685	9,578	-	-	9,579	9,622
-	-	6,077	55,325	-	-	49,413	87,694
-	-	-	-	-	-	-	32
-	-	-	-	19,271	18,353	19,271	18,353
670,473	541,147	444,775	494,313	33,340	32,422	1,598,080	1,487,462
-	-	-	-	308,604	300,979	308,604	300,979
-	-	-	-	(285,417)	(268,115)	(285,417)	(268,115)
-	-	-	-	23,187	32,864	23,187	32,864
670,473	541,147	444,775	494,313	56,527	65,286	1,621,267	1,520,326
-	-	82,421	61,609	4,388	4,387	98,904	90,417
-	-	-	-	-	-	974	50,870
-	-	-	-	-	-	5,950	9,781
-	-	82,421	61,609	4,388	4,387	105,828	151,068
-	-	-	-	23,187	32,864	23,187	32,864
670,473	541,147	362,354	432,704	28,952	28,035	1,492,252	1,336,394
<u>\$ 670,473</u>	<u>\$ 541,147</u>	<u>\$ 362,354</u>	<u>\$ 432,704</u>	<u>\$ 52,139</u>	<u>\$ 60,899</u>	<u>\$ 1,515,439</u>	<u>\$ 1,369,258</u>

CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services	\$ 207,492	\$ 190,444	\$ 1,541,617	\$ 1,721,106
Miscellaneous revenues	894	-	6,900	37
	<u>208,386</u>	<u>190,444</u>	<u>1,548,517</u>	<u>1,721,143</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Administration and other				
Personal services	172,375	172,097	639	-
Supplies	25,803	15,648	-	-
Other services and charges	5,541	4,838	59,090	43,693
Insurance premiums paid	-	-	1,207,783	1,186,766
Insurance claims paid	-	-	190,032	183,229
Depreciation	-	-	-	-
	<u>203,719</u>	<u>192,583</u>	<u>1,457,544</u>	<u>1,413,688</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	4,667	(2,139)	90,973	307,455
NONOPERATING REVENUES				
Investment income	14	17	311	173
	<u>4,681</u>	<u>(2,122)</u>	<u>91,284</u>	<u>307,628</u>
CHANGE IN NET POSITION				
NET POSITION, JANUARY 1	(10,664)	(8,542)	345,172	37,544
NET POSITION, DECEMBER 31	<u>\$ (5,983)</u>	<u>\$ (10,664)</u>	<u>\$ 436,456</u>	<u>\$ 345,172</u>

704		705		710			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 397,512	\$ 358,497	\$ 237,749	\$ 213,946	\$ 94,149	\$ 102,018	\$ 2,478,519	\$ 2,586,011
-	-	12,463	4,152	-	-	20,257	4,189
397,512	358,497	250,212	218,098	94,149	102,018	2,498,776	2,590,200
-	-	-	-	-	-	173,014	172,097
-	-	250	270	995	2,334	27,048	18,252
15,326	15,040	59,950	45,201	84,754	78,245	224,661	187,017
254,683	257,807	265,256	207,934	-	-	1,727,722	1,652,507
3,618	111,917	-	-	-	-	193,650	295,146
-	-	-	-	17,302	26,316	17,302	26,316
273,627	384,764	325,456	253,405	103,051	106,895	2,363,397	2,351,335
123,885	(26,267)	(75,244)	(35,307)	(8,902)	(4,877)	135,379	238,865
5,441	3,766	4,894	3,509	142	108	10,802	7,573
129,326	(22,501)	(70,350)	(31,798)	(8,760)	(4,769)	146,181	246,438
541,147	563,648	432,704	464,502	60,899	65,668	1,369,258	1,122,820
\$ 670,473	\$ 541,147	\$ 362,354	\$ 432,704	\$ 52,139	\$ 60,899	\$ 1,515,439	\$ 1,369,258

CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 206,598	\$ 190,444	\$ 1,541,661	\$ 1,721,062
Payments to suppliers	(30,440)	(18,960)	(59,729)	(43,693)
Payments to and on behalf of employees	(141,519)	(126,164)	(1,409,379)	(1,367,537)
Payments for interfund services used	(35,867)	(45,781)	(486)	-
Other receipts	894	-	6,900	37
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(334)</b>	<b>(461)</b>	<b>78,967</b>	<b>309,869</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Increase in due from other funds	-	-	(10,967)	(3,304)
Decrease in due from other funds	-	-	-	-
Decrease in due from component unit	-	-	32	18
Increase in due to other funds	104	43	-	-
Decrease in due to other funds	-	-	(50,000)	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>104</b>	<b>43</b>	<b>(60,935)</b>	<b>(3,286)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	14	17	311	173
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(216)</b>	<b>(401)</b>	<b>18,343</b>	<b>306,756</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>1,815</b>	<b>2,216</b>	<b>385,320</b>	<b>78,564</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 1,599</b>	<b>\$ 1,815</b>	<b>\$ 403,663</b>	<b>\$ 385,320</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 4,667	\$ (2,139)	\$ 90,973	\$ 307,455
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in assets				
Net accounts receivable	(894)	-	44	(44)
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	(276)	454	(12,050)	2,458
Accrued wages payable	(3,831)	1,224	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (334)</b>	<b>\$ (461)</b>	<b>\$ 78,967</b>	<b>\$ 309,869</b>



704		705		710			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2016	2015	2016	2015	2016	2015	2016	2015
\$ 397,512	\$ 358,497	\$ 238,642	\$ 204,368	\$ 94,149	\$ 102,018	\$ 2,478,562	\$ 2,576,389
(273,627)	(384,764)	(60,200)	(45,471)	(86,095)	(99,558)	(510,091)	(592,446)
-	-	(244,444)	(202,114)	-	-	(1,795,342)	(1,695,815)
-	-	-	-	(571)	(512)	(36,924)	(46,293)
-	-	12,463	4,152	-	-	20,257	4,189
123,885	(26,267)	(53,539)	(39,065)	7,483	1,948	156,462	246,024
-	-	-	(1,622)	-	-	(10,967)	(4,926)
-	-	49,248	-	-	-	49,248	-
-	-	-	-	-	-	32	18
-	-	-	-	-	-	104	43
-	-	-	-	-	-	(50,000)	-
-	-	49,248	(1,622)	-	-	(11,583)	(4,865)
-	-	-	-	(7,625)	(2,227)	(7,625)	(2,227)
5,441	3,766	4,894	3,509	142	108	10,802	7,573
129,326	(22,501)	603	(37,178)	-	(171)	148,056	246,505
541,147	563,648	429,410	466,588	14,069	14,240	1,371,761	1,125,256
<u>\$ 670,473</u>	<u>\$ 541,147</u>	<u>\$ 430,013</u>	<u>\$ 429,410</u>	<u>\$ 14,069</u>	<u>\$ 14,069</u>	<u>\$ 1,519,817</u>	<u>\$ 1,371,761</u>
\$ 123,885	\$ (26,267)	\$ (75,244)	\$ (35,307)	\$ (8,902)	\$ (4,877)	\$ 135,379	\$ 238,865
-	-	-	-	17,302	26,316	17,302	26,316
-	-	893	(9,578)	-	-	43	(9,622)
-	-	-	-	(918)	(18,353)	(918)	(18,353)
-	-	20,812	5,820	1	(1,138)	8,487	7,594
-	-	-	-	-	-	(3,831)	1,224
<u>\$ 123,885</u>	<u>\$ (26,267)</u>	<u>\$ (53,539)</u>	<u>\$ (39,065)</u>	<u>\$ 7,483</u>	<u>\$ 1,948</u>	<u>\$ 156,462</u>	<u>\$ 246,024</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.

**Inclusive Playground:** This fund is used to account for the donations received and the expenditures made for the inclusive playground.

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CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2016

	<b>873</b> C.V.B. Tax Agency	<b>706</b>  Flex Plan	<b>871</b> Multi- Family Housing	<b>872</b> HRA Potter's Addition
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,435	\$ 11,820	\$ 120,870	\$ 230,985
Due from other governments	<u>-</u>	<u>1,066</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,435</u></u>	<u><u>\$ 12,886</u></u>	<u><u>\$ 120,870</u></u>	<u><u>\$ 230,985</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,435	\$ 12,886	\$ 116,665	\$ 220,181
Deposits payable	<u>-</u>	<u>-</u>	<u>4,205</u>	<u>10,804</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 9,435</u></u>	<u><u>\$ 12,886</u></u>	<u><u>\$ 120,870</u></u>	<u><u>\$ 230,985</u></u>

<b>874</b>	<b>876</b>	<b>877</b>	
Focus on Fairmont	Project 1590	Inclusive Playground	Total
\$ 830	\$ 13,349	\$ 10,000	\$ 397,289
-	-	-	1,066
<u>\$ 830</u>	<u>\$ 13,349</u>	<u>\$ 10,000</u>	<u>\$ 398,355</u>
\$ 830	\$ 13,349	\$ 10,000	\$ 383,346
-	-	-	15,009
<u>\$ 830</u>	<u>\$ 13,349</u>	<u>\$ 10,000</u>	<u>\$ 398,355</u>

