

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2017

Prepared By:

Finance Department

Paul Hoyer  
Finance Director

Member GFOA of U.S. and Canada  
Published April 19, 2018

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City of Fairmont, Minnesota  
 Comprehensive Annual Financial Report  
 Table of Contents  
 For the Year Ended December 31, 2017

	Page No.
<b>Introductory Section</b>	
Letter from City Administrator	9
Letter of Transmittal	11
Principal City Officials	16
Organization Chart	17
GFOA Certificate of Achievement for Excellence in Financial Reporting	18
<b>Financial Section</b>	
Independent Auditor's Report	21
Management's Discussion and Analysis	25
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	39
Statement of Activities	40
Fund Financial Statements	
Governmental Funds	
Balance Sheet	46
Reconciliation of the Balance Sheet to the Statement of Net Position	49
Statement of Revenues, Expenditures and Changes in Fund Balances	50
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	52
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	53
Proprietary Funds	
Statements of Net Position	54
Statements of Revenues, Expenses and Changes in Net Position	62
Statements of Cash Flows	66
Fiduciary Funds	
Statement of Fiduciary Net Position	74
Notes to the Financial Statements	75
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	119
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	119
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	120
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	120
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	122
Schedule of Employer's Fire Relief Association Contributions	123
Schedule of Funding Progress for the Retiree Health Plan	123
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	127
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	128
Nonmajor Special Revenue Funds	
Combining Balance Sheet	132
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	134
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Aeronautics Fund	136
Lake Restoration Fund	137

City of Fairmont, Minnesota  
 Comprehensive Annual Financial Report  
 Table of Contents (Continued)  
 For the Year Ended December 31, 2017

	<u>Page No.</u>
<b>Combining and Individual Fund Financial Statements and Schedules (Continued)</b>	
Nonmajor Capital Projects Funds	
Combining Balance Sheet	142
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	144
General Fund	
Comparative Balance Sheets	149
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	150
Debt Service Funds	
Combining Balance Sheet	159
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	163
Internal Service Funds	
Combining Statements of Net Position	170
Combining Statements of Revenues, Expenses and Changes in Net Position	172
Combining Statements of Cash Flows	174
Agency Funds	
Combining Balance Sheet	180
Individual Fund Statements of Changes in Assets and Liabilities	182
Discretely Presented Component Unit - Economic Development Authority	
Comparative Balance Sheets/Net Position	184
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances/Net Position	185
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	186
<b>Statistical Section (Unaudited)</b>	<u>Table No.</u>
Financial Trends	
Net Position by Component	1
Changes in Net Position	2
Governmental Activities Tax Revenues by Source	3
Fund Balances of Governmental Funds	4
Changes in Fund Balances of Governmental Funds	5
General Governmental Tax Revenues by Source	6
Revenue Capacity	
Market Value and Estimated Actual Value of Taxable Property	7
Property Tax Rates - Direct and Overlapping Governments	8
Principal Property Taxpayers	9
Property Tax Levies and Collections	10
Debt Capacity	
Ratios of Outstanding Debt by Type	11
Direct and Overlapping Governmental Activities Debt	12
Legal Debt Margin Information	13
Pledged-Revenue Coverage	14
Demographic and Economic Information	
Demographic and Economic Statistics	15
Principal Employers	16
Operating Information	
Full-time Equivalent City Government Employees by Function	17
Operating Indicators by Function	18
Capital Asset Statistics by Function	19

City of Fairmont, Minnesota  
 Comprehensive Annual Financial Report  
 Table of Contents (Continued)  
 For the Year Ended December 31, 2017

<b>Statistical Section (Unaudited) (Continued)</b>	<u>Table No.</u>	<u>Page No.</u>
Public Utilities Commission Information		
Operating Expenses by Function	20	230
Revenue by Utility	21	232
Kilowatt Hours Generated and Purchased	22	234
Cost Per KWH Generated and Purchased	23	235
Kilowatt Sales	24	237
Large Electric Users - Total Kilowatt Hours Used and Revenue Earned Per Year	25	242
Raw Water Finished and Sold	26	244
Cost Per Thousand Gallons of Finished Water	27	247
District Heat Sales	28	248
Cost Per Thousand Pounds of Steam	29	251
Wastewater Inflow and Cost per Thousand Gallons Treated	30	252
 <b>Single Audit and Other Required Reports</b>		
Independent Auditor's Report on Minnesota Legal Compliance		255
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 <i>Government Auditing Standards</i>		256
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		258
Schedule of Expenditures of Federal Awards		260
Notes to Schedule of Expenditures of Federal Awards		261
Schedule of Findings and Questioned Costs		262
Schedule of Prior Year Findings		263

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INTRODUCTORY SECTION

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017



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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 19, 2018

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, 2017.

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 19, 2018

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, 2017. 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 2.8% in 2017. 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 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 began budgeting \$42,500 per year and in 2018 the budget was increased to \$75,000 per year to help tear down dilapidated housing. 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 before December 2018.

Zierke Built Manufacturing rehabilitated a large, vacant, and underutilized building in Fairmont bringing 30 full-time jobs to Fairmont from Winnebago, Minnesota and will 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 and the City of Fairmont and Martin County assisted with Tax Abatement for the renovation of the building.

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 City of Fairmont Economic Development Authority obtained a real estate option for a 38-acre parcel of bare developable land at the intersection of Bixby Road and I-90. This site provides maximum accessibility and visibility to Interstate 90. In 2018, FEDA intends to secure easements and complete the preliminary infrastructure engineering to reduce the risk of project complication for potential users which will add value for developers.

The City of Fairmont in collaboration with Fairmont Area School ISD 2752, installed infrastructure in a residential development that offers much needed residential lots for sale. As of December 31, 2017, five of the twenty lots have sold, and several potential prospects have evolved.

The Fairmont Economic Development Authority became aware of the inadequate supply of quality affordable child care in Fairmont and Martin County and as a result, a Child Care Committee was formed. The objective of this committee is to increase the availability of quality center-based and home-based child care options throughout Martin County.

The City of Fairmont has been working with Fairmont Foods as they have expanded their building and added approximately 200 jobs in the last 3 years. This expansion includes a new grinding room and a cooler for storage with a loading dock and break room, bathrooms, and a locker area. This expansion will allow them to run two lines simultaneously rather than one at a time.

For the future -

Infrastructure improvement continues to be a community priority. The City will be constructing a foot bridge between George and Sisseton Lake, completing a walking trail in Cedar Creek Park, runway, taxiway and apron crack repair at the Airport and will begin engineering on a new Street and Park Building. The City Council held a budget and goal setting session in 2017 to set improvement goals for the upcoming year. In addition to the infrastructure projects listed above, projects include improvements to Veterans Park, refurbishing three pool slides at the Aquatic Park, improvements at the Winnebago Ball Diamond Complex and adding back a K9 unit in the Police Department. The Council also allocated funds to continue a program of eliminating blighted housing within the community.

The City of Fairmont has been working with a number of businesses looking at locating or expanding in Fairmont and utilizing the Revolving Loan Fund, Tax Increment Financing and Tax Abatement financing tools. Without full details of the projects, it is difficult to project the job or tax base creation.

### **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, 2017 the General fund balance was 86.5% 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, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

Honorable Mayor and City Council  
April 19, 2018

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-six (26) consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

#### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

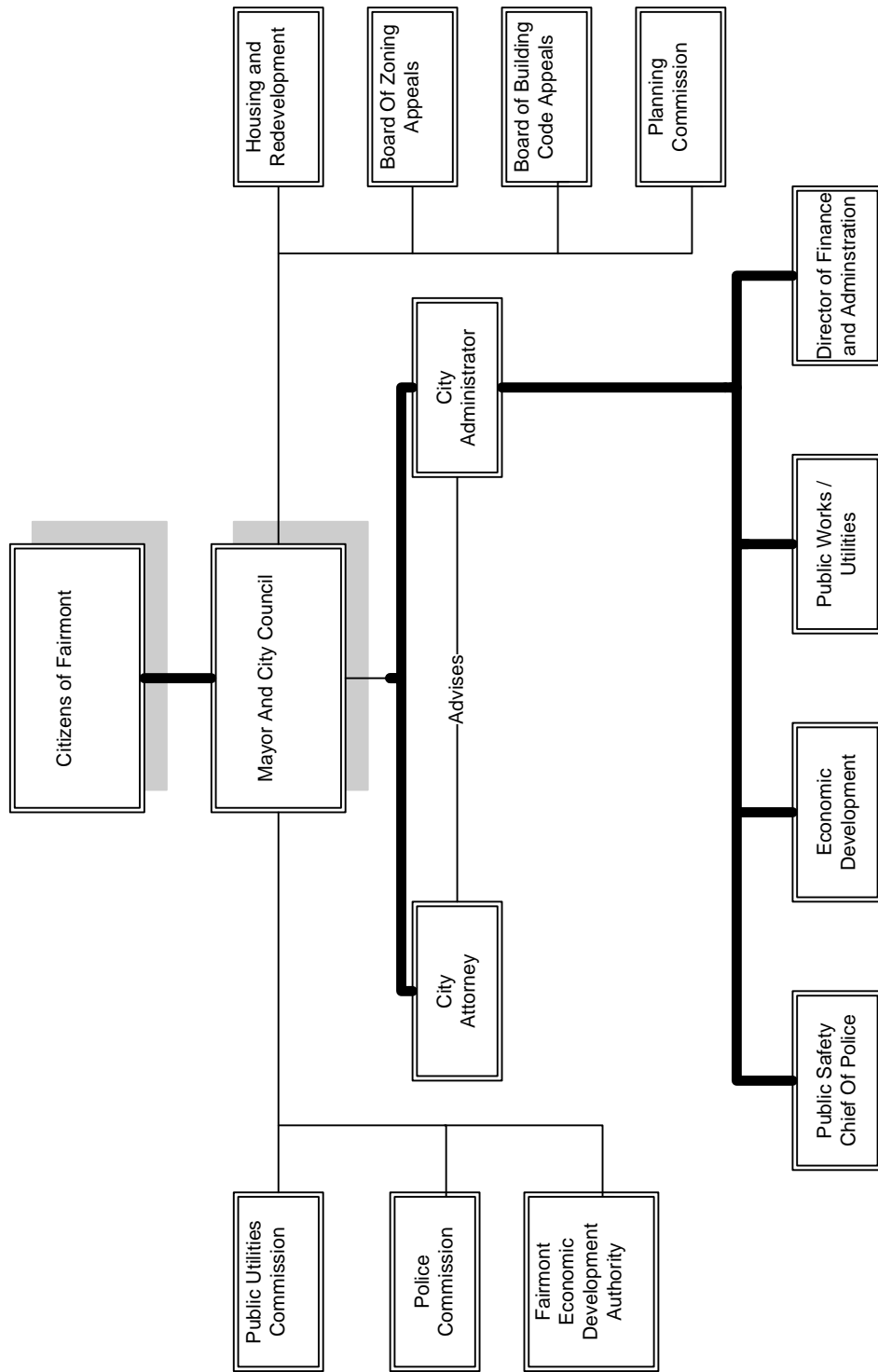


City of Fairmont  
Paul Hoyer  
Finance Director



City of Fairmont, Minnesota  
Principal City Officials  
For the Year Ended December 31, 2017

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Deborah Foster	12/31/2018
Council Members	Tom Hawkins	12/31/2020
	Bruce Peters	12/31/2018
	Ruth Cyphers	12/31/2020
	Jim Zarlring	12/31/2018
	Wayne Hasek	12/31/2020
City Administrator	Michael Humpal	
Finance Director	Paul Hoye	
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, 2016**

*Christopher P. Morrill*

Executive Director/CEO



FINANCIAL SECTION  
CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed unmodified opinions on the respective proprietary fund financial statements in our report dated April 20, 2017. 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, 2016 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 25 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 119 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**

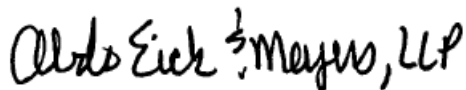
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional 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 19, 2018, 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 19, 2018

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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, 2017. 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 11 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 \$107,065,434 (*net position*). Of this amount, \$17,732,771 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,941,739, compared to an increase of \$1,468,257, in the previous year. The increase in net position is attributed to continued strong performance of the City's enterprise funds, specifically the Wastewater, Electric and Municipal Liquor funds. The City also implemented a local option sales tax for additional revenues in the governmental funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,181,028, a decrease of \$1,340,220 in comparison with the prior year. This decrease is mainly the result capital outlay expenditures for the 2017 Capital Improvement Program. Unassigned fund balance at year end is \$3,815,393. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$8,618,602), 2) committed (\$969,932), 3) assigned (\$3,777,101) for the purposes described in Note 3F in the notes to the financial statements.

### Overview of the Financial Statements

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

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

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

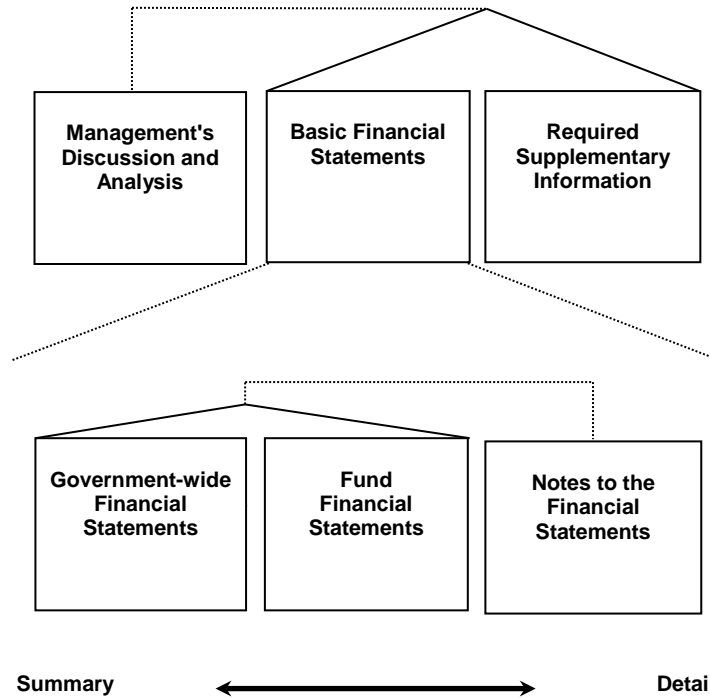


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City’s assets and 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 39 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 funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds, a number 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, 2015 Capital Improvements and the 2017 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 46 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 54 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 74 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 75 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 119 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 127 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 \$107,065,434 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (74.1 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 22,837,273	\$ 23,392,343	\$ (555,070)	\$ 18,073,496	\$ 18,054,514	\$ 18,982
Capital assets	57,448,730	55,128,496	2,320,234	66,003,883	66,419,093	(415,210)
Total Assets	<u>80,286,003</u>	<u>78,520,839</u>	<u>1,765,164</u>	<u>84,077,379</u>	<u>84,473,607</u>	<u>(396,228)</u>
Deferred inflows of resources	3,196,755	5,088,199	(1,891,444)	642,692	1,260,418	(617,726)
<b>Liabilities</b>						
Long-term liabilities						
outstanding	19,441,012	24,680,515	(5,239,503)	33,463,354	35,998,235	(2,534,881)
Other liabilities	2,048,703	1,272,178	776,525	1,805,010	1,823,865	(18,855)
Total Liabilities	<u>21,489,715</u>	<u>25,952,693</u>	<u>(4,462,978)</u>	<u>35,268,364</u>	<u>37,822,100</u>	<u>(2,553,736)</u>
Deferred outflows of resources	3,715,146	1,050,683	2,664,463	664,170	393,892	270,278
<b>Net Position</b>						
Net investment in						
capital assets	43,687,451	42,677,369	1,010,082	35,673,883	34,422,093	1,251,790
Restricted	9,971,329	9,958,778	12,551	-	-	-
Unrestricted	4,619,117	3,969,515	649,602	13,113,654	13,095,940	17,714
Total Net Position	<u>\$ 58,277,897</u>	<u>\$ 56,605,662</u>	<u>\$ 1,672,235</u>	<u>\$ 48,787,537</u>	<u>\$ 47,518,033</u>	<u>\$ 1,269,504</u>

An additional portion of the City's net position (9.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (16.6 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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



**Governmental activities.** Governmental activities increased the City's net position by \$1,672,235. 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 higher than average.
- The City received an active transportation grant.
- Continued street light conversions to LED which has lowered electric costs.
- Increased interest earnings as interest rates improved.
- Continued to see savings from the low cost of fuel.

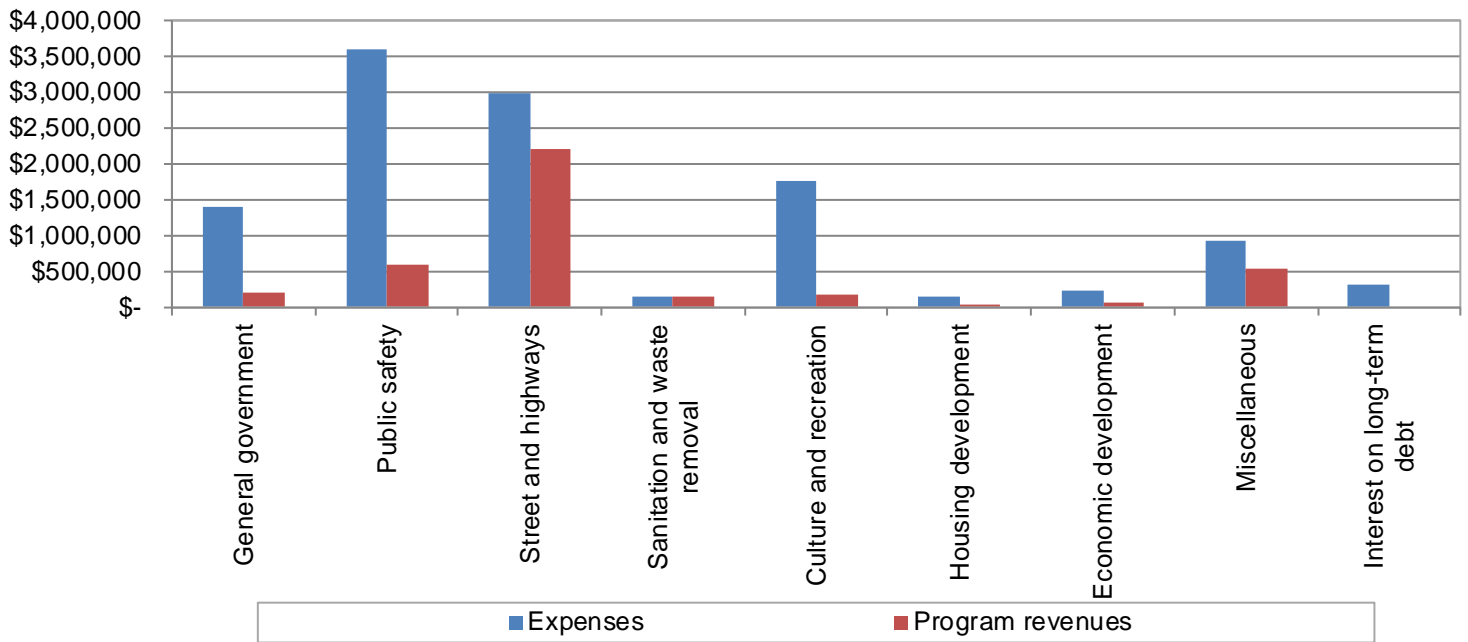
### City of Fairmont's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,467,059	\$ 1,361,620	\$ 105,439	\$ 25,970,314	\$ 25,539,783	\$ 430,531
Operating grants and contributions	340,258	413,384	(73,126)	-	-	-
Capital grants and contributions	2,200,736	890,243	1,310,493	44,417	10,227	34,190
General Revenues						
Property taxes/tax increments	4,008,624	3,705,113	303,511	-	-	-
Other taxes	216,173	39,526	176,647	-	-	-
Grants and contributions not restricted to specific programs	3,469,459	3,646,550	(177,091)	-	-	-
Unrestricted						
investment earnings	182,987	138,795	44,192	162,919	139,307	23,612
Other	203,394	41,825	161,569	-	-	-
<b>Total Revenues</b>	<b>12,088,690</b>	<b>10,237,056</b>	<b>1,851,634</b>	<b>26,177,650</b>	<b>25,689,317</b>	<b>488,333</b>
Expenses						
General government	1,389,155	1,315,890	73,265	-	-	-
Public safety	3,598,787	3,806,893	(208,106)	-	-	-
Streets and highways	2,988,471	2,787,405	201,066	-	-	-
Sanitation and waste removal	148,959	138,831	10,128	-	-	-
Culture and recreation	1,758,014	1,643,560	114,454	-	-	-
Housing development	143,337	127,407	15,930	-	-	-
Economic development	243,958	234,923	9,035	-	-	-
Miscellaneous	918,959	910,637	8,322	-	-	-
Interest on long-term debt	313,947	323,637	(9,690)	-	-	-
Electric	-	-	-	14,731,070	14,297,048	434,022
Water	-	-	-	3,541,198	3,547,150	(5,952)
Wastewater	-	-	-	1,876,476	1,745,686	130,790
Storm sewer	-	-	-	482,469	437,661	44,808
Liquor	-	-	-	3,181,621	3,134,956	46,665
Parking lot	-	-	-	8,180	6,432	1,748
<b>Total Expenses</b>	<b>11,503,587</b>	<b>11,289,183</b>	<b>214,404</b>	<b>23,821,014</b>	<b>23,168,933</b>	<b>652,081</b>
Change in Net Position Before Transfers	585,103	(1,052,127)	1,637,230	2,356,636	2,520,384	(163,748)
Transfers	1,087,132	1,149,633	(62,501)	(1,087,132)	(1,149,633)	62,501
Change in Net Position	1,672,235	97,506	1,574,729	1,269,504	1,370,751	(101,247)
Net Position - January 1	56,605,662	56,508,156	97,506	47,518,033	46,147,282	1,370,751
Net Position - December 31	<b>\$ 58,277,897</b>	<b>\$56,605,662</b>	<b>\$1,672,235</b>	<b>\$ 48,787,537</b>	<b>\$ 47,518,033</b>	<b>\$1,269,504</b>

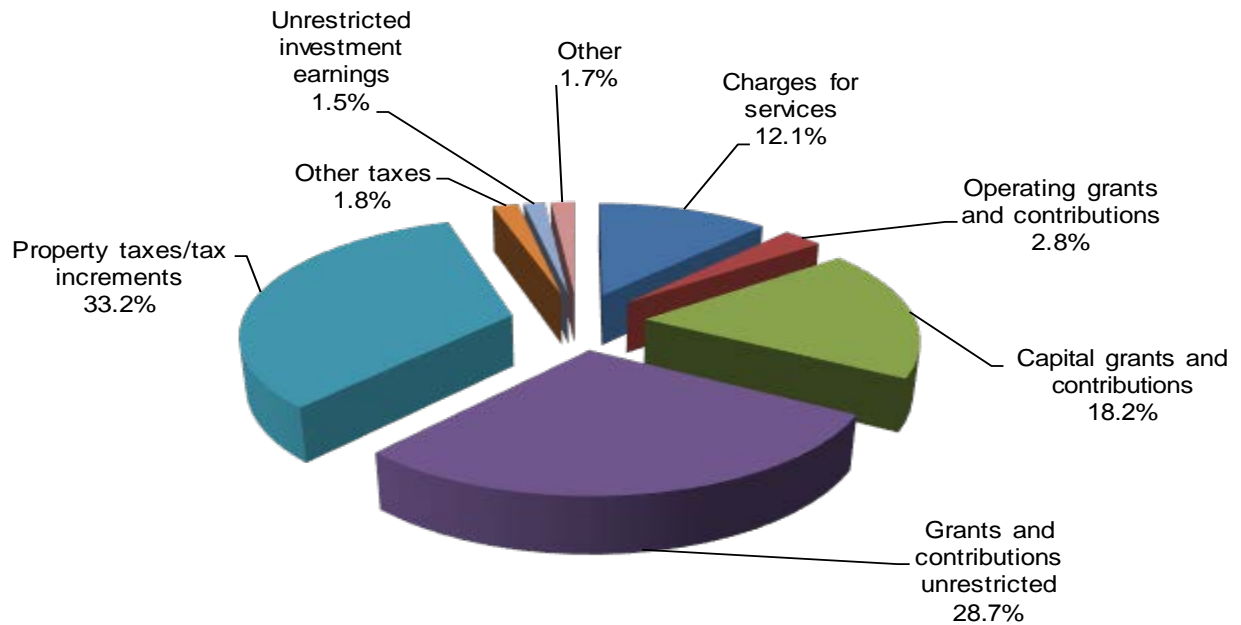
Property tax levies increased by 9.0 percent during the year. The increase was used for operating costs, 3 FTE's, capital replacement and set aside for future capital projects in the General fund.

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

### Expenses and Program Revenues - Governmental Activities



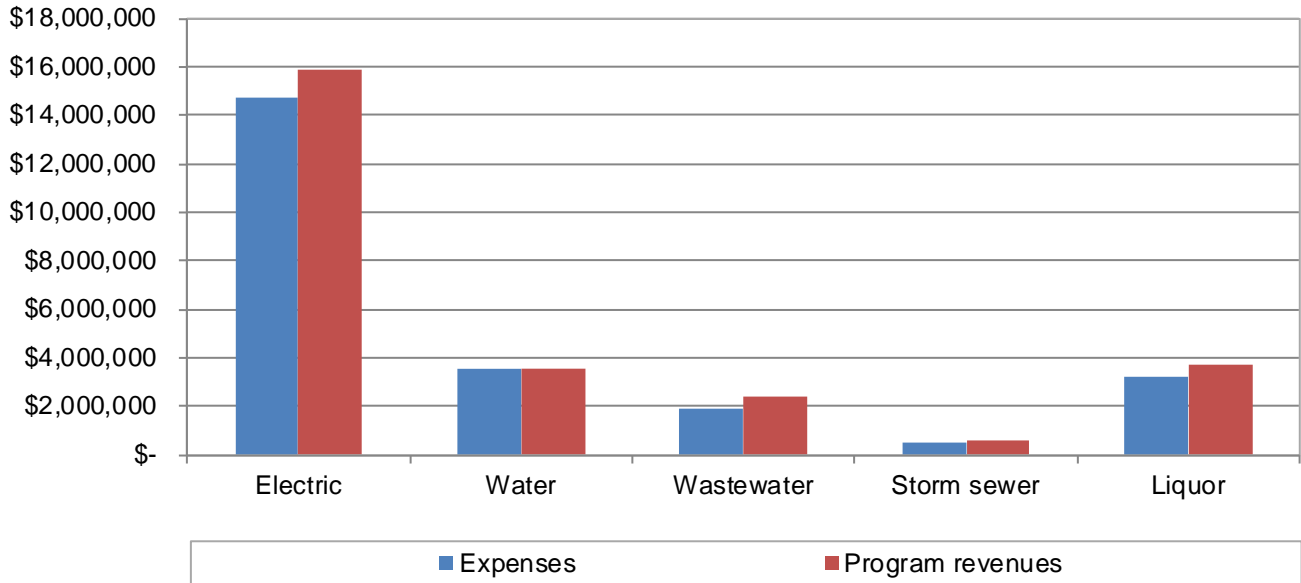
### Revenues by Source



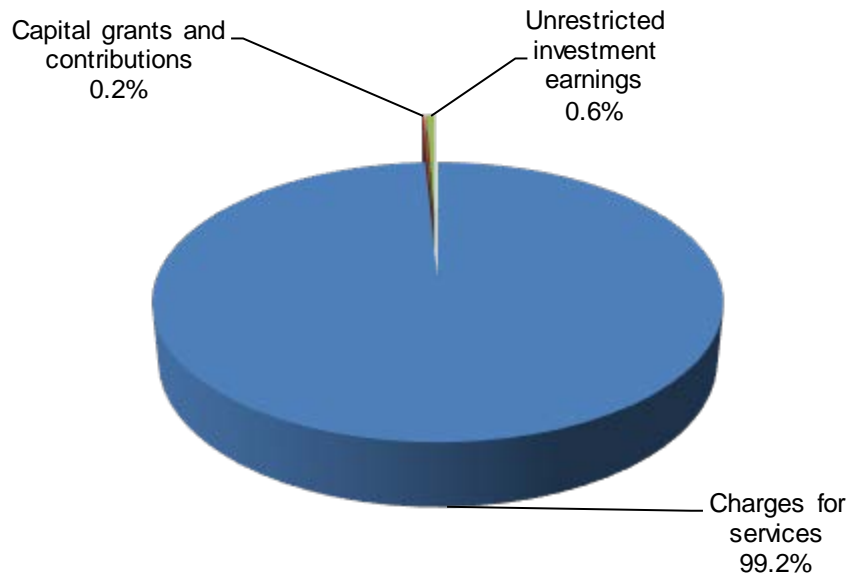
**Business-type activities.** Business-type activities increased the City's net position by \$1,269,504. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) operating income of \$2,371,496, with a total change in net position of \$1,024,657.
- The PUC approved a 2% increase to our electric rates for 2017 and total electric operating revenues were up 3.3% from 2016.

