

Annual Financial Report

City of Fairmont
Fairmont, Minnesota

For the Year Ended
December 31, 2018

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City of Fairmont, Minnesota
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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CITY OF FAIRMONT – P.O. Box 751 – 100 Downtown Plaza – Fairmont, MN 56031

Phone (507) 238-9461

www.fairmont.org ♦ citygov@fairmont.org

Fax (507) 238-9469

May 7, 2019

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, 2018.

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

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

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

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

Respectfully submitted,

City of Fairmont

Mike Humpal, CEcD
City Administrator

MH/sko
Encls.



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Phone (507) 238-9461

Fax (507) 238-9469

May 7, 2019

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, 2018. This report was prepared by the City's Finance Division. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with the City. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

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

BUDGETARY CONTROL

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

ECONOMIC CONDITION AND OUTLOOK

- The City of Fairmont is located along the southern border of Minnesota at State Highway 15 and Interstate I-90 in a largely agricultural area. Although the population declined slightly over the last ten years, the number of households has increased. The economy of Fairmont consists of large and small industry and commerce. The industries are diversified between food processors, agribusinesses and a variety of other products. The City's financial base is currently sound with taxable market values increasing 4.0% in 2018. 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 spent \$485,760 on residential rehabilitation in our community's target area during the grant period, which ended December 31, 2018.

Great Plains Transportation Services, Inc has announced an expansion of 12,000 square feet of class A office space to their current building located at 923 State Street north. The City of Fairmont, ISD 2752 and Martin County all approved tax abatement for the project.

The City of Fairmont worked to tear down 7 blighted residential homes in 2018 and plans to tear down another 7 in 2019.

The City of Fairmont assisted businesses in our industrial park by working with Martin County to close the gap of \$10,000 to get fiber to the industrial park.

The City of Fairmont Economic Development Authority obtained a real estate option and infrastructure easements 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. City staff is working to apply for grant funds to help with the infrastructure costs of the industrial park development.

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, 2019, eight of the twenty lots have sold, and several potential prospects have evolved.

For the future -

Infrastructure improvement continues to be a community priority. The City will begin constructing a walking trail from Margaret Street North to just South of I90, begin construction on a new T-Hangar at the Airport that will add an additional 8 spots that can be leased and will begin on a \$5.9 million street improvement program. The City Council held a budget and goal setting session in 2018 to set improvement goals for the upcoming year. In addition to the infrastructure projects listed above, projects include improvements to the Aquatic Park, constructing a 9 hole mini golf course, a small remodel at the Fire Hall and replacing the HVAC system in the terminal building at the Airport. The Council also allocated funds to continue a program of eliminating blighted housing within the community.

The City of Fairmont is partnering with local lenders and realtors to assist in housing, as well as working with Building blocks Learning Center to add 45 additional child care slots which will be mostly for infants and toddlers. This expansion is expected late 2019 or early 2020.

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 percent of General fund expenditures. The City has consistently been able to maintain fund balances within or above this range and as of December 31, 2018 the General fund balance was 88.2 percent 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, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Fairmont has received a Certificate of Achievement for the last twenty-seven (27) consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Honorable Mayor and City Council
May 7, 2019

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.

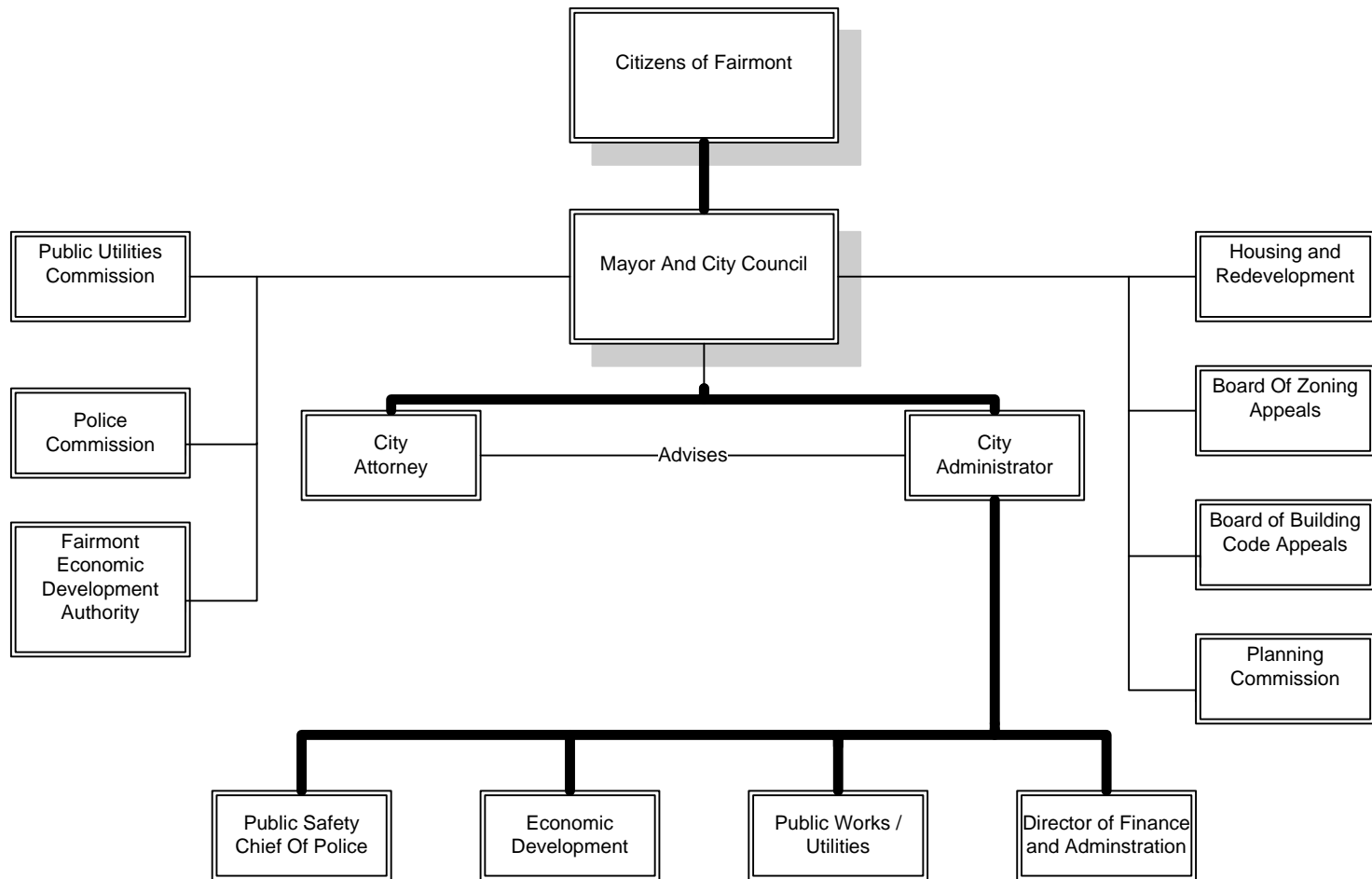
Respectfully submitted,



City of Fairmont
Paul Hoyer
Finance Director

City of Fairmont, Minnesota
Principal City Officials
For the Year Ended December 31, 2018

<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 Zarling	12/31/2018
	Wayne Hasek	12/31/2020
City Administrator	Michael Humpal	
Finance Director	Paul Hoyer	
City Clerk	Patty Monsen	
Director of Public Works and Public Utilities	Troy Nemmers	
City Attorney	Elizabeth W. Bloomquist	
Chief of Police	Michael N. Hunter	





Government Finance Officers Association

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

Presented to

**City of Fairmont
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION
CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 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, the related note disclosures and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

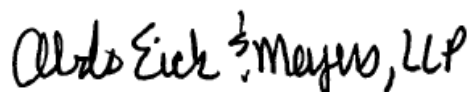
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional 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 May 7, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 7, 2019

People
+ Process®
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the City of Fairmont, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. 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 10 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 \$110,897,694 (*net position*). Of this amount, \$19,199,101 (*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 \$3,842,656, compared to an increase of \$2,941,739, 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 \$17,632,130, an increase of \$451,102 in comparison with the prior year. This increase is mainly the result of strong performance in the General and the nonmajor special revenue funds. Unassigned fund balance at year end is \$3,798,955. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$8,264,773), 2) committed (\$1,258,708), 3) assigned (\$4,309,694) for the purposes described in Note 3F in the notes to the financial statements.