CITY OF FAIRMONT, MINNESOTA  
AGENCY FUNDS  
INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>C. V. B. TAX AGENCY FUND (873)</b>				
ASSETS				
Cash and cash equivalents	\$ 9,641	\$ 163,063	\$ 163,269	\$ 9,435
LIABILITIES				
Accounts payable	\$ 9,641	\$ 154,609	\$ 154,815	\$ 9,435
<b>FLEX PLAN FUND (706)</b>				
ASSETS				
Cash and cash equivalents	\$ 11,315	\$ 41,929	\$ 41,424	\$ 11,820
Due from other governments	964	42,024	41,922	1,066
TOTAL ASSETS	\$ 12,279	\$ 83,953	\$ 83,346	\$ 12,886
LIABILITIES				
Accounts payable	\$ 12,279	\$ 84,851	\$ 84,244	\$ 12,886
<b>MULTI-FAMILY HOUSING FUND (871)</b>				
ASSETS				
Cash and cash equivalents	\$ 125,837	\$ 68,412	\$ 73,379	\$ 120,870
Accounts receivable	-	67,890	67,890	-
TOTAL ASSETS	\$ 125,837	\$ 136,302	\$ 141,269	\$ 120,870
LIABILITIES				
Accounts payable	\$ 120,932	\$ 101,780	\$ 106,047	\$ 116,665
Deposits payable	4,905	-	700	4,205
TOTAL LIABILITIES	\$ 125,837	\$ 101,780	\$ 106,747	\$ 120,870
<b>HRA POTTER'S ADDITION FUND (872)</b>				
ASSETS				
Cash and cash equivalents	\$ 216,704	\$ 147,867	\$ 133,586	\$ 230,985
Accounts receivable	60	144,400	144,460	-
TOTAL ASSETS	\$ 216,764	\$ 292,267	\$ 278,046	\$ 230,985
LIABILITIES				
Accounts payable	\$ 206,305	\$ 192,886	\$ 179,010	\$ 220,181
Deposits payable	10,459	2,280	1,935	10,804
TOTAL LIABILITIES	\$ 216,764	\$ 195,166	\$ 180,945	\$ 230,985
<b>FOCUS ON FAIRMONT (874)</b>				
ASSETS				
Cash and cash equivalents	\$ 1,657	\$ 840	\$ 1,667	\$ 830
LIABILITIES				
Accounts payable	\$ 1,657	\$ 1,666	\$ 2,493	\$ 830



CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>PROJECT 1590 (876)</b>				
ASSETS				
Cash and cash equivalents	\$ 6,977	\$ 25,950	\$ 19,578	\$ 13,349
		.		
LIABILITIES				
Accounts payable	\$ 6,977	\$ 19,578	\$ 13,206	\$ 13,349
<b>INCLUSIVE PLAYGROUND (877)</b>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 10,000	\$ -	\$ 10,000
		.		
LIABILITIES				
Accounts payable	\$ -	\$ 10,000	\$ -	\$ 10,000
<b>TOTALS - ALL FUNDS</b>				
ASSETS				
Cash and cash equivalents	\$ 372,131	\$ 458,061	\$ 432,903	\$ 397,289
Accounts receivable	60	212,290	212,350	-
Due from other governments	964	42,024	41,922	1,066
TOTAL ASSETS	\$ 373,155	\$ 712,375	\$ 687,175	\$ 398,355
LIABILITIES				
Accounts payable	\$ 357,791	\$ 565,370	\$ 539,815	\$ 383,346
Deposits payable	15,364	2,280	2,635	15,009
TOTAL LIABILITIES	\$ 373,155	\$ 567,650	\$ 542,450	\$ 398,355

CITY OF FAIRMONT, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
Cash and temporary investments	\$ 423,953	\$ 381,961
Receivables		
Delinquent taxes	1,972	2,862
Accounts	158	272
Loans	10,855	24,887
Due from other governments	702	1,356
<b>TOTAL ASSETS</b>	<u><u>\$ 437,640</u></u>	<u><u>\$ 411,338</u></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 3,981	\$ 2,456
Due to primary government	-	32
Accrued wages payable	2,854	2,326
<b>TOTAL LIABILITIES</b>	<u>6,835</u>	<u>4,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	<u>1,972</u>	<u>2,862</u>
<b>FUND BALANCES</b>		
Assigned for		
Economic development	<u>428,833</u>	<u>403,662</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 437,640</u></u>	<u><u>\$ 411,338</u></u>
Amounts reported for governmental activities in the statement of net position are different because		
Total fund balances - governmental funds as shown above	\$ 428,833	\$ 403,662
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(2,439)	(277)
Postemployment benefits other than pension obligation	(4,804)	(4,766)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	1,972	2,862
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>(3,826)</u>	<u>(4,326)</u>
Total net position - governmental activities	<u><u>\$ 419,736</u></u>	<u><u>\$ 397,155</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, 2016 AND 2015

	2016	2015
REVENUES		
Taxes	\$ 101,081	\$ 100,797
Intergovernmental	-	32,950
Payments from City	100,000	81,000
Investment earnings	3,842	2,432
Miscellaneous	29,095	43,370
	<hr/>	<hr/>
TOTAL REVENUES	234,018	260,549
EXPENDITURES		
Current		
Housing and economic development	208,847	175,732
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	25,171	84,817
FUND BALANCES, JANUARY 1	403,662	318,845
	<hr/>	<hr/>
FUND BALANCES, DECEMBER 31	<u>\$ 428,833</u>	<u>\$ 403,662</u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ 25,171	\$ 84,817
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	(890)	(730)
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	(2,162)	11,911
Post employment benefits other than pension costs	(38)	(267)
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.	500	2,085
	<hr/>	<hr/>
Change in net position - governmental activities	<u>\$ 22,581</u>	<u>\$ 97,816</u>

CITY OF FAIRMONT, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 3,768,410	\$ 3,448,929	9.26 %
Special assessments	459,825	589,366	(21.98)
Licenses and permits	155,757	213,922	(27.19)
Intergovernmental	4,831,630	4,313,685	12.01
Charges for services	830,732	799,346	3.93
Fines and forfeits	55,554	56,129	(1.02)
Investment earnings	127,993	86,920	47.25
Miscellaneous	411,293	974,449	(57.79)
<b>TOTAL REVENUES</b>	<b>\$ 10,641,194</b>	<b>\$ 10,482,746</b>	1.51 %
Per Capita	\$ 1,021	\$ 1,002	1.93 %
EXPENDITURES			
Current			
General government	\$ 1,133,899	\$ 1,218,580	(6.95) %
Public safety	3,079,878	3,016,290	2.11
Streets and highways	1,394,179	1,406,649	(0.89)
Sanitation and waste removal	138,831	100,740	37.81
Culture and recreation	1,319,819	1,330,948	(0.84)
Housing and economic development	283,659	199,147	42.44
Miscellaneous	460,580	492,002	(6.39)
Capital outlay			
General government	67,685	10,792	527.18
Public safety	650,939	39,074	1,565.91
Streets and highways	1,360,838	2,145,011	(36.56)
Culture and recreation	133,854	351,976	(61.97)
Housing and economic development	5,458	-	100.00
Miscellaneous	840,196	905,886	(7.25)
Debt service			
Principal	3,780,000	1,230,000	207.32
Interest and other charges	390,173	408,708	(4.54)
Bond issuance costs	44,715	54,271	(17.61)
<b>TOTAL EXPENDITURES</b>	<b>\$ 15,084,703</b>	<b>\$ 12,910,074</b>	16.84 %
Per Capita	\$ 1,448	\$ 1,234	17.33 %
Total Long-term Indebtedness	\$ 15,445,000	\$ 16,510,000	(6.45) %
Per Capita	1,482	1,578	(6.06)
General Fund Balance - December 31	\$ 6,991,940	\$ 6,378,754	9.61 %
Per Capita	671	610	10.07

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



# STATISTICAL SECTION (UNAUDITED)

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 42,677,369	\$ 41,232,320	\$ 40,916,624	\$ 38,956,915	\$ 33,902,134
Restricted	9,958,778	12,367,042	12,265,446	9,957,243	8,523,280
Unrestricted	3,969,515	2,908,794	1,550,558	7,610,856	9,029,687
Total governmental activities net position	56,605,662	56,508,156	54,732,628	56,525,014	51,455,101
Business-type activities					
Net investment in capital assets	34,422,093	33,949,598	33,735,220	32,805,088	33,021,655
Restricted	-	-	-	-	-
Unrestricted	13,095,940	12,197,684	11,263,786	12,142,960	10,123,274
Total business-type activities net position	47,518,033	46,147,282	44,999,006	44,948,048	43,144,929
Primary government					
Net investment in capital assets	77,099,462	75,181,918	74,651,844	71,762,003	66,923,789
Restricted	9,958,778	12,367,042	12,265,446	9,957,243	8,523,280
Unrestricted	17,065,455	15,106,478	12,814,344	19,753,816	19,152,961
Total primary government net position	\$ 104,123,695	\$ 102,655,438	\$ 99,731,634	\$ 101,473,062	\$ 94,600,030