### 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 \$7,249,714. 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 \$3,940,674, or 47.0 percent of total General fund expenditures, while total fund balance represents 86.5 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$257,774 during the current fiscal year. Contributing factors to the increase are actual expenditures under budget of \$281,161 due to culture and recreation capital outlay expenditures being under budget by \$339,931. The Council delayed a trail project to a later date.

The Debt Service fund has a total fund balance of \$4,999,470, 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 \$1,969,813. The major reason for the decrease is the 2010 and 2011 Improvement Bond were refunded during the year.

The 2015 Capital Improvements fund was set up to account for the 2015 improvement projects. This project has come to completion and the fund was closed during the year. Fund balance at year end was \$0.

The 2017 Capital Improvement Program fund was set up to account for the 2017 improvement projects. Bonds were issued in the amount of \$2,905,036 with additional bond premiums of \$74,774 these proceeds were used to finance construction cost of \$3,826,825.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$13,008,982, of which \$2,316,937 was for the Water Utility fund, \$3,726,657 was for the Wastewater Utility fund, \$4,443,635 was for the Electric Utility fund, \$1,011,114 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,510,192. The total increase in net position for the enterprise funds was \$1,365,897. 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 \$229,825 and actual expenditures were under budget by \$281,161 in 2017. The primary reasons for the variances are as follows:

- Revenue for fire calls came in \$17,400 over budget.
- The aquatic park had a successful season and revenues were over budget by \$19,915.
- With the improvement in interest rates, interest earnings were over budget by \$31,986.
- The City received an active transportation grant for \$9,000.
- The City received \$50,000 from the School District to help fund the SRO position.
- Streets and highways expenditures were under budget by \$71,424. The cost of fuel was lower than expected, saving the City \$22,448.
- Capital outlay expenditures were under budget by \$281,161. The Council delayed a larger trail project that was budgeted in 2017 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, 2017 amounts to \$123,452,613 (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 infrastructure projects were completed in 2017 including Woodland Channel and the 2016 Airport Improvement Project.
- Began construction of Margaret Street.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Completed the final design of decommission the old water plant lime ponds.
- Repaired the Lincoln Park Shelter house roof.
- Demolished the old Pioneer Bridge in anticipation of a new foot bridge.
- Repaired the downtown sidewalks by replacing and leveling pavers.

Additional information on the City's capital assets can be found in Note 3C starting on page 88 of this report.

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

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and Structures	5,298,527	5,469,746	(171,219)	35,633,456	36,413,758	(780,302)
Improvement Other Than Buildings	10,728,063	9,519,021	1,209,042	23,593,426	22,947,410	646,016
Machinery and Equipment	1,762,982	1,453,987	308,995	4,824,712	5,044,181	(219,469)
Vehicles	585,919	607,573	(21,654)	-	-	-
Infrastructure	31,348,299	31,730,240	(381,941)	-	-	-
Construction in Progress	3,775,462	2,398,451	1,377,011	233,574	295,029	(61,455)
<b>Total</b>	<b>\$ 57,448,730</b>	<b>\$ 55,128,496</b>	<b>\$ 2,320,234</b>	<b>\$ 66,003,883</b>	<b>\$ 66,419,093</b>	<b>\$ (415,210)</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$44,995,000. Of this amount, \$14,665,000 is special assessment debt and \$30,330,000 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
G.O. Improvement Bonds	\$ 14,665,000	\$ 15,445,000	\$ (780,000)	\$ -	\$ -	\$ -
G.O. Revenue Bonds	-	-	-	30,330,000	31,997,000	(1,667,000)
<b>Total</b>	<b>\$ 14,665,000</b>	<b>\$ 15,445,000</b>	<b>\$ (780,000)</b>	<b>\$ 30,330,000</b>	<b>\$ 31,997,000</b>	<b>\$ (1,667,000)</b>

The City's total debt decreased by \$2,447,000 (5.2 percent) during the current fiscal year. The key factor in this decrease was the issuance of \$2,950,000 in new long-term debt and the retirement of long-term debt of \$5,397,000.

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

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$19,772,562. 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 93 of this report.

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

- The unemployment rate for Martin County in December 2017 was 3.5 percent, which is a decrease from 3.9 percent a year ago. This rate is slightly higher than the State average of 3.4 percent but below the national average rate of 3.9 percent.
- Residential property valuations within the City increased 5.5 percent, while commercial and agricultural values decreased 1.3 percent and 2.8 percent respectively in 2017.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

- The City's property tax levy will increase in 2018 by 12.1 percent. The tax increase will provide an additional \$488,837 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 Street Department employee. 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, 2018 wastewater rates will remain at the 2017 level. The Public Utilities Commission approved a 3% increase to water rates for 2018. SMMPA approved to not increase our purchase power costs effective January 1, 2017. As a result, the City will be able to maintain electric rates at the 2017 level.

#### 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.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017



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City of Fairmont, Minnesota  
Statement of Net Position  
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 17,271,988	\$ 14,173,435	\$ 31,445,423	\$ 375,265
Escrowed investments	915,675	-	915,675	-
Receivables				
Interest	75,759	-	75,759	-
Delinquent taxes	84,733	-	84,733	2,289
Accounts	149,014	2,879,307	3,028,321	116
Notes	1,097,459	-	1,097,459	8,463
Special assessments	2,480,436	8,008	2,488,444	-
Intergovernmental	659,742	-	659,742	687
Due from component unit	4,356	-	4,356	-
Internal balances	(82,124)	82,124	-	-
Inventories	-	792,509	792,509	-
Prepaid items	20,235	1,350	21,585	-
Unamortized maintenance charges	-	136,763	136,763	-
Land held for resale	160,000	-	160,000	-
Capital assets				
Nondepreciable	7,724,940	1,952,289	9,677,229	-
Depreciable, net of accumulated depreciation	49,723,790	64,051,594	113,775,384	-
Total Assets	<u>80,286,003</u>	<u>84,077,379</u>	<u>164,363,382</u>	<u>386,820</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>3,196,755</u>	<u>642,692</u>	<u>3,839,447</u>	<u>-</u>
<b>Liabilities</b>				
Accounts and contracts payable	1,277,723	1,267,716	2,545,439	5,982
Due to primary government	-	-	-	4,356
Due to other governments	420,280	92,918	513,198	-
Accrued interest payable	99,535	237,929	337,464	-
Accrued salaries and vacation payable	127,827	87,581	215,408	2,721
Deposits payable	-	114,135	114,135	1,313
Unearned revenue	123,338	4,731	128,069	-
Noncurrent liabilities				
Due within one year	2,579,240	1,832,250	4,411,490	3,297
Due in more than one year	16,861,772	31,631,104	48,492,876	4,837
Total Liabilities	<u>21,489,715</u>	<u>35,268,364</u>	<u>56,758,079</u>	<u>22,506</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>3,715,146</u>	<u>664,170</u>	<u>4,379,316</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	43,687,451	35,673,883	79,361,334	-
Restricted for				
Debt service	6,352,197	-	6,352,197	-
Capital projects	2,072,196	-	2,072,196	-
Housing and economic development	1,546,936	-	1,546,936	-
Unrestricted	<u>4,619,117</u>	<u>13,113,654</u>	<u>17,732,771</u>	<u>364,314</u>
Total Net Position	<u>\$ 58,277,897</u>	<u>\$ 48,787,537</u>	<u>\$ 107,065,434</u>	<u>\$ 364,314</u>

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, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,389,155	\$ 200,395	\$ -	\$ -
Public safety	3,598,787	351,871	243,042	-
Streets and highways	2,988,471	13,080	30,015	2,169,483
Sanitation and waste removal	148,959	161,680	-	-
Culture and recreation	1,758,014	184,505	-	-
Housing development	143,337	17,786	-	31,253
Economic development	243,958	66,613	-	-
Airport and lake restoration	918,959	471,129	67,201	-
Interest on long-term debt	313,947	-	-	-
Total Governmental Activities	<u>11,503,587</u>	<u>1,467,059</u>	<u>340,258</u>	<u>2,200,736</u>
Business-type Activities				
Electric	14,731,070	15,866,026	-	-
Water	3,541,198	3,494,693	-	23,013
Wastewater	1,876,476	2,334,393	-	21,404
Storm sewer	482,469	582,584	-	-
Liquor	3,181,621	3,685,869	-	-
Parking lot	8,180	6,749	-	-
Total Business-type Activities	<u>23,821,014</u>	<u>25,970,314</u>	<u>-</u>	<u>44,417</u>
Total Primary Government	<u>\$ 35,324,601</u>	<u>\$ 27,437,373</u>	<u>\$ 340,258</u>	<u>\$ 2,245,153</u>
Component Unit				
Housing and economic development	<u>\$ 297,816</u>	<u>\$ 29,688</u>	<u>\$ 110,000</u>	<u>\$ -</u>

General Revenues

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Tax increments  
Sales tax  
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
\$ (1,188,760)		\$ (1,188,760)	
(3,003,874)		(3,003,874)	
(775,893)		(775,893)	
12,721		12,721	
(1,573,509)		(1,573,509)	
(94,298)		(94,298)	
(177,345)		(177,345)	
(380,629)		(380,629)	
(313,947)		(313,947)	
<u>(7,495,534)</u>		<u>(7,495,534)</u>	
-	\$ 1,134,956	1,134,956	
-	(23,492)	(23,492)	
-	479,321	479,321	
-	100,115	100,115	
-	504,248	504,248	
-	(1,431)	(1,431)	
<u>-</u>	<u>2,193,717</u>	<u>2,193,717</u>	
<u>(7,495,534)</u>	<u>2,193,717</u>	<u>(5,301,817)</u>	
			<u>\$ (158,128)</u>
2,912,776	-	2,912,776	98,566
1,003,754	-	1,003,754	-
92,094	-	92,094	-
175,477	-	175,477	-
40,696	-	40,696	-
3,469,459	-	3,469,459	-
182,987	162,919	345,906	4,140
9,459	-	9,459	-
193,935	-	193,935	-
1,087,132	(1,087,132)	-	-
<u>9,167,769</u>	<u>(924,213)</u>	<u>8,243,556</u>	<u>102,706</u>
1,672,235	1,269,504	2,941,739	(55,422)
<u>56,605,662</u>	<u>47,518,033</u>	<u>104,123,695</u>	<u>419,736</u>
<u>\$ 58,277,897</u>	<u>\$ 48,787,537</u>	<u>\$ 107,065,434</u>	<u>\$ 364,314</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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City of Fairmont, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2017

	General	Debt Service	2015 Capital Improvements
<b>Assets</b>			
Cash and cash equivalents	\$ 7,373,419	\$ 3,948,092	\$ -
Escrowed investments	-	915,675	-
Receivables			
Interest	75,759	-	-
Delinquent taxes	59,260	23,895	-
Accounts	107,770	-	-
Loans	-	-	-
Special assessments	22,069	2,458,367	-
Intergovernmental	24,525	12,747	-
Due from other funds	-	156,281	-
Land held for resale	-	-	-
<b>Total Assets</b>	<b>\$ 7,662,802</b>	<b>\$ 7,515,057</b>	<b>\$ -</b>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 157,819	\$ 2,325	\$ -
Due to other funds	30,341	31,000	-
Due to other governments	280	-	-
Accrued salaries payable	119,981	-	-
Unearned revenue	23,338	-	-
<b>Total Liabilities</b>	<b>331,759</b>	<b>33,325</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	59,260	23,895	-
Unavailable revenue - special assessments	22,069	2,458,367	-
<b>Total Deferred Inflows of Resources</b>	<b>81,329</b>	<b>2,482,262</b>	<b>-</b>
<b>Fund Balances</b>			
Restricted	-	4,999,470	-
Committed	29,122	-	-
Assigned	3,279,918	-	-
Unassigned	3,940,674	-	-
<b>Total Fund Balances</b>	<b>7,249,714</b>	<b>4,999,470</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,662,802</b>	<b>\$ 7,515,057</b>	<b>\$ -</b>

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

2017 Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
\$ 1,143,654	\$ 3,457,340	\$ 15,922,505
-	-	915,675
-	-	75,759
-	1,578	84,733
-	12,838	120,608
-	1,097,459	1,097,459
-	-	2,480,436
-	622,470	659,742
-	-	156,281
-	160,000	160,000
<u>\$ 1,143,654</u>	<u>\$ 5,351,685</u>	<u>\$ 21,673,198</u>
\$ 853,337	\$ 58,852	\$ 1,072,333
-	126,165	187,506
-	420,000	420,280
-	3,563	123,544
-	100,000	123,338
<u>853,337</u>	<u>708,580</u>	<u>1,927,001</u>
-	1,578	84,733
-	-	2,480,436
<u>-</u>	<u>1,578</u>	<u>2,565,169</u>
290,317	3,328,815	8,618,602
-	940,810	969,932
-	497,183	3,777,101
-	(125,281)	3,815,393
<u>290,317</u>	<u>4,641,527</u>	<u>17,181,028</u>
<u>\$ 1,143,654</u>	<u>\$ 5,351,685</u>	<u>\$ 21,673,198</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, 2017

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

Total Fund Balances - Governmental Funds	\$ 17,181,028
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	57,436,950
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	(489,724)
Postemployment benefits other than pension obligation	(225,132)
Pension liability	(3,930,515)
Bonds payable	(14,665,000)
Bond premiums, net of accumulated amortization	(126,279)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	84,733
Special assessments receivable	2,480,436
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,196,755
Deferred inflows of pension resources	(3,715,146)
Governmental funds do not report a liability for accrued interest until due and payable.	(99,535)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>1,149,326</u>
Total Net Position - Governmental Activities	<u><u>\$ 58,277,897</u></u>

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

City of Fairmont, Minnesota  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2017

	General	Debt Service	2015 Capital Improvements
<b>Revenues</b>			
Taxes	\$ 2,864,737	\$ 1,093,219	\$ -
Special assessments	3,649	717,634	-
Licenses and permits	171,720	-	-
Intergovernmental	3,720,540	-	-
Charges for services	585,283	-	-
Fines and forfeits	55,221	-	-
Investment earnings	66,986	51,267	4,200
Miscellaneous	118,358	-	-
Total Revenues	<u>7,586,494</u>	<u>1,862,120</u>	<u>4,200</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,240,887	-	-
Public safety	3,247,776	-	-
Streets and highways	1,445,935	-	-
Sanitation and waste removal	148,959	-	-
Culture and recreation	1,357,143	-	-
Housing and economic development	-	89,943	-
Miscellaneous	-	-	-
<b>Capital outlay</b>			
General government	92,042	-	-
Public safety	451,377	-	-
Streets and highways	203,599	-	16,869
Culture and recreation	196,569	-	-
Miscellaneous	-	-	-
<b>Debt service</b>			
Principal	-	3,730,000	-
Interest and other	-	317,141	-
Bond issuance costs	-	-	-
Total Expenditures	<u>8,384,287</u>	<u>4,137,084</u>	<u>16,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(797,793)</u>	<u>(2,274,964)</u>	<u>(12,669)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	43,435	-	-
Transfers in	1,047,132	705,942	-
Bonds issued	-	44,964	-
Premium on bonds issued	-	-	-
Transfers out	(35,000)	(445,755)	(374,454)
Total Other Financing Sources (Uses)	<u>1,055,567</u>	<u>305,151</u>	<u>(374,454)</u>
Net Change in Fund Balances	257,774	(1,969,813)	(387,123)
Fund Balances, January 1	<u>6,991,940</u>	<u>6,969,283</u>	<u>387,123</u>
Fund Balances, December 31	<u>\$ 7,249,714</u>	<u>\$ 4,999,470</u>	<u>\$ -</u>

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

2017 Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 249,127	\$ 4,207,083
-	-	721,283
-	-	171,720
-	1,394,517	5,115,057
-	327,908	913,191
-	-	55,221
4,747	43,177	170,377
7,910	378,120	504,388
<u>12,657</u>	<u>2,392,849</u>	<u>11,858,320</u>
-	-	1,240,887
-	-	3,247,776
-	-	1,445,935
-	-	148,959
-	20,800	1,377,943
-	229,075	319,018
-	456,424	456,424
-	-	92,042
-	-	451,377
3,826,825	34,367	4,081,660
-	125,010	321,579
-	65,790	65,790
-	-	3,730,000
15,700	271	333,112
41,379	-	41,379
<u>3,883,904</u>	<u>931,737</u>	<u>17,353,881</u>
<u>(3,871,247)</u>	<u>1,461,112</u>	<u>(5,495,561)</u>
-	-	43,435
1,296,063	1,471,257	4,520,394
2,905,036	-	2,950,000
74,774	-	74,774
-	(2,578,053)	(3,433,262)
<u>4,275,873</u>	<u>(1,106,796)</u>	<u>4,155,341</u>
404,626	354,316	(1,340,220)
<u>(114,309)</u>	<u>4,287,211</u>	<u>18,521,248</u>
<u>\$ 290,317</u>	<u>\$ 4,641,527</u>	<u>\$ 17,181,028</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, 2017

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

Net change in Fund balances - governmental funds \$ (1,340,220)

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	4,739,914
Depreciation expense	(2,408,273)

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	(2,950,000)
Principal repayments	3,730,000
Amortization of premiums, net of premium on bonds issued	(18,029)

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.

3,799

Long-term pension activity is not reported in governmental funds.

Pension expense	(52,174)
Direct aid contributions	13,474

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	17,714
Special assessments	143,137

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	(16,523)
Post employment benefits other than pension costs	(21,710)

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.

(168,874)

Change in Net Position - Governmental Activities \$ 1,672,235

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,893,535	\$ 2,893,535	\$ 2,864,737	\$ (28,798)
Special assessments	3,000	3,000	3,649	649
Licenses and permits	169,875	169,875	171,720	1,845
Intergovernmental	3,698,784	3,698,784	3,720,540	21,756
Charges for services	392,157	392,157	585,283	193,126
Fines and forfeits	59,000	59,000	55,221	(3,779)
Investment earnings	35,000	35,000	66,986	31,986
Miscellaneous	105,318	105,318	118,358	13,040
Total Revenues	<u>7,356,669</u>	<u>7,356,669</u>	<u>7,586,494</u>	<u>229,825</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,223,694	1,223,694	1,240,887	(17,193)
Public safety	3,208,580	3,208,580	3,247,776	(39,196)
Streets and highways	1,517,359	1,517,359	1,445,935	71,424
Sanitation and waste removal	122,529	122,529	148,959	(26,430)
Culture and recreation	1,402,386	1,402,386	1,357,143	45,243
<b>Capital outlay</b>				
General government	79,000	79,000	92,042	(13,042)
Public safety	342,400	342,400	451,377	(108,977)
Streets and highways	233,000	233,000	203,599	29,401
Culture and recreation	536,500	536,500	196,569	339,931
Total Expenditures	<u>8,665,448</u>	<u>8,665,448</u>	<u>8,384,287</u>	<u>281,161</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,308,779)</u>	<u>(1,308,779)</u>	<u>(797,793)</u>	<u>510,986</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	43,435	43,435
Transfers in	1,047,132	1,047,132	1,047,132	-
Transfers out	(35,000)	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	<u>1,012,132</u>	<u>1,012,132</u>	<u>1,055,567</u>	<u>43,435</u>
Net Change in Fund Balances	(296,647)	(296,647)	257,774	554,421
Fund Balances, January 1	<u>6,991,940</u>	<u>6,991,940</u>	<u>6,991,940</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 6,695,293</u>	<u>\$ 6,695,293</u>	<u>\$ 7,249,714</u>	<u>\$ 554,421</u>

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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,827,534	\$ 3,285,771	\$ 3,982,986	\$ 4,148,020
Receivables				
Accounts	470,310	464,606	328,975	330,786
Special assessments - current	6,689	3,451	1,319	2,944
Due from other funds	-	-	-	-
Inventories	57,519	67,932	-	-
Prepaid items	-	-	-	-
Total Current Assets	<u>3,362,052</u>	<u>3,821,760</u>	<u>4,313,280</u>	<u>4,481,750</u>
Noncurrent Assets				
Unamortized maintenance charges	136,763	170,954	-	-
Capital assets				
Land	468,687	468,687	58,186	58,186
Buildings	28,556,341	28,556,341	11,075,237	11,057,825
Improvements other than buildings	-	-	-	-
Utility plant in service	12,892,051	12,256,371	8,085,652	7,629,784
Machinery and equipment	369,137	361,679	6,790,738	6,724,884
Construction in progress	19,775	124,802	19,776	-
Total capital assets	<u>42,305,991</u>	<u>41,767,880</u>	<u>26,029,589</u>	<u>25,470,679</u>
Less accumulated depreciation	<u>(6,026,382)</u>	<u>(5,099,753)</u>	<u>(10,988,526)</u>	<u>(10,382,831)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>36,279,609</u>	<u>36,668,127</u>	<u>15,041,063</u>	<u>15,087,848</u>
Total Noncurrent Assets	<u>36,416,372</u>	<u>36,839,081</u>	<u>15,041,063</u>	<u>15,087,848</u>
Total Assets	<u>39,778,424</u>	<u>40,660,841</u>	<u>19,354,343</u>	<u>19,569,598</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>184,671</u>	<u>368,403</u>	<u>101,494</u>	<u>186,286</u>

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

Business-type Activities - Enterprise Funds

<b>604</b>		Total		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 4,614,254	\$ 3,817,003	\$ 11,424,774	\$ 11,250,794	\$ 1,149,018	\$ 1,260,522	\$ 1,598,289	\$ 1,334,557
1,980,912	2,078,922	2,780,197	2,874,314	54,873	56,652	44,237	45,316
-	-	8,008	6,395	-	-	-	-
-	-	-	-	-	-	-	-
354,778	447,673	412,297	515,605	-	-	380,212	356,381
-	-	-	-	-	-	1,350	1,350
<u>6,949,944</u>	<u>6,343,598</u>	<u>14,625,276</u>	<u>14,647,108</u>	<u>1,203,891</u>	<u>1,317,174</u>	<u>2,024,088</u>	<u>1,737,604</u>
-	-	136,763	170,954	-	-	-	-
90,991	90,991	617,864	617,864	495,863	495,863	229,138	229,138
1,302,793	1,287,040	40,934,371	40,901,206	-	-	1,725,625	1,725,625
-	-	-	-	9,090,228	8,908,102	19,169	8,889
13,703,111	13,405,387	34,680,814	33,291,542	-	-	-	-
3,741,497	3,731,697	10,901,372	10,818,260	-	-	33,344	33,344
-	-	39,551	124,802	194,023	170,227	-	-
<u>18,838,392</u>	<u>18,515,115</u>	<u>87,173,972</u>	<u>85,753,674</u>	<u>9,780,114</u>	<u>9,574,192</u>	<u>2,007,276</u>	<u>1,996,996</u>
<u>(13,108,526)</u>	<u>(12,822,950)</u>	<u>(30,123,434)</u>	<u>(28,305,534)</u>	<u>(2,830,692)</u>	<u>(2,646,302)</u>	<u>(379,203)</u>	<u>(329,783)</u>
<u>5,729,866</u>	<u>5,692,165</u>	<u>57,050,538</u>	<u>57,448,140</u>	<u>6,949,422</u>	<u>6,927,890</u>	<u>1,628,073</u>	<u>1,667,213</u>
<u>5,729,866</u>	<u>5,692,165</u>	<u>57,187,301</u>	<u>57,619,094</u>	<u>6,949,422</u>	<u>6,927,890</u>	<u>1,628,073</u>	<u>1,667,213</u>
<u>12,679,810</u>	<u>12,035,763</u>	<u>71,812,577</u>	<u>72,266,202</u>	<u>8,153,313</u>	<u>8,245,064</u>	<u>3,652,161</u>	<u>3,404,817</u>
<u>262,749</u>	<u>524,384</u>	<u>548,914</u>	<u>1,079,073</u>	<u>32,130</u>	<u>63,176</u>	<u>61,648</u>	<u>118,169</u>

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

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City of Fairmont, Minnesota  
Statements of Net Position (Continued)  
Proprietary Funds  
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611				
	Parking Lot		Totals		
	2017	2016	2017	2016	
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,354	\$ 2,718	\$ 14,173,435	\$ 13,848,591	\$ 1,349,483
Receivables					
Accounts	-	-	2,879,307	2,976,282	28,406
Special assessments - current	-	-	8,008	6,395	-
Due from other funds	-	-	-	-	54,893
Inventories	-	-	792,509	871,986	-
Prepaid items	-	-	1,350	1,350	20,235
Total Current Assets	<u>1,354</u>	<u>2,718</u>	<u>17,854,609</u>	<u>17,704,604</u>	<u>1,453,017</u>
Noncurrent Assets					
Unamortized maintenance charges	-	-	136,763	170,954	-
Capital assets					
Land	375,850	375,850	1,718,715	1,718,715	-
Buildings	-	-	42,659,996	42,626,831	-
Improvements other than buildings	-	-	9,109,397	8,916,991	-
Utility plant in service	-	-	34,680,814	33,291,542	-
Machinery and equipment	-	-	10,934,716	10,851,604	211,356
Construction in progress	-	-	233,574	295,029	-
Total capital assets	<u>375,850</u>	<u>375,850</u>	<u>99,337,212</u>	<u>97,700,712</u>	<u>211,356</u>
Less accumulated depreciation	-	-	(33,333,329)	(31,281,619)	(199,576)
Total Capital Assets (Net of Accumulated Depreciation)	<u>375,850</u>	<u>375,850</u>	<u>66,003,883</u>	<u>66,419,093</u>	<u>11,780</u>
Total Noncurrent Assets	<u>375,850</u>	<u>375,850</u>	<u>66,140,646</u>	<u>66,590,047</u>	<u>11,780</u>
Total Assets	<u>377,204</u>	<u>378,568</u>	<u>83,995,255</u>	<u>84,294,651</u>	<u>1,464,797</u>
Deferred Outflows of Resources					
Deferred pension resources	-	-	642,692	1,260,418	-

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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts and contracts payable	\$ 72,257	\$ 37,883	\$ 41,566	\$ 14,949
Due to other funds	6,319	5,813	4,521	3,649
Due to other governments	-	-	-	-
Accrued interest payable	196,048	202,257	33,806	38,313
Accrued salaries payable	27,399	26,069	12,262	12,443
Sick leave/severance payable - current portion	47,095	60,955	15,748	22,438
Deposits payable	15,270	14,130	-	-
Unearned revenue	-	-	-	-
Bonds payable - current portion	782,000	765,000	729,000	717,000
Total Current Liabilities	<u>1,146,388</u>	<u>1,112,107</u>	<u>836,903</u>	<u>808,792</u>
Noncurrent Liabilities				
Sick leave/severance payable, net of current portion	40,748	90,276	51,816	51,335
Postemployment benefits other than pension obligation	19,840	18,393	10,915	9,716
Pension liability	750,731	996,469	412,597	503,873
Bonds payable, net of current portion	23,370,000	24,152,000	4,649,000	5,378,000
Total Noncurrent Liabilities	<u>24,181,319</u>	<u>25,257,138</u>	<u>5,124,328</u>	<u>5,942,924</u>
Total Liabilities	<u>25,327,707</u>	<u>26,369,245</u>	<u>5,961,231</u>	<u>6,751,716</u>
Deferred Inflows of Resources				
Deferred pension resources	190,842	115,129	104,886	58,216
Net Position				
Net investment in capital assets	12,127,609	11,751,127	9,663,063	8,992,848
Unrestricted	2,316,937	2,793,743	3,726,657	3,953,104
Total Net Position	<u>\$ 14,444,546</u>	<u>\$ 14,544,870</u>	<u>\$ 13,389,720</u>	<u>\$ 12,945,952</u>