Overview of the Financial Statements

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

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

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

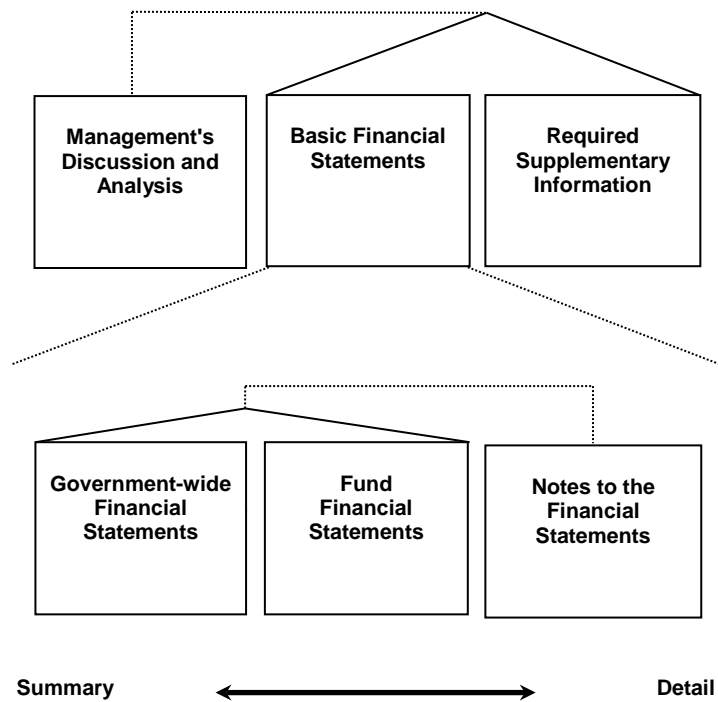


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, 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 and Debt Service 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 45 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 50 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 60 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 61 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, Schedule of Changes in the City's Total OPEB Liability and Related Ratios. Required supplementary information can be found starting on page 103 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund financial statements and schedules can be found starting on page 111 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 \$110,897,694 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (73.4 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		
	(Restated)	Increase		(Restated)	Increase	
	2018	2017	(Decrease)	2018	2017	(Decrease)
Assets						
Current and other assets	\$ 22,317,695	\$ 22,837,273	\$ (519,578)	\$ 18,327,060	\$ 18,073,496	\$ 253,564
Capital assets	56,979,957	57,448,730	(468,773)	65,354,415	66,003,883	(649,468)
Total assets	79,297,652	80,286,003	(988,351)	83,681,475	84,077,379	(395,904)
Deferred Inflows of Resources	2,908,018	3,196,755	(288,737)	404,989	642,692	(237,703)
Liabilities						
Long-term liabilities						
outstanding	16,503,288	19,522,644	(3,019,356)	31,512,832	33,561,998	(2,049,166)
Other liabilities	1,270,903	1,878,823	(607,920)	1,872,506	1,805,010	67,496
Total liabilities	17,774,191	21,401,467	(3,627,276)	33,385,338	35,367,008	(1,981,670)
Deferred Outflows of Resources	3,637,242	3,715,146	(77,904)	597,669	664,170	(66,501)
Net Position						
Net investment in						
capital assets	44,638,223	43,687,451	950,772	36,725,415	35,673,883	1,051,532
Restricted	10,334,955	9,971,329	363,626	-	-	-
Unrestricted	5,821,059	4,707,365	1,113,694	13,378,042	13,015,010	363,032
Total Net Position	\$ 60,794,237	\$ 58,366,145	\$ 2,428,092	\$ 50,103,457	\$ 48,688,893	\$ 1,414,564

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* (17.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased the City's net position by \$2,428,092. The primary reasons for the increase in net position were a result of an increase in taxes of \$1,116,225 and capital grants and contributions revenues of \$1,216,811. Key elements of this increase are as follows:

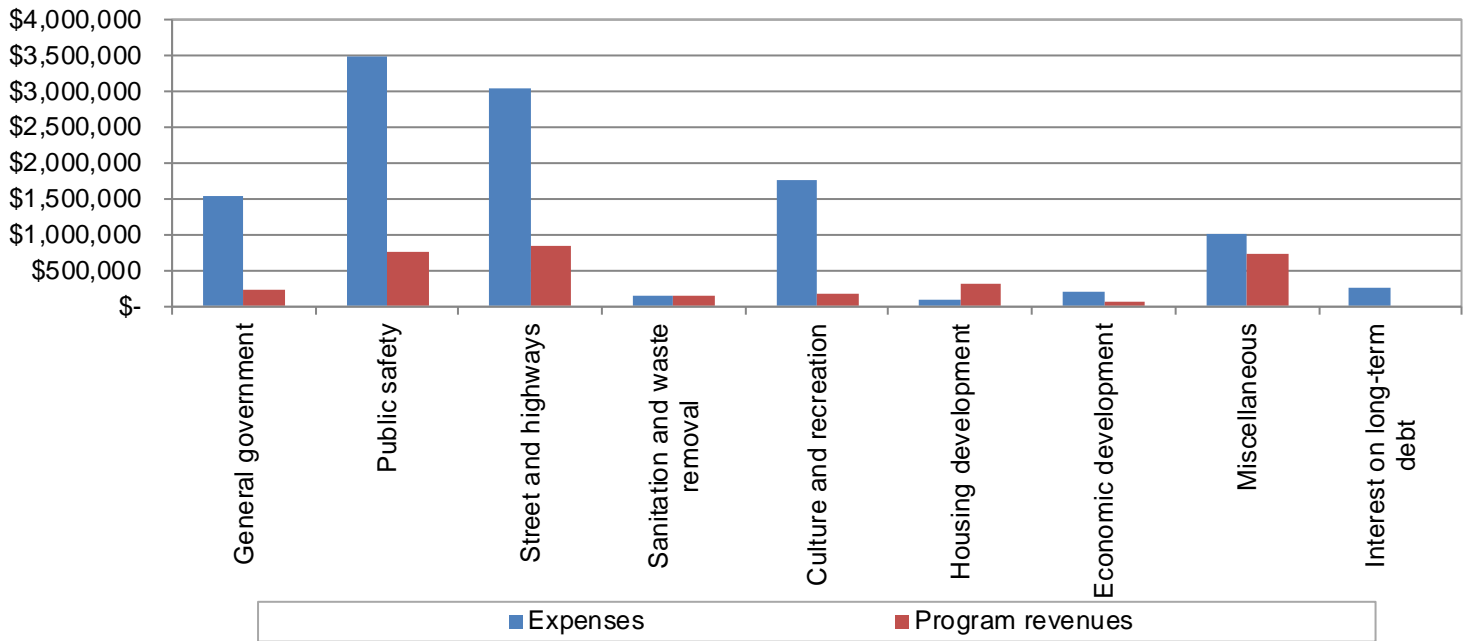
- Continued street lighting conversions to LED which has lowered electric costs.
- Increased interest earnings as interest rates have continued to improve.
- The City received a larger donation from the Fire Relief Association's gambling fund for future capital purchases.
- The City continued to increase its General fund reserves to be used for construction.

City of Fairmont's Changes in Net Position

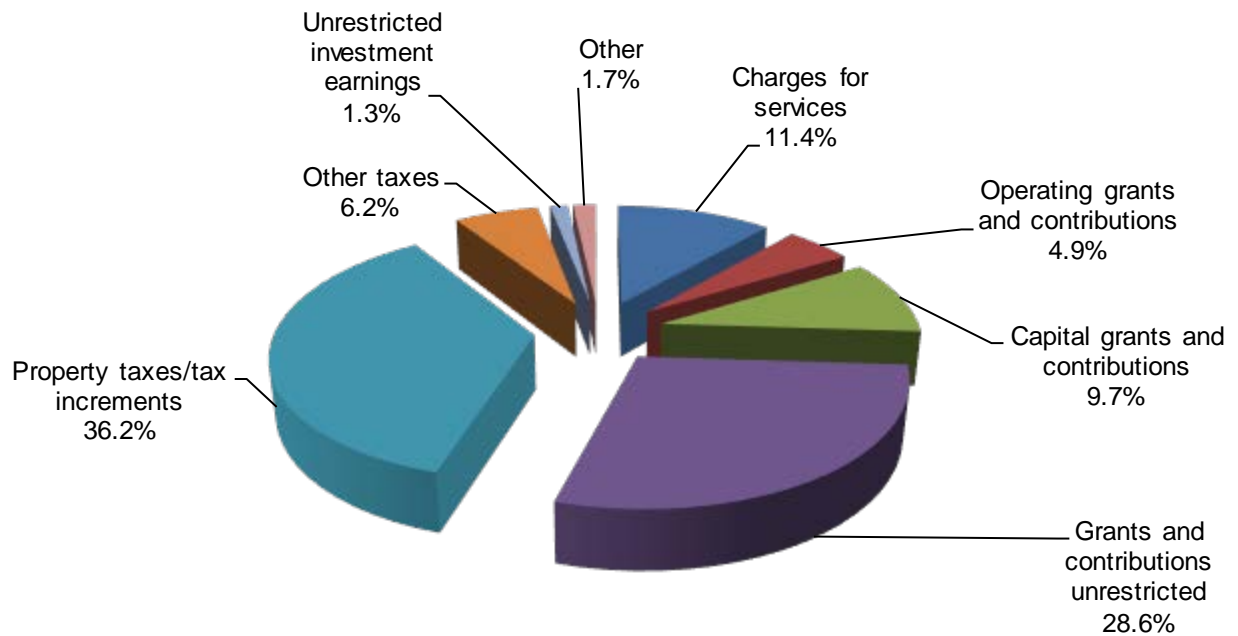
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,429,424	\$ 1,467,059	\$ (37,635)	\$ 26,630,706	\$ 25,970,314	\$ 660,392
Operating grants and contributions	613,636	340,258	273,378	-	-	-
Capital grants and contributions	1,216,811	2,200,736	(983,925)	1,460	44,417	(42,957)
General Revenues						
Property taxes/tax increments	4,559,071	4,008,624	550,447	-	-	-
Other taxes	781,951	216,173	565,778	-	-	-
Grants and contributions not restricted to specific programs	3,614,236	3,469,459	144,777	-	-	-
Unrestricted investment earnings	158,834	182,987	(24,153)	255,218	162,919	92,299
Other	214,612	203,394	11,218	-	-	-
Total Revenues	<u>12,588,575</u>	<u>12,088,690</u>	<u>499,885</u>	<u>26,887,384</u>	<u>26,177,650</u>	<u>709,734</u>
Expenses						
General government	1,538,761	1,389,155	149,606	-	-	-
Public safety	3,490,270	3,598,787	(108,517)	-	-	-
Streets and highways	3,036,945	2,988,471	48,474	-	-	-
Sanitation and waste removal	138,077	148,959	(10,882)	-	-	-
Culture and recreation	1,762,810	1,758,014	4,796	-	-	-
Housing development	94,458	143,337	(48,879)	-	-	-
Economic development	207,984	243,958	(35,974)	-	-	-
Miscellaneous	1,009,453	918,959	90,494	-	-	-
Interest on long-term debt	266,725	313,947	(47,222)	-	-	-
Electric	-	-	-	14,995,845	14,731,070	264,775
Water	-	-	-	3,600,037	3,541,198	58,839
Wastewater	-	-	-	1,812,529	1,876,476	(63,947)
Storm sewer	-	-	-	461,741	482,469	(20,728)
Liquor	-	-	-	3,210,279	3,181,621	28,658
Parking lot	-	-	-	7,389	8,180	(791)
Total Expenses	<u>11,545,483</u>	<u>11,503,587</u>	<u>41,896</u>	<u>24,087,820</u>	<u>23,821,014</u>	<u>266,806</u>
Change in Net Position Before Transfer	1,043,092	585,103	457,989	2,799,564	2,356,636	442,928
Transfers	<u>1,385,000</u>	<u>1,087,132</u>	<u>297,868</u>	<u>(1,385,000)</u>	<u>(1,087,132)</u>	<u>(297,868)</u>
Change in Net Position	2,428,092	1,672,235	755,857	1,414,564	1,269,504	145,060
Net Position - January 1 as Restated	<u>58,366,145</u>	<u>56,693,910</u>	<u>1,672,235</u>	<u>48,688,893</u>	<u>47,419,389</u>	<u>1,269,504</u>
Net Position - December 31	<u>\$ 60,794,237</u>	<u>\$58,366,145</u>	<u>\$2,428,092</u>	<u>\$ 50,103,457</u>	<u>\$ 48,688,893</u>	<u>\$1,414,564</u>