Table 1

Fiscal Year				
2011	2010	2009	2008	2007
\$ 31,176,518	\$ 31,067,381	\$ 29,608,919	\$ 29,466,796	\$ 30,163,926
12,247,802	11,329,052	8,777,860	8,742,535	7,109,482
6,960,460	6,469,646	8,413,308	9,094,484	7,824,533
50,384,780	48,866,079	46,800,087	47,303,815	45,097,941
30,733,612	28,564,935	27,473,728	25,963,034	25,102,399
-	-	230,583	188,920	188,770
9,556,319	5,724,972	5,575,435	6,451,241	7,054,255
40,289,931	34,289,907	33,279,746	32,603,195	32,345,424
61,910,130	59,632,316	57,082,647	55,429,830	55,266,325
12,247,802	11,329,052	9,008,443	8,931,455	7,298,252
16,516,779	12,194,618	13,988,743	15,545,725	14,878,788
<u>\$ 90,674,711</u>	<u>\$ 83,155,986</u>	<u>\$ 80,079,833</u>	<u>\$ 79,907,010</u>	<u>\$ 77,443,365</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
EXPENSES					
Governmental activities					
General government	\$ 1,315,890	\$ 1,216,566	\$ 1,143,484	\$ 1,232,309	\$ 1,181,084
Public safety	3,806,893	2,717,662	3,035,606	3,210,448	2,880,151
Public works/streets	2,787,405	3,128,949	2,566,925	3,286,029	2,853,511
Sanitation and waste removal	138,831	100,740	132,693	95,337	46,686
Culture and recreation	1,643,560	1,584,291	1,520,715	1,362,430	1,286,209
Housing development	127,407	120,042	173,290	76,316	439,722
Economic development	234,923	148,400	55,579	157,187	387,642
Miscellaneous	910,637	728,443	760,332	573,647	302,744
Interest on long-term debt	323,637	477,400	446,355	674,359	658,275
Total governmental activities expenses	11,289,183	10,222,493	9,834,979	10,668,062	10,036,024
Business-type activities					
Electric	14,297,048	13,285,756	13,617,700	13,983,971	14,199,539
District heat	-	-	-	-	-
Water	3,547,150	3,279,741	2,489,640	2,675,602	1,931,755
Wastewater	1,745,686	1,818,529	1,811,386	1,932,731	1,810,984
Storm sewer	437,661	453,463	421,155	367,738	299,870
Liquor	3,134,956	3,035,247	2,950,980	2,898,764	2,931,921
Parking lot	6,432	5,252	4,663	4,830	4,905
Total business-type activities expenses	23,168,933	21,877,988	21,295,524	21,863,636	21,178,974
Total primary government expenses	<u>\$ 34,458,116</u>	<u>\$ 32,100,481</u>	<u>\$ 31,130,503</u>	<u>\$ 32,531,698</u>	<u>\$ 31,214,998</u>

Table 2

Fiscal Year				
2011	2010	2009	2008	2007
\$ 1,123,699	\$ 1,092,840	\$ 1,194,126	\$ 1,060,319	\$ 1,008,433
2,941,828	2,887,905	3,126,827	3,197,366	2,954,994
3,599,560	2,927,285	3,166,996	3,018,328	3,200,264
35,685	46,879	36,222	38,485	25,159
1,265,100	1,309,746	1,395,361	1,423,616	1,300,403
32,366	282,849	172,673	50,661	11,281
492,852	411,663	482,270	493,343	586,654
318,644	325,526	543,557	346,929	371,100
539,480	579,300	604,535	502,413	538,319
10,349,214	9,863,993	10,722,567	10,131,460	9,996,607
14,751,216	14,472,796	13,773,937	14,015,988	14,099,206
244,063	363,596	345,237	389,609	330,122
1,680,372	1,867,238	1,889,420	1,718,635	1,591,493
1,837,211	1,788,281	1,776,424	1,770,331	1,696,362
366,330	356,087	347,372	354,246	369,270
2,848,468	2,671,313	2,494,940	2,397,033	2,219,043
4,735	4,456	4,529	4,170	4,243
21,732,395	21,523,767	20,631,859	20,650,012	20,309,739
<u>\$ 32,081,609</u>	<u>\$ 31,387,760</u>	<u>\$ 31,354,426</u>	<u>\$ 30,781,472</u>	<u>\$ 30,306,346</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
<b>PROGRAM REVENUES</b>					
Governmental activities					
Charges for services					
General government	\$ 206,187	\$ 218,618	\$ 223,894	\$ 207,868	\$ 188,707
Public safety	229,177	267,438	173,616	157,367	220,627
Public works/streets	7,995	3,327	1,177	3,141	4,738
Sanitation and waste removal	162,841	142,225	98,879	103,531	14,471
Culture and recreation	188,734	185,412	167,287	164,170	154,816
Housing development	9,044	7,669	7,585	8,198	9,248
Economic development	65,973	76,006	68,833	61,749	56,746
Miscellaneous	491,669	517,193	511,424	261,149	116,964
Operating grants and contributions	413,384	369,600	285,926	407,550	662,907
Capital grants and contributions	890,243	824,310	2,031,172	6,144,669	1,250,688
Total governmental activities program revenues	<u>2,665,247</u>	<u>2,611,798</u>	<u>3,569,793</u>	<u>7,519,392</u>	<u>2,679,912</u>
Business-type activities					
Charges for services					
Electric	15,375,663	14,599,368	14,742,850	14,675,757	15,074,146
District heat	-	-	-	-	-
Water	3,502,969	3,359,568	3,299,993	3,338,756	3,015,814
Wastewater	2,389,450	2,349,903	2,602,355	2,542,395	2,159,105
Storm sewer	581,011	582,566	583,369	587,188	576,106
Liquor	3,684,487	3,597,659	3,446,532	3,392,791	3,293,151
Parking	5,708	5,773	4,837	4,797	4,824
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	10,227	(97)	7,429	200,172	801,928
Total business-type activities program revenues	<u>25,549,515</u>	<u>24,494,740</u>	<u>24,687,365</u>	<u>24,741,856</u>	<u>24,925,074</u>
Total primary government program revenues	<u>\$ 28,214,762</u>	<u>\$ 27,106,538</u>	<u>\$ 28,257,158</u>	<u>\$ 32,261,248</u>	<u>\$ 27,604,986</u>
Net (expense)/revenue					
Governmental activities	\$ (8,623,936)	\$ (7,610,695)	\$ (6,265,186)	\$ (3,148,670)	\$ (7,356,112)
Business-type activities	<u>2,380,582</u>	<u>2,616,752</u>	<u>3,391,841</u>	<u>2,878,220</u>	<u>3,746,100</u>
Total primary government net expense	<u>\$ (6,243,354)</u>	<u>\$ (4,993,943)</u>	<u>\$ (2,873,345)</u>	<u>\$ (270,450)</u>	<u>\$ (3,610,012)</u>

Table 2 (Continued)

Fiscal Year				
2011	2010	2009	2008	2007
\$ 213,341	\$ 168,661	\$ 199,666	\$ 210,471	\$ 167,619
192,848	225,456	253,974	266,785	351,482
1,511	750	12,356	5,135	(100)
12,850	16,112	13,159	12,351	8,693
138,197	155,301	131,581	156,581	168,027
7,453	11,651	2,720	1,282	1,872
146,488	39,159	57,607	70,305	76,199
98,727	111,911	64,452	61,189	59,544
125,964	276,326	240,165	138,964	252,957
2,280,747	2,909,384	817,689	3,169,280	1,356,039
3,218,126	3,914,711	1,793,369	4,092,343	2,442,332
15,649,347	14,782,836	14,263,137	13,840,140	13,599,866
82,626	129,919	144,589	170,136	211,636
2,863,396	2,425,175	2,142,344	1,817,612	1,690,094
2,280,406	2,249,994	2,131,641	2,121,385	2,080,509
575,513	577,995	570,837	534,682	533,656
3,171,724	3,151,913	2,862,973	2,773,689	2,595,689
4,228	4,798	4,619	4,760	4,300
8,964	-	-	-	-
4,000,000	-	-	-	-
28,636,204	23,322,630	22,120,140	21,262,404	20,715,750
<u>\$ 31,854,330</u>	<u>\$ 27,237,341</u>	<u>\$ 23,913,509</u>	<u>\$ 25,354,747</u>	<u>\$ 23,158,082</u>
\$ (7,131,088)	\$ (5,949,282)	\$ (8,929,198)	\$ (6,039,117)	\$ (7,554,275)
6,903,809	1,798,863	1,488,281	612,392	406,011
<u>\$ (227,279)</u>	<u>\$ (4,150,419)</u>	<u>\$ (7,440,917)</u>	<u>\$ (5,426,725)</u>	<u>\$ (7,148,264)</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 2,556,358	\$ 2,297,072	\$ 2,153,651	\$ 1,975,108	\$ 1,885,398
Property taxes, levied for debt service	1,074,582	1,025,796	1,094,331	1,153,660	1,152,523
Tax increments	74,173	67,165	27,020	-	334,725
Franchise taxes	39,526	38,294	36,927	36,205	34,343
Grants and contributions not restricted to specific programs	3,646,550	3,691,778	3,789,473	3,918,992	3,822,810
Unrestricted investment earnings (loss)	138,795	94,493	170,917	(14,237)	144,501
Other revenues	13,141	567,451	33,139	17,052	32,397
Gain on sale of capital assets	28,684	38,485	69,662	3,241	42,104
Transfers	1,149,633	1,565,689	964,632	1,128,562	977,632
Total governmental activities	<u>8,721,442</u>	<u>9,386,223</u>	<u>8,339,752</u>	<u>8,218,583</u>	<u>8,426,433</u>
Business-type activities					
Unrestricted investment earnings	139,802	97,213	89,997	53,461	86,530
Transfers	(1,149,633)	(1,565,689)	(964,632)	(1,128,562)	(977,632)
Total business-type activities	<u>(1,009,831)</u>	<u>(1,468,476)</u>	<u>(874,635)</u>	<u>(1,075,101)</u>	<u>(891,102)</u>
Total primary government	<u>\$ 7,711,611</u>	<u>\$ 7,917,747</u>	<u>\$ 7,465,117</u>	<u>\$ 7,143,482</u>	<u>\$ 7,535,331</u>
CHANGES IN NET POSITION					
Governmental activities	\$ 97,506	\$ 1,775,528	\$ 2,074,566	\$ 5,069,913	\$ 1,070,321
Business-type activities	1,370,751	1,148,276	2,517,206	1,803,119	2,854,998
Total primary government	<u>\$ 1,468,257</u>	<u>\$ 2,923,804</u>	<u>\$ 4,591,772</u>	<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>