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	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 974,131	\$ 1,026,672	\$ 1,087,954	\$ 1,079,504	\$ 5,126	\$ 34,155	\$ 174,244	\$ 172,370
9,387	9,131	20,227	18,593	-	-	2,321	2,047
52,581	52,073	52,581	52,073	-	999	40,337	38,673
-	-	229,854	240,570	8,075	9,950	-	-
31,786	30,478	71,447	68,990	26,142	24,709	17,898	15,168
54,668	73,105	117,511	156,498	-	-	4,485	3,799
98,865	95,355	114,135	109,485	-	-	-	-
-	-	-	-	-	-	4,216	3,922
-	-	1,511,000	1,482,000	190,000	185,000	-	-
<u>1,221,418</u>	<u>1,286,814</u>	<u>3,204,709</u>	<u>3,207,713</u>	<u>229,343</u>	<u>254,813</u>	<u>243,501</u>	<u>235,979</u>
154,726	152,382	247,290	293,993	1,217	-	3,819	2,757
53,246	46,419	84,001	74,528	5,562	4,808	13,900	12,482
1,068,138	1,418,369	2,231,466	2,918,711	130,615	170,882	250,615	319,626
-	-	28,019,000	29,530,000	624,967	817,055	-	-
<u>1,276,110</u>	<u>1,617,170</u>	<u>30,581,757</u>	<u>32,817,232</u>	<u>762,361</u>	<u>992,745</u>	<u>268,334</u>	<u>334,865</u>
<u>2,497,528</u>	<u>2,903,984</u>	<u>33,786,466</u>	<u>36,024,945</u>	<u>991,704</u>	<u>1,247,558</u>	<u>511,835</u>	<u>570,844</u>
271,530	163,875	567,258	337,220	33,203	19,743	63,709	36,929
5,729,866	5,692,165	27,520,538	26,436,140	6,149,422	5,942,890	1,628,073	1,667,213
4,443,635	3,800,123	10,487,229	10,546,970	1,011,114	1,098,049	1,510,192	1,248,000
<u>\$ 10,173,501</u>	<u>\$ 9,492,288</u>	<u>\$ 38,007,767</u>	<u>\$ 36,983,110</u>	<u>\$ 7,160,536</u>	<u>\$ 7,040,939</u>	<u>\$ 3,138,265</u>	<u>\$ 2,915,213</u>

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

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City of Fairmont, Minnesota  
Statements of Net Position (Continued)  
Proprietary Funds  
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611				
	Parking Lot		Totals		
	2017	2016	2017	2016	
Liabilities					
Current Liabilities					
Accounts and contracts payable	\$ 392	\$ 392	\$ 1,267,716	\$ 1,286,421	\$ 205,390
Due to other funds	-	-	22,548	20,640	1,120
Due to other governments	-	-	92,918	91,745	-
Accrued interest payable	-	-	237,929	250,520	-
Accrued salaries payable	-	-	115,487	108,867	8,645
Sick leave/severance payable - current portion	-	-	121,996	160,297	-
Deposits payable	-	-	114,135	109,485	-
Unearned revenue	515	470	4,731	4,392	-
Bonds payable - current portion	-	-	1,701,000	1,667,000	-
Total Current Liabilities	<u>907</u>	<u>862</u>	<u>3,678,460</u>	<u>3,699,367</u>	<u>215,155</u>
Noncurrent Liabilities					
Sick leave/severance payable, net of current portion	-	-	252,326	296,750	-
Postemployment benefits other than pension obligation	-	-	103,463	91,818	-
Pension liability	-	-	2,612,696	3,409,219	-
Bonds payable, net of current portion	-	-	28,643,967	30,347,055	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>31,612,452</u>	<u>34,144,842</u>	<u>-</u>
Total Liabilities	<u>907</u>	<u>862</u>	<u>35,290,912</u>	<u>37,844,209</u>	<u>215,155</u>
Deferred Inflows of Resources					
Deferred pension resources	-	-	664,170	393,892	-
Net Position					
Net investment in capital assets	375,850	375,850	35,673,883	34,422,093	11,780
Unrestricted	447	1,856	13,008,982	12,894,875	1,237,862
Total Net Position	<u>\$ 376,297</u>	<u>\$ 377,706</u>	<u>48,682,865</u>	<u>47,316,968</u>	<u>\$ 1,249,642</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>104,672</u>	<u>201,065</u>	
Net Position of Business-type Activities			<u>\$ 48,787,537</u>	<u>\$ 47,518,033</u>	

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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2017	2016	2017	2016
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	3,090,598	3,121,434	1,537,237	1,601,022
Miscellaneous revenues	398,146	376,195	796,831	786,461
Total Operating Revenues	<u>3,488,744</u>	<u>3,497,629</u>	<u>2,334,068</u>	<u>2,387,483</u>
Operating Expenses				
Production or purchase	-	-	-	-
Filtration	1,338,340	1,339,214	-	-
Treatment	-	-	615,313	491,159
Distribution	296,577	301,137	-	-
Collection	-	-	296,213	296,240
Administration and other	397,170	409,857	226,687	219,344
Depreciation	926,629	925,498	615,145	610,867
Total Operating Expenses	<u>2,958,716</u>	<u>2,975,706</u>	<u>1,753,358</u>	<u>1,617,610</u>
Operating Income (Loss)	<u>530,028</u>	<u>521,923</u>	<u>580,710</u>	<u>769,873</u>
Nonoperating Revenues (Expenses)				
Investment income	36,711	34,676	49,393	41,500
State grants	273	3,881	150	1,962
Miscellaneous income	2,242	1,361	175	5
Gain (loss) on sale of assets	-	-	-	(10,128)
Interest expense	(550,535)	(567,306)	(100,936)	(113,208)
Bond premium amortization	-	-	-	-
Payments to Economic Development Authority	(16,195)	(15,749)	(12,214)	(11,941)
Total Nonoperating Revenues (Expenses)	<u>(527,504)</u>	<u>(543,137)</u>	<u>(63,432)</u>	<u>(91,810)</u>
Income (Loss) Before Transfers and Capital Grants and Contributions	2,524	(21,214)	517,278	678,063
Capital Grants and Contributions	3,238	10,107	1,628	120
Capital Contributions from Component Unit	19,775	-	19,776	-
Transfers Out	<u>(125,861)</u>	<u>(122,390)</u>	<u>(94,914)</u>	<u>(92,802)</u>
Change in Net Position	(100,324)	(133,497)	443,768	585,381
Net Position, January 1	<u>14,544,870</u>	<u>14,678,367</u>	<u>12,945,952</u>	<u>12,360,571</u>
Net Position, December 31	<u>\$ 14,444,546</u>	<u>\$ 14,544,870</u>	<u>\$ 13,389,720</u>	<u>\$ 12,945,952</u>

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	
2017	2016	2017	2016	2017	2016	2017	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,685,514	\$ 3,683,737
-	-	-	-	-	-	(2,604,263)	(2,616,437)
15,370,273	14,919,089	19,998,108	19,641,545	586,900	586,621	-	-
474,968	419,002	1,669,945	1,581,658	-	-	-	-
<u>15,845,241</u>	<u>15,338,091</u>	<u>21,668,053</u>	<u>21,223,203</u>	<u>586,900</u>	<u>586,621</u>	<u>1,081,251</u>	<u>1,067,300</u>
11,830,111	11,652,003	11,830,111	11,652,003	-	-	-	-
-	-	1,338,340	1,339,214	-	-	-	-
-	-	615,313	491,159	-	-	-	-
1,319,652	1,309,186	1,616,229	1,610,323	-	-	-	-
-	-	296,213	296,240	-	-	-	-
1,046,648	861,771	1,670,505	1,490,972	269,895	237,625	516,365	485,421
388,072	388,406	1,929,846	1,924,771	184,390	177,701	49,420	49,170
<u>14,584,483</u>	<u>14,211,366</u>	<u>19,296,557</u>	<u>18,804,682</u>	<u>454,285</u>	<u>415,326</u>	<u>565,785</u>	<u>534,591</u>
1,260,758	1,126,725	2,371,496	2,418,521	132,615	171,295	515,466	532,709
46,741	38,341	132,845	114,517	12,821	11,666	17,231	13,094
388	5,524	811	11,367	48	665	91	1,245
1,601	4,527	4,018	5,893	-	203	264	-
(327)	(1,339)	(327)	(11,467)	-	-	-	-
-	-	(651,471)	(680,514)	(27,975)	(33,450)	-	-
-	-	-	-	2,088	2,089	-	-
<u>(71,591)</u>	<u>(72,310)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(23,188)</u>	<u>(25,257)</u>	<u>(614,124)</u>	<u>(660,204)</u>	<u>(13,018)</u>	<u>(18,827)</u>	<u>17,586</u>	<u>14,339</u>
1,237,570	1,101,468	1,757,372	1,758,317	119,597	152,468	533,052	547,048
-	-	4,866	10,227	-	-	-	-
-	-	39,551	-	-	-	-	-
<u>(556,357)</u>	<u>(561,941)</u>	<u>(777,132)</u>	<u>(777,133)</u>	<u>-</u>	<u>-</u>	<u>(310,000)</u>	<u>(372,500)</u>
681,213	539,527	1,024,657	991,411	119,597	152,468	223,052	174,548
9,492,288	8,952,761	36,983,110	35,991,699	7,040,939	6,888,471	2,915,213	2,740,665
<u>\$ 10,173,501</u>	<u>\$ 9,492,288</u>	<u>\$ 38,007,767</u>	<u>\$ 36,983,110</u>	<u>\$ 7,160,536</u>	<u>\$ 7,040,939</u>	<u>\$ 3,138,265</u>	<u>\$ 2,915,213</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, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611				
	Parking Lot		Totals		
	2017	2016	2017	2016	
Operating Revenues					
Sales	\$ -	\$ -	\$ 3,685,514	\$ 3,683,737	\$ -
Cost of sales	-	-	(2,604,263)	(2,616,437)	-
Charges for services	6,749	5,708	20,591,757	20,233,874	2,460,061
Miscellaneous revenues	-	-	1,669,945	1,581,658	32,362
Total Operating Revenues	<u>6,749</u>	<u>5,708</u>	<u>23,342,953</u>	<u>22,882,832</u>	<u>2,492,423</u>
Operating Expenses					
Production or purchase	-	-	11,830,111	11,652,003	-
Filtration	-	-	1,338,340	1,339,214	-
Treatment	-	-	615,313	491,159	-
Distribution	-	-	1,616,229	1,610,323	-
Collection	-	-	296,213	296,240	-
Administration and other	8,180	6,432	2,464,945	2,220,450	2,759,423
Depreciation	-	-	2,163,656	2,151,642	11,407
Total Operating Expenses	<u>8,180</u>	<u>6,432</u>	<u>20,324,807</u>	<u>19,761,031</u>	<u>2,770,830</u>
Operating Income (Loss)	<u>(1,431)</u>	<u>(724)</u>	<u>3,018,146</u>	<u>3,121,801</u>	<u>(278,407)</u>
Nonoperating Revenues (Expenses)					
Investment income	22	30	162,919	139,307	12,610
State grants	-	-	950	13,277	-
Miscellaneous income	-	-	4,282	6,096	-
Gain (loss) on sale of assets	-	-	(327)	(11,467)	-
Interest expense	-	-	(679,446)	(713,964)	-
Bond premium amortization	-	-	2,088	2,089	-
Payments to Economic Development Authority	-	-	(100,000)	(100,000)	-
Total Nonoperating Revenues (Expenses)	<u>22</u>	<u>30</u>	<u>(609,534)</u>	<u>(664,662)</u>	<u>12,610</u>
Income (Loss) Before Transfers and Capital Grants and Contributions	<u>(1,409)</u>	<u>(694)</u>	<u>2,408,612</u>	<u>2,457,139</u>	<u>(265,797)</u>
Capital Grants and Contributions	-	-	4,866	10,227	-
Capital Contributions from Component Unit	-	-	39,551	-	-
Transfers Out	-	-	(1,087,132)	(1,149,633)	-
Change in Net Position	<u>(1,409)</u>	<u>(694)</u>	<u>1,365,897</u>	<u>1,317,733</u>	<u>(265,797)</u>
Net Position, January 1	<u>377,706</u>	<u>378,400</u>	<u>47,316,968</u>	<u>45,999,235</u>	<u>1,515,439</u>
Net Position, December 31	<u>\$ 376,297</u>	<u>\$ 377,706</u>	<u>\$ 48,682,865</u>	<u>\$ 47,316,968</u>	<u>\$ 1,249,642</u>
Change in net position as shown above			\$ 1,365,897	\$ 1,317,733	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(96,393)</u>	<u>53,018</u>	
Change in Net Position of Business-type Activities			<u>\$ 1,269,504</u>	<u>\$ 1,370,751</u>	

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

City of Fairmont, Minnesota  
Statements of Cash Flows (Continued on the Following Pages)  
Proprietary Funds  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 3,486,422	\$ 3,453,752	\$ 2,336,054	\$ 2,384,735
Payments to suppliers	(853,275)	(975,545)	(471,435)	(513,919)
Payments to and on behalf of employees	(924,206)	(802,840)	(442,737)	(420,903)
Payments for interfund services used	(216,292)	(232,037)	(159,770)	(143,129)
Other receipts	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,492,649</u>	<u>1,443,330</u>	<u>1,262,112</u>	<u>1,306,784</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to other funds	(125,861)	(122,390)	(94,914)	(92,802)
Payments to Economic Development Authority	(16,195)	(15,749)	(12,214)	(11,941)
State aids received	273	3,881	150	1,962
Increase in due from other funds	-	-	-	-
Increase in due to other funds	506	1,003	872	975
Decrease in due to other funds	-	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(141,277)</u>	<u>(133,255)</u>	<u>(106,106)</u>	<u>(101,806)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(544,351)	(151,637)	(571,019)	(191,746)
Proceeds from sale of capital assets	-	-	-	-
Receipt of sales tax paid on capital purchases	-	440,495	-	-
Capital contribution from component unit	19,775	-	19,776	-
Capital grants received	-	10,477	3,253	-
Principal paid on revenue bond obligations	(765,000)	(749,495)	(717,000)	(705,000)
Interest paid on revenue bond obligations	(556,744)	(573,390)	(105,443)	(117,639)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,846,320)</u>	<u>(1,023,550)</u>	<u>(1,370,433)</u>	<u>(1,014,385)</u>
Cash Flows from Investing Activities				
Interest received	<u>36,711</u>	<u>34,676</u>	<u>49,393</u>	<u>41,500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(458,237)	321,201	(165,034)	232,093
Cash and Cash Equivalents, January 1	<u>3,285,771</u>	<u>2,964,570</u>	<u>4,148,020</u>	<u>3,915,927</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 2,827,534</u></u>	<u><u>\$ 3,285,771</u></u>	<u><u>\$ 3,982,986</u></u>	<u><u>\$ 4,148,020</u></u>

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

Business-type Activities - Enterprise Funds

604		Totals		603		609	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 15,948,362	\$ 15,149,399	\$ 21,770,838	\$ 20,987,886	\$ 588,679	\$ 586,378	\$ 3,686,887	\$ 3,679,822
(12,539,120)	(12,207,734)	(13,863,830)	(13,697,198)	(100,858)	(15,832)	(2,753,017)	(2,738,004)
(1,220,972)	(1,109,499)	(2,587,915)	(2,333,242)	(151,308)	(147,231)	(287,216)	(265,746)
(354,854)	(330,059)	(730,916)	(705,225)	(39,115)	(39,333)	(80,502)	(77,970)
-	-	-	-	-	203	264	-
<u>1,833,416</u>	<u>1,502,107</u>	<u>4,588,177</u>	<u>4,252,221</u>	<u>297,398</u>	<u>384,185</u>	<u>566,416</u>	<u>598,102</u>
(556,357)	(561,941)	(777,132)	(777,133)	-	-	(310,000)	(372,500)
(71,591)	(72,310)	(100,000)	(100,000)	-	-	-	-
388	5,524	811	11,367	48	665	91	1,245
-	-	-	-	-	-	-	-
256	2,097	1,634	4,075	-	176	274	473
-	-	-	-	(999)	-	-	-
<u>(627,304)</u>	<u>(626,630)</u>	<u>(874,687)</u>	<u>(861,691)</u>	<u>(951)</u>	<u>841</u>	<u>(309,635)</u>	<u>(370,782)</u>
(456,509)	(426,824)	(1,571,879)	(770,207)	(205,922)	(197,501)	(10,280)	-
907	-	907	-	-	-	-	-
-	-	-	440,495	-	-	-	-
-	-	39,551	-	-	-	-	-
-	-	3,253	10,477	-	-	-	-
-	-	(1,482,000)	(1,454,495)	(185,000)	(175,000)	-	-
-	-	(662,187)	(691,029)	(29,850)	(35,250)	-	-
<u>(455,602)</u>	<u>(426,824)</u>	<u>(3,672,355)</u>	<u>(2,464,759)</u>	<u>(420,772)</u>	<u>(407,751)</u>	<u>(10,280)</u>	<u>-</u>
<u>46,741</u>	<u>38,341</u>	<u>132,845</u>	<u>114,517</u>	<u>12,821</u>	<u>11,666</u>	<u>17,231</u>	<u>13,094</u>
797,251	486,994	173,980	1,040,288	(111,504)	(11,059)	263,732	240,414
<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>
<u>\$ 4,614,254</u>	<u>\$ 3,817,003</u>	<u>\$ 11,424,774</u>	<u>\$ 11,250,794</u>	<u>\$ 1,149,018</u>	<u>\$ 1,260,522</u>	<u>\$ 1,598,289</u>	<u>\$ 1,334,557</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, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611				
	Parking Lot		Totals		
	2017	2016	2017	2016	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 6,794	\$ 5,708	\$ 26,053,198	\$ 25,259,794	\$ 2,441,234
Payments to suppliers	(8,162)	(6,432)	(16,725,867)	(16,457,466)	(562,041)
Payments to and on behalf of employees	-	-	(3,026,439)	(2,746,219)	(2,053,129)
Payments for interfund services used	(18)	(17)	(850,551)	(822,545)	(36,036)
Other receipts	-	-	264	203	32,362
Net Cash Provided (Used) by Operating Activities	<u>(1,386)</u>	<u>(741)</u>	<u>5,450,605</u>	<u>5,233,767</u>	<u>(177,610)</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>					
Transfers to other funds	-	-	(1,087,132)	(1,149,633)	-
Payments to Economic Development Authority	-	-	(100,000)	(100,000)	-
State aids received	-	-	950	13,277	-
Increase in due from other funds	-	-	-	-	(5,480)
Increase in due to other funds	-	-	1,908	4,724	146
Decrease in due to other funds	-	-	(999)	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(1,185,273)</u>	<u>(1,231,632)</u>	<u>(5,334)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	-	-	(1,788,081)	(967,708)	-
Proceeds from sale of capital assets	-	-	907	-	-
Receipt of sales tax paid on capital purchases	-	-	-	440,495	-
Capital contribution from component unit	-	-	39,551	-	-
Capital grants received	-	-	3,253	10,477	-
Principal paid on revenue bond obligations	-	-	(1,667,000)	(1,629,495)	-
Interest paid on revenue bond obligations	-	-	(692,037)	(726,279)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(4,103,407)</u>	<u>(2,872,510)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest received	<u>22</u>	<u>30</u>	<u>162,919</u>	<u>139,307</u>	<u>12,610</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,364)	(711)	324,844	1,268,932	(170,334)
Cash and Cash Equivalents, January 1	<u>2,718</u>	<u>3,429</u>	<u>13,848,591</u>	<u>12,579,659</u>	<u>1,519,817</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,354</u>	<u>\$ 2,718</u>	<u>\$ 14,173,435</u>	<u>\$ 13,848,591</u>	<u>\$ 1,349,483</u>

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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 530,028	\$ 521,923	\$ 580,710	\$ 769,873
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	2,242	1,361	175	5
Depreciation	926,629	925,498	615,145	610,867
(Increase) decrease in assets				
Net accounts receivable	(5,704)	(45,380)	1,811	(2,753)
Inventories	10,413	6,115	-	-
Prepaid items	-	-	-	-
Unamortized maintenance charges	34,191	37,407	-	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	183,732	(291,690)	84,792	(146,136)
Increase (decrease) in liabilities				
Accounts and contracts payable	40,614	(42,978)	29,276	(78,959)
Due to other governments	-	-	-	-
Accrued wages and sick leave/severance payable	(62,058)	3,607	(6,390)	2,084
Postemployment benefits other than pension obligation	1,447	2,813	1,199	1,655
Pension liability	(245,738)	350,783	(91,276)	165,937
Deposits payable	1,140	142	-	-
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	75,713	(26,271)	46,670	(15,789)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 1,492,649</u>	 <u>\$ 1,443,330</u>	 <u>\$ 1,262,112</u>	 <u>\$ 1,306,784</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	3,238	-	1,628	120
Amortization of bond (premium) discount	-	-	-	-

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

Business-type Activities - Enterprise Funds

<b>604</b>		<b>Totals</b>		<b>603</b>		<b>609</b>	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 1,260,758	\$ 1,126,725	\$ 2,371,496	\$ 2,418,521	\$ 132,615	\$ 171,295	\$ 515,466	\$ 532,709
1,601	4,527	4,018	5,893	-	203	264	-
388,072	388,406	1,929,846	1,924,771	184,390	177,701	49,420	49,170
98,010	(192,439)	94,117	(240,572)	1,779	(243)	1,079	(4,733)
92,895	(4,461)	103,308	1,654	-	-	(23,831)	(46,594)
-	-	-	-	-	-	-	(57)
-	-	34,191	37,407	-	-	-	-
261,635	(418,912)	530,159	(856,738)	31,046	(49,738)	56,521	(95,214)
(23,039)	71,357	46,851	(50,580)	(29,029)	33,724	1,874	30,718
508	5,183	508	5,183	-	-	1,664	1,062
(14,785)	13,193	(83,233)	18,884	2,650	(2,525)	4,478	7,252
6,827	9,222	9,473	13,690	754	1,016	1,418	1,941
(350,231)	530,620	(687,245)	1,047,340	(40,267)	57,778	(69,011)	126,413
3,510	(780)	4,650	(638)	-	-	-	-
-	-	-	-	-	-	294	818
<u>107,655</u>	<u>(30,534)</u>	<u>230,038</u>	<u>(72,594)</u>	<u>13,460</u>	<u>(5,026)</u>	<u>26,780</u>	<u>(5,383)</u>
<u>\$ 1,833,416</u>	<u>\$ 1,502,107</u>	<u>\$ 4,588,177</u>	<u>\$ 4,252,221</u>	<u>\$ 297,398</u>	<u>\$ 384,185</u>	<u>\$ 566,416</u>	<u>\$ 598,102</u>
\$ 1,234	\$ 1,339	\$ 1,234	\$ 11,467	\$ -	\$ -	\$ -	\$ -
-	29,502	-	38,401	-	-	-	-
-	-	4,866	120	-	-	-	-
-	-	-	-	(2,088)	(2,089)	-	-

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, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	611				
	Parking Lot		Totals		
	2017	2016	2017	2016	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (1,431)	\$ (724)	\$ 3,018,146	\$ 3,121,801	\$ (278,407)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	4,282	6,096	-
Depreciation	-	-	2,163,656	2,151,642	11,407
(Increase) decrease in assets					
Net accounts receivable	(470)	-	96,505	(245,548)	(18,827)
Inventories	-	-	79,477	(44,940)	-
Prepaid items	-	-	-	(57)	(964)
Unamortized maintenance charges	-	-	34,191	37,407	-
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	-	-	617,726	(1,001,690)	-
Increase (decrease) in liabilities					
Accounts and contracts payable	-	(17)	19,696	13,845	106,486
Due to other governments	-	-	2,172	6,245	-
Accrued wages and sick leave/severance payable	-	-	(76,105)	23,611	2,695
Postemployment benefits other than pension obligation	-	-	11,645	16,647	-
Pension liability	-	-	(796,523)	1,231,531	-
Deposits payable	-	-	4,650	(638)	-
Unearned revenue	515	-	809	818	-
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	-	-	270,278	(83,003)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,386)</b>	<b>\$ (741)</b>	<b>\$ 5,450,605</b>	<b>\$ 5,233,767</b>	<b>\$ (177,610)</b>
Noncash Investing, Capital and Financing Activities					
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 1,234	\$ 11,467	\$ -
Capital assets acquired on account	-	-	-	38,401	-
Special assessments levied	-	-	4,866	120	-
Amortization of bond (premium) discount	-	-	(2,088)	(2,089)	-

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, 2017

	Agency
Assets	
Cash and cash equivalents	\$ 505,484
Receivables	
Accounts	62
Due from other governments	1,003
Total Assets	\$ 506,549
Liabilities	
Accounts payable	\$ 490,570
Deposits payable	15,979
Total Liabilities	\$ 506,549

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

## 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 184 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.

## 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.

The *2017 Capital Improvement Program fund* accounts for street construction projects associated with the 2017 improvements program.

## 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, Inclusive Playground, Mall Playground and iPaddlePort.

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.



## 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, 2017

**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, 2017:

- Governmental agency securities of \$7,572,796 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$15,819,925 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, 2017 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.

## **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 2017. 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, 2017 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, 2017

**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.

***Land Held for Resale***

Land is acquired by the City for subsequent resale for development purposes. Land held for resale is reported as an asset at fair value in the fund that acquired it.

***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 acquisition 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

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Deferred Outflows of Resources***

In addition to assets, the statements 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. The General fund is typically used to liquidate governmental other postemployment benefits payable.

### ***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. The General fund is typically used to liquidate the governmental net pension liability.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Deferred Inflows of Resources***

In addition to liabilities, the statements 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.

**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, 2017:

Fund	Amount
Capital Projects	
Community Center	\$ 125,281

The Community Center fund will be funded by future local sales tax revenue.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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, with 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.

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 \$5,296,095, including \$505,484 reported in fiduciary funds. The bank balance was \$4,733,105. The bank balance was covered by federal depository insurance of \$750,000. Of the remaining balance, \$3,983,105, 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.



City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

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	\$ 4,502,771		
Broker Money Market Funds	N/A	less than 6 months			
Non-pooled investments at amortized costs					
Money Market Funds	N/A	less than 6 months	47,037		
Non-negotiable certificates of deposit					
Non-pooled investments at fair value					
Governmental Agency Securities	AAA	more than 3 years	7,084,211	\$ 7,084,211	\$ -
Government Agency Securities	Aaa	1 to 3 years	488,585	488,585	-
Negotiable certificates of deposit	N/A	less than 6 months	4,370,332	-	4,370,332
Negotiable certificates of deposit	N/A	6 months to 1 year	3,798,264	-	3,798,264
Negotiable certificates of deposit	N/A	1 to 3 years	5,934,526	-	5,934,526
Negotiable certificates of deposit	N/A	more than 3 years	1,716,803	-	1,716,803
Total investments			<u>\$ 27,942,529</u>	<u>\$ 7,572,796</u>	<u>\$ 15,819,925</u>

(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, 2017

**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	\$ 4,415,346	\$ 375,265	\$ 505,484	\$ 5,296,095
Investments	27,942,529	-	-	27,942,529
Cash on Hand	3,223	-	-	3,223
<b>Total</b>	<b><u>\$ 32,361,098</u></b>	<b><u>\$ 375,265</u></b>	<b><u>\$ 505,484</u></b>	<b><u>\$ 33,241,847</u></b>
Cash and Cash Equivalents	\$ 31,445,423	\$ 375,265	\$ 505,484	\$ 32,326,172
Escrowed Investments	915,675	-	-	915,675
<b>Total</b>	<b><u>\$ 32,361,098</u></b>	<b><u>\$ 375,265</u></b>	<b><u>\$ 505,484</u></b>	<b><u>\$ 33,241,847</u></b>

**B. Notes Receivable**

The City has received Federal grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest at 3 percent to 6 percent within twenty years. The balance of these notes at December 31, 2017 is \$987,776.