Property tax levies increased by 12.1 percent during the year. The increase was used for operating costs and an additional full-time employee in the street department. The City also increased its funding to the Fire Truck Replacement Fund and added funding for future street improvements. The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



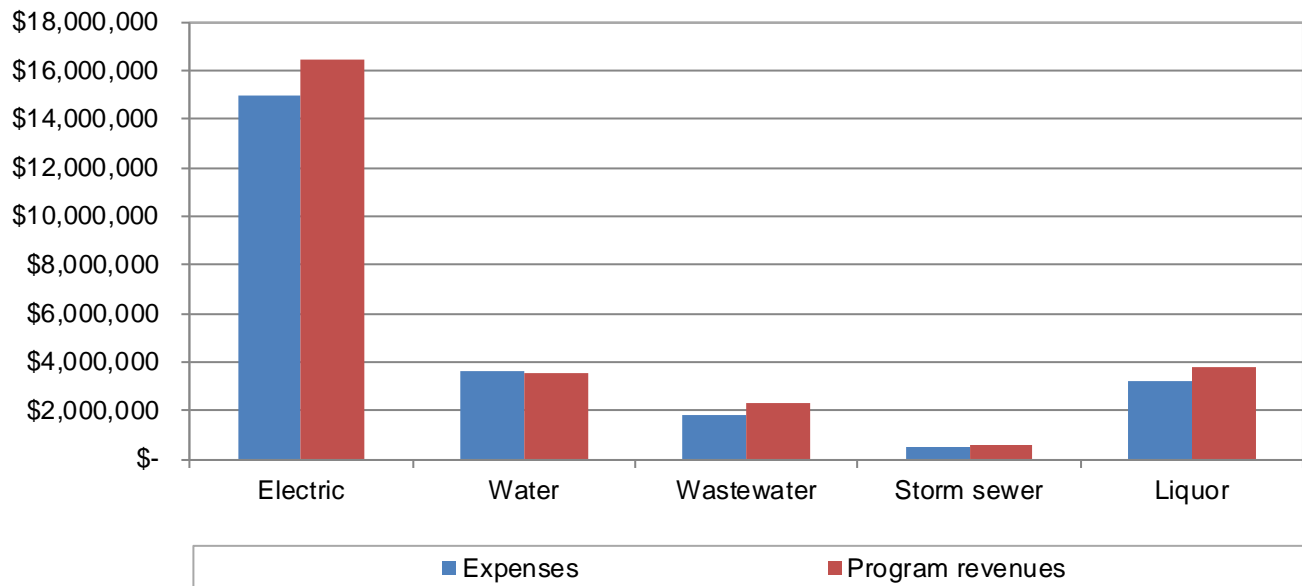
Revenues by Source



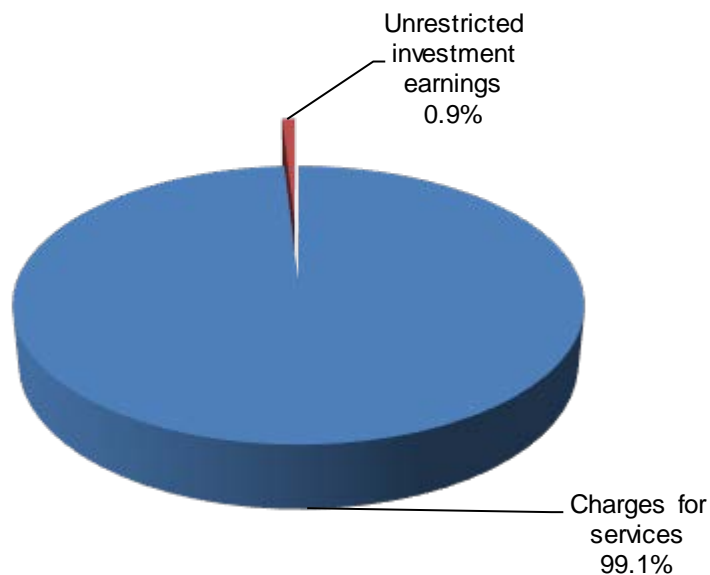
Business-type activities. Business-type activities increased the City's net position by \$1,414,564. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) operating income of \$2,555,111, with a total change in net position of \$1,234,046.
- The PUC approved a 3% water rate increase in 2018 that increased revenues 0.7%.

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 \$7,863,525. 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 \$3,976,673, or 44.6 percent of total General fund expenditures, while total fund balance represents 88.2 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$613,811 during the current fiscal year. Contributing factors to the increase are actual expenditures under budget of \$909,852 due to culture and recreation capital outlay expenditures being under budget by \$727,693. The Cedar Creek Park Trail and Pioneer Bridge projects were delayed and will be completed in 2019.

The Debt Service fund has a total fund balance of \$3,411,020, 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 \$1,588,450. The major reason for the decrease was scheduled debt service payments and transfers.

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 \$13,301,760, of which \$2,137,693 was for the Water Utility fund, \$3,805,140 was for the Wastewater Utility fund, \$5,450,571 was for the Electric Utility fund, \$288,429 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,620,370. The total increase in net position for the enterprise funds was \$1,442,954. 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 \$248,453 and actual expenditures were under budget by \$909,852 in 2018. The primary reasons for the variances are as follows:

- The City received \$165,005 from FEMA for disaster relief that put intergovernmental revenues over budget.
- The City received \$131,899 from the Fire Relief Association's gambling fund for capital equipment which was not included in the budget.
- Capital outlay was under budget by \$937,920 as a result of a couple of trail projects being delayed until 2019. Also, The estimate on the construction of the new Street and Park building came in considerably over budget which delayed this project as well.

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, 2018 amounts to \$122,334,372 (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:

- Completed \$1,225,791 in street improvement projects.
- Replaced a squad car in the Police Department.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Repaired the roof of the Senior Center.
- Purchased a Plow/Dump Truck in the Street Department.
- Began design work on the new Street and Park Building.
- Refurbished 3 pool slides at the Aquatic Park.
- Began construction on the Cedar Creek Park Trail.
- Continued work on the Pioneer Bridge replacement.
- Began design on the Margaret Street Trail extension.
- Began design on a new T-Hangar for the Airport.
- Continued work on the Canyon Drive storm water improvement project.

Additional information on the City's capital assets can be found in Note 3C starting on page 74 of this report.

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

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and Structures	5,099,814	5,298,527	(198,713)	34,818,621	35,633,456	(814,835)
Improvement Other						
Than Buildings	10,134,658	10,728,063	(593,405)	22,944,210	23,593,426	(649,216)
Machinery and Equipment	1,646,908	1,762,982	(116,074)	4,678,397	4,824,712	(146,315)
Vehicles	737,277	585,919	151,358	-	-	-
Infrastructure	32,678,628	31,348,299	1,330,329	-	-	-
Construction in Progress	2,733,194	3,775,462	(1,042,268)	1,194,472	233,574	960,898
Total	<u>\$ 56,979,957</u>	<u>\$ 57,448,730</u>	<u>\$ (468,773)</u>	<u>\$ 65,354,415</u>	<u>\$ 66,003,883</u>	<u>\$ (649,468)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$40,864,000. Of this amount, \$12,235,000 is special assessment debt and \$28,629,000 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
G.O. Improvement Bonds	\$ 12,235,000	\$ 14,665,000	\$ (2,430,000)	\$ -	\$ -	\$ -
G.O. Revenue Bonds	-	-	-	28,629,000	30,330,000	(1,701,000)
Total	<u>\$ 12,235,000</u>	<u>\$ 14,665,000</u>	<u>\$ (2,430,000)</u>	<u>\$ 28,629,000</u>	<u>\$ 30,330,000</u>	<u>\$ (1,701,000)</u>

The City's total debt decreased by \$4,131,000 (9.2 percent) during the current fiscal year. The key factor in this decrease was the retirement of long-term debt of \$4,131,000.