Table 2 (Continued)

Fiscal Year				
2011	2010	2009	2008	2007
\$ 1,596,716	\$ 1,473,465	\$ 1,384,997	\$ 1,294,022	\$ 928,986
1,025,257	1,013,775	1,019,496	960,718	948,981
341,402	563,453	618,379	535,153	517,057
35,392	35,749	35,119	34,966	31,684
3,795,820	3,863,130	4,228,418	4,062,298	4,105,271
148,810	155,334	182,804	372,450	424,745
7,615	10,497	68,704	38,373	89,469
957,136	6,423	767	23,202	8,552
941,148	890,561	885,601	905,600	1,040,702
8,849,296	8,012,387	8,424,285	8,226,782	8,095,447
53,591	101,859	73,871	266,672	351,438
(941,148)	(890,561)	(885,601)	(905,600)	(1,040,702)
(887,557)	(788,702)	(811,730)	(638,928)	(689,264)
\$ 7,961,739	\$ 7,223,685	\$ 7,612,555	\$ 7,587,854	\$ 7,406,183
\$ 1,718,208	\$ 2,063,105	\$ (504,913)	\$ 2,187,665	\$ 541,172
6,016,252	1,010,161	676,551	(26,536)	(283,253)
\$ 7,734,460	\$ 3,073,266	\$ 171,638	\$ 2,161,129	\$ 257,919



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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			
2016	\$ 2,556,358	\$ 1,074,582	\$ 74,173	\$ 39,526	\$ 3,744,639
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

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General fund					
Nonspendable	\$ 787	\$ -	\$ -	\$ 205,000	\$ 205,000
Restricted (Reserved 2007 - 2010)	-	-	-	-	-
Committed	29,122	151,622	134,658	135,575	104,777
Assigned	3,038,819	2,739,131	1,766,336	989,402	909,063
Unassigned (Unreserved 2007 - 2010)	3,923,212	3,488,001	3,406,365	3,225,036	3,178,069
Total General fund	<u>\$ 6,991,940</u>	<u>\$ 6,378,754</u>	<u>\$ 5,307,359</u>	<u>\$ 4,555,013</u>	<u>\$ 4,396,909</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ 3,200	\$ 3,200	\$ 4,080
Restricted (Reserved 2007 - 2010)	10,818,055	11,337,886	10,843,720	12,731,158	12,491,677
Committed	1,110,270	1,082,705	1,322,943	604,172	137,347
Assigned	364,986	207,420	105,406	2,045,307	2,412,379
Unassigned (Unreserved 2007 - 2010)	(764,003)	(2,850)	(109,734)	(10,218)	(207,534)
Total all other governmental funds	<u>\$ 11,529,308</u>	<u>\$ 12,625,161</u>	<u>\$ 12,165,535</u>	<u>\$ 15,373,619</u>	<u>\$ 14,837,949</u>

Table 4

Fiscal Year				
2011	2010	2009	2008	2007
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,300	660	674
40,387	40,387	-	-	-
1,757,373	1,757,373	-	-	-
3,456,713	3,091,341	4,744,998	4,430,488	4,382,179
<u>\$ 5,254,473</u>	<u>\$ 4,889,101</u>	<u>\$ 4,747,298</u>	<u>\$ 4,431,148</u>	<u>\$ 4,382,853</u>
\$ 4,000	\$ -	\$ -	\$ -	\$ -
8,178,777	7,530,799	6,368,794	6,084,586	5,663,487
89,950	-	-	-	-
2,525,140	-	-	-	-
(276,237)	3,242,524	2,248,030	2,609,474	902,816
<u>\$ 10,521,630</u>	<u>\$ 10,773,323</u>	<u>\$ 8,616,824</u>	<u>\$ 8,694,060</u>	<u>\$ 6,566,303</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
<b>REVENUES</b>					
Taxes	\$ 3,768,410	\$ 3,448,929	\$ 3,307,262	\$ 3,153,610	\$ 3,398,775
Special assessments	459,825	589,366	674,620	815,756	736,782
Intergovernmental revenue	4,831,630	4,313,685	5,786,044	9,716,414	5,399,277
Licenses and permits	155,757	213,922	149,066	134,360	192,982
Charges for services	830,732	799,346	668,623	416,091	304,432
Fines and forfeits	55,554	56,129	66,829	55,394	74,671
Interest	127,993	86,920	165,770	(19,866)	132,406
Other revenues	411,293	974,449	429,845	565,643	315,626
<b>TOTAL REVENUES</b>	<b>10,641,194</b>	<b>10,482,746</b>	<b>11,248,059</b>	<b>14,837,402</b>	<b>10,554,951</b>
<b>EXPENDITURES</b>					
General government	1,133,899	1,218,580	1,041,291	1,196,929	1,157,782
Public safety	3,079,878	3,016,290	2,902,658	2,981,980	2,826,749
Public works	1,577,725	1,561,660	1,402,299	1,525,919	1,500,995
Culture and recreation	1,319,819	1,330,948	1,419,270	1,283,893	1,207,576
Housing and economic development	283,659	199,147	262,042	134,378	573,075
Public transportation	460,580	492,002	566,190	336,450	210,815
Capital outlay	3,058,970	3,452,739	2,286,066	7,612,851	3,996,105
Debt service					
Principal	3,780,000	1,230,000	4,650,000	1,410,000	1,465,000
Interest and fees	390,173	408,708	504,376	544,346	946,826
<b>TOTAL EXPENDITURES</b>	<b>15,084,703</b>	<b>12,910,074</b>	<b>15,034,192</b>	<b>17,026,746</b>	<b>13,884,923</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(4,443,509)</b>	<b>(2,427,328)</b>	<b>(3,786,133)</b>	<b>(2,189,344)</b>	<b>(3,329,972)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	28,684	38,485	69,662	9,183	42,104
Transfers in	1,734,065	2,366,802	989,632	1,822,851	3,165,011
Transfers out	(584,432)	(801,113)	(25,000)	(694,289)	(2,173,388)
Bonds issued	2,715,000	2,330,000	-	1,715,000	5,755,000
Premium (discount) on bonds issued	67,525	24,175	-	30,373	-
Payments to refunded bond escrow agent	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,960,842</b>	<b>3,958,349</b>	<b>1,034,294</b>	<b>2,883,118</b>	<b>6,788,727</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (482,667)</b>	<b>\$ 1,531,021</b>	<b>\$ (2,751,839)</b>	<b>\$ 693,774</b>	<b>\$ 3,458,755</b>
Debt service as a percentage of noncapital expenditures	34%	16%	40%	19%	24%

Table 5

Fiscal Year				
2011	2010	2009	2008	2007
\$ 2,977,296	\$ 3,071,934	\$ 3,027,035	\$ 2,790,577	\$ 2,402,159
795,914	1,209,484	961,413	822,304	883,363
5,466,554	6,356,499	4,576,936	5,024,945	4,838,805
164,159	209,472	259,405	191,497	305,566
293,483	246,652	194,932	294,254	263,051
72,617	79,054	90,530	101,767	72,315
135,391	138,235	160,308	320,276	374,172
326,767	294,939	314,345	514,536	449,753
10,232,181	11,606,269	9,584,904	10,060,156	9,589,184
1,085,598	1,019,439	979,188	986,375	919,007
2,837,558	2,742,200	2,816,119	2,980,583	2,768,860
1,621,730	1,549,746	1,472,077	1,406,628	1,237,171
1,134,889	1,199,478	1,151,695	1,226,788	1,092,247
502,151	707,778	650,853	480,122	470,839
187,033	186,214	183,804	166,621	179,355
3,415,045	2,965,921	2,583,866	3,987,549	2,687,112
2,735,000	1,840,000	1,535,000	1,625,000	2,745,000
594,109	590,692	629,690	490,739	537,140
14,113,113	12,801,468	12,002,292	13,350,405	12,636,731
(3,880,932)	(1,195,199)	(2,417,388)	(3,290,249)	(3,047,547)
957,136	2,423	2,617	-	-
1,674,392	1,126,742	1,200,490	4,707,116	1,946,802
(483,244)	(236,181)	(314,889)	(3,801,516)	(906,100)
1,820,000	2,615,000	1,755,000	5,575,000	-
26,327	(14,484)	13,084	10,701	-
-	-	-	(1,025,000)	-
3,994,611	3,493,500	2,656,302	5,466,301	1,040,702
\$ 113,679	\$ 2,298,301	\$ 238,914	\$ 2,176,052	\$ (2,006,845)
29%	24%	22%	21%	30%