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, 2017 are \$109,683 of which \$21,859 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 \$87,824 is forgivable after seven 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, 2017 is \$8,463.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

**Primary Government**

Capital asset activity for the year ended December 31, 2017 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	2,398,451	3,963,682	(2,586,671)	3,775,462
Total Capital Assets not being Depreciated	<u>6,347,929</u>	<u>3,963,682</u>	<u>(2,586,671)</u>	<u>7,724,940</u>
Capital Assets being Depreciated				
Buildings and structures	9,122,499	26,188	-	9,148,687
Improvements other than buildings	14,328,064	1,802,050	-	16,130,114
Machinery and equipment	5,446,489	541,754	(842,369)	5,145,874
Vehicles	3,055,938	102,086	(189,287)	2,968,737
Infrastructure	45,954,181	890,825	-	46,845,006
Bridges	4,890,518	-	-	4,890,518
Total Capital Assets being Depreciated	<u>82,797,689</u>	<u>3,362,903</u>	<u>(1,031,656)</u>	<u>85,128,936</u>
Less Accumulated Depreciation for				
Buildings and structures	(3,652,753)	(197,407)	-	(3,850,160)
Improvements other than buildings	(4,809,043)	(593,008)	-	(5,402,051)
Machinery and equipment	(3,992,502)	(232,759)	842,369	(3,382,892)
Vehicles	(2,448,365)	(123,740)	189,287	(2,382,818)
Infrastructure	(17,933,372)	(1,150,336)	-	(19,083,708)
Bridges	(1,181,087)	(122,430)	-	(1,303,517)
Total Accumulated Depreciation	<u>(34,017,122)</u>	<u>(2,419,680)</u>	<u>1,031,656</u>	<u>(35,405,146)</u>
Total Capital Assets being Depreciated, Net	<u>48,780,567</u>	<u>943,223</u>	<u>-</u>	<u>49,723,790</u>
Governmental Activities Capital Assets, Net	<u>\$ 55,128,496</u>	<u>\$ 4,906,905</u>	<u>\$ (2,586,671)</u>	<u>\$ 57,448,730</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	295,029	63,347	(124,802)	233,574
Total Capital Assets Not Being Depreciated	<u>2,013,744</u>	<u>63,347</u>	<u>(124,802)</u>	<u>1,952,289</u>
Capital Assets being Depreciated				
Buildings and structures	42,626,831	33,165	-	42,659,996
Improvements other than buildings	42,208,533	1,581,678	-	43,790,211
Machinery and equipment	10,851,604	196,292	(113,180)	10,934,716
Total Capital Assets Being Depreciated	<u>95,686,968</u>	<u>1,811,135</u>	<u>(113,180)</u>	<u>97,384,923</u>
Less Accumulated Depreciation for				
Buildings and structures	(6,213,073)	(813,467)	-	(7,026,540)
Improvements other than buildings	(19,261,123)	(935,662)	-	(20,196,785)
Machinery and equipment	(5,807,423)	(414,527)	111,946	(6,110,004)
Total Accumulated Depreciation	<u>(31,281,619)</u>	<u>(2,163,656)</u>	<u>111,946</u>	<u>(33,333,329)</u>
Total Capital Assets Being Depreciated, Net	<u>64,405,349</u>	<u>(352,521)</u>	<u>(1,234)</u>	<u>64,051,594</u>
Business-type Activities Capital Assets, Net	<u>\$ 66,419,093</u>	<u>\$ (289,174)</u>	<u>\$ (126,036)</u>	<u>\$ 66,003,883</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$	68,715
Public safety		181,010
Streets and highways		1,368,191
Culture and recreation		298,606
Housing and economic development		65,876
Airport		425,875
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets		11,407
Total Depreciation Expense - Governmental Activities	\$	2,419,680

**Business-type Activities**

Electric utility	\$	388,072
Water utility		926,629
Wastewater utility		615,145
Storm sewer		184,390
Liquor		49,420
Total Depreciation Expense - Business-type Activities	\$	2,163,656

**Construction Commitments**

The City has active construction projects as of December 31, 2017. 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
Margaret Street	\$ 1,372,294	\$ 973,142

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Debt Service	\$ 31,000
	Nonmajor governmental	125,281
Internal service		
Medical self-insurance	Public Utilities Commission	
	Water fund	6,319
	Electric fund	9,387
	General	30,341
Worker's compensation self-insurance	Nonmajor governmental	884
	Public Utilities Commission	
	Sewer fund	4,521
	Municipal Liquor	2,321
	Internal service	
	Central garage and equipment	1,120
Total		\$ 211,174

The majority of the above amounts represent interfund billings that will repaid during the first couple of months of 2018. 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, 2017

**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, 2017 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government	Component unit	
Amounts related to internal service fund elimination	Amounts related to internal service fund elimination	
		<u>\$ 4,356</u>

***Interfund Transfers***

The composition of interfund transfers for the year ended December 31, 2017 is as follows:

<u>Fund</u>	<u>Transfers in</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>2017 Capital Improvement Program</u>	<u>Nonmajor Governmental</u>	
Transfers Out					
General	\$ -	\$ 35,000	\$ -	\$ -	\$ 35,000
Debt Service	-	445,755	-	-	445,755
2015 Capital Improvements	-	-	-	374,454	374,454
Nonmajor governmental	-	225,187	1,296,063	1,056,803	2,578,053
Municipal Liquor	270,000	-	-	40,000	310,000
Water Utility	125,861	-	-	-	125,861
Wastewater Utility	94,914	-	-	-	94,914
Electric Utility	556,357	-	-	-	556,357
<b>Total Transfers Out</b>	<u>\$ 1,047,132</u>	<u>\$ 705,942</u>	<u>\$ 1,296,063</u>	<u>\$ 1,471,257</u>	<u>\$ 4,520,394</u>

The transfer of \$270,000 from the Municipal Liquor fund to the General fund for housing demolition (\$42,500), trail improvements (\$167,500), Cedar Creek Park (\$20,000), and the Pioneer Bridge demolition (\$40,000).

The transfer of \$40,000 from the Municipal Liquor fund to the Central College Incubator fund to cover any operating losses.

The transfer of \$777,132 from the Water Utility (\$125,861), Wastewater Utility (\$94,914) and the Electric Utility (\$556,357) funds to the General fund is payment in lieu of taxes.

The transfer of \$35,000 from the General fund to the Fire Truck fund for fire call revenue received.

The transfer of \$4,470 from the State Housing Grant II fund to the Housing Rehab Grant 2016 fund for the City's share of the 2016 Housing Rehab Grant.

The transfer of \$4,246 from the State Housing Grant III fund to the Housing Rehab Grant 2016 fund for the City's share of the 2016 Housing Rehab Grant.

The transfer of \$2,652 from the State Housing Grant 2011 fund to the Housing Rehab Grant 2016 fund for the City's share of the 2016 Housing Rehab Grant.

The transfer of \$280,182 from the 2010A Refunding Bonds fund to the 2016 G.O. Bonds fund to close the fund.

The transfer of \$165,573 from the 2011 Improvement Bonds fund to the 2016 G.O. Bonds fund to close the fund.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

The transfer of \$1,296,063 from the Municipal State Aid - Streets fund to the 2017 Capital Improvement Program fund to cover construction costs.

The transfer of \$703,561 from the Municipal State Aid - Streets fund to the 2016 Capital Improvement Program fund to cover construction costs.

The transfer of \$322,374 from the Lair Road Bridge fund to the Municipal State Aid - Streets fund to close fund.

The transfer of \$374,454 from the 2015 Capital Improvements fund to the Municipal State Aid - Streets fund to close fund.

The transfer of \$19,500 from the 2016 Capital Improvement Program fund to the Housing fund to move the proceeds from the sale of the Whitetail Ridge Lots.

**E. Long-term Debt**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

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

**Primary Government Debt**

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. Ad valorem tax levies of \$10,680,238 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	\$ 1,030,000
G.O. Improvement Bonds of 2010A	2,615,000	2.00 - 3.50	06/17/10	03/01/18	170,000
G.O. Improvement Crossover Refunding Bonds of 2012A	5,755,000	0.50 - 1.95	03/15/12	03/01/24	4,205,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,410,000
G.O. Improvement Bonds of 2015A	2,330,000	2.00 - 3.00	08/20/15	03/01/31	2,185,000
G.O. Improvement Crossover Refunding Bonds of 2016A	2,715,000	1.50 - 2.00	05/01/16	03/01/27	2,715,000
G.O. Improvement Bonds of 2017A	2,950,000	2.00 - 3.00	07/18/17	03/01/33	<u>2,950,000</u>
 Total G.O. Special Assessment Bonds					 <u><u>\$ 14,665,000</u></u>



City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

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
2018	\$ 2,430,000	\$ 298,606	\$ 2,728,606
2019	1,465,000	249,125	1,714,125
2020	1,470,000	225,296	1,695,296
2021	1,495,000	199,066	1,694,066
2022	1,300,000	172,941	1,472,941
2023 - 2027	4,290,000	551,659	4,841,659
2028 - 2032	1,980,000	165,208	2,145,208
2033	235,000	3,525	238,525
<b>Total</b>	<b>\$ 14,665,000</b>	<b>\$ 1,865,426</b>	<b>\$ 16,530,426</b>

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	\$ 5,378,000
G.O. Storm Sewer Crossover Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	800,000
2011 G.O. Revenue Notes (PFA)	28,902,811	2.23	10/11/11	08/20/41	<u>24,152,000</u>
<b>Total G.O. Revenue Bonds</b>					<b><u>\$ 30,330,000</u></b>

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b>		
	Business-type Activities		
	Principal	Interest	Total
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	1,636,000	508,507	2,144,507
2023 - 2027	6,172,000	2,082,871	8,254,871
2028 - 2032	5,103,000	1,507,481	6,610,481
2033 - 2037	5,700,000	911,427	6,611,427
2038 - 2041	4,689,000	253,447	4,942,447
<b>Total</b>	<b>\$ 30,330,000</b>	<b>\$ 7,668,779</b>	<b>\$ 37,998,779</b>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

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, 2017 are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,488,744	\$ 2,334,068	\$ 586,900
Principal and Interest	1,321,744	822,443	214,850
Percentage of Revenues	37.9%	35.2%	36.6%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation special assessment bonds	\$ 15,445,000	\$ 2,950,000	\$ (3,730,000)	\$ 14,665,000	\$ 2,430,000
Bond premiums	108,250	74,774	(56,745)	126,279	-
Total bonds payable	15,553,250	3,024,774	(3,786,745)	14,791,279	2,430,000
Sick Leave/Severance Payable	476,121	474,554	(456,589)	494,086	149,240
Pension Liability					
GERF	2,785,963	-	(693,700)	2,092,263	-
PEPFF	5,417,785	-	(3,770,640)	1,647,145	-
FRA	243,974	-	(52,867)	191,107	-
Postemployment Benefits Other Than Pensions Obligation	203,422	37,387	(15,677)	225,132	-
 Governmental Activity Long-term Liabilities	 \$ 24,680,515	 \$ 3,536,715	 \$ (8,776,218)	 \$ 19,441,012	 \$ 2,579,240
<b>Business-type Activities</b>					
Bonds Payable					
General obligation revenue bonds	\$ 31,997,000	\$ -	\$ (1,667,000)	\$ 30,330,000	\$ 1,701,000
Bond premiums	17,055	-	(2,088)	14,967	-
Total bonds payable	32,014,055	-	(1,669,088)	30,344,967	1,701,000
Sick Leave/Severance Payable	483,143	238,111	(319,026)	402,228	131,250
Pension Liability					
GERF	3,409,219	38,639	(835,162)	2,612,696	-
Postemployment Benefits Other Than Pensions Obligation	91,818	20,053	(8,408)	103,463	-
 Business-type Activity Long-term Liabilities	 \$ 35,998,235	 \$ 296,803	 \$ (2,831,684)	 \$ 33,463,354	 \$ 1,832,250

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ 2,439	\$ 9,444	\$ (8,586)	\$ 3,297	\$ 3,297
Postemployment Benefits Other Than Pensions Obligation	4,804	57	(24)	4,837	-
Component Unit Activity Long-term Liabilities	<u>\$ 7,243</u>	<u>\$ 9,501</u>	<u>\$ (8,610)</u>	<u>\$ 8,134</u>	<u>\$ 3,297</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>\$ 4,884,107</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At December 31, 2017, 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	2017 Capital Improvement Program	Other Governmental Funds	Total
Restricted for						
Debt service	\$ -	\$ 4,999,470	\$ -	\$ -	\$ -	\$ 4,999,470
State aid street improvements	-	-	-	290,317	1,781,879	2,072,196
Housing and economic development	-	-	-	-	1,546,936	1,546,936
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,999,470</b>	<b>\$ -</b>	<b>\$ 290,317</b>	<b>\$ 3,328,815</b>	<b>\$ 8,618,602</b>
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
Capital projects	-	-	-	-	599,423	599,423
Conservation	-	-	-	-	341,387	341,387
<b>Total</b>	<b>\$ 29,122</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 940,810</b>	<b>\$ 969,932</b>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

	General	Debt Service	2015 Capital Improvements	2017 Capital Improvement Program	Other Governmental Funds	Total
Assigned for						
Police equipment	\$ 35,723	\$ -	\$ -	\$ -	\$ -	\$ 35,723
Building inspection	11,143	-	-	-	-	11,143
Housing demolition	94,599	-	-	-	-	94,599
Engineer equipment	122,800	-	-	-	-	122,800
Park equipment	112,952	-	-	-	-	112,952
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	34,763	-	-	-	-	34,763
Street building	36,237	-	-	-	-	36,237
Park land	86,280	-	-	-	-	86,280
Street/park building replacement	1,950,000	-	-	-	-	1,950,000
Government building	101,826	-	-	-	-	101,826
Street equipment	120,880	-	-	-	-	120,880
Park trail	317,500	-	-	-	-	317,500
Aeronautics	-	-	-	-	359,586	359,586
Central college incubator	-	-	-	-	36,712	36,712
Wetland bank	-	-	-	-	74,646	74,646
Housing and economic development	-	-	-	-	26,239	26,239
<b>Total</b>	<b>\$ 3,279,918</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 497,183</b>	<b>\$ 3,777,101</b>
Unassigned	<b>\$ 3,940,674</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (125,281)</b>	<b>\$ 3,815,393</b>

## **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.

#### **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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$362,456, \$346,231 and \$341,038, 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 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$219,305, \$203,906 and \$199,315, 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, 2017, the City reported a liability of \$4,704,959 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 \$59,134. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0737 percent which was a 0.0026 percent decrease from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$477,690 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$4,422 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  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2017, the City reported its proportionate share of GERF'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	\$ 154,885	\$ 305,812
Changes in Actuarial Assumptions	779,940	471,673
Net Difference Between Projected and Actual Earnings on Plan Investments	-	196,857
Changes in Proportion	41,506	221,699
Contributions to GERF Subsequent to the Measurement Date	181,032	-
Total	\$ 1,157,363	\$ 1,196,041

Deferred outflows of resources totaling \$181,032 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ (150,679)
2019	257,521
2020	(126,837)
2021	(199,715)

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$1,647,145 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1220 percent which was a decrease of 0.0130 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$282,012 for its proportionate share of PEPFF's pension expense. The City also recognized \$10,980 for the year ended December 31, 2017, as pension revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.



City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2017, 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	\$ 38,627	\$ 463,434
Changes in Actuarial Assumptions	2,285,207	2,338,537
Net Difference Between Projected and Actual Earnings on Plan Investments	-	112,731
Changes in Proportion	39,517	190,242
Contributions to PEPFF Subsequent to the Measurement Date	116,933	-
Total	\$ 2,480,284	\$ 3,104,944

Deferred outflows of resources totaling \$116,933 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	\$ (97,608)
2019	78,255
2020	(58,846)
2021	(165,217)
2022	(498,177)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 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 most recent five-year experience study for PEPFF was completed in 2016.

#### **Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The following changes in actuarial assumptions occurred in 2017:

##### GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

##### PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 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.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF 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.

**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	\$ 7,297,742	\$ 4,704,959	\$ 2,582,296
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	\$ 3,102,055	\$ 1,647,145	\$ 446,037

**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).

## **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, 2016, the plan covered 37 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

### **B. Benefits Provided**

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

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

### **C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$91,043 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2016, 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, 2017 were \$41,659. 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, 2017

**Note 5: Defined Benefit Pension Plans - Fire Relief Association**

**D. Pension Costs**

At December 31, 2017, the City reported a net pension liability of \$191,107 for the plan. The net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by Vanlwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2016. 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	<u>\$ 1,806,770</u>	<u>\$ 1,562,796</u>	<u>\$ 243,974</u>
Changes For the Year			
Service cost	53,182	-	53,182
Interest	112,051	-	112,051
Changes in assumptions	12,042	-	12,042
Contributions - State and local	-	127,341	(127,341)
Contributions - member	-	16,800	(16,800)
Net investment income	-	99,916	(99,916)
Benefit payments	(272,190)	(272,190)	-
Administrative expenses	-	(13,915)	13,915
Total Net Changes	<u>(94,915)</u>	<u>(42,048)</u>	<u>(52,867)</u>
Ending Balance December 31, 2016	<u><u>\$ 1,711,855</u></u>	<u><u>\$ 1,520,748</u></u>	<u><u>\$ 191,107</u></u>

For the year ended December 31, 2017, the City recognized pension expense of \$54,882.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

At December 31, 2017, 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	\$ -	\$ 56,318
Changes in Actuarial Assumptions	-	22,013
Net Difference Between Projected and Actual Earnings on Plan Investments	72,832	-
Contributions to Plan Subsequent to the Measurement Date	128,968	-
Total	\$ 201,800	\$ 78,331

Deferred outflows of resources totaling \$128,968 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:

2018	\$ 15,221
2019	15,219
2020	8,923
2021	(13,471)
2022	(11,735)
Thereafter	(19,656)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2016 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	6.25%
Inflation Rate	2.75%
Investment Rate of Return	6.25%
20 Year Municipal Bond Yield	3.78%

There were no changes in actuarial assumptions in 2016.

The 6.25 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Rate of Return</u>
Domestic Equity	37.55 %	8.33 to 8.67 %
International Equity	5.22	8.46
Fixed Income	37.74	5.02
Real Estate and Alternatives	1.85	7.19
Cash and Equivalents	<u>17.64</u>	3.59
Total	<u><u>100.00</u></u> %	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in 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:

	<u>1 Percent Decrease (5.25%)</u>	<u>Current (6.25%)</u>	<u>1 Percent Increase (7.25%)</u>
Defined Benefit Plan	\$ 241,730	\$ 191,107	\$ 144,262

**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, 2017

**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 \$263,845 at December 31, 2017. The claims liability of \$12,742 reported in the fund at December 31, 2017 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 2017, 2016 and 2015 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2017	\$ 8,514	\$ 202,587	\$ (198,359)	\$ 12,742
2016	22,593	190,032	(204,111)	8,514
2015	19,567	183,229	(180,203)	22,593



City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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, 2017, was \$672,812 and \$265,414 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, 2017, 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 2017, 2016 and 2015 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2017	\$ -	\$ 23,456	\$ (17,005)	\$ 6,451
2016	-	3,618	(3,618)	-
2015	-	111,917	(111,917)	-

**B. Contingent Liabilities**

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

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

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

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

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 2017 was \$3,426,119. This accounted for 45 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 2017, the City contributed \$24,085 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	\$ 62,968	\$ 63	\$ 63,031
Interest on Net OPEB Obligation	10,492	10	10,502
Adjustment to Annual Required Contribution	(16,020)	(16)	(16,036)
Annual OPEB cost	<u>57,440</u>	<u>57</u>	<u>57,497</u>
Contributions Made	<u>(24,085)</u>	<u>(24)</u>	<u>(24,109)</u>
Increase in Net OPEB Obligation	33,355	33	33,388
Net OPEB Obligation - Beginning of Year	<u>295,240</u>	<u>4,804</u>	<u>300,044</u>
Net OPEB Obligation - End of Year	<u>\$ 328,595</u>	<u>\$ 4,837</u>	<u>\$ 333,432</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 2017 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
12/31/17	\$ 57,440	41.9%	\$ 328,595
12/31/16	75,319	39.6%	295,240
12/31/15	75,592	54.2%	249,764

Year Ending	Component Unit		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 57	42.1%	\$ 4,837
12/31/16	63	39.7%	4,804
12/31/15	583	54.2%	4,804

*Funded status and funding progress.* As of January 1, 2017, the City's actuarial accrued liability for benefits was \$491,194, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$5,574,379, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.8 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.

**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 2017 with Scale AA (with White Collar adjustment, male and female rates set back 2 years)

*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* - 2017 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 2.75 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 6.25 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, 2017 was 30 years.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 7: Tax Abatements**

As of December 31, 2017, 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, 2017

**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, 2017 was as follows:

	<u>City Tax Rate (Year of Establishment)</u>	<u>District Tax Capacity</u>	<u>Amount of taxes abated the fiscal year</u>
Tax Abatement Agreements			
Zierke Built Manufacturing, Inc.			\$ 10,476
Tax Increment Districts (PAYGO)			
TIF District #22	42.272%	\$ 50,058	21,161
TIF District #23	49.454%	21,802	10,782
TIF District #24	46.113%	4,403	2,030
TIF District #26	46.165%	2,391	<u>1,104</u>
Total			<u>\$ 45,553</u>

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REQUIRED SUPPLEMENTARY  
INFORMATION

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017



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City of Fairmont, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

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-Employee Payroll (c)	City's	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
						Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	
06/30/17	0.0737 %	\$ 4,704,959	\$ 59,134	\$ 4,764,093	\$ 4,745,755	99.1 %	75.9 %
06/30/16	0.0763	6,195,182	80,915	6,276,097	4,732,291	130.9	68.9
06/30/15	0.0748	3,876,524	-	3,876,524	4,401,419	88.1	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**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 362,456	\$ 362,456	\$ -	\$ 4,832,746	7.5 %
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.

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Fairmont, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund**

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-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.1220 %	\$ 1,647,145	\$ -	\$ 1,647,145	\$ 1,256,120	131.1 %	85.4 %
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	1,210,129	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**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 219,305	\$ 219,305	\$ -	\$ 1,353,736	16.2 %
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.*

**Notes to the Required Supplementary Information - Public Employees Police and Fire Fund**

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

City of Fairmont, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Fairmont, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Changes in the Fire Relief Association's Net Pension Liability and Related Ratios**

	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability			
Service cost	\$ 53,182	\$ 47,679	\$ 46,403
Interest	112,051	106,331	104,175
Differences between expected and actual experience	-	(73,104)	-
Changes of assumptions	12,042	(42,248)	-
Benefit payments, including refunds of employee contributions	(272,190)	(66,890)	(161,823)
Net Change in Total Pension Liability	(94,915)	(28,232)	(11,245)
Total Pension Liability - January 1	1,806,770	1,835,002	1,846,247
Total Pension Liability (A)	<u>\$ 1,711,855</u>	<u>\$ 1,806,770</u>	<u>\$ 1,835,002</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 127,341	\$ 143,804	\$ 171,691
Contributions - employee	16,800	15,320	13,760
Net investment income	99,916	(24,723)	52,082
Benefit payments, including refunds of employee contributions	(272,190)	(66,890)	(161,823)
Administrative expense	(13,915)	(13,568)	(17,227)
Net Change in Plan Fiduciary Net Position	(42,048)	53,943	58,483
Plan Fiduciary Net Position - January 1	1,562,796	1,508,853	1,450,370
Plan Fiduciary Net Position (B)	<u>\$ 1,520,748</u>	<u>\$ 1,562,796</u>	<u>\$ 1,508,853</u>
Fire Relief'S Net Pension Liability (Asset) - December 31 (A-B)	<u>\$ 191,107</u>	<u>\$ 243,974</u>	<u>\$ 326,149</u>
Plan Fiduciary Net Position As a Percentage Of the Total Pension Liability (B/A)	88.84%	86.50%	82.23%
Covered-Employee Payroll	N/A	N/A	N/A
Fire Relief'S Net Pension Liability (Asset) As a Percentage Of Covered-Employee Payroll	N/A	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, 2017

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/17	\$ - *	\$ - *	\$ -
12/31/16	151,431	144,141	7,290
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	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Liability - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/17	\$ -	\$ 491,194	\$ 491,194	- %	\$ 5,574,379	8.8 %
01/01/14	-	658,385	658,385	-	5,117,841	12.9
01/01/11	-	690,112	690,112	-	5,142,325	13.4
01/01/08	-	838,818	838,818	-	5,185,446	16.2

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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City of Fairmont, Minnesota  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2017

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,468,051	\$ 1,989,289	\$ 3,457,340
Receivables			
Delinquent taxes	1,578	-	1,578
Accounts	12,838	-	12,838
Loans	1,097,459	-	1,097,459
Intergovernmental	183,485	438,985	622,470
Land held for resale	-	160,000	160,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 2,763,411</u>	<u>\$ 2,588,274</u>	<u>\$ 5,351,685</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 11,880	\$ 46,972	\$ 58,852
Due to other funds	884	125,281	126,165
Due to other governments	260,000	160,000	420,000
Accrued wages payable	3,563	-	3,563
Unearned revenue	100,000	-	100,000
Total Liabilities	<u>376,327</u>	<u>332,253</u>	<u>708,580</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	<u>1,578</u>	<u>-</u>	<u>1,578</u>
<b>Fund Balances</b>			
Restricted	1,546,936	1,781,879	3,328,815
Committed	341,387	599,423	940,810
Assigned	497,183	-	497,183
Unassigned	-	(125,281)	(125,281)
Total Fund Balances	<u>2,385,506</u>	<u>2,256,021</u>	<u>4,641,527</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,763,411</u>	<u>\$ 2,588,274</u>	<u>\$ 5,351,685</u>

City of Fairmont, Minnesota  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 249,127	\$ -	\$ 249,127
Intergovernmental	98,454	1,296,063	1,394,517
Charges for services	327,908	-	327,908
Investment earnings	14,779	28,398	43,177
Miscellaneous	227,620	150,500	378,120
Total Revenues	<u>917,888</u>	<u>1,474,961</u>	<u>2,392,849</u>
Expenditures			
Current			
Culture and recreation	20,800	-	20,800
Housing and economic development	226,374	2,701	229,075
Miscellaneous	456,424	-	456,424
Capital outlay			
Streets and highways	-	34,367	34,367
Culture and recreation	-	125,010	125,010
Miscellaneous	36,221	29,569	65,790
Debt service			
Interest and other	-	271	271
Total Expenditures	<u>739,819</u>	<u>191,918</u>	<u>931,737</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>178,069</u>	<u>1,283,043</u>	<u>1,461,112</u>
Other Financing Sources (Uses)			
Transfers in	51,368	1,419,889	1,471,257
Transfers out	(11,368)	(2,566,685)	(2,578,053)
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>(1,146,796)</u>	<u>(1,106,796)</u>
Net Change in Fund Balances	218,069	136,247	354,316
Fund Balances, January 1	<u>2,167,437</u>	<u>2,119,774</u>	<u>4,287,211</u>
Fund Balances, December 31	<u>\$ 2,385,506</u>	<u>\$ 2,256,021</u>	<u>\$ 4,641,527</u>

## 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 II, III, 2011 and 2016**: 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.