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 \$20,566,395. 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 79 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Martin County in December 2018 was 3.6 percent, which is a increase from 3.5 percent a year ago. This rate is slightly higher than the State average of 3.2 percent but below the national average rate of 3.7 percent.
- Residential and commercial property values increased 4.6 and 4.2 percent respectively, while agricultural values decreased 1.2 percent in 2018.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

- The City's property tax levy will increase in 2019 by 3.9 percent. The tax increase will provide an additional \$175,000 per year. Of that amount, \$50,000 will go to street improvements, and \$125,000 will go to pay the debt service for the new Street and Park building. 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, 2019 wastewater rates will remain at the 2018 level. The Public Utilities Commission approved a 3% increase to water rates for 2019. The City purchases electric power from SMMPA and they did not increase their rates for 2019. As a result, the City will be able to maintain electric rates at the 2018 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Fairmont, Minnesota
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 17,871,070	\$ 14,309,570	\$ 32,180,640	\$ 405,280
Receivables				
Interest	76,759	-	76,759	-
Delinquent taxes	92,341	-	92,341	2,301
Accounts	112,025	3,016,232	3,128,257	499
Notes	1,242,383	-	1,242,383	6,371
Special assessments	2,140,861	8,124	2,148,985	-
Intergovernmental	707,525	-	707,525	1,099
Due from component unit	5,120	-	5,120	-
Internal balances	(51,514)	51,514	-	-
Inventories	-	837,699	837,699	-
Prepaid items	1,125	35,542	36,667	-
Unamortized maintenance charges	-	68,379	68,379	-
Land held for resale	120,000	-	120,000	-
Capital assets				
Nondepreciable	6,682,672	2,913,187	9,595,859	-
Depreciable, net of accumulated depreciation	50,297,285	62,441,228	112,738,513	-
Total Assets	79,297,652	83,681,475	162,979,127	415,550
Deferred Outflows of Resources				
Deferred pension resources	2,889,155	392,547	3,281,702	-
Deferred other postemployment resources	18,863	12,442	31,305	472
Total Deferred Outflows of Resources	2,908,018	404,989	3,313,007	472
Liabilities				
Accounts and contracts payable	617,094	1,314,491	1,931,585	2,075
Due to primary government	-	-	-	5,120
Due to other governments	344,983	92,918	437,901	-
Accrued interest payable	83,042	224,965	308,007	-
Accrued salaries and vacation payable	134,129	103,183	237,312	3,217
Deposits payable	-	130,832	130,832	1,713
Unearned revenue	91,655	6,117	97,772	-
Noncurrent liabilities				
Due within one year	1,635,423	1,870,646	3,506,069	2,460
Due in more than one year	14,867,865	29,642,186	44,510,051	7,883
Total Liabilities	17,774,191	33,385,338	51,159,529	22,468
Deferred Inflows of Resources				
Deferred pension resources	3,637,242	597,669	4,234,911	-
Net Position				
Net investment in capital assets	44,638,223	36,725,415	81,363,638	-
Restricted for				
Debt service	5,481,202	-	5,481,202	-
Capital projects	2,381,787	-	2,381,787	-
Housing and economic development	2,471,966	-	2,471,966	-
Unrestricted	5,821,059	13,378,042	19,199,101	393,554
Total Net Position	\$ 60,794,237	\$ 50,103,457	\$110,897,694	\$ 393,554

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,538,761	\$ 239,759	\$ -	\$ -
Public safety	3,490,270	309,577	459,695	-
Streets and highways	3,036,945	13,302	30,015	789,188
Sanitation and waste removal	138,077	137,360	-	-
Culture and recreation	1,762,810	171,529	-	-
Housing development	94,458	22,226	26,651	273,997
Economic development	207,984	65,454	-	-
Airport and lake restoration	1,009,453	470,217	97,275	153,626
Interest on long-term debt	266,725	-	-	-
Total Governmental Activities	<u>11,545,483</u>	<u>1,429,424</u>	<u>613,636</u>	<u>1,216,811</u>
Business-type Activities				
Electric	14,995,845	16,405,873	-	-
Water	3,600,037	3,521,529	-	1,387
Wastewater	1,812,529	2,305,792	-	73
Storm sewer	461,741	581,475	-	-
Liquor	3,210,279	3,809,557	-	-
Parking lot	7,389	6,480	-	-
Total Business-type Activities	<u>24,087,820</u>	<u>26,630,706</u>	<u>-</u>	<u>1,460</u>
Total Primary Government	<u>\$ 35,633,303</u>	<u>\$ 28,060,130</u>	<u>\$ 613,636</u>	<u>\$ 1,218,271</u>
Component Unit				
Housing and economic development	<u>\$ 224,540</u>	<u>\$ 38,953</u>	<u>\$ 104,962</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 as Restated (Note 9)

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			Component Unit
Primary Government			Economic Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,299,002)		\$ (1,299,002)	
(2,720,998)		(2,720,998)	
(2,204,440)		(2,204,440)	
(717)		(717)	
(1,591,281)		(1,591,281)	
228,416		228,416	
(142,530)		(142,530)	
(288,335)		(288,335)	
(266,725)		(266,725)	
<u>(8,285,612)</u>		<u>(8,285,612)</u>	
-	\$ 1,410,028	1,410,028	
-	(77,121)	(77,121)	
-	493,336	493,336	
-	119,734	119,734	
-	599,278	599,278	
-	(909)	(909)	
<u>-</u>	<u>2,544,346</u>	<u>2,544,346</u>	
<u>(8,285,612)</u>	<u>2,544,346</u>	<u>(5,741,266)</u>	
			<u>\$ (80,625)</u>
3,295,022	-	3,295,022	99,312
1,124,959	-	1,124,959	-
139,090	-	139,090	-
740,471	-	740,471	-
41,480	-	41,480	-
3,614,236	-	3,614,236	-
158,834	255,218	414,052	6,181
15,278	-	15,278	-
199,334	-	199,334	-
1,385,000	(1,385,000)	-	-
<u>10,713,704</u>	<u>(1,129,782)</u>	<u>9,583,922</u>	<u>105,493</u>
2,428,092	1,414,564	3,842,656	24,868
<u>58,366,145</u>	<u>48,688,893</u>	<u>107,055,038</u>	<u>368,686</u>
<u>\$ 60,794,237</u>	<u>\$ 50,103,457</u>	<u>\$ 110,897,694</u>	<u>\$ 393,554</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, 2018

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City of Fairmont, Minnesota

Balance Sheet

Governmental Funds

December 31, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 7,916,959	\$ 3,396,219	\$ 5,246,534	\$ 16,559,712
Receivables				
Interest	76,759	-	-	76,759
Delinquent taxes	65,508	25,211	1,622	92,341
Accounts	98,792	-	12,179	110,971
Loans	-	-	1,242,383	1,242,383
Special assessments	12,848	2,128,013	-	2,140,861
Intergovernmental	203,529	17,301	486,695	707,525
Due from other funds	-	-	29,000	29,000
Land held for resale	-	-	120,000	120,000
Total Assets	\$ 8,374,395	\$ 5,566,744	\$ 7,138,413	\$ 21,079,552
Liabilities				
Accounts and contracts payable	\$ 251,655	\$ 2,500	\$ 331,358	\$ 585,513
Due to other funds	31,959	-	29,971	61,930
Due to other governments	286	-	344,697	344,983
Accrued salaries payable	127,538	-	2,601	130,139
Unearned revenue	21,076	-	70,579	91,655
Total Liabilities	432,514	2,500	779,206	1,214,220
Deferred Inflows of Resources				
Unavailable revenue - taxes	65,508	25,211	1,622	92,341
Unavailable revenue - special assessments	12,848	2,128,013	-	2,140,861
Total Deferred Inflows of Resources	78,356	2,153,224	1,622	2,233,202
Fund Balances				
Restricted	-	3,411,020	4,853,753	8,264,773
Committed	79,222	-	1,179,486	1,258,708
Assigned	3,807,630	-	502,064	4,309,694
Unassigned	3,976,673	-	(177,718)	3,798,955
Total Fund Balances	7,863,525	3,411,020	6,357,585	17,632,130
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,374,395	\$ 5,566,744	\$ 7,138,413	\$ 21,079,552

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

City of Fairmont, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2018

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

Total Fund Balances - Governmental Funds	\$ 17,632,130
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	56,927,573
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	(522,856)
Postemployment benefits other than pension obligation	(315,058)
Pension liability	(3,316,420)
Bonds payable	(12,235,000)
Bond premiums, net of accumulated amortization	(106,734)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	92,341
Special assessments receivable	2,140,861
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	2,889,155
Deferred inflows of pension resources	(3,637,242)
Deferred outflows of other postemployment benefit resources	18,863
Governmental funds do not report a liability for accrued interest until due and payable.	(83,042)
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>1,309,666</u>
Total Net Position - Governmental Activities	<u><u>\$ 60,794,237</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, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,255,724	\$ 1,261,933	\$ 814,957	\$ 5,332,614
Special assessments	1,001	400,222	-	401,223
Licenses and permits	161,590	-	-	161,590
Intergovernmental	3,970,647	-	1,279,089	5,249,736
Charges for services	524,603	-	468,671	993,274
Fines and forfeits	56,420	-	-	56,420
Investment earnings	2,467	55,879	82,014	140,360
Payments from Component Unit for debt service	-	800	-	800
Miscellaneous	251,025	-	259,226	510,251
Total Revenues	<u>8,223,477</u>	<u>1,718,834</u>	<u>2,903,957</u>	<u>12,846,268</u>
Expenditures				
Current				
General government	1,438,470	-	-	1,438,470
Public safety	3,460,352	-	-	3,460,352
Streets and highways	1,663,997	-	-	1,663,997
Sanitation and waste removal	138,077	-	-	138,077
Culture and recreation	1,398,228	-	15,543	1,413,771
Housing and economic development	-	115,247	126,451	241,698
Miscellaneous	-	-	543,120	543,120
Capital outlay				
General government	34,203	-	-	34,203
Public safety	153,385	-	-	153,385
Streets and highways	209,785	-	1,225,791	1,435,576
Culture and recreation	416,307	-	-	416,307
Miscellaneous	-	-	137,781	137,781
Debt service				
Principal	-	2,430,000	-	2,430,000
Interest and other	-	302,763	-	302,763
Total Expenditures	<u>8,912,804</u>	<u>2,848,010</u>	<u>2,048,686</u>	<u>13,809,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(689,327)</u>	<u>(1,129,176)</u>	<u>855,271</u>	<u>(963,232)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	29,334	-	-	29,334
Transfers in	1,348,804	485,337	998,140	2,832,281
Transfers out	(75,000)	(944,611)	(427,670)	(1,447,281)
Total Other Financing Sources (Uses)	<u>1,303,138</u>	<u>(459,274)</u>	<u>570,470</u>	<u>1,414,334</u>
Net Change in Fund Balances	613,811	(1,588,450)	1,425,741	451,102
Fund Balances, January 1	<u>7,249,714</u>	<u>4,999,470</u>	<u>4,931,844</u>	<u>17,181,028</u>
Fund Balances, December 31	<u>\$ 7,863,525</u>	<u>\$ 3,411,020</u>	<u>\$ 6,357,585</u>	<u>\$ 17,632,130</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, 2018

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

Net change in Fund balances - governmental funds	\$ 451,102
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	2,005,701
Depreciation expense	(2,515,078)

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

Principal repayments	2,430,000
Amortization of premiums, net of premium on bonds issued	19,545

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.