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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
2016	\$ 3,654,711	\$ 74,173	\$ 39,526	\$ 3,768,410
2015	3,343,470	67,165	38,294	3,448,929
2014	3,243,315	27,020	36,927	3,307,262
2013	3,117,405	-	36,205	3,153,610
2012	3,029,707	334,725	34,343	3,398,775
2011	2,600,502	341,402	35,392	2,977,296
2010	2,472,023	564,162	35,749	3,071,934
2009	2,396,672	595,244	35,119	3,027,035
2008	2,243,558	512,053	34,966	2,790,577
2007	1,874,850	495,625	31,684	2,402,159



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		
2016	(1)	\$ 392,049,800	\$ 204,472,800	\$ 38,292,100	\$ 6,348,500
2015	(1)	374,369,300	191,816,100	41,456,700	6,181,500
2014	(1)	374,953,000	191,196,300	45,612,200	5,487,600
2013	(1)	352,320,150	173,337,800	41,821,000	4,833,400
2012	(1)	351,585,800	165,135,200	30,989,100	4,977,800
2011		372,248,320	142,268,133	25,308,200	3,339,700
2010		424,819,600	167,521,200	24,328,100	4,262,700
2009		429,003,100	171,694,300	21,590,900	3,896,600
2008		432,654,773	121,011,160	16,087,582	2,965,633
2007		398,836,187	103,352,140	15,537,691	3,980,033

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
\$ 641,163,200	50.505	\$ 716,148,600	89.53 %
613,823,600	48.739	689,312,500	89.05
617,249,100	46.165	692,285,200	89.16
572,312,350	48.381	647,810,000	88.35
552,687,900	48.349	629,089,800	87.86
543,164,353	49.454	670,211,836	81.04
620,931,600	42.272	675,914,203	91.87
626,184,900	39.481	592,616,000	105.66
572,719,148	42.021	561,668,253	101.97
521,706,051	39.789	516,333,077	101.04

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	Total County Tax Capacity Rate
2016	38.139	12.366	50.505	37.865	0.652	38.517
2015	35.060	13.679	48.739	33.929	0.620	34.549
2014	32.571	13.594	46.165	29.202	0.603	29.805
2013	32.815	15.566	48.381	27.391	0.615	28.006
2012	32.006	16.343	48.349	33.826	0.786	34.612
2011	32.286	17.168	49.454	37.231	0.937	38.168
2010	26.970	15.302	42.272	36.051	0.890	36.941
2009	24.265	15.216	39.481	40.995	1.041	42.036
2008	24.923	17.098	42.021	41.856	2.020	43.876
2007	20.684	19.105	39.789	43.453	0.889	44.342

Source: Martin County Assessors' Office.

Table 8

Overlapping Rates				Total Direct and Overlapping Rates
School District				
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total School Tax Capacity Rate	Special Districts	
9.215	16.363	25.578	0.405	115.005
8.887	17.176	26.063	0.387	109.738
8.501	16.026	24.527	0.357	100.854
9.587	18.247	27.834	0.349	104.570
10.173	19.978	30.151	0.423	113.535
8.959	24.927	33.886	0.480	121.988
12.232	19.719	31.951	0.449	111.613
12.055	12.331	24.386	0.489	106.392
11.883	5.885	17.768	0.520	104.185
11.893	6.584	18.477	0.563	103.171

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

Taxpayer	Type of Business	2016		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Cenex Harvest States	Soybean Crushing	\$ 23,191,500	1	3.6 %
Green Plains Fairmont LLC	Ethanol Manufacturing	20,296,700	2	3.2
Wal-Mart	Retail	12,590,100	3	2.0
SMMPA	Utilities	9,740,100	4	1.5
Mayo Health Systems-Fairmont	Medical Facility	6,590,700	5	1.0
Bank Midwest	Banking	5,533,100	6	0.9
Goldfinch Estates	Assisted Living	9,099,900	7	1.4
Weigh-Tronix, Inc.	Scale Manufacturing	4,319,600	8	0.7
Minnesota Energy Resources	Utilities	4,252,200	9	0.7
Multi-Center Investments		3,752,000	10	0.6
Five Lakes Center	Shopping Center	-		-
Hawkeye Food Service	Distribution	-		-
Fairmont Partners LP	Discount Retail Store	-		-
Fairmont Foods	Frozen Gourmet Food	-		-
Welchland Investments, LLC	Commercial	-		-
Total		<u>\$ 99,365,900</u>		<u>15.5 %</u>

Source: Martin County Assessors' Office.

Table 9

2007		
Taxable Market Value	Rank	Percentage of Total Taxable Market Value
\$ 14,108,500	1	2.7 %
-		-
3,371,300	6	-
-		-
5,640,600	2	-
-		-
8,707,000	3	1.7
3,965,000	5	0.8
-		-
-		-
4,210,500	4	0.8
3,291,200	7	0.6
3,013,100	8	0.6
3,118,400	9	0.6
3,064,100	10	0.6
<u>\$ 52,489,700</u>		<u>8.3 %</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
2016	\$ 3,714,706	\$ 3,680,130	99.1 %	\$ -	\$ 3,680,130	99.1 %
2015	3,410,035	3,372,606	98.9	25,807	3,398,413	99.7
2014	3,310,714	3,264,224	98.6	38,083	3,302,307	99.7
2013	3,214,285	3,156,697	98.2	52,328	3,209,025	99.8
2012	3,120,665	3,064,821	98.2	51,832	3,116,653	99.9
2011	2,992,245	2,936,191	98.1	53,324	2,989,515	99.9
2010	2,857,242	2,816,532	98.6	38,326	2,854,858	99.9
2009	2,760,620	2,727,817	98.8	32,803	2,760,620	100.0
2008	2,622,200	2,590,697	98.8	31,503	2,622,200	100.0
2007	2,226,200	2,203,042	99.0	23,158	2,226,200	100.0



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	
2016	\$ -	\$ 15,553,250	\$ -	\$ 1,002,055	\$ 31,012,000	\$ 47,567,305
2015	-	16,628,375	-	1,179,144	32,466,495	50,274,014
2014	-	15,513,284	-	1,356,232	33,815,421	50,684,937
2013	-	20,171,849	-	1,528,321	34,200,762	55,900,932
2012	65,000	19,778,940	-	1,693,321	27,313,160	48,850,421
2011	125,000	15,435,616	-	1,860,409	11,037,587	28,458,612
2010	175,000	15,240,616	245,000	3,777,498	10,148,000	29,586,114
2009	215,000	15,178,624	245,000	4,009,586	10,784,000	30,432,210
2008	-	14,730,318	415,000	2,345,000	11,409,000	28,899,318
2007	-	11,885,000	575,000	2,540,000	12,023,000	27,023,000

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
2.17 %	15.78 %	\$ 4,565
2.41	17.51	4,804
2.24	18.19	4,830
3.11	20.06	5,327
3.15	17.81	4,643
2.32	10.77	2,677
2.28	11.11	2,774
2.60	15.26	2,848
2.62	14.49	2,704
2.30	13.57	2,531

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CITY OF FAIRMONT, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2016

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Fairmont	\$ 15,553,250	100.00 %	\$ 15,553,250
Total direct debt	<u>15,553,250</u>		<u>15,553,250</u>
Martin County	6,331,000	15.30	968,643
Independent School District No. 2752	<u>36,565,000</u>	45.68	<u>16,702,892</u>
Total overlapping debt	<u>42,896,000</u>		<u>17,671,535</u>
Total direct and overlapping debt	<u><u>\$ 58,449,250</u></u>		<u><u>\$ 33,224,785</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

	2016	2015	2014	2013	2012
Debt limit	\$ 19,234,896	\$ 18,414,708	\$ 18,517,473	\$ 17,169,371	\$ 16,580,637
Total net debt applicable to limit	-	-	-	-	65,000
Legal debt margin	<u>\$ 19,234,896</u>	<u>\$ 18,414,708</u>	<u>\$ 18,517,473</u>	<u>\$ 17,169,371</u>	<u>\$ 16,515,637</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.4</u>

**Legal Debt Margin Calculation for Fiscal Year 2016**

Market value	\$ 641,163,200
Debt limit (3% of total assessed value)	<u>19,234,896</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><u>\$ 19,234,896</u></u>