**Local Option Sales Tax**: This fund accounts for the City's local sales tax revenue.

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City of Fairmont, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2017

	<b>212</b>	<b>214</b>	<b>215</b>	<b>216</b>	<b>217</b>
	Central College Incubator	Wetland Bank	Revolving Loan	Revolving Loan 2	Micro Loan
<b>Assets</b>					
Cash and cash equivalents	\$ 39,923	\$ 74,688	\$ 218,146	\$ 442,680	\$ 18,020
Receivables					
Delinquent taxes	-	-	-	-	-
Accounts	3,499	-	-	-	-
Loans	-	-	377,327	645,449	8,219
Intergovernmental	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 43,422</u></b>	<b><u>\$ 74,688</u></b>	<b><u>\$ 595,473</u></b>	<b><u>\$ 1,088,129</u></b>	<b><u>\$ 26,239</u></b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ 6,710	\$ 42	\$ 268	\$ -	\$ -
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	260,000	-
Accrued wages payable	-	-	-	-	-
Unearned revenue	-	-	-	100,000	-
<b>Total Liabilities</b>	<b><u>6,710</u></b>	<b><u>42</u></b>	<b><u>268</u></b>	<b><u>360,000</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	-	-	-	-	-
<b>Fund Balances</b>					
Restricted	-	-	595,205	728,129	-
Committed	-	-	-	-	-
Assigned	36,712	74,646	-	-	26,239
<b>Total Fund Balances</b>	<b><u>36,712</u></b>	<b><u>74,646</u></b>	<b><u>595,205</u></b>	<b><u>728,129</u></b>	<b><u>26,239</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 43,422</u></b>	<b><u>\$ 74,688</u></b>	<b><u>\$ 595,473</u></b>	<b><u>\$ 1,088,129</u></b>	<b><u>\$ 26,239</u></b>



<b>222</b> State Housing Grant II	<b>224</b> State Housing Grant III	<b>226</b> State Housing Grant 2011	<b>228</b> State Housing Grant 2016	<b>230</b> Aeronautics	<b>240</b> Lake Restoration	<b>250</b> Local Option Sales Tax	Total Nonmajor Special Revenue
\$ -	\$ -	\$ 2,461	\$ -	\$ 315,090	\$ 334,043	\$ 23,000	\$ 1,468,051
-	-	-	-	1,578	-	-	1,578
-	-	-	-	1,900	7,439	-	12,838
1,474	17,115	27,580	20,295	-	-	-	1,097,459
-	-	-	-	51,808	-	131,677	183,485
<u>\$ 1,474</u>	<u>\$ 17,115</u>	<u>\$ 30,041</u>	<u>\$ 20,295</u>	<u>\$ 370,376</u>	<u>\$ 341,482</u>	<u>\$ 154,677</u>	<u>\$ 2,763,411</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,765	\$ 95	\$ -	\$ 11,880
-	-	-	-	884	-	-	884
-	-	-	-	-	-	-	260,000
-	-	-	-	3,563	-	-	3,563
-	-	-	-	-	-	-	100,000
-	-	-	-	9,212	95	-	376,327
-	-	-	-	1,578	-	-	1,578
1,474	17,115	30,041	20,295	-	-	154,677	1,546,936
-	-	-	-	-	341,387	-	341,387
-	-	-	-	359,586	-	-	497,183
<u>1,474</u>	<u>17,115</u>	<u>30,041</u>	<u>20,295</u>	<u>359,586</u>	<u>341,387</u>	<u>154,677</u>	<u>2,385,506</u>
<u>\$ 1,474</u>	<u>\$ 17,115</u>	<u>\$ 30,041</u>	<u>\$ 20,295</u>	<u>\$ 370,376</u>	<u>\$ 341,482</u>	<u>\$ 154,677</u>	<u>\$ 2,763,411</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, 2017

	<b>212</b> Central College Incubator	<b>214</b> Wetland Bank	<b>215</b> Revolving Loan	<b>216</b> Revolving Loan 2	<b>217</b> Micro Loan
<b>Revenues</b>					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Intergovernmental					
State					
Airport maintenance aid	-	-	-	-	-
Other State aids	-	-	-	-	-
Charges for services					
Miscellaneous	-	-	-	-	-
Investment earnings	145	847	2,159	4,742	197
Miscellaneous					
Rents	-	-	-	-	-
Loan interest	-	-	16,554	11,101	290
Other	50,159	-	-	30	-
Total Revenues	<u>50,304</u>	<u>847</u>	<u>18,713</u>	<u>15,873</u>	<u>487</u>
<b>Expenditures</b>					
Current					
Culture and recreation	-	-	-	-	-
Housing and economic development	78,423	3,304	65,572	110	-
Miscellaneous					
Conservation - water resources	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-
Capital outlay					
Miscellaneous					
Conservation - water resources	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-
Total Expenditures	<u>78,423</u>	<u>3,304</u>	<u>65,572</u>	<u>110</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,119)</u>	<u>(2,457)</u>	<u>(46,859)</u>	<u>15,763</u>	<u>487</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	40,000	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	11,881	(2,457)	(46,859)	15,763	487
Fund Balances, January 1	<u>24,831</u>	<u>77,103</u>	<u>642,064</u>	<u>712,366</u>	<u>25,752</u>
Fund Balances, December 31	<u>\$ 36,712</u>	<u>\$ 74,646</u>	<u>\$ 595,205</u>	<u>\$ 728,129</u>	<u>\$ 26,239</u>

<b>222</b> State Housing Grant II	<b>224</b> State Housing Grant III	<b>226</b> State Housing Grant 2011	<b>228</b> State Housing Grant 2016	<b>230</b> Aeronautics	<b>240</b> Lake Restoration	<b>250</b> Local Option Sales Tax	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ 73,650	\$ -	\$ -	\$ 73,650
-	-	-	-	-	-	175,477	175,477
-	-	-	-	67,201	-	-	67,201
-	-	-	31,253	-	-	-	31,253
-	-	-	-	261,435	66,473	-	327,908
64	74	53	8	3,278	3,212	-	14,779
-	-	-	-	141,489	-	-	141,489
81	85	845	-	-	-	-	28,956
-	-	5,254	-	1,732	-	-	57,175
<u>145</u>	<u>159</u>	<u>6,152</u>	<u>31,261</u>	<u>548,785</u>	<u>69,685</u>	<u>175,477</u>	<u>917,888</u>
-	-	-	-	-	-	20,800	20,800
10,617	15,062	30,952	22,334	-	-	-	226,374
-	-	-	-	-	9,574	-	9,574
-	-	-	-	446,850	-	-	446,850
-	-	-	-	-	23,945	-	23,945
-	-	-	-	12,276	-	-	12,276
<u>10,617</u>	<u>15,062</u>	<u>30,952</u>	<u>22,334</u>	<u>459,126</u>	<u>33,519</u>	<u>20,800</u>	<u>739,819</u>
<u>(10,472)</u>	<u>(14,903)</u>	<u>(24,800)</u>	<u>8,927</u>	<u>89,659</u>	<u>36,166</u>	<u>154,677</u>	<u>178,069</u>
-	-	-	11,368	-	-	-	51,368
<u>(4,470)</u>	<u>(4,246)</u>	<u>(2,652)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,368)</u>
<u>(4,470)</u>	<u>(4,246)</u>	<u>(2,652)</u>	<u>11,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
(14,942)	(19,149)	(27,452)	20,295	89,659	36,166	154,677	218,069
<u>16,416</u>	<u>36,264</u>	<u>57,493</u>	<u>-</u>	<u>269,927</u>	<u>305,221</u>	<u>-</u>	<u>2,167,437</u>
<u>\$ 1,474</u>	<u>\$ 17,115</u>	<u>\$ 30,041</u>	<u>\$ 20,295</u>	<u>\$ 359,586</u>	<u>\$ 341,387</u>	<u>\$ 154,677</u>	<u>\$ 2,385,506</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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017		Variance with Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Taxes				
Property taxes	\$ 75,000	\$ 73,650	\$ (1,350)	\$ 75,401
Intergovernmental				
State				
Airport maintenance aid	105,000	67,201	(37,799)	119,293
Charges for services				
Miscellaneous	306,000	261,435	(44,565)	283,872
Investment earnings	600	3,278	2,678	1,706
Miscellaneous				
Rents	139,000	141,489	2,489	136,850
Other	-	1,732	1,732	6,116
Total Revenues	<u>625,600</u>	<u>548,785</u>	<u>(76,815)</u>	<u>623,238</u>
Expenditures				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	135,119	94,213	40,906	80,411
Supplies	254,750	202,156	52,594	210,331
Other services and charges	166,406	150,481	15,925	159,870
Capital outlay				
Miscellaneous				
Airport operation and maintenance	67,000	12,276	54,724	-
Total Expenditures	<u>623,275</u>	<u>459,126</u>	<u>164,149</u>	<u>450,612</u>
Net Change in Fund Balances	2,325	89,659	87,334	172,626
Fund Balances, January 1	<u>269,927</u>	<u>269,927</u>	-	<u>97,301</u>
Fund Balances, December 31	<u>\$ 272,252</u>	<u>\$ 359,586</u>	<u>\$ 87,334</u>	<u>\$ 269,927</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, 2017  
 With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 2,500	\$ 3,212	\$ 712	\$ 3,110
Charges for services				
Miscellaneous - restoration	65,000	66,473	1,473	64,831
Total Revenues	<u>67,500</u>	<u>69,685</u>	<u>2,185</u>	<u>67,941</u>
Expenditures				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	2,000	268	1,732	679
Other services and charges	12,020	9,306	2,714	9,289
Capital outlay				
Miscellaneous				
Conservation - water resources	115,000	23,945	91,055	1,565
Total Expenditures	<u>129,020</u>	<u>33,519</u>	<u>95,501</u>	<u>11,533</u>
Net Change in Fund Balances	(61,520)	36,166	97,686	56,408
Fund Balances, January 1	<u>305,221</u>	<u>305,221</u>	-	<u>248,813</u>
Fund Balances, December 31	<u>\$ 243,701</u>	<u>\$ 341,387</u>	<u>\$ 97,686</u>	<u>\$ 305,221</u>

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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.

**Housing:** This fund is used to account for land held for resale for housing development.

**Community Center:** This fund is used to account for the future construction of a community center.

**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 Improvement Program:** 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, 2017

	<b>410</b>	<b>402</b>	<b>420</b>
	Lair Road Bridge	Municipal State Aid - Streets	Housing
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,342,894	\$ 167,762
Receivables			
Intergovernmental	-	438,985	-
Land held for resale	-	-	160,000
	<u>-</u>	<u>-</u>	<u>160,000</u>
<b>Total Assets</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,781,879</u></u>	<u><u>\$ 327,762</u></u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to other governments	-	-	160,000
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>160,000</u>
<b>Fund Balances</b>			
Restricted	-	1,781,879	-
Committed	-	-	167,762
Unassigned	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>1,781,879</u>	<u>167,762</u>
	<u><u>\$ -</u></u>	<u><u>\$ 1,781,879</u></u>	<u><u>\$ 327,762</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,781,879</u></u>	<u><u>\$ 327,762</u></u>

<b>430</b>	<b>450</b>	<b>476</b>	Total
Community Center	Airport Reconstruction Project	2016 Capital Improvement Program	Nonmajor Capital Projects
\$ -	\$ 438,661	\$ 39,972	\$ 1,989,289
-	-	-	438,985
-	-	-	160,000
<u>\$ -</u>	<u>\$ 438,661</u>	<u>\$ 39,972</u>	<u>\$ 2,588,274</u>
\$ -	\$ 7,000	\$ 39,972	\$ 46,972
125,281	-	-	125,281
-	-	-	160,000
<u>125,281</u>	<u>7,000</u>	<u>39,972</u>	<u>332,253</u>
-	-	-	1,781,879
-	431,661	-	599,423
(125,281)	-	-	(125,281)
<u>(125,281)</u>	<u>431,661</u>	<u>-</u>	<u>2,256,021</u>
<u>\$ -</u>	<u>\$ 438,661</u>	<u>\$ 39,972</u>	<u>\$ 2,588,274</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, 2017

	<b>410</b>	<b>402</b>	<b>420</b>
	Lair Road Bridge	Municipal State Aid - Streets	Housing
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Intergovernmental			
Federal			
Other federal grants	\$ -	\$ 614,137	\$ -
State			
Street construction aid	-	681,926	-
Investment earnings	3,562	16,753	463
Miscellaneous			
Proceeds of land sales	-	-	150,500
Total Revenues	<u>3,562</u>	<u>1,312,816</u>	<u>150,963</u>
Expenditures			
Current			
Housing and economic development	-	-	2,701
Capital outlay			
Streets and highways	-	-	-
Culture and recreation	-	-	-
Miscellaneous	-	-	-
Debt service			
Interest and other	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>2,701</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,562</u>	<u>1,312,816</u>	<u>148,262</u>
Other Financing Sources (Uses)			
Transfers in	-	696,828	19,500
Transfers out	<u>(322,374)</u>	<u>(2,224,811)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(322,374)</u>	<u>(1,527,983)</u>	<u>19,500</u>
Net Change in Fund Balances	(318,812)	(215,167)	167,762
Fund Balances, January 1	<u>318,812</u>	<u>1,997,046</u>	<u>-</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 1,781,879</u>	<u>\$ 167,762</u>

<b>430</b>	<b>450</b>	<b>476</b>	Total
Community Center	Airport Reconstruction Project	2016 Capital Improvement Program	Nonmajor Capital Projects
\$ -	\$ -	\$ -	\$ 614,137
-	-	-	681,926
-	7,620	-	28,398
-	-	-	150,500
-	7,620	-	1,474,961
-	-	-	2,701
-	-	34,367	34,367
125,010	-	-	125,010
-	29,569	-	29,569
271	-	-	271
125,281	29,569	34,367	191,918
(125,281)	(21,949)	(34,367)	1,283,043
-	-	703,561	1,419,889
-	-	(19,500)	(2,566,685)
-	-	684,061	(1,146,796)
(125,281)	(21,949)	649,694	136,247
-	453,610	(649,694)	2,119,774
\$ (125,281)	\$ 431,661	\$ -	\$ 2,256,021

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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, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 7,373,419	\$ 7,094,590
Receivables		
Interest	75,759	63,793
Delinquent taxes	59,260	44,517
Special assessments	22,069	12,385
Accounts	107,770	86,866
Intergovernmental	24,525	20,258
Prepaid items	-	787
	<u>          -</u>	<u>          787</u>
<b>Total Assets</b>	<u><u>\$ 7,662,802</u></u>	<u><u>\$ 7,323,196</u></u>
<b>Liabilities</b>		
Accounts and contracts payable	\$ 157,819	\$ 120,745
Due to other funds	30,341	26,350
Due to other governments	280	278
Accrued salaries payable	119,981	104,381
Unearned revenue	23,338	22,600
<b>Total Liabilities</b>	<u>331,759</u>	<u>274,354</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - taxes	59,260	44,517
Unavailable revenue - special assessments	22,069	12,385
<b>Total Deferred Inflows of Resources</b>	<u>81,329</u>	<u>56,902</u>
<b>Fund Balances</b>		
Nonspendable	-	787
Committed	29,122	151,622
Assigned	3,279,918	2,739,131
Unassigned	3,940,674	4,100,400
<b>Total Fund Balances</b>	<u>7,249,714</u>	<u>6,991,940</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 7,662,802</u></u>	<u><u>\$ 7,323,196</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, 2017  
 With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Taxes					
Property taxes	\$ 2,856,535	\$ 2,856,535	\$ 2,824,041	\$ (32,494)	\$ 2,494,915
Franchise taxes	37,000	37,000	40,696	3,696	39,526
Total taxes	<u>2,893,535</u>	<u>2,893,535</u>	<u>2,864,737</u>	<u>(28,798)</u>	<u>2,534,441</u>
Special assessments	<u>3,000</u>	<u>3,000</u>	<u>3,649</u>	<u>649</u>	<u>798</u>
Licenses and permits					
Business	37,875	37,875	44,264	6,389	41,599
Nonbusiness	132,000	132,000	127,456	(4,544)	114,158
Total licenses and permits	<u>169,875</u>	<u>169,875</u>	<u>171,720</u>	<u>1,845</u>	<u>155,757</u>
Intergovernmental					
Federal					
Other Federal aids	-	-	-	-	20,434
State					
Local government aid	3,426,119	3,426,119	3,426,119	-	3,530,759
Property tax credits	-	-	1,672	1,672	1,830
Street maintenance aid	29,085	29,085	30,015	930	29,085
Police aid	221,908	221,908	232,062	10,154	232,422
Other State aids	21,672	21,672	21,672	-	21,672
Total state	<u>3,698,784</u>	<u>3,698,784</u>	<u>3,711,540</u>	<u>12,756</u>	<u>3,815,768</u>
County					
Other County aids	-	-	9,000	9,000	-
Total intergovernmental	<u>3,698,784</u>	<u>3,698,784</u>	<u>3,720,540</u>	<u>21,756</u>	<u>3,836,202</u>
Charges for services					
General government	10,500	10,500	11,935	1,435	11,632
Public safety	88,000	88,000	218,440	130,440	107,802
Streets and highways	4,500	4,500	8,355	3,855	10,300
Sanitation	131,157	131,157	161,680	30,523	162,841
Culture and recreation	158,000	158,000	184,873	26,873	189,454
Total charges for services	<u>392,157</u>	<u>392,157</u>	<u>585,283</u>	<u>193,126</u>	<u>482,029</u>
Fines and forfeits					
Court fines	<u>59,000</u>	<u>59,000</u>	<u>55,221</u>	<u>(3,779)</u>	<u>55,554</u>
Investment earnings	<u>35,000</u>	<u>35,000</u>	<u>66,986</u>	<u>31,986</u>	<u>41,864</u>
Miscellaneous					
Rents	48,000	48,000	48,461	461	47,741
Contributions and donations	5,000	5,000	19,996	14,996	92,289
Other	52,318	52,318	49,901	(2,417)	53,070
Total miscellaneous	<u>105,318</u>	<u>105,318</u>	<u>118,358</u>	<u>13,040</u>	<u>193,100</u>
Total Revenues	<u>7,356,669</u>	<u>7,356,669</u>	<u>7,586,494</u>	<u>229,825</u>	<u>7,299,745</u>

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, 2017  
 With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 27,259	\$ 27,259	\$ 56,463	\$ (29,204)	\$ 32,793
Supplies	2,200	2,200	825	1,375	764
Other services and charges	5,300	5,300	5,612	(312)	3,420
Total mayor and council	<u>34,759</u>	<u>34,759</u>	<u>62,900</u>	<u>(28,141)</u>	<u>36,977</u>
City administrator					
Personal services	91,802	91,802	94,587	(2,785)	92,678
Supplies	2,600	2,600	1,839	761	3,355
Other services and charges	25,285	25,285	21,214	4,071	17,812
Total city administrator	<u>119,687</u>	<u>119,687</u>	<u>117,640</u>	<u>2,047</u>	<u>113,845</u>
Elections					
Personal services	12,497	12,497	11,329	1,168	27,696
Supplies	2,000	2,000	40	1,960	3,554
Other services and charges	625	625	53	572	571
Total elections	<u>15,122</u>	<u>15,122</u>	<u>11,422</u>	<u>3,700</u>	<u>31,821</u>
Recording and reporting					
Personal services	56,517	56,517	56,645	(128)	55,659
Supplies	2,800	2,800	3,011	(211)	1,917
Other services and charges	4,325	4,325	3,917	408	3,131
Total recording and reporting	<u>63,642</u>	<u>63,642</u>	<u>63,573</u>	<u>69</u>	<u>60,707</u>
Local access channel					
Personal services	1,830	1,830	1,683	147	1,657
Supplies	1,000	1,000	-	1,000	230
Other services and charges	7,515	7,515	7,588	(73)	7,673
Total local access channel	<u>10,345</u>	<u>10,345</u>	<u>9,271</u>	<u>1,074</u>	<u>9,560</u>
Accounting					
Personal services	226,444	226,444	229,652	(3,208)	220,195
Supplies	4,000	4,000	1,912	2,088	3,253
Other services and charges	72,853	72,853	64,563	8,290	58,094
Total accounting	<u>303,297</u>	<u>303,297</u>	<u>296,127</u>	<u>7,170</u>	<u>281,542</u>
City attorney					
Personal services	153,508	153,508	153,925	(417)	151,514
Supplies	2,500	2,500	1,219	1,281	2,436
Other services and charges	12,065	12,065	11,848	217	10,767
Total city attorney	<u>168,073</u>	<u>168,073</u>	<u>166,992</u>	<u>1,081</u>	<u>164,717</u>

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, 2017  
 With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personal services	\$ 134,055	\$ 134,055	\$ 155,023	\$ (20,968)	\$ 130,344
Supplies	1,300	1,300	3,962	(2,662)	880
Other services and charges	4,250	4,250	5,072	(822)	2,889
Total planning and zoning	<u>139,605</u>	<u>139,605</u>	<u>164,057</u>	<u>(24,452)</u>	<u>134,113</u>
General government building					
Personal services	70,384	70,384	65,454	4,930	66,093
Supplies	7,000	7,000	2,077	4,923	2,438
Other services and charges	59,970	59,970	50,145	9,825	48,230
Total general government building	<u>137,354</u>	<u>137,354</u>	<u>117,676</u>	<u>19,678</u>	<u>116,761</u>
Library building					
Supplies	6,000	6,000	1,999	4,001	1,411
Other services and charges	65,060	65,060	78,668	(13,608)	73,405
Total library building	<u>71,060</u>	<u>71,060</u>	<u>80,667</u>	<u>(9,607)</u>	<u>74,816</u>
Other general government					
Supplies	250	250	99	151	177
Other services and charges	160,500	160,500	150,463	10,037	108,863
Total other general government	<u>160,750</u>	<u>160,750</u>	<u>150,562</u>	<u>10,188</u>	<u>109,040</u>
Total general government	<u>1,223,694</u>	<u>1,223,694</u>	<u>1,240,887</u>	<u>(17,193)</u>	<u>1,133,899</u>
Public safety					
Police					
Administration					
Personal services	423,689	423,689	432,620	(8,931)	440,629
Supplies	4,750	4,750	3,342	1,408	4,481
Other services and charges	21,690	21,690	18,750	2,940	41,488
Total administration	<u>450,129</u>	<u>450,129</u>	<u>454,712</u>	<u>(4,583)</u>	<u>486,598</u>
Crime control					
Personal services	1,607,313	1,607,313	1,688,859	(81,546)	1,591,292
Supplies	88,250	88,250	45,904	42,346	43,631
Other services and charges	237,298	237,298	261,432	(24,134)	213,096
Total crime control	<u>1,932,861</u>	<u>1,932,861</u>	<u>1,996,195</u>	<u>(63,334)</u>	<u>1,848,019</u>

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Police					
D.A.R.E. program					
Supplies	\$ 2,500	\$ 2,500	\$ 253	\$ 2,247	\$ 917
Crossing guards					
Personal services	-	-	1,078	(1,078)	1,019
Other services and charges	3,000	3,000	-	3,000	60
Total crossing guards	3,000	3,000	1,078	1,922	1,079
Drug task force					
Other services and charges	16,700	16,700	25,870	(9,170)	29,238
Total police	2,405,190	2,405,190	2,478,108	(72,918)	2,365,851
Fire					
Fire fighting					
Personal services	271,745	271,745	242,948	28,797	245,803
Supplies	42,000	42,000	5,057	36,943	12,152
Other services and charges	82,675	82,675	169,343	(86,668)	94,597
Total fire fighting	396,420	396,420	417,348	(20,928)	352,552
Training					
Personal services	49,462	49,462	38,288	11,174	36,660
Supplies	5,000	5,000	-	5,000	-
Other services and charges	10,250	10,250	228	10,022	4,229
Total training	64,712	64,712	38,516	26,196	40,889
Total fire	461,132	461,132	455,864	5,268	393,441
Inspection					
Building inspection					
Personal services	192,019	192,019	191,750	269	163,888
Supplies	7,300	7,300	2,727	4,573	2,838
Other services and charges	13,175	13,175	10,303	2,872	10,937
Total building inspection	212,494	212,494	204,780	7,714	177,663
Fire inspection					
Personal services	-	-	2,744	(2,744)	19,458
Other services and charges	-	-	106	(106)	720
Total fire inspection	-	-	2,850	(2,850)	20,178
Total inspection	212,494	212,494	207,630	4,864	197,841
Civil defense					
Supplies	600	600	1,845	(1,245)	-
Other services and charges	350	350	2,245	(1,895)	71
Total civil defense	950	950	4,090	(3,140)	71

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Animal control					
Personal services	\$ 87,280	\$ 87,280	\$ 64,104	\$ 23,176	\$ 83,898
Supplies	11,225	11,225	9,015	2,210	9,828
Other services and charges	30,309	30,309	28,965	1,344	28,948
Total animal control	<u>128,814</u>	<u>128,814</u>	<u>102,084</u>	<u>26,730</u>	<u>122,674</u>
Total public safety	<u>3,208,580</u>	<u>3,208,580</u>	<u>3,247,776</u>	<u>(39,196)</u>	<u>3,079,878</u>
Streets and highways					
Paved streets					
Personal services	391,638	391,638	388,476	3,162	383,229
Supplies	152,250	152,250	126,325	25,925	136,664
Other services and charges	57,570	57,570	47,656	9,914	37,840
Total paved streets	<u>601,458</u>	<u>601,458</u>	<u>562,457</u>	<u>39,001</u>	<u>557,733</u>
Ice and snow removal					
Personal services	177,335	177,335	176,431	904	173,826
Supplies	47,000	47,000	40,966	6,034	42,849
Other services and charges	18,200	18,200	15,142	3,058	17,422
Total ice and snow removal	<u>242,535</u>	<u>242,535</u>	<u>232,539</u>	<u>9,996</u>	<u>234,097</u>
Road and bridge equipment					
Personal services	35,467	35,467	35,285	182	34,765
Supplies	25,000	25,000	13,786	11,214	16,167
Other services and charges	111,000	111,000	120,926	(9,926)	111,286
Total road and bridge equipment	<u>171,467</u>	<u>171,467</u>	<u>169,997</u>	<u>1,470</u>	<u>162,218</u>
Street lighting					
Other services and charges	<u>151,900</u>	<u>151,900</u>	<u>157,650</u>	<u>(5,750)</u>	<u>156,027</u>
Engineering					
Personal services	288,989	288,989	279,059	9,930	234,987
Supplies	10,500	10,500	4,692	5,808	6,287
Other services and charges	50,510	50,510	39,541	10,969	42,830
Total engineering	<u>349,999</u>	<u>349,999</u>	<u>323,292</u>	<u>26,707</u>	<u>284,104</u>
Total streets and highways	<u>1,517,359</u>	<u>1,517,359</u>	<u>1,445,935</u>	<u>71,424</u>	<u>1,394,179</u>
Sanitation and waste removal					
Weed control					
Other services and charges	<u>12,900</u>	<u>12,900</u>	<u>42,842</u>	<u>(29,942)</u>	<u>38,356</u>
Garbage collection					
Personal services	32,029	32,029	30,924	1,105	31,242
Supplies	4,900	4,900	1,780	3,120	1,598
Other services and charges	72,700	72,700	73,413	(713)	67,635
Total garbage collection	<u>109,629</u>	<u>109,629</u>	<u>106,117</u>	<u>3,512</u>	<u>100,475</u>
Total sanitation and waste removal	<u>122,529</u>	<u>122,529</u>	<u>148,959</u>	<u>(26,430)</u>	<u>138,831</u>
Culture and recreation					
Parks					
Personal services	686,117	686,117	655,418	30,699	643,516
Supplies	64,100	64,100	73,160	(9,060)	74,806
Other services and charges	239,000	239,000	230,888	8,112	321,448
Total parks	<u>989,217</u>	<u>989,217</u>	<u>959,466</u>	<u>29,751</u>	<u>1,039,770</u>

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Recreation - aquatic park					
Personal services	\$ 263,115	\$ 263,115	\$ 254,257	\$ 8,858	\$ 246,729
Supplies	57,000	57,000	49,295	7,705	49,289
Other services and charges	93,054	93,054	94,125	(1,071)	77,124
Total recreation - aquatic park	<u>413,169</u>	<u>413,169</u>	<u>397,677</u>	<u>15,492</u>	<u>373,142</u>
Total culture and recreation	<u>1,402,386</u>	<u>1,402,386</u>	<u>1,357,143</u>	<u>45,243</u>	<u>1,412,912</u>
Total current	<u>7,474,548</u>	<u>7,474,548</u>	<u>7,440,700</u>	<u>33,848</u>	<u>7,159,699</u>
Capital outlay					
General government	79,000	79,000	92,042	(13,042)	67,685
Public safety	342,400	342,400	451,377	(108,977)	650,939
Streets and highways	233,000	233,000	203,599	29,401	261,860
Culture and recreation	536,500	536,500	196,569	339,931	40,761
Total capital outlay	<u>1,190,900</u>	<u>1,190,900</u>	<u>943,587</u>	<u>247,313</u>	<u>1,021,245</u>
Total Expenditures	<u>8,665,448</u>	<u>8,665,448</u>	<u>8,384,287</u>	<u>281,161</u>	<u>8,180,944</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,308,779)</u>	<u>(1,308,779)</u>	<u>(797,793)</u>	<u>510,986</u>	<u>(881,199)</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	43,435	43,435	9,184
Transfers in	1,047,132	1,047,132	1,047,132	-	1,519,633
Transfers out	(35,000)	(35,000)	(35,000)	-	(34,432)
Total Other Financing Sources (Uses)	<u>1,012,132</u>	<u>1,012,132</u>	<u>1,055,567</u>	<u>43,435</u>	<u>1,494,385</u>
Net Change in Fund Balances	(296,647)	(296,647)	257,774	554,421	613,186
Fund Balances, January 1	<u>6,991,940</u>	<u>6,991,940</u>	<u>6,991,940</u>	<u>-</u>	<u>6,378,754</u>
Fund Balances, December 31	<u>\$ 6,695,293</u>	<u>\$ 6,695,293</u>	<u>\$ 7,249,714</u>	<u>\$ 554,421</u>	<u>\$ 6,991,940</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, 2017