16,493

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

Pension expense	357,933
Direct aid contributions	26,466

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	7,608
Special assessments	(339,575)

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	(33,132)
Post employment benefits other than pension costs	10,569

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.

(9,540)

Change in Net Position - Governmental Activities	<u><u>\$ 2,428,092</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Fairmont, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,270,372	\$ 3,270,372	\$ 3,255,724	\$ (14,648)
Special assessments	-	-	1,001	1,001
Licenses and permits	172,600	172,600	161,590	(11,010)
Intergovernmental	3,882,346	3,882,346	3,970,647	88,301
Charges for services	454,152	454,152	524,603	70,451
Fines and forfeits	54,000	54,000	56,420	2,420
Investment earnings	40,000	40,000	2,467	(37,533)
Miscellaneous	101,554	101,554	251,025	149,471
Total Revenues	<u>7,975,024</u>	<u>7,975,024</u>	<u>8,223,477</u>	<u>248,453</u>
Expenditures				
Current				
General government	1,429,952	1,429,952	1,438,470	(8,518)
Public safety	3,346,141	3,346,141	3,460,352	(114,211)
Streets and highways	1,669,270	1,669,270	1,663,997	5,273
Sanitation and waste removal	122,293	122,293	138,077	(15,784)
Culture and recreation	1,503,400	1,503,400	1,398,228	105,172
Capital outlay				
General government	71,000	71,000	34,203	36,797
Public safety	140,600	140,600	153,385	(12,785)
Streets and highways	396,000	396,000	209,785	186,215
Culture and recreation	1,144,000	1,144,000	416,307	727,693
Total Expenditures	<u>9,822,656</u>	<u>9,822,656</u>	<u>8,912,804</u>	<u>909,852</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,847,632)</u>	<u>(1,847,632)</u>	<u>(689,327)</u>	<u>1,158,305</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	29,334	29,334
Transfers in	1,363,000	1,363,000	1,348,804	(14,196)
Transfers out	(80,000)	(80,000)	(75,000)	5,000
Total Other Financing Sources (Uses)	<u>1,283,000</u>	<u>1,283,000</u>	<u>1,303,138</u>	<u>20,138</u>
Net Change in Fund Balances	(564,632)	(564,632)	613,811	1,178,443
Fund Balances, January 1	<u>7,249,714</u>	<u>7,249,714</u>	<u>7,249,714</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 6,685,082</u>	<u>\$ 6,685,082</u>	<u>\$ 7,863,525</u>	<u>\$ 1,178,443</u>

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

City of Fairmont, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601	602	604	Total
	Water Utility	Wastewater Utility	Electric Utility	Public Utilities Commission
Assets				
Current Assets				
Cash and temporary investments	\$ 2,673,886	\$ 4,084,068	\$ 5,421,550	\$ 12,179,504
Receivables				
Accounts	446,232	307,711	2,167,800	2,921,743
Special assessments - current	7,245	879	-	8,124
Due from other funds	-	-	-	-
Inventories	45,022	-	413,042	458,064
Prepaid items	34,192	-	-	34,192
Total Current Assets	3,206,577	4,392,658	8,002,392	15,601,627
Noncurrent Assets				
Unamortized maintenance charges	68,379	-	-	68,379
Capital assets				
Land	468,687	58,186	90,991	617,864
Buildings	28,556,341	11,075,237	1,302,793	40,934,371
Improvements other than buildings	-	-	-	-
Utility plant in service	12,892,051	8,268,558	13,826,334	34,986,943
Machinery and equipment	435,314	6,790,738	3,909,209	11,135,261
Construction in progress	86,795	79,189	-	165,984
Total capital assets	42,439,188	26,271,908	19,129,327	87,840,423
Less accumulated depreciation	(6,958,911)	(11,602,250)	(13,499,023)	(32,060,184)
Total Capital Assets	35,480,277	14,669,658	5,630,304	55,780,239
(Net of Accumulated Depreciation)				
Total Noncurrent Assets	35,548,656	14,669,658	5,630,304	55,848,618
Total Assets	38,755,233	19,062,316	13,632,696	71,450,245
Deferred Outflows of Resources				
Deferred pension resources	118,232	56,531	161,085	335,848
Deferred other postemployment benefit resources	3,928	2,738	4,110	10,776
Total Deferred Outflows of Resources	122,160	59,269	165,195	346,624

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	Totals	
\$ 475,325	\$ 1,654,207	\$ 14,309,570	\$ 1,311,358
53,767	40,722	3,016,232	1,054
-	-	8,124	-
-	-	-	58,856
-	379,635	837,699	-
-	1,350	35,542	1,125
<u>529,092</u>	<u>2,075,914</u>	<u>18,207,167</u>	<u>1,372,393</u>
-	-	68,379	-
495,863	229,138	1,718,715	-
-	1,725,625	42,659,996	-
9,113,035	19,169	9,132,204	-
-	-	34,986,943	-
-	33,344	11,168,605	261,204
1,028,488	-	1,194,472	-
<u>10,637,386</u>	<u>2,007,276</u>	<u>100,860,935</u>	<u>261,204</u>
<u>(3,021,300)</u>	<u>(425,036)</u>	<u>(35,506,520)</u>	<u>(208,820)</u>
<u>7,616,086</u>	<u>1,582,240</u>	<u>65,354,415</u>	<u>52,384</u>
<u>7,616,086</u>	<u>1,582,240</u>	<u>65,422,794</u>	<u>52,384</u>
<u>8,145,178</u>	<u>3,658,154</u>	<u>83,629,961</u>	<u>1,424,777</u>
19,833	36,866	392,547	-
680	986	12,442	-
<u>20,513</u>	<u>37,852</u>	<u>404,989</u>	<u>-</u>

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

City of Fairmont, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601	602	604	Total
	Water Utility	Wastewater Utility	Electric Utility	Public Utilities Commission
Liabilities				
Current Liabilities				
Accounts and contracts payable	\$ 44,721	\$ 66,124	\$ 1,016,055	\$ 1,126,900
Due to other funds	7,028	5,323	10,222	22,573
Due to other governments	-	-	53,087	53,087
Accrued interest payable	189,700	29,223	-	218,923
Accrued salaries payable	32,800	14,853	38,065	85,718
Sick leave/severance payable - current portion	19,489	15,509	76,887	111,885
Deposits payable	18,270	-	112,562	130,832
Unearned revenue	-	-	-	-
Bonds payable - current portion	800,000	742,000	-	1,542,000
Total Current Liabilities	<u>1,112,008</u>	<u>873,032</u>	<u>1,306,878</u>	<u>3,291,918</u>
Noncurrent Liabilities				
Sick leave/severance payable, net of current portion	19,053	57,515	166,038	242,606
Postemployment benefits other than pension obligation	65,613	45,732	68,646	179,991
Pension liability	682,736	326,438	930,195	1,939,369
Bonds payable, net of current portion	22,570,000	3,907,000	-	26,477,000
Total Noncurrent Liabilities	<u>23,337,402</u>	<u>4,336,685</u>	<u>1,164,879</u>	<u>28,838,966</u>
Total Liabilities	<u>24,449,410</u>	<u>5,209,717</u>	<u>2,471,757</u>	<u>32,130,884</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>180,013</u>	<u>86,070</u>	<u>245,259</u>	<u>511,342</u>
Net Position				
Net investment in capital assets	12,110,277	10,020,658	5,630,304	27,761,239
Unrestricted	<u>2,137,693</u>	<u>3,805,140</u>	<u>5,450,571</u>	<u>11,393,404</u>
Total Net Position	<u>\$ 14,247,970</u>	<u>\$ 13,825,798</u>	<u>\$ 11,080,875</u>	<u>\$ 39,154,643</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	Totals	
\$ 54,603	\$ 132,589	\$ 1,314,491	\$ 31,581
-	2,195	24,768	1,158
-	39,831	92,918	-
6,042	-	224,965	-
30,960	16,827	133,505	11,210
-	5,209	117,094	-
-	-	130,832	-
-	5,539	6,117	-
200,000	-	1,742,000	-
<u>291,605</u>	<u>202,190</u>	<u>3,786,690</u>	<u>43,949</u>
613	5,722	248,941	-
11,355	16,470	207,816	-
114,528	212,884	2,266,781	-
422,878	-	26,899,878	-
<u>549,374</u>	<u>235,076</u>	<u>29,623,416</u>	<u>-</u>
<u>840,979</u>	<u>437,266</u>	<u>33,410,106</u>	<u>43,949</u>
30,197	56,130	597,669	-
7,006,086	1,582,240	36,725,415	2,536
<u>288,429</u>	<u>1,620,370</u>	<u>13,301,760</u>	<u>1,378,292</u>
<u>\$ 7,294,515</u>	<u>\$ 3,202,610</u>	50,027,175	<u>\$ 1,380,828</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>76,282</u>	
Net Position of Business-type Activities		<u>\$ 50,103,457</u>	