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

Table 13

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 16,294,931	\$ 18,627,948	\$ 18,785,547	\$ 17,181,574	\$ 10,434,121
<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 16,169,931</u>	<u>\$ 18,627,948</u>	<u>\$ 18,785,547</u>	<u>\$ 17,181,574</u>	<u>\$ 10,434,121</u>
<u>0.8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Table 14

		Utility Revenue Bonds						
Year		Gross Revenue	Direct Operating Expenses <sup>(4)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(5)</sup>			Coverage
					Principal	Interest	Total	
2016	(1)	\$ 6,559,574	\$ 3,294,576	\$ 3,264,998	\$ 1,629,495	\$ 726,279	\$ 2,355,774	1.39
2015	(1)	6,330,329	3,112,875	3,217,454	1,624,000	756,333	2,380,333	1.35
2014	(1)	6,452,780	2,992,864	3,459,916	1,590,000	765,525	2,355,525	1.47
2013	(2)	6,498,498	2,937,352	3,561,146	1,744,000	609,695	2,353,695	1.51
2012	(2)	5,823,490	2,701,862	3,121,628	833,812	289,320	1,123,132	2.78
2011	(2)	2,876,421	1,137,876	1,738,545	647,000	303,453	950,453	1.83
2010	(2)	2,881,620	993,506	1,888,114	866,000	334,329	1,200,329	1.57
2009	(2)	2,719,903	1,009,389	1,710,514	809,000	300,550	1,109,550	1.54
2008	(3)	2,690,791	1,026,457	1,664,334	799,252	319,844	1,119,096	1.49
2007	(3)	2,658,700	951,204	1,707,496	816,095	338,045	1,154,140	1.48

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

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

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

(4) Does not include depreciation.

(5) 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.



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)
2016	10,421	\$ 28,930	\$ 301,479,530	47.6	1,696	3.9 %
2015	10,464	27,443	287,163,552	47.6	1,695	4.5
2014	10,494	26,550	278,615,700	47.6	1,696	4.1
2013	10,494	26,550	278,615,700	47.6	1,699	4.4
2012	10,521	26,065	274,229,865	47.6	1,694	5.0
2011	10,631	24,965	264,354,385	47.6	1,726	5.2
2010	10,666	24,965	266,276,690	47.6	1,686	6.5
2009	10,686	18,658	199,379,388	41.3	1,678	7.2
2008	10,686	18,658	199,379,388	41.3	1,685	6.0
2007	10,675	18,658	199,174,150	41.3	1,727	4.9

(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	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	546	1	5.46 %	650	1	5.72 %
Weigh-Tronix Scale Manufacturing	305	2	3.05	375	2	3.30
Fairmont Foods of Minnesota	300	3	3.00	300	3	2.64
ISD 2752	260	4	2.60	242	4	2.13
Hy-Vee	240	5	2.40	-		-
Torgerson Properties	219	6	2.19	-		-
Wal-Mart	191	7	1.91	-		-
REM Heartland	185	8	1.85	200	6	1.76
Lakeview Health Care Facility	151	9	1.51	215	5	1.89
Martin County	131	10	1.31	-		-
Aerospace Systems	-		-	180	7	1.58
3M	-		-	165	8	1.45
SMC-Highway Construction	-		-	150	9	1.32
Harsco Track Technologies	-		-	150	10	1.32
Total	<u>2,528</u>		<u>25.28 %</u>	<u>2,627</u>		<u>23.11 %</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				
	2016	2015	2014	2013	2012
General government	10	11	11	11	11
Public safety					
Police					
Officers	15	16	16	16	17
Civilians	2	2	2	2	2
Streets and highways					
Engineering	4	3	3	4	4
Maintenance	10	10	10	10	10
Culture and recreation					
Parks	10	9	9	8	8
Housing and economic development	4	3	3	2	2
Water	12	12	11	10	10
Sewer	5	5	5	6	6
Electric	11	11	11	12	12
Liquor Store	3	3	3	3	3
Airport	1	1	1	-	-
Total	87	86	85	84	85

Source: City of Fairmont Records

Table 17

Full-time Equivalent Employees as of December 31				
2011	2010	2009	2008	2007
14	14	14	14	14
17	18	18	18	18
2	1	1	2	2
3	4	4	4	4
12	12	12	11	10
8	8	8	8	8
2	2	2	2	2
10	11	11	10	10
6	6	6	6	6
12	17	17	25	26
3	3	3	3	3
-	-	-	-	-
89	96	96	103	103

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

Function	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Adult arrests	916	979	1,310	1,178	1,306
Juvenile arrests	69	87	74	54	125
Fire					
Number of fire calls answered	103	119	114	126	122
Number of rescue calls answered	34	19	17	22	28
Highways and streets					
Street resurfacing (miles)	1	5	3	4	5
Culture and recreation					
Attendance at water park	25,585	25,336	22,771	22,400	24,500
Water					
Annual water consumption (thousands of gallons)	375,715	367,127	354,293	414,121	430,334
Wastewater					
Annual treatment flows (thousands of gallons)	673,240	490,670	475,036	468,170	404,830
Electric					
Annual KWH electricity sold (thousands of kwh)	147,048	142,562	147,322	148,187	151,973

Sources: Various government departments.

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

Table 18

Fiscal Year				
2011	2010	2009	2008	2007
1,175	1,483	1,426	1,301	1,337
162	125	132	150	153
140	128	97	109	111
20	34	35	28	50
5	4	5	10	9
21,000	26,346	25,000	28,000	27,000
455,140	465,407	481,836	522,275	536,442
656,800	741,060	536,740	526,650	654,970
156,001	153,605	147,794	158,024	154,797

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

Function	Fiscal Year				
	2016	2015	2014	2013	2012
Public safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	14	15	15	16	17
Part-time paid police	2	3	3	3	3
Civilian employees	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	32	32	32	32	32
Hydrants	556	556	556	556	556
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	74	74	74	74	74
Percent of paved streets	96%	96%	96%	96%	96%
Signalized intersections	10	10	10	10	10
Parks division					
Neighborhood parks	29	29	26	26	26
Area in acres	560	560	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	1	1	1	1	1
Softball diamonds	3	3	3	3	3
Swimming areas	2	2	2	2	2
Tennis courts	2	2	2	2	2
Volleyball courts	2	2	2	2	2
Utilities					
Municipal water					
Consumers	4,435	4,423	4,410	4,426	4,429
Average daily consumption	1,265,344	1,238,628	970,665	1,134,577	1,272,199
Maximum production capacity	5,400,000	5,400,000	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	84	83	83	83	83
Municipal wastewater treatment					
Average daily treatment	1,836,667	1,342,500	1,301,468	1,282,658	1,109,123
Maximum design capacity	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Miles of sanitary sewer	81	80	80	80	80
Storm drains					
Miles of storm sewer	41	41	41	41	41
Holding ponds	9	8	8	8	8
Parking system					
Off-street parking					
Off street lots	7	7	7	7	7
Employees					
Supervisors	10	10	10	10	10
Union employees	61	59	58	57	58
Other employees	16	17	17	17	17
Total employees	87	86	85	84	85

Source: City of Fairmont Records

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

Table 19

Fiscal Year				
2011	2010	2009	2008	2007
1	1	1	1	1
17	18	18	18	18
3	3	3	3	5
2	1	1	2	2
1	1	1	1	1
32	32	32	32	32
556	556	556	556	554
5	5	5	5	5
74	74	74	74	74
96%	96%	96%	96%	96%
10	10	10	10	10
26	26	26	26	19
540	540	540	540	380
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
-	-	-	-	-
5	5	5	5	3
2	2	2	2	2
2	2	2	4	2
2	2	2	2	2
4,442	4,443	4,599	4,598	4,595
1,413,036	1,539,775	1,546,175	1,634,208	1,627,440
5,400,000	5,400,000	5,400,000	5,400,000	4,300,000
4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
83	83	83	83	83
1,799,452	2,030,301	1,470,521	1,442,877	1,663,014
11,500,000	11,500,000	11,500,000	11,500,000	6,000,000
80	80	80	80	80
41	41	41	41	41
8	8	8	8	8
7	7	7	7	7
11	13	13	13	12
59	65	65	72	73
19	18	18	18	18
89	96	96	103	103



CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
OPERATING EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
Electric Department/Fund					
Production	\$11,652,003	\$10,697,955	\$10,973,273	\$11,370,136	\$11,488,996
Distribution	1,309,186	1,158,176	1,171,484	1,173,817	1,251,599
Administration and depreciation	1,250,177	1,387,871	1,364,473	1,357,745	1,253,489
Total Electric Department/Fund	14,211,366	13,244,002	13,509,230	13,901,698	13,994,084
Water Department/Fund					
Filtration	1,339,214	1,028,792	986,423	950,375	957,550
Distribution	301,137	439,942	420,787	466,580	449,489
Administration and depreciation	1,335,355	1,229,500	479,722	436,620	356,590
Total Water Department/Fund	2,975,706	2,698,234	1,886,932	1,853,575	1,763,629
District Heat Department/Fund					
Production	-	-	-	-	-
Distribution	-	-	-	-	-
Administration and depreciation	-	-	-	-	-
Total District Heat Department/Fund	-	-	-	-	-
Wastewater Department/Fund					
Treatment	491,159	589,736	532,665	633,326	623,509
Collection	296,240	294,909	287,866	303,052	279,944
Administration and depreciation	830,211	807,607	839,304	843,856	781,998
Total Wastewater Department/Fund	1,617,610	1,692,252	1,659,835	1,780,234	1,685,451
TOTAL	\$18,804,682	\$17,634,488	\$17,055,997	\$17,535,507	\$17,443,164