	<b>323</b>	<b>369</b>	<b>305</b>	<b>370</b>	<b>371</b>
	Special Assessment	2009 Special Assessments	Fire Truck Debt	2010A Refunding Bonds	2011 Improvement Bonds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,421,404	\$ 231,256	\$ 119,533	\$ -	\$ -
Escrowed investments	-	427,363	-	-	-
Receivables					
Delinquent taxes	325	1,183	146	-	-
Special assessments					
Delinquent	8,560	213,453	-	-	-
Noncurrent	218,144	10,197	-	-	-
Intergovernmental	2,302	294	2	-	-
Due from other funds	156,281	-	-	-	-
	<u>156,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 1,807,016</u></b>	<b><u>\$ 883,746</u></b>	<b><u>\$ 119,681</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 1,125	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>1,125</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	325	1,183	146	-	-
Unavailable revenue - special assessments	226,704	223,650	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>227,029</u></b>	<b><u>224,833</u></b>	<b><u>146</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>					
Restricted	<u>1,578,862</u>	<u>658,913</u>	<u>119,535</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of     Resources and Fund Balances</b>	<b><u>\$ 1,807,016</u></b>	<b><u>\$ 883,746</u></b>	<b><u>\$ 119,681</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

City of Fairmont, Minnesota  
Debt Service Funds  
Combining Balance Sheet (Continued)  
December 31, 2017

	<b>320</b> Tax Increment District No. 23	<b>322</b> Tax Increment District No. 22	<b>324</b> Tax Increment District No. 24	<b>325</b> Tax Increment District No. 25	<b>326</b> Tax Increment District No. 26
<b>Assets</b>					
Cash and cash equivalents	\$ 12,492	\$ -	\$ 3,379	\$ 399	\$ -
Escrowed investments	-	-	-	-	-
Receivables					
Delinquent taxes	-	-	-	-	-
Special assessments					
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	-	-
	<u>12,492</u>	<u>-</u>	<u>3,379</u>	<u>399</u>	<u>-</u>
<b>Total Assets</b>	<b>\$ 12,492</b>	<b>\$ -</b>	<b>\$ 3,379</b>	<b>\$ 399</b>	<b>\$ -</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 400	\$ 400
Due to other funds	-	-	-	11,000	10,000
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,400</u>	<u>10,400</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	-	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted	<u>12,492</u>	<u>-</u>	<u>3,379</u>	<u>(11,001)</u>	<u>(10,400)</u>
	<u>12,492</u>	<u>-</u>	<u>3,379</u>	<u>399</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of     Resources and Fund Balances</b>	<b>\$ 12,492</b>	<b>\$ -</b>	<b>\$ 3,379</b>	<b>\$ 399</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	<b>377</b> 2017 G.O. Bonds	Totals
\$ 2,357	\$ 542,320	\$ 251,128	\$ 394,240	\$ 653,967	\$ 315,617	\$ 3,948,092
-	-	-	-	488,312	-	915,675
-	12,390	1,902	1,893	6,056	-	23,895
-	843,135	160,549	250,574	925	-	1,477,196
-	45,927	8,700	19,266	203,452	475,485	981,171
-	5,882	695	1,050	2,522	-	12,747
-	-	-	-	-	-	156,281
<u>\$ 2,357</u>	<u>\$ 1,449,654</u>	<u>\$ 422,974</u>	<u>\$ 667,023</u>	<u>\$ 1,355,234</u>	<u>\$ 791,102</u>	<u>\$ 7,515,057</u>
\$ 400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325
10,000	-	-	-	-	-	31,000
<u>10,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,325</u>
-	12,390	1,902	1,893	6,056	-	23,895
-	889,062	169,249	269,840	204,377	475,485	2,458,367
-	<u>901,452</u>	<u>171,151</u>	<u>271,733</u>	<u>210,433</u>	<u>475,485</u>	<u>2,482,262</u>
(8,043)	548,202	251,823	395,290	1,144,801	315,617	4,999,470
<u>\$ 2,357</u>	<u>\$ 1,449,654</u>	<u>\$ 422,974</u>	<u>\$ 667,023</u>	<u>\$ 1,355,234</u>	<u>\$ 791,102</u>	<u>\$ 7,515,057</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, 2017

	<b>323</b>	<b>369</b>	<b>305</b>	<b>370</b>	<b>371</b>
	Special Assessment	2009 Special Assessments	Fire Truck Debt	2010A Refunding Bonds	2011 Improvement Bonds
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ 39	\$ -	\$ -
Tax increment district taxes	-	-	-	-	-
Special assessments	82,136	53,304	-	26,636	30,053
Investment earnings	16,419	2,407	929	2,208	1,682
Total Revenues	<u>98,555</u>	<u>55,711</u>	<u>968</u>	<u>28,844</u>	<u>31,735</u>
Expenditures					
Current					
Housing and economic development	-	-	-	-	-
Debt service					
Principal	-	110,000	-	301,826	132,783
Interest and other	3,625	39,888	-	23,109	22,781
Total Expenditures	<u>3,625</u>	<u>149,888</u>	<u>-</u>	<u>324,935</u>	<u>155,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>94,930</u>	<u>(94,177)</u>	<u>968</u>	<u>(296,091)</u>	<u>(123,829)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	35,000	-	-
Bonds issued	-	-	-	-	-
Transfers out	-	-	-	(280,182)	(165,573)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>(280,182)</u>	<u>(165,573)</u>
Net Change in Fund Balances	94,930	(94,177)	35,968	(576,273)	(289,402)
Fund Balances, January 1	<u>1,483,932</u>	<u>753,090</u>	<u>83,567</u>	<u>576,273</u>	<u>289,402</u>
Fund Balances, December 31	<u>\$ 1,578,862</u>	<u>\$ 658,913</u>	<u>\$ 119,535</u>	<u>\$ -</u>	<u>\$ -</u>

City of Fairmont, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended December 31, 2017

	<b>320</b> Tax Increment District No. 23	<b>322</b> Tax Increment District No. 22	<b>324</b> Tax Increment District No. 24	<b>325</b> Tax Increment District No. 25	<b>326</b> Tax Increment District No. 26
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment district taxes	24,983	57,362	5,591	4,158	-
Special assessments	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total Revenues	<u>24,983</u>	<u>57,362</u>	<u>5,591</u>	<u>4,158</u>	<u>-</u>
Expenditures					
Current					
Housing and economic development	24,410	57,362	2,212	5,159	400
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	<u>24,410</u>	<u>57,362</u>	<u>2,212</u>	<u>5,159</u>	<u>400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>573</u>	<u>-</u>	<u>3,379</u>	<u>(1,001)</u>	<u>(400)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Bonds issued	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	573	-	3,379	(1,001)	(400)
Fund Balances, January 1	<u>11,919</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Fund Balances, December 31	<u>\$ 12,492</u>	<u>\$ -</u>	<u>\$ 3,379</u>	<u>\$ (11,001)</u>	<u>\$ (10,400)</u>



<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	<b>377</b> 2017 G.O. Bonds	Totals
\$ -	\$ 531,948	\$ 93,502	\$ 145,260	\$ 230,376	\$ -	\$ 1,001,125
-	-	-	-	-	-	92,094
-	186,612	25,979	43,140	-	269,774	717,634
-	1,993	2,249	962	21,539	879	51,267
-	<u>720,553</u>	<u>121,730</u>	<u>189,362</u>	<u>251,915</u>	<u>270,653</u>	<u>1,862,120</u>
400	-	-	-	-	-	89,943
-	740,000	105,000	145,000	2,195,391	-	3,730,000
-	65,914	42,863	52,581	66,380	-	317,141
<u>400</u>	<u>805,914</u>	<u>147,863</u>	<u>197,581</u>	<u>2,261,771</u>	<u>-</u>	<u>4,137,084</u>
<u>(400)</u>	<u>(85,361)</u>	<u>(26,133)</u>	<u>(8,219)</u>	<u>(2,009,856)</u>	<u>270,653</u>	<u>(2,274,964)</u>
-	-	-	225,187	445,755	-	705,942
-	-	-	-	-	44,964	44,964
-	-	-	-	-	-	(445,755)
-	-	-	<u>225,187</u>	<u>445,755</u>	<u>44,964</u>	<u>305,151</u>
(400)	(85,361)	(26,133)	216,968	(1,564,101)	315,617	(1,969,813)
<u>(7,643)</u>	<u>633,563</u>	<u>277,956</u>	<u>178,322</u>	<u>2,708,902</u>	<u>-</u>	<u>6,969,283</u>
<u>\$ (8,043)</u>	<u>\$ 548,202</u>	<u>\$ 251,823</u>	<u>\$ 395,290</u>	<u>\$ 1,144,801</u>	<u>\$ 315,617</u>	<u>\$ 4,999,470</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, 2017 and 2016

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	2017	2016	2017	2016
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 17,726	\$ 1,599	\$ 221,505	\$ 403,663
Receivables				
Accounts	-	894	9,780	-
Due from other funds	-	-	46,047	43,336
Prepaid items	-	-	-	-
<b>Total Current Assets</b>	<u>17,726</u>	<u>2,493</u>	<u>277,332</u>	<u>446,999</u>
<b>Capital Assets</b>				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
<b>Net Capital Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u>17,726</u>	<u>2,493</u>	<u>277,332</u>	<u>446,999</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts and contracts payable	1,166	1,552	13,487	10,543
Due to other funds	1,120	974	-	-
Accrued salaries payable	8,645	5,950	-	-
<b>Total Liabilities</b>	<u>10,931</u>	<u>8,476</u>	<u>13,487</u>	<u>10,543</u>
<b>Net Position</b>				
Investment in capital assets	-	-	-	-
Unrestricted	6,795	(5,983)	263,845	436,456
<b>Total Net Position</b>	<u>\$ 6,795</u>	<u>\$ (5,983)</u>	<u>\$ 263,845</u>	<u>\$ 436,456</u>

<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 679,263	\$ 670,473	\$ 416,918	\$ 430,013	\$ 14,071	\$ 14,069	\$ 1,349,483	\$ 1,519,817
-	-	18,626	8,685	-	-	28,406	9,579
-	-	8,846	6,077	-	-	54,893	49,413
-	-	-	-	20,235	19,271	20,235	19,271
<u>679,263</u>	<u>670,473</u>	<u>444,390</u>	<u>444,775</u>	<u>34,306</u>	<u>33,340</u>	<u>1,453,017</u>	<u>1,598,080</u>
-	-	-	-	211,356	308,604	211,356	308,604
-	-	-	-	(199,576)	(285,417)	(199,576)	(285,417)
-	-	-	-	<u>11,780</u>	<u>23,187</u>	<u>11,780</u>	<u>23,187</u>
<u>679,263</u>	<u>670,473</u>	<u>444,390</u>	<u>444,775</u>	<u>46,086</u>	<u>56,527</u>	<u>1,464,797</u>	<u>1,621,267</u>
6,451	-	178,976	82,421	5,310	4,388	205,390	98,904
-	-	-	-	-	-	1,120	974
-	-	-	-	-	-	8,645	5,950
<u>6,451</u>	<u>-</u>	<u>178,976</u>	<u>82,421</u>	<u>5,310</u>	<u>4,388</u>	<u>215,155</u>	<u>105,828</u>
-	-	-	-	11,780	23,187	11,780	23,187
<u>672,812</u>	<u>670,473</u>	<u>265,414</u>	<u>362,354</u>	<u>28,996</u>	<u>28,952</u>	<u>1,237,862</u>	<u>1,492,252</u>
<u>\$ 672,812</u>	<u>\$ 670,473</u>	<u>\$ 265,414</u>	<u>\$ 362,354</u>	<u>\$ 40,776</u>	<u>\$ 52,139</u>	<u>\$ 1,249,642</u>	<u>\$ 1,515,439</u>

City of Fairmont, Minnesota  
Internal Service Funds  
Combining Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2017 and 2016

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	\$ 209,689	\$ 207,492	\$ 1,614,957	\$ 1,541,617
Miscellaneous revenues	-	894	9,579	6,900
Total Operating Revenues	<u>209,689</u>	<u>208,386</u>	<u>1,624,536</u>	<u>1,548,517</u>
Operating Expenses				
Administration and other				
Personal services	159,201	172,375	697	639
Supplies	29,647	25,803	-	-
Other services and charges	8,171	5,541	97,630	59,090
Insurance premiums paid	-	-	1,496,630	1,207,783
Insurance claims paid	-	-	202,587	190,032
Depreciation	-	-	-	-
Total Operating Expenses	<u>197,019</u>	<u>203,719</u>	<u>1,797,544</u>	<u>1,457,544</u>
Operating Income (Loss)	12,670	4,667	(173,008)	90,973
Nonoperating Revenues				
Investment income	<u>108</u>	<u>14</u>	<u>397</u>	<u>311</u>
Change in Net Position	12,778	4,681	(172,611)	91,284
Net Position, January 1	<u>(5,983)</u>	<u>(10,664)</u>	<u>436,456</u>	<u>345,172</u>
Net Position, December 31	<u>\$ 6,795</u>	<u>\$ (5,983)</u>	<u>\$ 263,845</u>	<u>\$ 436,456</u>



<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 285,403	\$ 397,512	\$ 247,914	\$ 237,749	\$ 102,098	\$ 94,149	\$ 2,460,061	\$ 2,478,519
-	-	22,783	12,463	-	-	32,362	20,257
<u>285,403</u>	<u>397,512</u>	<u>270,697</u>	<u>250,212</u>	<u>102,098</u>	<u>94,149</u>	<u>2,492,423</u>	<u>2,498,776</u>
-	-	-	-	-	-	159,898	173,014
-	-	-	250	9,531	995	39,178	27,048
15,000	15,326	41,222	59,950	92,680	84,754	254,703	224,661
251,807	254,683	331,164	265,256	-	-	2,079,601	1,727,722
23,456	3,618	-	-	-	-	226,043	193,650
-	-	-	-	11,407	17,302	11,407	17,302
<u>290,263</u>	<u>273,627</u>	<u>372,386</u>	<u>325,456</u>	<u>113,618</u>	<u>103,051</u>	<u>2,770,830</u>	<u>2,363,397</u>
(4,860)	123,885	(101,689)	(75,244)	(11,520)	(8,902)	(278,407)	135,379
7,199	5,441	4,749	4,894	157	142	12,610	10,802
2,339	129,326	(96,940)	(70,350)	(11,363)	(8,760)	(265,797)	146,181
<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>
<u>\$ 672,812</u>	<u>\$ 670,473</u>	<u>\$ 265,414</u>	<u>\$ 362,354</u>	<u>\$ 40,776</u>	<u>\$ 52,139</u>	<u>\$ 1,249,642</u>	<u>\$ 1,515,439</u>

City of Fairmont, Minnesota  
Internal Service Funds  
Combining Statements of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from interfund services provided	\$ 210,583	\$ 206,598	\$ 1,605,177	\$ 1,541,661
Payments to suppliers	(37,043)	(30,440)	(98,327)	(59,729)
Payments to and on behalf of employees	(122,604)	(141,519)	(1,695,916)	(1,409,379)
Payments for interfund services used	(35,063)	(35,867)	(357)	(486)
Other receipts	-	894	9,579	6,900
Net Cash Provided (Used) by Operating Activities	<u>15,873</u>	<u>(334)</u>	<u>(179,844)</u>	<u>78,967</u>
Cash Flows from Noncapital and Related Financing Activities				
Increase in due from other funds	-	-	(2,711)	(10,967)
Decrease in due from other funds	-	-	-	-
Decrease in due from component unit	-	-	-	32
Increase in due to other funds	146	104	-	-
Decrease in due to other funds	-	-	-	(50,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>146</u>	<u>104</u>	<u>(2,711)</u>	<u>(60,935)</u>
Cash Flows from Capital And Related Financing Activities				
Acquisition of capital assets	-	-	-	-
Cash Flows from Investing Activities				
Interest received	<u>108</u>	<u>14</u>	<u>397</u>	<u>311</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,127	(216)	(182,158)	18,343
Cash and Cash Equivalents, January 1	<u>1,599</u>	<u>1,815</u>	<u>403,663</u>	<u>385,320</u>
Cash and Cash Equivalents, December 31	<u>\$ 17,726</u>	<u>\$ 1,599</u>	<u>\$ 221,505</u>	<u>\$ 403,663</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 12,670	\$ 4,667	\$ (173,008)	\$ 90,973
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in assets				
Net accounts receivable	894	(894)	(9,780)	44
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	(386)	(276)	2,944	(12,050)
Accrued wages payable	2,695	(3,831)	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 15,873</u>	<u>\$ (334)</u>	<u>\$ (179,844)</u>	<u>\$ 78,967</u>

<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 285,403	\$ 397,512	\$ 237,973	\$ 238,642	\$ 102,098	\$ 94,149	\$ 2,441,234	\$ 2,478,562
(283,812)	(273,627)	(41,222)	(60,200)	(101,637)	(86,095)	(562,041)	(510,091)
-	-	(234,609)	(244,444)	-	-	(2,053,129)	(1,795,342)
-	-	-	-	(616)	(571)	(36,036)	(36,924)
-	-	22,783	12,463	-	-	32,362	20,257
<u>1,591</u>	<u>123,885</u>	<u>(15,075)</u>	<u>(53,539)</u>	<u>(155)</u>	<u>7,483</u>	<u>(177,610)</u>	<u>156,462</u>
-	-	(2,769)	-	-	-	(5,480)	(10,967)
-	-	-	49,248	-	-	-	49,248
-	-	-	-	-	-	-	32
-	-	-	-	-	-	146	104
-	-	-	-	-	-	-	(50,000)
-	-	(2,769)	49,248	-	-	(5,334)	(11,583)
-	-	-	-	-	(7,625)	-	(7,625)
<u>7,199</u>	<u>5,441</u>	<u>4,749</u>	<u>4,894</u>	<u>157</u>	<u>142</u>	<u>12,610</u>	<u>10,802</u>
8,790	129,326	(13,095)	603	2	-	(170,334)	148,056
<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>
<u>\$ 679,263</u>	<u>\$ 670,473</u>	<u>\$ 416,918</u>	<u>\$ 430,013</u>	<u>\$ 14,071</u>	<u>\$ 14,069</u>	<u>\$ 1,349,483</u>	<u>\$ 1,519,817</u>
\$ (4,860)	\$ 123,885	\$ (101,689)	\$ (75,244)	\$ (11,520)	\$ (8,902)	\$ (278,407)	\$ 135,379
-	-	-	-	11,407	17,302	11,407	17,302
-	-	(9,941)	893	-	-	(18,827)	43
-	-	-	-	(964)	(918)	(964)	(918)
6,451	-	96,555	20,812	922	1	106,486	8,487
-	-	-	-	-	-	2,695	(3,831)
<u>\$ 1,591</u>	<u>\$ 123,885</u>	<u>\$ (15,075)</u>	<u>\$ (53,539)</u>	<u>\$ (155)</u>	<u>\$ 7,483</u>	<u>\$ (177,610)</u>	<u>\$ 156,462</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.

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

**iPaddlePort:** This fund is used to account for the donations received and the expenditures made for purchase and operations of an iPaddleport..

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City of Fairmont, Minnesota  
 Agency Funds  
 Combining Balance Sheet  
 December 31, 2017

	<b>873</b>	<b>706</b>	<b>871</b>	<b>872</b>
	C.V.B. Tax Agency	Flex Plan	Multi- Family Housing	HRA Potter's Addition
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>				
Cash and cash equivalents	\$ 15,136	\$ 11,940	\$ 131,871	\$ 252,608
Receivables				
Accounts	-	-	-	62
Due from other governments	<u>-</u>	<u>1,003</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 15,136</u></b>	<b><u>\$ 12,943</u></b>	<b><u>\$ 131,871</u></b>	<b><u>\$ 252,670</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 15,136	\$ 12,943	\$ 126,756	\$ 241,806
Deposits payable	<u>-</u>	<u>-</u>	<u>5,115</u>	<u>10,864</u>
<b>Total Liabilities</b>	<b><u>\$ 15,136</u></b>	<b><u>\$ 12,943</u></b>	<b><u>\$ 131,871</u></b>	<b><u>\$ 252,670</u></b>



<b>874</b>	<b>876</b>	<b>877</b>	<b>878</b>	<b>879</b>	
Focus on Fairmont	Project 1590	Inclusive Playground	Mall Playground	iPaddlePort	Total
\$ 412	\$ 14,918	\$ 44,747	\$ 28,852	\$ 5,000	\$ 505,484
-	-	-	-	-	62
-	-	-	-	-	1,003
<u>\$ 412</u>	<u>\$ 14,918</u>	<u>\$ 44,747</u>	<u>\$ 28,852</u>	<u>\$ 5,000</u>	<u>\$ 506,549</u>
\$ 412	\$ 14,918	\$ 44,747	\$ 28,852	\$ 5,000	\$ 490,570
-	-	-	-	-	15,979
<u>\$ 412</u>	<u>\$ 14,918</u>	<u>\$ 44,747</u>	<u>\$ 28,852</u>	<u>\$ 5,000</u>	<u>\$ 506,549</u>

City of Fairmont, Minnesota  
Agency Funds  
Individual Fund Statements of Changes in Assets and Liabilities  
For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<b>C. V. B. Tax Agency Fund (873)</b>				
Assets				
Cash and cash equivalents	\$ 9,435	\$ 158,503	\$ 152,802	\$ 15,136
Liabilities				
Accounts payable	\$ 9,435	\$ 158,503	\$ 152,802	\$ 15,136
<b>Flex Plan Fund (706)</b>				
Assets				
Cash and cash equivalents	\$ 11,820	\$ 41,075	\$ 40,955	\$ 11,940
Due from other governments	1,066	41,001	41,064	1,003
Total Assets	<u>\$ 12,886</u>	<u>\$ 82,076</u>	<u>\$ 82,019</u>	<u>\$ 12,943</u>
Liabilities				
Accounts payable	<u>\$ 12,886</u>	<u>\$ 82,076</u>	<u>\$ 82,019</u>	<u>\$ 12,943</u>
<b>Multi-Family Housing Fund (871)</b>				
Assets				
Cash and cash equivalents	\$ 120,870	\$ 69,476	\$ 58,475	\$ 131,871
Accounts receivable	-	67,370	67,370	-
Total Assets	<u>\$ 120,870</u>	<u>\$ 136,846</u>	<u>\$ 125,845</u>	<u>\$ 131,871</u>
Liabilities				
Accounts payable	\$ 116,665	\$ 134,656	\$ 124,565	\$ 126,756
Deposits payable	4,205	2,190	1,280	5,115
Total Liabilities	<u>\$ 120,870</u>	<u>\$ 136,846</u>	<u>\$ 125,845</u>	<u>\$ 131,871</u>
<b>HRA Potter's Addition Fund (872)</b>				
Assets				
Cash and cash equivalents	\$ 230,985	\$ 150,006	\$ 128,383	\$ 252,608
Accounts receivable	-	146,385	146,323	62
Total Assets	<u>\$ 230,985</u>	<u>\$ 296,391</u>	<u>\$ 274,706</u>	<u>\$ 252,670</u>
Liabilities				
Accounts payable	\$ 220,181	\$ 295,631	\$ 274,006	\$ 241,806
Deposits payable	10,804	760	700	10,864
Total Liabilities	<u>\$ 230,985</u>	<u>\$ 296,391</u>	<u>\$ 274,706</u>	<u>\$ 252,670</u>
<b>Focus on Fairmont (874)</b>				
Assets				
Cash and cash equivalents	<u>\$ 830</u>	<u>\$ 3,880</u>	<u>\$ 4,298</u>	<u>\$ 412</u>
Liabilities				
Accounts payable	<u>\$ 830</u>	<u>\$ 3,880</u>	<u>\$ 4,298</u>	<u>\$ 412</u>

City of Fairmont, Minnesota  
Agency Funds  
Individual Fund Statements of Changes in Assets and Liabilities (Continued)  
For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<b>Project 1590 (876)</b>				
Assets				
Cash and cash equivalents	\$ 13,349	\$ 12,195	\$ 10,626	\$ 14,918
Liabilities				
Accounts payable	\$ 13,349	\$ 12,195	\$ 10,626	\$ 14,918
<b>Inclusive Playground (877)</b>				
Assets				
Cash and cash equivalents	\$ 10,000	\$ 34,934	\$ 187	\$ 44,747
Liabilities				
Accounts payable	\$ 10,000	\$ 34,934	\$ 187	\$ 44,747
<b>Mall Playground (878)</b>				
Assets				
Cash and cash equivalents	\$ -	\$ 52,394	\$ 23,542	\$ 28,852
Liabilities				
Accounts payable	\$ -	\$ 52,394	\$ 23,542	\$ 28,852
<b>iPaddlePort (879)</b>				
Assets				
Cash and cash equivalents	\$ -	\$ 5,000	\$ -	\$ 5,000
Liabilities				
Accounts payable	\$ -	\$ 5,000	\$ -	\$ 5,000
<b>Totals - All Funds</b>				
Assets				
Cash and cash equivalents	\$ 397,289	\$ 527,463	\$ 419,268	\$ 505,484
Accounts receivable	-	213,755	213,693	62
Due from other governments	1,066	41,001	41,064	1,003
Total Assets	<u>\$ 398,355</u>	<u>\$ 782,219</u>	<u>\$ 674,025</u>	<u>\$ 506,549</u>
Liabilities				
Accounts payable	\$ 383,346	\$ 779,269	\$ 672,045	\$ 490,570
Deposits payable	15,009	2,950	1,980	15,979
Total Liabilities	<u>\$ 398,355</u>	<u>\$ 782,219</u>	<u>\$ 674,025</u>	<u>\$ 506,549</u>

City of Fairmont, Minnesota  
Discretely Presented Component Unit  
Economic Development Authority  
Comparative Balance Sheets/Net Position  
December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and temporary investments	\$ 375,265	\$ 423,953
Receivables		
Delinquent taxes	2,289	1,972
Accounts	116	158
Loans	8,463	10,855
Intergovernmental	687	702
	\$ 386,820	\$ 437,640
<b>Liabilities</b>		
Accounts and contracts payable	\$ 7,295	\$ 3,981
Accrued wages payable	2,721	2,854
Total Liabilities	10,016	6,835
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - taxes	2,289	1,972
<b>Fund Balances</b>		
Assigned for		
Economic development	374,515	428,833
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 386,820	\$ 437,640
Amounts reported for governmental activities in the statement of net position are different because		
Total Fund Balances - Governmental Funds As Shown Above	\$ 374,515	\$ 428,833
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(3,297)	(2,439)
Postemployment benefits other than pension obligation	(4,837)	(4,804)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	2,289	1,972
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.	(4,356)	(3,826)
<b>Total Net Position - Governmental Activities</b>	\$ 364,314	\$ 419,736

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, 2017 and 2016

	2017	2016
Revenues		
Taxes	\$ 98,249	\$ 101,081
Intergovernmental	10,000	-
Payments from City	100,000	100,000
Investment earnings	4,140	3,842
Miscellaneous	29,688	29,095
Total Revenues	242,077	234,018
Expenditures		
Current		
Housing and economic development	296,395	208,847
Net Change in Fund Balances	(54,318)	25,171
Fund Balances, January 1	428,833	403,662
Fund Balances, December 31	\$ 374,515	\$ 428,833
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ (54,318)	\$ 25,171
<p>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.</p>		
Property taxes	317	(890)
<p>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.</p>		
Compensated absences	(858)	(2,162)
Post employment benefits other than pension costs	(33)	(38)
<p>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.</p>	(530)	500
Change in Net Position - Governmental Activities	\$ (55,422)	\$ 22,581