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

City of Fairmont, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	3,142,423	1,523,690	15,905,303	20,571,416
Miscellaneous revenues	370,762	779,506	479,649	1,629,917
Total Operating Revenues	<u>3,513,185</u>	<u>2,303,196</u>	<u>16,384,952</u>	<u>22,201,333</u>
Operating Expenses				
Production or purchase	-	-	11,988,898	11,988,898
Filtration	1,192,070	-	-	1,192,070
Treatment	-	586,482	-	586,482
Distribution	548,746	-	1,321,749	1,870,495
Collection	-	270,740	-	270,740
Administration and other	372,594	239,901	1,165,401	1,777,896
Depreciation	932,529	613,724	413,388	1,959,641
Total Operating Expenses	<u>3,045,939</u>	<u>1,710,847</u>	<u>14,889,436</u>	<u>19,646,222</u>
Operating Income (Loss)	<u>467,246</u>	<u>592,349</u>	<u>1,495,516</u>	<u>2,555,111</u>
Nonoperating Revenues (Expenses)				
Investment income	46,843	70,121	89,175	206,139
State grants	5,222	2,496	7,114	14,832
Miscellaneous income	3,122	100	165	3,387
Interest expense	(533,426)	(88,457)	-	(621,883)
Bond premium amortization	-	-	-	-
Payments to Economic Development Authority	(16,277)	(11,824)	(71,899)	(100,000)
Total Nonoperating Revenues (Expenses)	<u>(494,516)</u>	<u>(27,564)</u>	<u>24,555</u>	<u>(497,525)</u>
Income (Loss) Before Transfers and Capital Grants and Contributions	(27,270)	564,785	1,520,071	2,057,586
Capital Grants and Contributions	1,387	73	-	1,460
Transfers Out	<u>(134,285)</u>	<u>(97,549)</u>	<u>(593,166)</u>	<u>(825,000)</u>
Change in Net Position	(160,168)	467,309	926,905	1,234,046
Net Position - January 1 as Restated (Note 9)	<u>14,408,138</u>	<u>13,358,489</u>	<u>10,153,970</u>	<u>37,920,597</u>
Net Position - December 31	<u>\$ 14,247,970</u>	<u>\$ 13,825,798</u>	<u>\$ 11,080,875</u>	<u>\$ 39,154,643</u>

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

Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
603 Storm Sewer Utility	609 Municipal Liquor	611 Parking Lot		Totals	
\$ -	\$ 3,807,689	\$ -	\$ -	\$ 3,807,689	\$ -
-	(2,672,999)	-	-	(2,672,999)	-
587,094	-	6,480	6,749	21,164,990	2,745,950
-	-	-	-	1,629,917	8,522
<u>587,094</u>	<u>1,134,690</u>	<u>6,480</u>	<u>6,749</u>	<u>23,929,597</u>	<u>2,754,472</u>
-	-	-	-	11,988,898	-
-	-	-	-	1,192,070	-
-	-	-	-	586,482	-
-	-	-	-	1,870,495	-
-	-	-	-	270,740	-
256,539	490,807	7,389	8,180	2,532,631	2,802,396
190,608	45,833	-	-	2,196,082	9,244
<u>447,147</u>	<u>536,640</u>	<u>7,389</u>	<u>8,180</u>	<u>20,637,398</u>	<u>2,811,640</u>
139,947	598,050	(909)	(1,431)	3,292,199	(57,168)
18,340	30,720	19	22	255,218	18,474
876	1,628	-	-	17,336	-
100	240	-	-	3,727	-
(22,192)	-	-	-	(644,075)	-
2,089	-	-	-	2,089	-
-	-	-	-	(100,000)	-
<u>(787)</u>	<u>32,588</u>	<u>19</u>	<u>22</u>	<u>(465,705)</u>	<u>18,474</u>
139,160	630,638	(890)	(1,409)	2,826,494	(38,694)
-	-	-	-	1,460	-
-	(560,000)	-	-	(1,385,000)	-
139,160	70,638	(890)	(1,409)	1,442,954	(38,694)
<u>7,155,355</u>	<u>3,131,972</u>	<u>376,297</u>	<u>377,706</u>	<u>48,584,221</u>	<u>1,419,522</u>
<u>\$ 7,294,515</u>	<u>\$ 3,202,610</u>	<u>\$ 375,407</u>	<u>\$ 376,297</u>	<u>\$ 50,027,175</u>	<u>\$ 1,380,828</u>
Change in net position as shown above				\$ 1,442,954	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(28,390)	
Change in Net Position of Business-type				<u>\$ 1,414,564</u>	

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

City of Fairmont, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 3,543,385	\$ 2,324,560	\$ 16,211,926	\$ 22,079,871
Payments to suppliers	(903,098)	(431,176)	(12,802,055)	(14,136,329)
Payments to and on behalf of employees	(984,377)	(517,736)	(1,364,308)	(2,866,421)
Payments for interfund services used	(257,630)	(174,766)	(356,500)	(788,896)
Other receipts	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,398,280</u>	<u>1,200,882</u>	<u>1,689,063</u>	<u>4,288,225</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to other funds	(134,285)	(97,549)	(593,166)	(825,000)
Payments to Economic Development Authority	(16,277)	(11,824)	(71,899)	(100,000)
State aids received	5,222	2,496	7,114	14,832
Increase in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	709	802	835	2,346
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(144,631)</u>	<u>(106,075)</u>	<u>(657,116)</u>	<u>(907,822)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(133,197)	(242,319)	(313,826)	(689,342)
Capital grants received	831	513	-	1,344
Principal paid on revenue bond obligations	(782,000)	(729,000)	-	(1,511,000)
Interest paid on revenue bond obligations	(539,774)	(93,040)	-	(632,814)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,454,140)</u>	<u>(1,063,846)</u>	<u>(313,826)</u>	<u>(2,831,812)</u>
Cash Flows from Investing Activities				
Interest received	<u>46,843</u>	<u>70,121</u>	<u>89,175</u>	<u>206,139</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(153,648)	101,082	807,296	754,730
Cash and Cash Equivalents, January 1	<u>2,827,534</u>	<u>3,982,986</u>	<u>4,614,254</u>	<u>11,424,774</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 2,673,886</u></u>	<u><u>\$ 4,084,068</u></u>	<u><u>\$ 5,421,550</u></u>	<u><u>\$ 12,179,504</u></u>

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

Business-type Activities - Enterprise Funds				Governmental
603	609	611		Activities -
Storm Sewer	Municipal	Parking		Internal Service
Utility	Liquor	Lot	Totals	Funds
\$ 588,200	\$ 3,812,527	\$ 6,543	\$ 26,487,141	\$ 2,773,302
(42,634)	(2,841,928)	(7,364)	(17,028,255)	(567,790)
(160,687)	(305,352)	-	(3,332,460)	(2,179,304)
(45,081)	(81,791)	(18)	(915,786)	(37,556)
100	240	-	340	8,522
339,898	583,696	(839)	5,210,980	(2,826)
-	(560,000)	-	(1,385,000)	-
-	-	-	(100,000)	-
876	1,628	-	17,336	-
-	-	-	-	(3,963)
-	(126)	-	2,220	38
876	(558,498)	-	(1,465,444)	(3,925)
(818,582)	-	-	(1,507,924)	(49,848)
-	-	-	1,344	-
(190,000)	-	-	(1,701,000)	-
(24,225)	-	-	(657,039)	-
(1,032,807)	-	-	(3,864,619)	(49,848)
18,340	30,720	19	255,218	18,474
(673,693)	55,918	(820)	136,135	(38,125)
1,149,018	1,598,289	1,354	14,173,435	1,349,483
<u>\$ 475,325</u>	<u>\$ 1,654,207</u>	<u>\$ 534</u>	<u>\$ 14,309,570</u>	<u>\$ 1,311,358</u>

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

City of Fairmont, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 467,246	\$ 592,349	\$ 1,495,516	\$ 2,555,111
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	3,122	100	165	3,387
Depreciation	932,529	613,724	413,388	1,959,641
(Increase) decrease in assets				
Net accounts receivable	24,078	21,264	(186,888)	(141,546)
Inventories	12,497	-	(58,264)	(45,767)
Prepaid items	-	-	-	-
Unamortized maintenance charges	34,192	-	-	34,192
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	66,439	44,963	101,664	213,066
Deferred other postemployment benefit resources	(3,928)	(2,738)	(4,110)	(10,776)
Increase (decrease) in liabilities				
Accounts and contracts payable	(27,536)	24,558	41,924	38,946
Due to other governments	-	-	506	506
Accrued wages and sick leave/severance payable	(43,900)	8,051	39,810	3,961
Postemployment benefits other than pension obligation	9,365	3,586	(4,131)	8,820
Pension liability	(67,995)	(86,159)	(137,943)	(292,097)
Deposits payable	3,000	-	13,697	16,697
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(10,829)	(18,816)	(26,271)	(55,916)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,398,280</u>	<u>\$ 1,200,882</u>	<u>\$ 1,689,063</u>	<u>\$ 4,288,225</u>
Noncash Investing, Capital and Financing Activities				
Capital assets acquired on account	\$ -	\$ -	\$ -	\$ -
Special assessments levied	\$ 1,387	\$ 73	\$ -	\$ 1,460
Amortization of bond (premium) discount	\$ -	\$ -	\$ -	\$ -

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

Business-type Activities - Enterprise Funds				Governmental
603	609	611		Activities -
Storm Sewer	Municipal	Parking		Internal Service
Utility	Liquor	Lot	Totals	Funds
<hr/>				
\$ 139,947	\$ 598,050	\$ (909)	\$ 3,292,199	\$ (57,168)
100	240	-	3,727	-
190,608	45,833	-	2,196,082	9,244
1,106	3,515	-	(136,925)	27,352
-	577	-	(45,190)	-
-	-	-	-	19,110
-	-	-	34,192	-
12,297	24,782	-	250,145	-
(680)	(986)	-	(12,442)	-
10,787	(41,655)	7	8,085	(3,929)
-	(506)	-	-	-
4,214	1,556	-	9,731	2,565
612	(3,723)	-	5,709	-
(16,087)	(37,731)	-	(345,915)	-
-	-	-	16,697	-
-	1,323	63	1,386	-
(3,006)	(7,579)	-	(66,501)	-
<hr/>				
<u>\$ 339,898</u>	<u>\$ 583,696</u>	<u>\$ (839)</u>	<u>\$ 5,210,980</u>	<u>\$ (2,826)</u>
<u>\$ 38,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,690</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,460</u>	<u>\$ -</u>
<u>\$ (2,089)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,089)</u>	<u>\$ -</u>

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, 2018

	<u>Agency</u>
Assets	
Cash and temporary investments	\$ 548,638
Receivables	
Due from other governments	<u>1,109</u>
Total Assets	<u><u>\$ 549,747</u></u>
Liabilities	
Accounts payable	\$ 531,831
Deposits payable	<u>17,916</u>
Total Liabilities	<u><u>\$ 549,747</u></u>

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.

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, iPaddlePort and Fairmont Visitor Profile.

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.