Table 20

2011	2010	2009	2008	2007
\$11,793,263	\$11,907,333	\$11,457,408	\$11,856,255	\$12,023,808
1,234,196	1,212,690	1,071,154	998,186	833,174
1,210,384	1,219,437	1,066,353	1,013,880	1,030,065
14,237,843	14,339,460	13,594,915	13,868,321	13,887,047
1,007,315	1,128,507	1,164,881	1,039,526	948,844
282,000	432,482	437,103	401,887	370,711
327,437	286,837	264,022	259,007	250,072
1,616,752	1,847,826	1,866,006	1,700,420	1,569,627
62,657	116,599	122,270	164,148	298,515
602	794	654	6,909	2,844
-	246,203	222,305	218,556	28,460
63,259	363,596	345,229	389,613	329,819
588,910	587,921	584,674	617,598	530,013
284,448	271,987	293,973	260,666	267,312
780,124	709,412	690,480	676,457	676,959
1,653,482	1,569,320	1,569,127	1,554,721	1,474,284
<u>\$17,571,336</u>	<u>\$18,120,202</u>	<u>\$17,375,277</u>	<u>\$17,513,075</u>	<u>\$17,260,777</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Electric Department/Fund	\$ 15,338,091	\$ 14,561,648	\$ 14,713,001	\$ 14,639,236	\$ 14,856,538
Water Department/Fund	3,497,629	3,329,141	3,273,006	3,332,167	3,023,394
District Heat Department/Fund	-	-	-	-	-
Wastewater Department/Fund	<u>2,387,483</u>	<u>2,349,903</u>	<u>2,599,354</u>	<u>2,542,395</u>	<u>2,159,105</u>
Total	<u><u>\$21,223,203</u></u>	<u><u>\$20,240,692</u></u>	<u><u>\$20,585,361</u></u>	<u><u>\$20,513,798</u></u>	<u><u>\$20,039,037</u></u>

Table 21

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$15,601,619	\$14,724,031	\$14,270,358	\$13,775,629	\$13,465,436
2,838,809	2,413,865	2,037,674	1,810,191	1,679,360
82,626	129,919	144,589	170,136	211,636
<u>2,246,597</u>	<u>2,250,191</u>	<u>2,143,140</u>	<u>2,121,165</u>	<u>2,080,260</u>
<u><u>\$20,769,651</u></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>

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

Table 22

<u>Year</u>	<u>Gross Generation</u>	<u>Purchased KWH</u>	<u>Purchased From</u>	<u>Total KWH</u>	<u>* Sales KWH</u>	<u>Own Use</u>	<u>Peak Demand</u>
2016	-	153,558,569	SMMPA/WAPA	153,558,569	147,048,570	-	32,243
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

\* 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 23

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
2016	\$11,652,003 0.07588	\$ 1,309,186 0.00853	\$ 861,771 0.00561	\$ 388,406 0.00253	\$14,211,366 0.09255	\$ 153,558,569 147,048,570	\$ 0.09664
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

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

Table 24

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
2016						
Residential Light	28,364,575	\$ 3,214,306	\$ 0.113321	19.3 %	21.5 %	3,787
Commercial Service	20,939,951	2,249,471	0.107425	14.2	15.1	757
General Service	17,154,277	1,711,015	0.099743	11.7	11.5	42
Industrial Sales	53,320,399	4,767,863	0.089419	36.1	32.0	12
All Electric	8,675,268	765,268	0.088213	5.9	5.1	8
Rural Electric	3,910,260	431,242	0.110285	2.7	2.9	228
Filter Plant	1,423,200	94,643	0.066500	1.0	0.6	1
Street Lighting	1,600,001	120,000	0.075000	1.1	0.8	6
Flat Rate Security Lights	127,656	11,463	0.089796	0.1	0.1	141
Residential Heat	9,201,702	959,942	0.104322	6.3	6.4	895
Wastewater Plant	1,287,238	85,601	0.066500	0.9	0.6	1
Seasonal Heat Rate	1,044,043	77,500	0.074231	0.7	0.5	27
Energy Cost Adjustment	-	430,775	-	-	2.9	-
Total Sales	<u>147,048,570</u>	<u>\$ 14,919,089</u>	<u>\$ 0.101457</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,905</u>
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>



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

Table 24 (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
2014						
Residential Light	28,653,260	\$ 2,418,394	\$ 0.084402	19.4 %	17.0 %	3,879
Commercial Service	21,184,995	1,656,657	0.078200	14.4	11.6	747
General Service	18,549,910	1,286,853	0.069372	12.6	9.0	43
Industrial Sales	50,409,061	3,068,222	0.060866	34.3	21.5	12
All Electric	9,039,097	556,328	0.061547	6.1	3.9	8
Rural Electric	3,914,295	323,984	0.082769	2.7	2.3	225
Filter Plant	1,437,200	54,614	0.038000	1.0	0.4	1
Street Lighting	1,791,188	134,339	0.075000	1.2	0.9	6
Flat Rate Security Lights	128,637	10,320	0.080226	0.1	0.1	-
Residential Heat	9,293,874	698,258	0.075131	6.3	4.9	888
Wastewater Plant	1,535,800	58,360	0.038000	1.0	0.4	1
Seasonal Heat Rate	1,384,533	62,782	0.045345	0.9	0.4	22
Energy Cost Adjustment	-	3,933,326	-	-	27.6	-
Total Sales	<u>147,321,850</u>	<u>\$ 14,262,437</u>	<u>\$ 0.096811</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,832</u>

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

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

Table 24 (Continued)

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

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

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

Table 24 (Continued)

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

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

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

Table 24 (Continued)

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

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>

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

	2016	2015	2014	2013	2012
Industrial/Commercial Users					
Fairmont Foods	16,131,520	14,158,043	13,051,618	2,464,831	14,315,307
	\$ 1,440,743	\$ 1,210,805	\$ 1,107,336	\$ 1,042,803	\$ 1,180,918
Minnesota Mining and Manufacturing	9,002,036	8,211,144	7,825,221	7,591,649	7,712,425
	\$ 798,762	\$ 701,501	\$ 651,696	\$ 619,290	\$ 631,048
Harsco Track Technology	486,300	518,400	517,200	552,000	571,200
	\$ 50,089	\$ 50,927	\$ 51,381	\$ 54,207	\$ 56,457
Hancor	5,490,000	6,089,000	6,670,000	7,509,000	8,627,000
	\$ 534,868	\$ 567,118	\$ 601,875	\$ 666,009	\$ 723,634
Weigh-Tronix	5,655,123	5,418,081	5,597,822	5,734,080	6,392,412
	\$ 549,562	\$ 518,706	\$ 523,817	\$ 530,950	\$ 575,467
Fareway Foods	1,279,500	1,339,479	1,378,376	1,484,452	1,398,829
	\$ 144,365	\$ 117,101	\$ 119,403	\$ 124,463	\$ 119,854
County Market	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Shopko	986,250	1,123,000	1,218,750	1,414,500	1,451,000
	\$ 100,484	\$ 108,445	\$ 109,459	\$ 122,882	\$ 123,958
Holiday Inn	1,425,750	1,443,250	1,565,250	1,633,500	1,552,500
	\$ 135,194	\$ 134,459	\$ 141,662	\$ 143,720	\$ 139,323
Fairmall Shopping Center	917,255	1,044,880	1,129,560	1,092,200	945,860
	\$ 92,316	\$ 103,581	\$ 105,865	\$ 103,406	\$ 88,258
Hy-Vee Foods	2,810,400	2,756,800	2,666,800	2,698,800	2,605,120
	\$ 247,622	\$ 234,366	\$ 224,510	\$ 222,689	\$ 221,566
Fairmont Refrigerated Services	5,881,320	5,660,120	6,055,200	6,139,800	6,127,560
	\$ 496,713	\$ 460,842	\$ 485,452	\$ 480,003	\$ 474,287
Kmart	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Wal-Mart Stores	3,431,200	3,110,800	3,234,800	3,296,000	3,449,200
	\$ 304,944	\$ 264,077	\$ 266,997	\$ 270,157	\$ 283,831
Fairmont Hospital	6,276,600	6,192,900	3,487,368	6,375,600	6,314,400
	\$ 552,693	\$ 537,020	\$ 399,776	\$ 527,157	\$ 516,892
I.S.D. No. 2752	2,023,200	1,980,000	3,487,368	3,585,720	3,427,680
	\$ 262,645	\$ 247,891	\$ 399,776	\$ 400,658	\$ 384,529
Wastewater Treatment Plant	1,287,238	1,401,166	1,437,200	1,325,800	1,248,800
	\$ 85,601	\$ 93,178	\$ 99,569	\$ 89,004	\$ 83,835
Water Treatment Plant	1,423,200	1,391,200	1,535,800	1,212,440	1,475,640
	\$ 94,643	\$ 92,515	\$ 93,366	\$ 76,158	\$ 92,691