City of Fairmont, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations -  
 Governmental Funds  
 For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
<b>Revenues</b>			
Taxes	\$ 4,207,083	\$ 3,768,410	11.64 %
Special assessments	721,283	459,825	56.86
Licenses and permits	171,720	155,757	10.25
Intergovernmental	5,115,057	4,831,630	5.87
Charges for services	913,191	830,732	9.93
Fines and forfeits	55,221	55,554	(0.60)
Investment earnings	170,377	127,993	33.11
Miscellaneous	504,388	411,293	22.63
<b>Total Revenues</b>	<b>\$ 11,858,320</b>	<b>\$ 10,641,194</b>	<b>11.44 %</b>
Per Capita	\$ 1,145	\$ 1,021	12.17 %
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 1,240,887	\$ 1,133,899	9.44 %
Public safety	3,247,776	3,079,878	5.45
Streets and highways	1,445,935	1,394,179	3.71
Sanitation and waste removal	148,959	138,831	7.30
Culture and recreation	1,377,943	1,319,819	4.40
Housing and economic development	319,018	283,659	12.47
Miscellaneous	456,424	460,580	(0.90)
<b>Capital outlay</b>			
General government	92,042	67,685	35.99
Public safety	451,377	650,939	(30.66)
Streets and highways	4,081,660	1,360,838	199.94
Culture and recreation	321,579	133,854	140.25
Housing and economic development	-	5,458	(100.00)
Miscellaneous	65,790	840,196	(92.17)
<b>Debt service</b>			
Principal	3,730,000	3,780,000	(1.32)
Interest and other charges	333,112	390,173	(14.62)
Bond issuance costs	41,379	44,715	(7.46)
<b>Total Expenditures</b>	<b>\$ 17,353,881</b>	<b>\$ 15,084,703</b>	<b>15.04 %</b>
Per Capita	\$ 1,676	\$ 1,448	15.80 %
<b>Total Long-term Indebtedness</b>	<b>\$ 14,665,000</b>	<b>\$ 15,445,000</b>	<b>(5.05) %</b>
Per Capita	1,417	1,482	(4.43)
<b>General Fund Balance - December 31</b>	<b>\$ 7,249,714</b>	<b>\$ 6,991,940</b>	<b>3.69 %</b>
Per Capita	700	671	4.37

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				
	2017	2016	2015	2014	2013
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 43,687,451	\$ 42,677,369	\$ 41,232,320	\$ 40,916,624	\$ 38,956,915
Restricted	9,971,329	9,958,778	12,367,042	12,265,446	9,957,243
Unrestricted	4,619,117	3,969,515	2,908,794	1,550,558	7,610,856
Total Governmental Activities Net Position	<u>58,277,897</u>	<u>56,605,662</u>	<u>56,508,156</u>	<u>54,732,628</u>	<u>56,525,014</u>
<b>Business-type Activities</b>					
Net investment in capital assets	35,673,883	34,422,093	33,949,598	33,735,220	32,805,088
Restricted	-	-	-	-	-
Unrestricted	13,113,654	13,095,940	12,197,684	11,263,786	12,142,960
Total Business-type Activities Net Position	<u>48,787,537</u>	<u>47,518,033</u>	<u>46,147,282</u>	<u>44,999,006</u>	<u>44,948,048</u>
<b>Primary government</b>					
Net investment in capital assets	79,361,334	77,099,462	75,181,918	74,651,844	71,762,003
Restricted	9,971,329	9,958,778	12,367,042	12,265,446	9,957,243
Unrestricted	17,732,771	17,065,455	15,106,478	12,814,344	19,753,816
Total Primary Government Net Position	<u>\$ 107,065,434</u>	<u>\$ 104,123,695</u>	<u>\$ 102,655,438</u>	<u>\$ 99,731,634</u>	<u>\$ 101,473,062</u>

Table 1

Fiscal Year				
2012	2011	2010	2009	2008
\$ 33,902,134	\$ 31,176,518	\$ 31,067,381	\$ 29,608,919	\$ 29,466,796
8,523,280	12,247,802	11,329,052	8,777,860	8,742,535
9,029,687	6,960,460	6,469,646	8,413,308	9,094,484
<u>51,455,101</u>	<u>50,384,780</u>	<u>48,866,079</u>	<u>46,800,087</u>	<u>47,303,815</u>
33,021,655	30,733,612	28,564,935	27,473,728	25,963,034
-	-	-	230,583	188,920
10,123,274	9,556,319	5,724,972	5,575,435	6,451,241
<u>43,144,929</u>	<u>40,289,931</u>	<u>34,289,907</u>	<u>33,279,746</u>	<u>32,603,195</u>
66,923,789	61,910,130	59,632,316	57,082,647	55,429,830
8,523,280	12,247,802	11,329,052	9,008,443	8,931,455
19,152,961	16,516,779	12,194,618	13,988,743	15,545,725
<u>\$ 94,600,030</u>	<u>\$ 90,674,711</u>	<u>\$ 83,155,986</u>	<u>\$ 80,079,833</u>	<u>\$ 79,907,010</u>

City of Fairmont, Minnesota  
Changes in Net Position (Continued on the Following Pages)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 1,389,155	\$ 1,315,890	\$ 1,216,566	\$ 1,143,844
Public safety	3,598,787	3,806,893	2,717,662	3,035,606
Public works/streets	2,988,471	2,787,405	3,128,949	2,566,565
Sanitation and waste removal	148,959	138,831	100,740	132,693
Culture and recreation	1,758,014	1,643,560	1,584,291	1,520,715
Housing development	143,337	127,407	120,042	173,290
Economic development	243,958	234,923	148,400	55,579
Miscellaneous	918,959	910,637	728,443	760,332
Interest on long-term debt	313,947	323,637	477,400	446,355
<b>Total Governmental Activities Expenses</b>	<b>11,503,587</b>	<b>11,289,183</b>	<b>10,222,493</b>	<b>9,834,979</b>
<b>Business-type Activities</b>				
Electric	14,731,070	14,297,048	13,285,756	13,617,700
District heat	-	-	-	-
Water	3,541,198	3,547,150	3,279,741	2,489,640
Wastewater	1,876,476	1,745,686	1,818,529	1,811,386
Storm sewer	482,469	437,661	453,463	421,155
Liquor	3,181,621	3,134,956	3,035,247	2,950,980
Parking lot	8,180	6,432	5,252	4,663
<b>Total Business-type Activities Expenses</b>	<b>23,821,014</b>	<b>23,168,933</b>	<b>21,877,988</b>	<b>21,295,524</b>
<b>Total primary government expenses</b>	<b>\$ 35,324,601</b>	<b>\$ 34,458,116</b>	<b>\$ 32,100,481</b>	<b>\$ 31,130,503</b>

Table 2

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 1,232,309	\$ 1,181,084	\$ 1,123,699	\$ 1,092,840	\$ 1,194,126	\$ 1,075,879
3,210,448	2,880,151	2,941,828	2,887,905	3,126,827	3,197,366
3,286,029	2,853,511	3,599,560	2,927,285	3,166,996	3,002,768
95,337	46,686	35,685	46,879	36,222	38,485
1,362,430	1,286,209	1,265,100	1,309,746	1,395,361	1,423,616
76,316	439,722	32,366	282,849	172,673	50,661
157,187	387,642	492,852	411,663	482,270	493,343
573,647	302,744	318,644	325,526	543,557	346,929
674,359	658,275	539,480	579,300	604,535	502,413
<u>10,668,062</u>	<u>10,036,024</u>	<u>10,349,214</u>	<u>9,863,993</u>	<u>10,722,567</u>	<u>10,131,460</u>
13,983,971	14,199,539	14,751,216	14,472,796	13,773,937	14,015,988
-	-	244,063	363,596	345,237	389,609
2,675,602	1,931,755	1,680,372	1,867,238	1,889,420	1,718,635
1,932,731	1,810,984	1,837,211	1,788,281	1,776,424	1,770,331
367,738	299,870	366,330	356,087	347,372	354,246
2,898,764	2,931,921	2,848,468	2,671,313	2,494,940	2,397,033
4,830	4,905	4,735	4,456	4,529	4,170
<u>21,863,636</u>	<u>21,178,974</u>	<u>21,732,395</u>	<u>21,523,767</u>	<u>20,631,859</u>	<u>20,650,012</u>
<u>\$ 32,531,698</u>	<u>\$ 31,214,998</u>	<u>\$ 32,081,609</u>	<u>\$ 31,387,760</u>	<u>\$ 31,354,426</u>	<u>\$ 30,781,472</u>

City of Fairmont, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 200,395	\$ 206,187	\$ 218,618	\$ 223,894
Public safety	351,871	229,177	267,438	173,616
Public works/streets	13,080	7,995	3,327	1,177
Sanitation and waste removal	161,680	162,841	142,225	98,879
Culture and recreation	184,505	188,734	185,412	167,287
Housing development	17,786	9,044	7,669	7,585
Economic development	66,613	65,973	76,006	68,833
Miscellaneous	471,129	491,669	517,193	511,424
Operating grants and contributions	340,258	413,384	369,600	285,926
Capital grants and contributions	2,200,736	890,243	824,310	2,031,172
Total governmental activities program revenues	<u>4,008,053</u>	<u>2,665,247</u>	<u>2,611,798</u>	<u>3,569,793</u>
Business-type activities				
Charges for services				
Electric	15,866,026	15,375,663	14,599,368	14,742,850
District heat	-	-	-	-
Water	3,494,693	3,502,969	3,359,568	3,299,993
Wastewater	2,334,393	2,389,450	2,349,903	2,602,355
Storm sewer	582,584	581,011	582,566	583,369
Liquor	3,685,869	3,684,982	3,597,659	3,446,532
Parking	6,749	5,708	5,773	4,837
Operating grants and contributions	-	-	-	-
Capital grants and contributions	44,417	10,227	(97)	7,429
Total business-type activities program revenues	<u>26,014,731</u>	<u>25,550,010</u>	<u>24,494,740</u>	<u>24,687,365</u>
Total primary government program revenues	<u>\$ 30,022,784</u>	<u>\$ 28,215,257</u>	<u>\$ 27,106,538</u>	<u>\$ 28,257,158</u>
Net (expense)/revenue				
Governmental activities	\$ (7,495,534)	\$ (8,623,936)	\$ (7,610,695)	\$ (6,265,186)
Business-type activities	<u>2,193,717</u>	<u>2,381,077</u>	<u>2,616,752</u>	<u>3,391,841</u>
Total primary government net expense	<u>\$ (5,301,817)</u>	<u>\$ (6,242,859)</u>	<u>\$ (4,993,943)</u>	<u>\$ (2,873,345)</u>

Table 2 (Continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 207,868	\$ 188,707	\$ 213,341	\$ 168,661	\$ 199,666	\$ 210,471
157,367	220,627	192,848	225,456	253,974	266,785
3,141	4,738	1,511	750	12,356	5,135
103,531	14,471	12,850	16,112	13,159	12,351
164,170	154,816	138,197	155,301	131,581	156,581
8,198	9,248	7,453	11,651	2,720	1,282
61,749	56,746	146,488	39,159	57,607	70,305
261,149	116,964	98,727	111,911	64,452	61,189
407,550	662,907	125,964	276,326	240,165	138,964
6,144,669	1,250,688	2,280,747	2,909,384	817,689	3,169,280
<u>7,519,392</u>	<u>2,679,912</u>	<u>3,218,126</u>	<u>3,914,711</u>	<u>1,793,369</u>	<u>4,092,343</u>
14,675,757	15,074,146	15,649,347	14,782,836	14,263,137	13,840,140
-	-	82,626	129,919	144,589	170,136
3,338,756	3,015,814	2,863,396	2,425,175	2,142,344	1,817,612
2,542,395	2,159,105	2,280,406	2,249,994	2,131,641	2,121,385
587,188	576,106	575,513	577,995	570,837	534,682
3,392,791	3,293,151	3,171,724	3,151,913	2,862,973	2,773,689
4,797	4,824	4,228	4,798	4,619	4,760
-	-	8,964	-	-	-
200,172	801,928	4,000,000	-	-	-
<u>24,741,856</u>	<u>24,925,074</u>	<u>28,636,204</u>	<u>23,322,630</u>	<u>22,120,140</u>	<u>21,262,404</u>
<u>\$ 32,261,248</u>	<u>\$ 27,604,986</u>	<u>\$ 31,854,330</u>	<u>\$ 27,237,341</u>	<u>\$ 23,913,509</u>	<u>\$ 25,354,747</u>
\$ (3,148,670)	\$ (7,356,112)	\$ (7,131,088)	\$ (5,949,282)	\$ (8,929,198)	\$ (6,039,117)
2,878,220	3,746,100	6,903,809	1,798,863	1,488,281	612,392
<u>\$ (270,450)</u>	<u>\$ (3,610,012)</u>	<u>\$ (227,279)</u>	<u>\$ (4,150,419)</u>	<u>\$ (7,440,917)</u>	<u>\$ (5,426,725)</u>



City of Fairmont, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 2,912,776	\$ 2,556,358	\$ 2,297,072	\$ 2,153,651
Property taxes, levied for debt service	1,003,754	1,074,582	1,025,796	1,094,331
Tax increments	92,094	74,173	67,165	27,020
Sales tax	175,477	-	-	-
Franchise taxes	40,696	39,526	38,294	36,927
Grants and contributions not restricted to specific programs	3,469,459	3,646,550	3,691,778	3,789,473
Unrestricted investment earnings (loss)	182,987	138,795	94,493	170,917
Other revenues	9,459	13,141	567,451	33,139
Gain on sale of capital assets	193,935	28,684	38,485	69,662
Transfers	1,087,132	1,149,633	1,565,689	964,632
Total governmental activities	<u>9,167,769</u>	<u>8,721,442</u>	<u>9,386,223</u>	<u>8,339,752</u>
Business-type activities				
Unrestricted investment earnings	162,919	139,307	97,213	89,997
Transfers	<u>(1,087,132)</u>	<u>(1,149,633)</u>	<u>(1,565,689)</u>	<u>(964,632)</u>
Total business-type activities	<u>(924,213)</u>	<u>(1,010,326)</u>	<u>(1,468,476)</u>	<u>(874,635)</u>
Total primary government	<u>\$ 8,243,556</u>	<u>\$ 7,711,116</u>	<u>\$ 7,917,747</u>	<u>\$ 7,465,117</u>
Changes in Net Position				
Governmental activities	\$ 1,672,235	\$ 97,506	\$ 1,775,528	\$ 2,074,566
Business-type activities	<u>1,269,504</u>	<u>1,370,751</u>	<u>1,148,276</u>	<u>2,517,206</u>
Total primary government	<u>\$ 2,941,739</u>	<u>\$ 1,468,257</u>	<u>\$ 2,923,804</u>	<u>\$ 4,591,772</u>

Table 2 (Continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 1,975,108	\$ 1,885,398	\$ 1,596,716	\$ 1,473,465	\$ 1,384,997	\$ 1,294,022
1,153,660	1,152,523	1,025,257	1,013,775	1,019,496	960,718
-	334,725	341,402	563,453	618,379	535,153
-	-	-	-	-	-
36,205	34,343	35,392	35,749	35,119	34,966
3,918,992	3,822,810	3,795,820	3,863,130	4,228,418	4,062,298
(14,237)	144,501	148,810	155,334	182,804	372,450
17,052	32,397	7,615	10,497	68,704	38,373
3,241	42,104	957,136	6,423	767	23,202
1,128,562	977,632	941,148	890,561	885,601	905,600
<u>8,218,583</u>	<u>8,426,433</u>	<u>8,849,296</u>	<u>8,012,387</u>	<u>8,424,285</u>	<u>8,226,782</u>
53,461	86,530	53,591	101,859	73,871	266,672
(1,128,562)	(977,632)	(941,148)	(890,561)	(885,601)	(905,600)
<u>(1,075,101)</u>	<u>(891,102)</u>	<u>(887,557)</u>	<u>(788,702)</u>	<u>(811,730)</u>	<u>(638,928)</u>
<u>\$ 7,143,482</u>	<u>\$ 7,535,331</u>	<u>\$ 7,961,739</u>	<u>\$ 7,223,685</u>	<u>\$ 7,612,555</u>	<u>\$ 7,587,854</u>
\$ 5,069,913	\$ 1,070,321	\$ 1,718,208	\$ 2,063,105	\$ (504,913)	\$ 2,187,665
1,803,119	2,854,998	6,016,252	1,010,161	676,551	(26,536)
<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>	<u>\$ 7,734,460</u>	<u>\$ 3,073,266</u>	<u>\$ 171,638</u>	<u>\$ 2,161,129</u>

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City of Fairmont, Minnesota  
 Governmental Activities Tax Revenues By Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Sales Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service				
2017	\$2,912,776	\$1,003,754	\$ 92,094	\$ 175,477	\$ 40,696	\$4,224,797
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

City of Fairmont, Minnesota  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General Fund</b>					
Nonspendable	\$ -	\$ 787	\$ -	\$ -	\$ 205,000
Restricted (Reserved 2008 - 2010)	-	-	-	-	-
Committed	29,122	151,622	151,622	134,658	135,575
Assigned	3,279,918	2,739,131	2,739,131	1,766,336	989,402
Unassigned (Unreserved 2008 - 2010)	3,940,674	4,100,400	3,488,001	3,406,365	3,225,036
<b>Total General Fund</b>	<b>\$ 7,249,714</b>	<b>\$ 6,991,940</b>	<b>\$ 6,378,754</b>	<b>\$ 5,307,359</b>	<b>\$ 4,555,013</b>
<b>All Other Governmental Funds</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ 3,200	\$ 3,200
Restricted (Reserved 2008 - 2010)	8,618,602	10,818,055	11,337,886	10,843,720	12,731,158
Committed	940,810	1,110,270	1,082,705	1,322,943	604,172
Assigned	497,183	364,986	207,420	105,406	2,045,307
Unassigned (Unreserved 2008 - 2010)	(125,281)	(764,003)	(2,850)	(109,734)	(10,218)
<b>Total All Other Governmental Funds</b>	<b>\$ 9,931,314</b>	<b>\$ 11,529,308</b>	<b>\$ 12,625,161</b>	<b>\$ 12,165,535</b>	<b>\$ 15,373,619</b>

Table 4

Fiscal Year				
2012	2011	2010	2009	2008
\$ 205,000	\$ -	\$ -	\$ -	\$ -
-	-	-	2,300	660
104,777	40,387	-	-	-
909,063	1,757,373	-	-	-
<u>3,178,069</u>	<u>3,456,713</u>	<u>4,889,101</u>	<u>4,744,998</u>	<u>4,430,488</u>
<u>\$ 4,396,909</u>	<u>\$ 5,254,473</u>	<u>\$ 4,889,101</u>	<u>\$ 4,747,298</u>	<u>\$ 4,431,148</u>
\$ 4,080	\$ 4,000	\$ -	\$ -	\$ -
12,491,677	8,178,777	7,530,799	6,368,794	6,084,586
137,347	89,950	-	-	-
2,412,379	2,525,140	-	-	-
<u>(207,534)</u>	<u>(276,237)</u>	<u>3,242,524</u>	<u>2,248,030</u>	<u>2,609,474</u>
<u>\$ 14,837,949</u>	<u>\$ 10,521,630</u>	<u>\$ 10,773,323</u>	<u>\$ 8,616,824</u>	<u>\$ 8,694,060</u>

City of Fairmont, Minnesota  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 4,207,083	\$ 3,768,410	\$ 3,448,929	\$ 3,307,262	\$ 3,153,610
Special assessments	721,283	459,825	589,366	674,620	815,756
Intergovernmental revenue	5,115,057	4,831,630	4,313,685	5,786,044	9,716,414
Licenses and permits	171,720	155,757	213,922	149,066	134,360
Charges for services	913,191	830,732	799,346	668,623	416,091
Fines and forfeits	55,221	55,554	56,129	66,829	55,394
Interest	170,377	127,993	86,920	165,770	(19,866)
Other revenues	504,388	411,293	974,449	429,845	565,643
<b>Total Revenues</b>	<u>11,858,320</u>	<u>10,641,194</u>	<u>10,482,746</u>	<u>11,248,059</u>	<u>14,837,402</u>
<b>Expenditures</b>					
General government	1,240,887	1,133,899	1,218,580	1,041,291	1,196,929
Public safety	3,247,776	3,079,878	3,016,290	2,902,658	2,981,980
Public works	1,636,273	1,577,725	1,561,660	1,402,299	1,525,919
Culture and recreation	1,377,943	1,319,819	1,330,948	1,419,270	1,283,893
Housing and economic development	319,018	283,659	199,147	262,042	134,378
Public transportation	456,424	460,580	492,002	566,190	336,450
Capital outlay	5,012,448	3,058,970	3,452,739	2,286,066	7,612,851
Debt service					
Principal	3,730,000	3,780,000	1,230,000	4,650,000	1,410,000
Interest and fees	333,112	390,173	408,708	504,376	544,346
<b>Total Expenditures</b>	<u>17,353,881</u>	<u>15,084,703</u>	<u>12,910,074</u>	<u>15,034,192</u>	<u>17,026,746</u>
<b>Deficiency of Revenues</b>					
Under Expenditures	<u>(5,495,561)</u>	<u>(4,443,509)</u>	<u>(2,427,328)</u>	<u>(3,786,133)</u>	<u>(2,189,344)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	43,435	28,684	38,485	69,662	9,183
Transfers in	4,520,394	1,734,065	2,366,802	989,632	1,822,851
Transfers out	(3,433,262)	(584,432)	(801,113)	(25,000)	(694,289)
Bonds issued	2,950,000	2,715,000	2,330,000	-	1,715,000
Premium (discount) on bonds issued	74,774	67,525	24,175	-	30,373
Payments to refunded bond escrow agent	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>4,155,341</u>	<u>3,960,842</u>	<u>3,958,349</u>	<u>1,034,294</u>	<u>2,883,118</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,340,220)</u>	<u>\$ (482,667)</u>	<u>\$ 1,531,021</u>	<u>\$ (2,751,839)</u>	<u>\$ 693,774</u>
<b>Debt service as a percentage of noncapital expenditures</b>	32%	34%	16%	40%	19%

Table 5

Fiscal Year				
2012	2011	2010	2009	2008
\$ 3,398,775	\$ 2,977,296	\$ 3,071,934	\$ 3,027,035	\$ 2,790,577
736,782	795,914	1,209,484	961,413	822,304
5,399,277	5,466,554	6,356,499	4,576,936	5,024,945
192,982	164,159	209,472	259,405	191,497
304,432	293,483	246,652	194,932	294,254
74,671	72,617	79,054	90,530	101,767
132,406	135,391	138,235	160,308	320,276
315,626	326,767	294,939	314,345	514,536
<u>10,554,951</u>	<u>10,232,181</u>	<u>11,606,269</u>	<u>9,584,904</u>	<u>10,060,156</u>
1,157,782	1,085,598	1,019,439	979,188	986,375
2,826,749	2,837,558	2,742,200	2,816,119	2,980,583
1,500,995	1,621,730	1,549,746	1,472,077	1,406,628
1,207,576	1,134,889	1,199,478	1,151,695	1,226,788
573,075	502,151	707,778	650,853	480,122
210,815	187,033	186,214	183,804	166,621
3,996,105	3,415,045	2,965,921	2,583,866	3,987,549
1,465,000	2,735,000	1,840,000	1,535,000	1,625,000
946,826	594,109	590,692	629,690	490,739
<u>13,884,923</u>	<u>14,113,113</u>	<u>12,801,468</u>	<u>12,002,292</u>	<u>13,350,405</u>
<u>(3,329,972)</u>	<u>(3,880,932)</u>	<u>(1,195,199)</u>	<u>(2,417,388)</u>	<u>(3,290,249)</u>
42,104	957,136	2,423	2,617	-
3,165,011	1,674,392	1,126,742	1,200,490	4,707,116
(2,173,388)	(483,244)	(236,181)	(314,889)	(3,801,516)
5,755,000	1,820,000	2,615,000	1,755,000	5,575,000
-	26,327	(14,484)	13,084	10,701
-	-	-	-	(1,025,000)
<u>6,788,727</u>	<u>3,994,611</u>	<u>3,493,500</u>	<u>2,656,302</u>	<u>5,466,301</u>
<u>\$ 3,458,755</u>	<u>\$ 113,679</u>	<u>\$ 2,298,301</u>	<u>\$ 238,914</u>	<u>\$ 2,176,052</u>
24%	29%	24%	22%	21%



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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	Sales Tax	Franchise Tax	Total
2017	\$3,898,816	\$ 92,094	\$ 175,477	\$ 40,696	\$4,207,083
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

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			
	Residential Property	Commercial Property	Agricultural Property	Other
2017 (1)	\$ 413,615,100	\$ 201,779,400	\$ 37,237,200	\$ 6,453,700
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

Source: Martin County Assessors' Office  
(1) Total Market Value after HMVE

Table 7

<u>Total Taxable Market Value</u>	<u>Total Direct Tax Rate</u>	<u>Indicated Market Value</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ 659,085,400	55.747	\$ 732,710,900	89.95 %
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

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
	2017	42.959	12.788	55.747	39.199	0.889
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

Source: Martin County Assessors' Office.

Table 8

Overlapping Rates					
School District				Special Districts	Total Direct and Overlapping Rates
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total School Tax Capacity Rate			
9.060	15.708	24.768	0.400	121.003	
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	

City of Fairmont, Minnesota  
Principal Property Taxpayers  
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2017</u>		
		<u>Taxable Market Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Market Value</u>
Cenex Harvest States	Soybean Crushing	\$ 23,016,100	1	3.5 %
Green Plains Fairmont LLC	Ethanol Manufacturing	20,262,000	2	3.1
Wal-Mart	Retail	12,129,300	3	1.8
SMMPA	Utilities	9,615,100	4	1.5
Mayo Health Systems-Fairmont	Medical Facility	6,485,800	5	1.0
Bank Midwest	Banking	5,301,300	6	0.8
Goldfinch Estates	Assisted Living	9,207,800	7	1.4
Minnesota Energy Resources	Utilities	4,583,900	8	0.7
Weigh-Tronix, Inc.	Scale Manufacturing	4,320,900	9	0.7
Hy-Vee	Grocery	3,574,100	10	0.5
Five Lakes Center	Shopping Center	-		-
Holiday Inn	Hotel	-		-
Hawkeye Foodservice	Distribution	-		-
Fairmont Foods	Food Processing	-		-
Total		<u>\$ 98,496,300</u>		<u>14.9 %</u>

Source: Martin County Assessors' Office.