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, 2018:

- Governmental agency securities of \$8,605,809 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$15,384,847 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 regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting 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, 2018 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.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Interfund Receivables and Payables

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2018. 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, 2018 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, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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 two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

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 a 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 75, at January 1, 2018. 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.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the GERF, PEPFF and the Fairmont Fire Department Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERF	PEPFF		
Pension expense	\$ 71,906	\$ 76,453	\$ 61,332	\$ 209,691

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.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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".

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, 2018:

Fund	Amount
Nonmajor	
Capital Projects	
2017 Capital Improvement Program	\$ 165,586
2019 Capital Improvement Program	12,132

These fund deficits will be funded by future State Aid reimbursements or from capital fund reserves.

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 \$6,390,384, including \$548,638 reported in fiduciary funds. The bank balance was \$6,751,552. The bank balance was covered by federal depository insurance of \$1,000,000. Of the remaining balance, \$5,751,552, 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, 2018

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	\$ 2,556,767		
Non-pooled investments at amortized costs					
Money Market Funds	N/A	less than 6 months	193,228		
Non-pooled investments at fair value					
Governmental Agency Securities	AAA	more than 3 years	740,444	\$ 740,444	\$ -
Governmental Agency Securities	AAA	1 to 3 years	7,865,365	7,865,365	-
Negotiable certificates of deposit	N/A	less than 6 months	2,446,857	-	2,446,857
Negotiable certificates of deposit	N/A	6 months to 1 year	3,864,244	-	3,864,244
Negotiable certificates of deposit	N/A	1 to 3 years	8,356,943	-	8,356,943
Negotiable certificates of deposit	N/A	more than 3 years	716,803	-	716,803
Total investments			<u>\$ 26,740,651</u>	<u>\$ 8,605,809</u>	<u>\$ 15,384,847</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.

N/A Indicates not applicable or available.

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

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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 \$3,523.

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	\$ 5,436,466	\$ 405,280	\$ 548,638	\$ 6,390,384
Investments	26,740,651	-	-	26,740,651
Cash on Hand	3,523	-	-	3,523
	<u>\$ 32,180,640</u>	<u>\$ 405,280</u>	<u>\$ 548,638</u>	<u>\$ 33,134,558</u>
Total	<u>\$ 32,180,640</u>	<u>\$ 405,280</u>	<u>\$ 548,638</u>	<u>\$ 33,134,558</u>

B. Notes Receivable

The City has received Federal grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest at 3 percent to 6 percent within twenty years. The balance of these notes at December 31, 2018 is \$865,335.

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, 2018 are \$377,048 of which \$15,944 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 \$361,104 is forgivable after seven to ten 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, 2018 is \$6,371.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	3,775,462	1,590,045	(2,632,313)	2,733,194
Total Capital Assets not Being Depreciated	7,724,940	1,590,045	(2,632,313)	6,682,672
Capital Assets Being Depreciated				
Buildings and structures	9,148,687	-	-	9,148,687
Improvements other than buildings	16,130,114	65,311	-	16,195,425
Machinery and equipment	5,145,874	125,952	(5,643)	5,266,183
Vehicles	2,968,737	274,241	(132,745)	3,110,233
Infrastructure	46,845,006	2,632,313	-	49,477,319
Bridges	4,890,518	-	-	4,890,518
Total Capital Assets Being Depreciated	85,128,936	3,097,817	(138,388)	88,088,365
Less Accumulated Depreciation for				
Buildings and structures	(3,850,160)	(198,713)	-	(4,048,873)
Improvements other than buildings	(5,402,051)	(658,716)	-	(6,060,767)
Machinery and equipment	(3,382,892)	(242,026)	5,643	(3,619,275)
Vehicles	(2,382,818)	(122,883)	132,745	(2,372,956)
Infrastructure	(19,083,708)	(1,179,724)	-	(20,263,432)
Bridges	(1,303,517)	(122,260)	-	(1,425,777)
Total Accumulated Depreciation	(35,405,146)	(2,524,322)	138,388	(37,791,080)
Total Capital Assets Being Depreciated, Net	49,723,790	573,495	-	50,297,285
Governmental Activities Capital Assets, Net	<u>\$ 57,448,730</u>	<u>\$ 2,163,540</u>	<u>\$ (2,632,313)</u>	<u>\$ 56,979,957</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,718,715	\$ -	\$ -	\$ 1,718,715
Construction in progress	233,574	960,898	-	1,194,472
Total Capital Assets not Being Depreciated	1,952,289	960,898	-	2,913,187
Capital Assets Being Depreciated				
Buildings and structures	42,659,996	-	-	42,659,996
Improvements other than buildings	43,790,211	328,936	-	44,119,147
Machinery and equipment	10,934,716	256,780	(22,891)	11,168,605
Total Capital Assets Being Depreciated	97,384,923	585,716	(22,891)	97,947,748
Less Accumulated Depreciation for				
Buildings and structures	(7,026,540)	(814,835)	-	(7,841,375)
Improvements other than buildings	(20,196,785)	(978,152)	-	(21,174,937)
Machinery and equipment	(6,110,004)	(403,095)	22,891	(6,490,208)
Total Accumulated Depreciation	(33,333,329)	(2,196,082)	22,891	(35,506,520)
Total Capital Assets Being Depreciated, Net	64,051,594	(1,610,366)	-	62,441,228
Business-type Activities Capital Assets, Net	<u>\$ 66,003,883</u>	<u>\$ (649,468)</u>	<u>\$ -</u>	<u>\$ 65,354,415</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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	\$ 72,591
Public safety	188,663
Streets and highways	1,396,172
Culture and recreation	311,281
Housing and economic development	65,876
Airport	480,495
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>9,244</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,524,322</u></u>

Business-type Activities

Electric utility	\$ 413,388
Water utility	932,529
Wastewater utility	613,724
Storm sewer	190,608
Liquor	<u>45,833</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 2,196,082</u></u>

Construction Commitments

The City has active construction projects as of December 31, 2018. The projects include street and road improvements and public parks projects. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Margaret Street	\$ 2,298,987	\$ 46,449
Cedar Creek Park Trail	91,381	249,168
Canyon Drive	<u>773,808</u>	<u>114,436</u>
Total	<u><u>\$ 3,164,176</u></u>	<u><u>\$ 410,053</u></u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	Nonmajor governmental	\$ 29,000
Internal service		
Medical self-insurance	Public Utilities Commission	
	Water Utility fund	7,028
	Electric Utility fund	10,222
	General	31,959
Worker's compensation self-insurance	Nonmajor governmental	971
	Public Utilities Commission	
	Wastewater Utility fund	5,323
	Municipal Liquor	2,195
	Internal service	
	Central garage and equipment	1,158
		<u>1,158</u>
Total		<u>\$ 87,856</u>

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, 2018

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, 2018 is as follows:

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
Amounts related to internal service fund elimination	Amounts related to internal service fund elimination	
		<u>\$ 5,120</u>

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2018 is as follows:

Fund	Transfers in			
	General	Debt Service	Nonmajor Governmental	Total
Transfers Out				
General	\$ -	\$ 75,000	\$ -	\$ 75,000
Debt Service	-	410,337	534,274	944,611
Nonmajor governmental	3,804	-	423,866	427,670
Municipal Liquor	520,000	-	40,000	560,000
Water Utility	134,285	-	-	134,285
Wastewater Utility	97,549	-	-	97,549
Electric Utility	593,166	-	-	593,166
Total Transfers Out	<u>\$ 1,348,804</u>	<u>\$ 485,337</u>	<u>\$ 998,140</u>	<u>\$ 2,832,281</u>

The transfer of \$520,000 from the Municipal Liquor fund to the General fund for Winnebago pool slides (\$30,000), refurbish pool slides (\$65,000), Veterans Park resurface (\$50,000), Adventure Playground (\$150,000) and the Pioneer Bridge demolition (\$225,000).

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

The transfer of \$825,000 from the Water Utility (\$134,285), Wastewater Utility (\$97,549) and the Electric Utility (\$593,166) funds to the General fund is payment in lieu of taxes.

The transfer of \$75,000 from the General fund to the Fire Truck fund for fire call revenue received.

The transfer of \$3,804 from the Revolving Loan fund to the General fund for the City's share of the administration expenses.

The transfer of \$298,585 from the MSA fund to the 2017 Capital Improvements fund for the Margaret Street Project.

The transfer of \$534,274 from the Debt Service Reserves fund to the 2016 Capital Improvements fund for the Whitetail Ridge Project.

The transfer of \$125,281 from the Local Option Sales Tax fund to the 2017 Community Center fund for the Community Center Study.

The transfer of \$178,787 from the Debt Service Reserve fund to the 2017 G.O. Bonds fund to issue the 2017 GO Bond.