Table 25

2011	2010	2009	2008	2007
15,975,378	14,405,962	15,229,904	16,305,260	16,582,991
\$ 1,317,813	\$ 1,114,623	\$ 1,130,627	\$ 1,032,066	\$ 945,836
7,361,865	7,172,204	6,743,792	7,023,623	4,696,660
\$ 604,175	\$ 547,629	\$ 498,185	\$ 448,190	\$ 301,849
1,136,400	1,742,400	1,935,600	1,990,800	2,187,600
\$ 122,519	\$ 177,622	\$ 184,883	\$ 173,609	\$ 171,938
7,840,000	7,092,000	6,536,000	6,944,000	6,014,920
\$ 661,645	\$ 566,223	\$ 519,326	\$ 477,075	\$ 400,844
6,501,321	6,501,551	6,111,050	7,540,040	7,607,048
\$ 589,774	\$ 551,984	\$ 511,612	\$ 526,424	\$ 487,991
1,309,292	1,142,880	-	-	-
\$ 115,007	\$ 89,704	\$ -	\$ -	\$ -
-	-	-	1,305,408	838,032
\$ -	\$ -	\$ -	\$ 79,648	\$ 51,466
1,287,750	1,280,250	1,246,000	1,419,000	1,407,000
\$ 113,221	\$ 105,200	\$ 98,515	\$ 94,750	\$ 89,319
1,759,000	1,674,250	1,610,500	1,803,000	1,739,750
\$ 154,431	\$ 138,570	\$ 127,840	\$ 121,897	\$ 109,607
776,400	789,640	760,940	905,540	990,760
\$ 90,337	\$ 71,990	\$ 69,330	\$ 71,467	\$ 72,912
2,657,440	2,525,920	2,670,880	2,649,280	2,862,720
\$ 211,168	\$ 189,363	\$ 192,183	\$ 161,366	\$ 157,690
6,030,720	5,872,680	6,031,080	6,042,600	6,460,920
\$ 465,861	\$ 424,233	\$ 414,539	\$ 358,950	\$ 349,012
-	-	129,984	1,114,752	1,640,832
\$ -	\$ -	\$ 11,927	\$ 84,373	\$ 104,679
3,506,800	3,476,800	3,461,200	3,676,400	1,945,200
\$ 285,919	\$ 268,115	\$ 255,977	\$ 232,011	\$ 113,010
6,735,600	6,806,700	6,521,400	6,997,500	7,279,200
\$ 557,202	\$ 540,320	\$ 485,053	\$ 444,303	\$ 423,944
3,211,200	2,558,880	2,312,000	2,367,120	2,384,800
\$ 346,486	\$ 240,995	\$ 209,171	\$ 190,684	\$ 179,895
1,270,200	1,239,000	1,286,800	1,297,400	1,278,400
\$ 79,786	\$ 70,727	\$ 69,939	\$ 57,887	\$ 49,573
1,647,730	1,637,640	1,768,320	1,834,560	1,825,560
\$ 103,500	\$ 93,483	\$ 96,110	\$ 81,854	\$ 70,790

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

Table 26

	<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>2016</u>					
Net Raw Water	454,363,595	100.0 %			
Used in Production	<u>18,179,916</u>	<u>4.0</u>			
Net Finished Water	436,183,679	96.0			
Loss in Distribution System (including hydrant)	<u>60,468,422</u>	<u>13.3</u>			
 Total Sales	<u>375,715,257</u>	<u>82.7</u>	\$3,121,434	\$ 8.307978	4,382
<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

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

Table 26 (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>2011</u>					
Net Raw Water	589,167,636	100.0 %			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (including hydrant)	<u>60,617,941</u>	<u>10.3</u>			
Total Sales	<u>455,140,379</u>	<u>77.2</u>	\$2,536,752	\$ 5.573560	4,442
<u>2010</u>					
Net Raw Water	591,918,009	100.0			
Used in Production	<u>61,373,009</u>	<u>10.4</u>			
Net Finished Water	530,545,000	89.6			
Loss in Distribution System (including hydrant)	<u>65,137,047</u>	<u>11.0</u>			
Total Sales	<u>465,407,953</u>	<u>78.6</u>	2,114,745	4.543852	4,443
<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



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

Table 27

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
2016	\$ 1,339,214 3.0703	\$ 301,137 0.6904	\$ 409,857 0.9396	\$ 925,498 2.1218	\$ 2,975,706 6.8221	\$ 436,183,679 375,715,257	\$ 7.9201
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

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

Table 28

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2016</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District					
Heat Department	-	-	-	-	
<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	-	-	-	-	

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

Table 28 (Continued)

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<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	<u>5,537,000</u>	<u>100.0</u>	<u>82,626</u>	<u>14.9225</u>	
<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	<u>8,521,000</u>	<u>100.0</u>	<u>128,498</u>	<u>15.0802</u>	
<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	<u>15,012,000</u>	<u>100.0</u>	<u>145,903</u>	<u>9.7191</u>	
<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	<u>9,559,000</u>	<u>100.0</u>	<u>170,106</u>	<u>17.7954</u>	
<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	<u>19,378,000</u>	<u>100.0</u>	<u>218,699</u>	<u>11.2859</u>	

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

Table 29

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
2016	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ -
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

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

Table 30

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
2016	673,240	\$ 491,159 0.7295	\$ 296,240 0.4400	\$ 219,344 0.3258	\$ 610,867 0.9074	\$ 1,617,610 2.4027	1,230,000 6,150,000
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

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**SINGLE AUDIT AND  
OTHER REQUIRED REPORTS**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016



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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, 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2017.

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.

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

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 20, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2017.

**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.

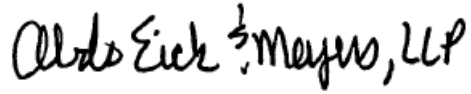
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-001.

### **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  
April 20, 2017

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, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses 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, 2016

## ***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

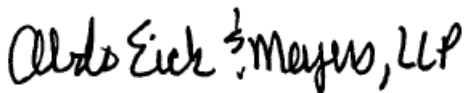
## **Report on Internal Control Over Compliance**

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  
April 20, 2017

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Commerce		Economic Adjustment Assistance	11.307			\$ 707,307
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401	P0116X01SRM		6,746
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	TMNFAA00291415		298,236
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety	20.600	P079216402	\$ 2,397	
U.S. Department of Transportation	Minnesota Department of Transportation	National Priority Safety Program	20.616	P079216405C/ P079216405B	<u>18,994</u>	
				Total Highway Safety Cluster		21,391
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	P079216AL164		<u>1,812</u>
	Total expended					<u>\$ 1,035,492</u>
		Balance of RLF loans outstanding at year end				\$ 473,641
		Cash and investment balances in the RLF at year end				168,761
		Loan write-offs during the year				63,460
		Administrative expenses paid out of RLF income during the year				<u>1,445</u>
		Subtotal				707,307
		Federal share of the RLF				<u>100%</u>
		Total expenditures				<u>\$ 707,307</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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, 2016. 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, 2016, 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, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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)?	Yes

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

	<u><b>CFDA No.</b></u>
Airport Improvement Project	20.106
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

None

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

There are no significant deficiencies or material weaknesses that are required to be reported in accordance with the Uniform Guidance. Noncompliance with the provisions of laws, regulations, contracts or grant agreements related to a major program have been identified and are reported in the Independent Auditor's Report on Compliance for Each Major Program on Internal Control Over Compliance Required by Uniform Guidance as finding 2016-001.

**Other Issues**

A Corrective Action Plan is required because there was a finding required to be reported under the Federal Single Audit Act.

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

**2016-001**

**Uniform Guidance written policies and procedures**

*Condition:* During our audit, we discovered the City did not develop written procedures as required by the Uniform Guidance for the following:

- Determination of Allowable of Costs - §200.302(b)(7)
- Time and Effort - §200.430(a)
- Cash Management of Federal Funds - §200.302(b)(6)
- Conflict of Interest - §200.318(c)(1-2)

The City must also ensure that existing written procedures are in compliance with:

- General Procurement Standards - §200.318-.326
- Equipment Management Requirements - §200.313

*Criteria:* The City “must” establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

*Cause:* The City did not have these written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.

*Effect:* The City was out of compliance with this requirement.

*Recommendation:* The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.

*Management response:*

The City will establish written policies and procedures to ensure future compliance with the Uniform Guidance requirements.



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CITY OF FAIRMONT, MINNESOTA  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016

**2016-001 Uniform Guidance policies and procedures**

**CORRECTIVE ACTION PLAN (CAP):**

**1. Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**2. Actions Planned in Response to Finding:**

The City will work on establishing policies and procedures to ensure future compliance with the Uniform Guidance.

**3. Official Responsible for Ensuring CAP:**

Paul Hoyer, Finance Director, is the official responsible for ensuring corrective action of the compliance finding.

**4. Planned Completion Date for CAP:**

The planned completion date is December 31, 2017.

**5. Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.

Sincerely,

Paul Hoyer  
Finance Director