Table 9

2008		
Taxable Market Value	Rank	Percentage of Total Taxable Market Value
\$ 16,491,800	2	2.9 %
30,585,200	1	5.3
12,616,300	3	2.2
-		-
5,939,600	5	1.0
-		-
8,899,000	4	1.6
4,006,500	7	0.7
-		-
-		-
4,575,900	6	0.8
3,747,700	8	0.7
3,436,700	9	0.6
3,217,100	10	0.6
<u>\$ 93,515,800</u>		<u>16.3 %</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
2017	\$ 4,049,030	\$ 4,000,995	98.8 %	\$ -	\$ 4,000,995	98.8 %
2016	3,714,706	3,680,130	99.1	17,652	3,697,782	99.5
2015	3,410,035	3,372,606	98.9	29,878	3,402,484	99.8
2014	3,310,714	3,264,224	98.6	42,526	3,306,750	99.9
2013	3,214,285	3,156,697	98.2	54,081	3,210,778	99.9
2012	3,120,665	3,064,821	98.2	52,639	3,117,460	99.9
2011	2,992,245	2,936,191	98.1	53,862	2,990,053	99.9
2010	2,857,242	2,816,532	98.6	39,066	2,855,598	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

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	
2017	\$ -	\$ 14,791,279	\$ -	\$ 814,967	\$ 29,530,000	\$ 45,136,246
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

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

Table 11

<u>Percentage of (Net) General Bonded Debt to Property Value</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2.02 %	15.14 %	\$ 4,360
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

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City of Fairmont, Minnesota  
 Direct and Overlapping Governmental Activities Debt  
 December 31, 2017

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Fairmont	<u>\$ 14,791,279</u>	100.00 %	<u>\$ 14,791,279</u>
Total Direct Debt	<u>14,791,279</u>		<u>14,791,279</u>
Martin County	15,828,000	15.65	2,477,082
Independent School District No. 2752	<u>45,585,000</u>	46.36	<u>21,133,206</u>
Total Overlapping Debt	<u>61,413,000</u>		<u>23,610,288</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 76,204,279</u></u>		 <u><u>\$ 38,401,567</u></u>

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

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

City of Fairmont, Minnesota  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Limit	\$ 19,772,562	\$ 19,234,896	\$ 18,414,708	\$ 18,517,473	\$ 17,169,371
Total Net Debt Applicable to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 19,772,562</u>	<u>\$ 19,234,896</u>	<u>\$ 18,414,708</u>	<u>\$ 18,517,473</u>	<u>\$ 17,169,371</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Legal Debt Margin Calculation for Fiscal Year 2017**

Market value	\$ 659,085,400
Debt Limit (3% of Total Assessed Value)	<u>19,772,562</u>
Debt Applicable to Limit	
General obligation bonds	-
Less Amount set aside for repayment of general obligation debt	<u>-</u>
	<u>-</u>
Legal Debt Margin	<u>\$ 19,772,562</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 16,580,637	\$ 16,294,931	\$ 18,627,948	\$ 18,785,547	\$ 17,181,574
<u>65,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 16,515,637</u>	<u>\$ 16,169,931</u>	<u>\$ 18,627,948</u>	<u>\$ 18,785,547</u>	<u>\$ 17,181,574</u>
<u>0.4</u>	<u>0.8</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	
2017	(1)	\$6,508,636	\$3,440,195	\$3,068,441	\$1,667,000	\$ 692,037	\$2,359,037	1.30
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	(2)	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	(3)	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

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 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)
2017	10,353	\$ 28,797	\$ 298,135,341	47.6	1,681	3.5 %
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

(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	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	546	1	5.38 %	650	1	5.72 %
Weigh-Tronix Scale Manufacturing	350	2	3.45	450	2	3.96
Fairmont Foods of Minnesota	300	3	2.96	300	4	2.64
ISD 2752	260	4	2.56	325	3	2.86
Hy-Vee	240	5	2.37	-		-
Torgerson Properties	219	6	2.16	-		-
Wal-Mart	191	7	1.88	-		-
REM Heartland	185	8	1.82	200	6	1.76
Lakeview Health Care Facility	151	9	1.49	200	5	1.76
Martin County	131	10	1.29	-		-
Aerospace Systems	-		-	200	7	1.76
3M	-		-	150	8	1.32
SMC-Highway Construction	-		-	150	9	1.32
Harsco Track Technologies	-		-	140	10	1.23
<b>Total</b>	<u><u>2,573</u></u>		<u><u>25.36 %</u></u>	<u><u>2,765</u></u>		<u><u>24.33 %</u></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				
	2017	2016	2015	2014	2013
General Government	11	10	11	11	11
Public safety					
Police					
Officers	18	15	16	16	16
Civilians	2	2	2	2	2
Streets and Highways					
Engineering	4	4	3	3	4
Maintenance	10	10	10	10	10
Culture and Recreation					
Parks	10	10	9	9	8
Housing and Economic Development	4	4	3	3	2
Water	12	12	12	11	10
Sewer	5	5	5	5	6
Electric	11	11	11	11	12
Liquor Store	3	3	3	3	3
Airport	1	1	1	1	-
<b>Total</b>	<b>91</b>	<b>87</b>	<b>86</b>	<b>85</b>	<b>84</b>

Source: City of Fairmont Records

Table 17

Full-time Equivalent Employees as of December 31				
2012	2011	2010	2009	2008
11	14	14	14	14
17	17	18	18	18
2	2	1	1	2
4	3	4	4	4
10	12	12	12	11
8	8	8	8	8
2	2	2	2	2
10	10	11	11	10
6	6	6	6	6
12	12	17	17	25
3	3	3	3	3
-	-	-	-	-
<u>85</u>	<u>89</u>	<u>96</u>	<u>96</u>	<u>103</u>

City of Fairmont, Minnesota  
 Operating Indicators by Function  
 Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Adult arrests	1,086	916	979	1,310	1,178
Juvenile arrests	89	69	87	74	54
Fire					
Number of fire calls answered	104	103	119	114	126
Number of rescue calls answered	40	34	19	17	22
Highways and Streets					
Street resurfacing (miles)	4	1	5	3	4
Culture and Recreation					
Attendance at water park	21,852	25,585	25,336	22,771	22,400
Water					
Annual water consumption (thousands of gallons)	371,690	375,715	367,127	354,293	414,121
Wastewater					
Annual treatment flows (thousands of gallons)	586,820	673,240	490,670	475,036	468,170
Electric					
Annual KWH electricity sold (thousands of kwh)	146,088	147,048	142,562	147,322	148,187

Sources: Various government departments.

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

Table 18

Fiscal Year				
2012	2011	2010	2009	2008
1,306	1,175	1,483	1,426	1,301
125	162	125	132	150
122	140	128	97	109
28	20	34	35	28
5	5	4	5	10
24,500	21,000	26,346	25,000	28,000
430,334	455,140	465,407	481,836	522,275
404,830	656,800	741,060	536,740	526,650
151,973	156,001	153,605	147,794	158,024



City of Fairmont, Minnesota  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Public Safety</b>					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	14	15	15	16
Part-time paid police	2	2	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
<b>Public Works</b>					
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	29	26	26
Area in acres	560	560	560	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
<b>Utilities</b>					
Municipal water					
Consumers	4,430	4,435	4,423	4,410	4,426
Average daily consumption	1,220,239	1,265,344	1,238,628	970,665	1,134,577
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	84	83	83	83
Municipal wastewater treatment					
Average daily treatment	1,608,333	1,836,667	1,342,500	1,301,468	1,282,658
Maximum design capacity	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Miles of sanitary sewer	81	81	80	80	80
Storm drains					
Miles of storm sewer	41	41	41	41	41
Holding ponds	9	9	8	8	8
<b>Parking System</b>					
Off-street parking					
Off street lots	7	7	7	7	7
<b>Employees</b>					
Supervisors	10	10	10	10	10
Union employees	64	61	59	58	57
Other employees	17	16	17	17	17
<b>Total Employees</b>	<b>91</b>	<b>87</b>	<b>86</b>	<b>85</b>	<b>84</b>

Source: City of Fairmont Records

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

Table 19

Fiscal Year					
2012	2011	2010	2009	2008	
1	1	1	1	1	1
17	17	18	18	18	18
3	3	3	3	3	3
2	2	1	1	2	2
1	1	1	1	1	1
32	32	32	32	32	32
556	556	556	556	556	556
5	5	5	5	5	5
74	74	74	74	74	74
96%	96%	96%	96%	96%	96%
10	10	10	10	10	10
26	26	26	26	26	26
540	540	540	540	540	540
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	-	-	-	-	-
3	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	4
2	2	2	2	2	2
4,429	4,442	4,443	4,599	4,598	
1,272,199	1,413,036	1,539,775	1,546,175	1,634,208	
5,400,000	5,400,000	5,400,000	5,400,000	5,400,000	
4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	
83	83	83	83	83	
1,109,123	1,799,452	2,030,301	1,470,521	1,442,877	
11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	
80	80	80	80	80	
41	41	41	41	41	
8	8	8	8	8	
7	7	7	7	7	
10	11	13	13	13	
58	59	65	65	72	
17	19	18	18	18	
85	89	96	96	103	

City of Fairmont, Minnesota  
Public Utilities Commission  
Operating Expenses By Function  
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Electric Department/Fund				
Production	\$ 11,830,111	\$ 11,652,003	\$ 10,697,955	\$ 10,973,273
Distribution	1,319,652	1,309,186	1,158,176	1,171,484
Administration and depreciation	1,434,720	1,250,177	1,387,871	1,364,473
Total Electric Department/Fund	<u>14,584,483</u>	<u>14,211,366</u>	<u>13,244,002</u>	<u>13,509,230</u>
Water Department/Fund				
Filtration	1,338,340	1,339,214	1,028,792	986,423
Distribution	296,577	301,137	439,942	420,787
Administration and depreciation	1,323,799	1,335,355	1,229,500	479,722
Total Water Department/Fund	<u>2,958,716</u>	<u>2,975,706</u>	<u>2,698,234</u>	<u>1,886,932</u>
District Heat Department/Fund				
Production	-	-	-	-
Distribution	-	-	-	-
Administration and depreciation	-	-	-	-
Total District Heat Department/Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Wastewater Department/Fund				
Treatment	615,313	491,159	589,736	532,665
Collection	296,213	296,240	294,909	287,866
Administration and depreciation	841,832	830,211	807,607	839,304
Total Wastewater Department/Fund	<u>1,753,358</u>	<u>1,617,610</u>	<u>1,692,252</u>	<u>1,659,835</u>
 Total	 <u>\$ 19,296,557</u>	 <u>\$ 18,804,682</u>	 <u>\$ 17,634,488</u>	 <u>\$ 17,055,997</u>

Table 20

2013	2012	2011	2010	2009	2008
\$11,370,136	\$11,488,996	\$11,793,263	\$11,907,333	\$11,457,408	\$11,856,255
1,173,817	1,251,599	1,234,196	1,212,690	1,071,154	998,186
1,357,745	1,253,489	1,210,384	1,219,437	1,066,353	1,013,880
<u>13,901,698</u>	<u>13,994,084</u>	<u>14,237,843</u>	<u>14,339,460</u>	<u>13,594,915</u>	<u>13,868,321</u>
950,375	957,550	1,007,315	1,128,507	1,164,881	1,039,526
466,580	449,489	282,000	432,482	437,103	401,887
436,620	356,590	327,437	286,837	264,022	259,007
<u>1,853,575</u>	<u>1,763,629</u>	<u>1,616,752</u>	<u>1,847,826</u>	<u>1,866,006</u>	<u>1,700,420</u>
-	-	62,657	116,599	122,270	164,148
-	-	602	794	654	6,909
-	-	-	246,203	222,305	218,556
<u>-</u>	<u>-</u>	<u>63,259</u>	<u>363,596</u>	<u>345,229</u>	<u>389,613</u>
633,326	623,509	588,910	587,921	584,674	617,598
303,052	279,944	284,448	271,987	293,973	260,666
843,856	781,998	780,124	709,412	690,480	676,457
<u>1,780,234</u>	<u>1,685,451</u>	<u>1,653,482</u>	<u>1,569,320</u>	<u>1,569,127</u>	<u>1,554,721</u>
<u>\$17,535,507</u>	<u>\$17,443,164</u>	<u>\$17,571,336</u>	<u>\$18,120,202</u>	<u>\$17,375,277</u>	<u>\$17,513,075</u>

City of Fairmont, Minnesota  
Public Utilities Commission  
Revenue By Utility  
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Electric Department/Fund	\$ 15,845,241	\$ 15,338,091	\$ 14,561,648	\$ 14,713,001	\$ 14,639,236
Water Department/Fund	3,488,744	3,497,629	3,329,141	3,273,006	3,332,167
District Heat Department/Fund	-	-	-	-	-
Wastewater Department/Fund	<u>2,334,068</u>	<u>2,387,483</u>	<u>2,349,903</u>	<u>2,599,354</u>	<u>2,542,395</u>
Total	<u>\$ 21,668,053</u>	<u>\$ 21,223,203</u>	<u>\$ 20,240,692</u>	<u>\$ 20,585,361</u>	<u>\$ 20,513,798</u>

Table 21

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 14,856,538	\$ 15,601,619	\$ 14,724,031	\$ 14,270,358	\$ 13,775,629
3,023,394	2,838,809	2,413,865	2,037,674	1,810,191
-	82,626	129,919	144,589	170,136
<u>2,159,105</u>	<u>2,246,597</u>	<u>2,250,191</u>	<u>2,143,140</u>	<u>2,121,165</u>
<u><u>\$ 20,039,037</u></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>

City of Fairmont, Minnesota  
Public Utilities Commission  
Kilowatt Hours Generated and Purchased  
Last Ten Fiscal Years

Table 22

Year	Gross Generation	Purchased KWH	Purchased From	Total KWH	* Sales KWH	Own Use	Peak Demand
2017	-	151,628,686	SMMPA/WAPA	151,628,686	146,087,575	-	28,726
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	133,000	158,852,096	SMMPA/WAPA	158,985,096	151,973,053	-	31,652
2011	2,943,000	161,848,504	SMMPA/WAPA	164,791,504	155,661,326	1,500	32,059
2010	761,000	160,021,257	SMMPA/WAPA	160,782,257	153,605,131	37,500	31,450
2009	717,000	154,409,696	SMMPA/WAPA	155,126,696	147,794,464	10,500	28,091
2008	3,969,000	163,462,422	SMMPA/WAPA	167,431,422	158,023,616	15,000	31,149

\* 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
2017	\$ 11,830,111 0.07802	\$ 1,319,652 0.00870	\$ 1,046,648 0.00690	\$ 388,072 0.00256	\$ 14,584,483 0.09618	\$151,628,686 146,087,575	\$ 0.09983
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 0.07226	1,251,599 0.00787	825,695 0.00519	427,794 0.00269	13,994,084 0.08801	158,985,096 151,973,053	0.09208
2011	11,793,263 0.07156	1,234,196 0.00749	781,856 0.00474	428,528 0.00260	14,237,843 0.08639	164,791,504 155,661,326	0.09147
2010	11,907,333 0.07406	1,212,690 0.00754	748,128 0.00465	471,309 0.00293	14,339,460 0.08918	160,782,257 153,605,131	0.09335
2009	11,457,408 0.07386	1,071,154 0.00691	599,429 0.00386	466,924 0.00301	13,594,915 0.08764	155,126,696 147,794,464	0.09199
2008	11,856,255 0.07081	998,186 0.00596	580,545 0.00347	433,335 0.00259	13,868,321 0.08283	167,431,422 158,023,616	0.08776



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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
2017						
Residential Light	27,178,487	\$ 3,089,916	\$ 0.113690	18.6 %	20.1 %	3,790
Commercial Service	21,667,094	2,313,203	0.106761	14.8	15.0	758
General Service	16,148,841	1,615,370	0.100030	11.1	10.5	42
Industrial Sales	54,949,723	4,944,410	0.089981	37.7	32.1	12
All Electric	8,082,443	718,901	0.088946	5.5	4.7	8
Rural Electric	3,681,432	408,733	0.111026	2.5	2.7	227
Filter Plant	1,370,000	91,105	0.066500	0.9	0.6	1
Street Lighting	1,556,513	116,739	0.075000	1.1	0.8	6
Flat Rate Security Lights	126,972	10,058	0.079214	0.1	0.1	146
Residential Heat	8,980,862	929,531	0.103501	6.1	6.0	907
Wastewater Plant	1,350,010	85,786	0.063545	0.9	0.6	1
Seasonal Heat Rate	995,198	74,407	0.074766	0.7	0.5	26
Energy Cost Adjustment	-	972,114	-	-	6.3	-
<b>Total Sales</b>	<b><u>146,087,575</u></b>	<b><u>\$ 15,370,273</u></b>	<b><u>\$ 0.105213</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,924</u></b>

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	-
<b>Total Sales</b>	<b><u>147,048,570</u></b>	<b><u>\$ 14,919,089</u></b>	<b><u>\$ 0.101457</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,905</u></b>

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
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	-	-	-	-
<b>Total Sales</b>	<b><u>142,562,065</u></b>	<b><u>\$ 14,089,241</u></b>	<b><u>\$ 0.098829</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,824</u></b>

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	-
<b>Total Sales</b>	<b><u>147,321,850</u></b>	<b><u>\$ 14,262,437</u></b>	<b><u>\$ 0.096811</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,832</u></b>

City of Fairmont, Minnesota  
Public Utilities Commission  
Kilowatt Sales (Continued)  
Last Ten Fiscal Years

Table 24 (Continued)

<u>Type of Service</u>	<u>KWH</u>	<u>Amount Billed</u>	<u>Revenue Per KWH</u>	<u>Percent of KWH to Total KWH</u>	<u>Percent of Revenue to Total Revenue</u>	<u>Number of Meters in Service</u>
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
SMMPA Expansion Rate	902,272	41,182	0.045643	0.6	0.3	24
Energy Cost Adjustment	-	3,703,983	-	-	26.0	-
<b>Total Sales</b>	<b><u>148,187,120</u></b>	<b><u>\$ 14,265,649</u></b>	<b><u>\$ 0.096268</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,856</u></b>

<u>Type of Service</u>	<u>KWH</u>	<u>Amount Billed</u>	<u>Revenue Per KWH</u>	<u>Percent of KWH to Total KWH</u>	<u>Percent of Revenue to Total Revenue</u>	<u>Number of Meters in Service</u>
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	-
<b>Total Sales</b>	<b><u>151,973,053</u></b>	<b><u>\$ 14,432,607</u></b>	<b><u>\$ 0.094968</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,867</u></b>

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
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	-
<b>Total Sales</b>	<b><u>155,661,326</u></b>	<b><u>\$ 14,612,493</u></b>	<b><u>\$ 0.093874</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,867</u></b>

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	-
<b>Total Sales</b>	<b><u>153,605,131</u></b>	<b><u>\$ 13,733,691</u></b>	<b><u>\$ 0.089409</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>5,943</u></b>

City of Fairmont, Minnesota  
Public Utilities Commission  
Kilowatt Sales (Continued)  
Last Ten Fiscal Years

Table 24 (Continued)

<u>Type of Service</u>	<u>KWH</u>	<u>Amount Billed</u>	<u>Revenue Per KWH</u>	<u>Percent of KWH to Total KWH</u>	<u>Percent of Revenue to Total Revenue</u>	<u>Number of Meters in Service</u>
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	-
<b>Total Sales</b>	<b><u>147,794,464</u></b>	<b><u>\$ 12,791,216</u></b>	<b><u>\$ 0.086547</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>	<b><u>6,057</u></b>

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

City of Fairmont, Minnesota  
Public Utilities Commission  
Large Electric Users  
Total Kilowatt Hours Used and Revenue Earned Per Year  
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Industrial/Commercial Users					
Fairmont Foods	17,322,061	16,131,520	14,158,043	13,051,618	2,464,831
	\$ 1,630,297	\$ 1,440,743	\$ 1,210,805	\$ 1,107,336	\$ 1,042,803
Minnesota Mining and Manufacturing	8,787,746	9,002,036	8,211,144	7,825,221	7,591,649
	\$ 825,014	\$ 798,762	\$ 701,501	\$ 651,696	\$ 619,290
Harsco Track Technology	456,000	486,300	518,400	517,200	552,000
	\$ 50,748	\$ 50,089	\$ 50,927	\$ 51,381	\$ 54,207
Hancor	6,569,000	5,490,000	6,089,000	6,670,000	7,509,000
	\$ 648,024	\$ 534,868	\$ 567,118	\$ 601,875	\$ 666,009
Weigh-Tronix	5,373,396	5,655,123	5,418,081	5,597,822	5,734,080
	\$ 544,844	\$ 549,562	\$ 518,706	\$ 523,817	\$ 530,950
Fareway Foods	1,211,071	1,279,500	1,339,479	1,378,376	1,484,452
	\$ 113,631	\$ 144,365	\$ 117,101	\$ 119,403	\$ 124,463
County Market	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Shopko	925,500	986,250	1,123,000	1,218,750	1,414,500
	\$ 95,098	\$ 100,484	\$ 108,445	\$ 109,459	\$ 122,882
Holiday Inn	1,351,500	1,425,750	1,443,250	1,565,250	1,633,500
	\$ 135,959	\$ 135,194	\$ 134,459	\$ 141,662	\$ 143,720
Fairmall Shopping Center	801,360	917,255	1,044,880	1,129,560	1,092,200
	\$ 84,918	\$ 92,316	\$ 103,581	\$ 105,865	\$ 103,406
Hy-Vee Foods	2,744,800	2,810,400	2,756,800	2,666,800	2,698,800
	\$ 251,410	\$ 247,622	\$ 234,366	\$ 224,510	\$ 222,689
Fairmont Refrigerated Services	5,841,720	5,881,320	5,660,120	6,055,200	6,139,800
	\$ 526,569	\$ 496,713	\$ 460,842	\$ 485,452	\$ 480,003
Kmart	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Wal-Mart Stores	3,604,400	3,431,200	3,110,800	3,234,800	3,296,000
	\$ 338,028	\$ 304,944	\$ 264,077	\$ 266,997	\$ 270,157
Fairmont Hospital	5,634,855	6,276,600	6,192,900	3,487,368	6,375,600
	\$ 529,624	\$ 552,693	\$ 537,020	\$ 399,776	\$ 527,157
I.S.D. No. 2752	1,973,800	2,023,200	1,980,000	3,487,368	3,585,720
	\$ 266,275	\$ 262,645	\$ 247,891	\$ 399,776	\$ 400,658
Wastewater Treatment Plant	1,350,010	1,287,238	1,401,166	1,437,200	1,325,800
	\$ 85,786	\$ 85,601	\$ 93,178	\$ 99,569	\$ 89,004
Water Treatment Plant	1,370,000	1,423,200	1,391,200	1,535,800	1,212,440
	\$ 91,105	\$ 94,643	\$ 92,515	\$ 93,366	\$ 76,158

Table 25

2012	2011	2010	2009	2008
14,315,307	15,975,378	14,405,962	15,229,904	16,305,260
\$ 1,180,918	\$ 1,317,813	\$ 1,114,623	\$ 1,130,627	\$ 1,032,066
7,712,425	7,361,865	7,172,204	6,743,792	7,023,623
\$ 631,048	\$ 604,175	\$ 547,629	\$ 498,185	\$ 448,190
571,200	1,136,400	1,742,400	1,935,600	1,990,800
\$ 56,457	\$ 122,519	\$ 177,622	\$ 184,883	\$ 173,609
8,627,000	7,840,000	7,092,000	6,536,000	6,944,000
\$ 723,634	\$ 661,645	\$ 566,223	\$ 519,326	\$ 477,075
6,392,412	6,501,321	6,501,551	6,111,050	7,540,040
\$ 575,467	\$ 589,774	\$ 551,984	\$ 511,612	\$ 526,424
1,398,829	1,309,292	1,142,880	-	-
\$ 119,854	\$ 115,007	\$ 89,704	\$ -	\$ -
-	-	-	-	1,305,408
\$ -	\$ -	\$ -	\$ -	\$ 79,648
1,451,000	1,287,750	1,280,250	1,246,000	1,419,000
\$ 123,958	\$ 113,221	\$ 105,200	\$ 98,515	\$ 94,750
1,552,500	1,759,000	1,674,250	1,610,500	1,803,000
\$ 139,323	\$ 154,431	\$ 138,570	\$ 127,840	\$ 121,897
945,860	776,400	789,640	760,940	905,540
\$ 88,258	\$ 90,337	\$ 71,990	\$ 69,330	\$ 71,467
2,605,120	2,657,440	2,525,920	2,670,880	2,649,280
\$ 221,566	\$ 211,168	\$ 189,363	\$ 192,183	\$ 161,366
6,127,560	6,030,720	5,872,680	6,031,080	6,042,600
\$ 474,287	\$ 465,861	\$ 424,233	\$ 414,539	\$ 358,950
-	-	-	129,984	1,114,752
\$ -	\$ -	\$ -	\$ 11,927	\$ 84,373
3,449,200	3,506,800	3,476,800	3,461,200	3,676,400
\$ 283,831	\$ 285,919	\$ 268,115	\$ 255,977	\$ 232,011
6,314,400	6,735,600	6,806,700	6,521,400	6,997,500
\$ 516,892	\$ 557,202	\$ 540,320	\$ 485,053	\$ 444,303
3,427,680	3,211,200	2,558,880	2,312,000	2,367,120
\$ 384,529	\$ 346,486	\$ 240,995	\$ 209,171	\$ 190,684
1,248,800	1,270,200	1,239,000	1,286,800	1,297,400
\$ 83,835	\$ 79,786	\$ 70,727	\$ 69,939	\$ 57,887
1,475,640	1,647,730	1,637,640	1,768,320	1,834,560
\$ 92,691	\$ 103,500	\$ 93,483	\$ 96,110	\$ 81,854



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>2017</u>					
Net Raw Water	437,145,408	100.0 %			
Used in Production	<u>19,805,380</u>	<u>4.5</u>			
Net Finished Water	417,340,028	95.5			
Loss in Distribution System (Including Hydrant)	<u>45,650,046</u>	<u>10.4</u>			
 Total Sales	 <u>371,689,982</u>	 <u>85.1</u>	 \$ 3,090,598	 \$ 8.314989	 4,426
<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

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>2012</u>					
Net Raw Water	485,011,000	100.0 %			
Used in Production	<u>20,658,344</u>	<u>4.3</u>			
Net Finished Water	464,352,656	95.7			
Loss in Distribution System (Including Hydrant)	<u>34,019,079</u>	<u>7.0</u>			
 Total Sales	 <u>430,333,577</u>	 <u>88.7</u>	 \$ 2,699,242	 \$ 6.272441	 4,429
<u>2011</u>					
Net Raw Water	589,167,636	100.0			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (Including Hydrant)	<u>60,617,941</u>	<u>10.3</u>			
 Total Sales	 <u>455,140,379</u>	 <u>77.2</u>	 2,536,752	 5.573560	 4,442
<u>2010</u>					
Net Raw Water	591,918,009	100.0			
Used in Production	<u>61,373,009</u>	<u>10.4</u>			
Net Finished Water	530,545,000	89.6			
Loss in Distribution System (Including Hydrant)	<u>65,137,047</u>	<u>11.0</u>			
 Total Sales	 <u>465,407,953</u>	 <u>78.6</u>	 2,114,745	 4.543852	 4,443
<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

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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
2017	\$ 1,338,340 3.2068	\$ 296,577 0.7106	\$ 397,170 0.9517	\$ 926,629 2.2203	\$2,958,716 7.0894	\$ 417,340,028 371,689,982	\$ 7.9602
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

City of Fairmont, Minnesota  
Public Utilities Commission  
District Heat Sales  
Last Ten Fiscal Years

Table 28

	<u>Total Pounds</u>	<u>Percent of Total</u>	<u>Total Revenue</u>	<u>Revenue Per M Pounds</u>	<u>Steam Meters</u>
<u>2017</u>					
Steam billed to customers	-	-	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	-
Metered Power Plant use	-	-	-	-	-
Loss	-	-	-	-	-
Fuel cost adder	-	-	-	-	-
Total steam metered to District Heat Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2015</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	-
Metered Power Plant use	-	-	-	-	-
Loss	-	-	-	-	-
Fuel cost adder	-	-	-	-	-
Total steam metered to District Heat Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Fairmont, Minnesota  
Public Utilities Commission  
District Heat Sales (Continued)  
Last Ten Fiscal Years

Table 28 (Continued)

	<u>Total Pounds</u>	<u>Percent of Total</u>	<u>Total Revenue</u>	<u>Revenue Per M Pounds</u>	<u>Steam Meters</u>
<u>2012</u>					
Steam billed to customers	-	-	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<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>	

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
2017	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ -
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

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
2017	586,820	\$ 615,313 1.0486	\$ 296,213 0.5048	\$ 226,687 0.3863	\$ 615,145 1.0483	\$1,753,358 2.9880	871,000 3,840,000
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



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SINGLE AUDIT AND  
OTHER REQUIRED REPORTS

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2018.

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 19, 2018



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, 2017, 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 19, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 19, 2018



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, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

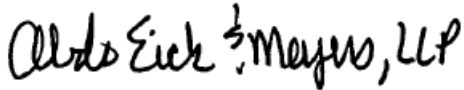
## Report on Internal Control Over Compliance

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 19, 2018



City of Fairmont, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Commerce		Economic Adjustment Assistance	11.307		\$ 661,045
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401	P0116X01SRM	6,466
U.S. Department of Housing and Urban Development	Minnesota Department of Employment and Economic Development	Community Development Block Grants	14.228	CDAP-15-0060-O-FY16	31,253
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	TMNFAA00291415	4,397
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	1029945	<u>614,137</u>
	Total Expended				<u>\$ 1,317,298</u>
		Balance of RLF loans outstanding at year end			\$ 377,327
		Cash and investment balances in the RLF at year end			218,146
		Loan write-offs during the year			64,447
		Administrative expenses paid out of RLF income during the year			1,125
		Subtotal			<u>661,045</u>
		Federal share of the RLF			<u>100%</u>
		Total Expenditures			<u>\$ 661,045</u>

City of Fairmont, Minnesota  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

**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, 2017. 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, 2017, the City did not elect to use the 10% de minimis indirect cost rate.

City of Fairmont, Minnesota  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2017

**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***

	<b>CFDA No.</b>
Highway Planning and Construction	20.205
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, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.

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

There was a prior year audit finding and is included below in the Schedule of Prior Year Audit Findings.

City of Fairmont, Minnesota  
Schedule of Prior Year Findings  
For the Year Ended December 31, 2017

**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.

*Updated Progress Since Prior Year:*

The City has established written policies and procedures to comply with the Uniform Guidance requirements.