The transfer of \$231,550 from the 2009 G.O. Bonds fund to the 2016 G.O. Bonds fund to close the fund.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

General Obligation Bonds

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

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

Primary Government Debt

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. Ad valorem tax levies of \$9,433,956 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 Crossover Refunding Bonds of 2012A	\$ 5,755,000	0.50 - 1.95 %	03/15/12	03/01/24	\$ 3,470,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,305,000
G.O. Improvement Bonds of 2015A	2,330,000	2.00 - 3.00	08/20/15	03/01/31	2,015,000
G.O. Improvement Crossover Refunding Bonds of 2016A	2,715,000	1.50 - 2.00	05/01/16	03/01/27	2,495,000
G.O. Improvement Bonds of 2017A	2,950,000	2.00 - 3.00	07/18/17	03/01/33	2,950,000
Total G.O. Special Assessment Bonds					<u>\$ 12,235,000</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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,	Governmental Activities		
	Principal	Interest	Total
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	1,080,000	149,740	1,229,740
2024 - 2028	3,700,000	461,670	4,161,670
2029 - 2033	1,725,000	108,981	1,833,981
Total	<u>\$ 12,235,000</u>	<u>\$ 1,566,819</u>	<u>\$ 13,801,819</u>

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	\$ 4,649,000
G.O. Storm Sewer Crossover Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	610,000
2011 G.O. Revenue Notes (PFA)	28,902,811	2.23	10/11/11	08/20/41	<u>23,370,000</u>
Total G.O. Revenue Bonds					<u>\$ 28,629,000</u>

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
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	1,669,000	475,895	2,144,895
2024 - 2028	5,479,000	1,953,067	7,432,067
2029 - 2033	5,217,000	1,393,480	6,610,480
2034 - 2038	5,827,000	784,089	6,611,089
2039 - 2041	3,472,000	148,695	3,620,695
Total	<u>\$ 28,629,000</u>	<u>\$ 7,011,959</u>	<u>\$ 35,640,959</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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, 2018 are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,513,185	\$ 2,303,196	\$ 587,094
Principal and Interest	1,321,774	822,040	214,225
Percentage of Revenues	37.6%	35.7%	36.5%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 14,665,000	\$ -	\$ (2,430,000)	\$ 12,235,000	\$ 1,465,000
Bond premiums	126,279	-	(19,545)	106,734	-
Total Bonds Payable	14,791,279	-	(2,449,545)	12,341,734	1,465,000
Sick Leave/Severance Payable	494,086	505,992	(470,002)	530,076	170,423
Pension Liability					
GERF	2,092,263	-	(281,565)	1,810,698	-
PEPFF	1,647,145	99,296	(252,053)	1,494,388	-
FRA	191,107	-	(179,773)	11,334	-
Postemployment Benefits Other Than Pension Obligations	306,763	22,606	(14,311)	315,058	-
 Governmental Activity Long-term Liabilities	 \$ 19,522,643	 \$ 627,894	 \$ (3,647,249)	 \$ 16,503,288	 \$ 1,635,423
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 30,330,000	\$ -	\$ (1,701,000)	\$ 28,629,000	\$ 1,742,000
Bond premiums	14,967	-	(2,089)	12,878	-
Total Bonds Payable	30,344,967	-	(1,703,089)	28,641,878	1,742,000
Sick Leave/Severance Payable	402,228	268,599	(274,470)	396,357	128,646
Pension Liability					
GERF	2,612,696	37,969	(383,884)	2,266,781	-
Postemployment Benefits Other Than Pension Obligations	202,108	15,148	(9,440)	207,816	-
 Business-type Activity Long-term Liabilities	 \$ 33,561,999	 \$ 321,716	 \$ (2,370,883)	 \$ 31,512,832	 \$ 1,870,646

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities					
Sick Leave/Severance Payable	\$ 3,297	\$ 7,951	\$ (8,788)	\$ 2,460	\$ 2,460
Postemployment Benefits Other Than Pension Obligations	465	7,776	(358)	7,883	-
Component Unit Activity Long-term Liabilities	<u>\$ 3,762</u>	<u>\$ 15,727</u>	<u>\$ (9,146)</u>	<u>\$ 10,343</u>	<u>\$ 2,460</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 was refunded on March 1, 2018, the 2010A bond was 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 was 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>\$ 4,741,010</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2018, 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	Other Governmental Funds	Total
Restricted for				
Debt service	\$ -	\$ 3,411,020	\$ -	\$ 3,411,020
State aid street improvements	-	-	1,801,527	1,801,527
Capital projects	-	-	580,260	580,260
Housing and economic development	-	-	2,471,966	2,471,966
Total	<u>\$ -</u>	<u>\$ 3,411,020</u>	<u>\$ 4,853,753</u>	<u>\$ 8,264,773</u>
Committed for				
Police department capital	\$ 50	\$ -	\$ -	\$ 50
Bike trail	1,950	-	-	1,950
LaFrance	4,172	-	-	4,172
Fire department	70,050	-	-	70,050
Lincoln park	3,000	-	-	3,000
Capital projects	-	-	776,953	776,953
Central college incubator	-	-	2,007	2,007
Conservation	-	-	400,526	400,526
Total	<u>\$ 79,222</u>	<u>\$ -</u>	<u>\$ 1,179,486</u>	<u>\$ 1,258,708</u>
Assigned for				
Police equipment	\$ 35,723	\$ -	\$ -	\$ 35,723
Building inspection	11,143	-	-	11,143
Housing demolition	69,532	-	-	69,532
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	31,808	-	-	31,808
Street building	36,237	-	-	36,237
Park land	295,212	-	-	295,212
Street/park building replacement	2,290,147	-	-	2,290,147
Government building	101,826	-	-	101,826
Street equipment	120,880	-	-	120,880
Park trail	324,155	-	-	324,155
Aeronautics	-	-	365,431	365,431
Central college incubator	-	-	36,948	36,948
Wetland bank	-	-	72,973	72,973
Housing and economic development	-	-	26,712	26,712
Total	<u>\$ 3,807,630</u>	<u>\$ -</u>	<u>\$ 502,064</u>	<u>\$ 4,309,694</u>
Unassigned	<u>\$ 3,976,673</u>	<u>\$ -</u>	<u>\$ (177,718)</u>	<u>\$ 3,798,955</u>

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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 Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$379,487, \$362,456 and \$346,231, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were \$240,033, \$219,305 and \$203,906, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$4,077,479 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 \$16 million to the fund in 2018. 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 \$133,729. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0735 percent which was a 0.0002 percent decrease from its proportion measured as of June 30, 2017.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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

City's proportionate share of the net pension liability	\$ 4,077,479
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>133,729</u>
Total	<u><u>\$ 4,211,208</u></u>

For the year ended December 31, 2018, the City recognized pension expense of \$71,906 for its proportionate share of GERS's pension expense. In addition, the City recognized an additional \$31,185 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERS.

At December 31, 2018, the City reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 107,716	\$ 116,082
Changes in Actuarial Assumptions	387,749	458,149
Net Difference Between Projected and Actual Earnings on Plan Investments	-	411,929
Changes in Proportion	20,753	88,926
Contributions to GERS Subsequent to the Measurement Date	<u>189,894</u>	<u>-</u>
Total	<u><u>\$ 706,112</u></u>	<u><u>\$ 1,075,086</u></u>

Deferred outflows of resources totaling \$189,894 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2019	\$ 122,782
2020	(261,578)
2021	(334,973)
2022	(85,099)

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$1,494,388 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1402 percent which was an increase of 0.0182 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$76,453 for its proportionate share of PEPFF's pension expense. The City also recognized \$12,618 for the year ended December 31, 2018, as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. 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, 2018

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

At December 31, 2018, 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	\$ 60,657	\$ 416,591
Changes in Actuarial Assumptions	1,950,926	2,199,933
Net Difference Between Projected and Actual Earnings on Plan Investments	-	268,688
Changes in Proportion	306,984	152,194
Contributions to PEPFF Subsequent to the Measurement Date	117,620	-
	<u>\$ 2,436,187</u>	<u>\$ 3,037,406</u>
Total		

Deferred outflows of resources totaling \$117,620 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2019	\$ 47,832
2020	(89,268)
2021	(195,646)
2022	(532,512)
2023	50,755

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2018, was \$209,691.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 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 after retirement for retirees are assumed to be 1.25 percent per year for GERF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
	<hr/>	
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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 were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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

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	\$ 6,626,425	\$ 4,077,479	\$ 1,973,396
PEPFF	3,204,061	1,494,388	80,559

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.

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, 2017, the plan covered 32 active firefighters and 2 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.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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

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 \$91,181 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2017, 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, 2018 were \$134,620. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2018, the City reported a net pension liability of \$11,334 for the plan. The net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department. 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, 2017	\$ 1,711,855	\$ 1,520,748	\$ 191,107
Changes for the Year			
Service cost	56,261	-	56,261
Interest	100,750	-	100,750
Differences between expected and actual experience	(77,198)	-	(77,198)
Changes in assumptions	26,484	-	26,484
Contributions - State and local	-	131,968	(131,968)
Contributions - member	-	17,420	(17,420)
Net investment income	-	149,581	(149,581)
Benefit payments	(312,223)	(312,223)	-
Administrative expenses	-	(12,899)	12,899
Total Net Changes	(205,926)	(26,153)	(179,773)
Ending Balance December 31, 2017	\$ 1,505,929	\$ 1,494,595	\$ 11,334

For the year ended December 31, 2018, the City recognized negative pension expense of \$73,288.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, 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	\$ -	\$ 116,290
Changes in Actuarial Assumptions	4,783	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	6,129
Contributions to Plan Subsequent to the Measurement Date	134,620	-
	<u>139,403</u>	<u>122,419</u>
Total	<u>\$ 139,403</u>	<u>\$ 122,419</u>

Deferred outflows of resources totaling \$134,620 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, 2019. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2019	\$ (3,585)
2020	(9,881)
2021	(32,275)
2022	(30,540)
2023	(17,538)
Thereafter	(23,817)

E. Actuarial Assumptions

The total pension liability at December 31, 2018, 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	6.00%
Inflation Rate	2.75%
Investment Rate of Return	6.00%
20 Year Municipal Bond Yield	3.31%

There were no changes in actuarial assumptions in 2018.

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, 2018

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

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

Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return
Domestic Equity	44.00 %	8.14 %
International Equity	0.93	7.95
Fixed Income	29.50	4.73
Real Estate and Alternatives	0.61	7.00
Cash and Equivalents	24.96	3.54
Total	<u>100.00 %</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:

	1 Percent Decrease (5.25%)	Current (6.25%)	1 Percent Increase (7.25%)
Defined Benefit Plan	\$ 65,109	\$ 11,334	\$ (38,807)

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.

Note 6: Postemployment Benefits Other Than Pensions

A. 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.

At December 31, 2018, the following employees were covered by the benefit terms:

Active Plan Members

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B. 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 2018, the City contributed \$24,109 to the plan.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$530,757 was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2018. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30%
Expected Long-Term Investment Return	3.30%, net of investment expense
20-Year Municipal Bond Yield	3.30%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.25% in 2018 grading to 5% over 5 years

The discount rate used to measure the total OPEB liability was 3.30 percent. Since the plan is not funded (has no Assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

The long-term inflation assumption has been chosen based on a review of historical changes in the Consumer Price Index (CPI.) Published projections of future inflation rates were also considered.

The salary scale increases percentage has been determined based on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The additional wage assumption is based on a review of increases in the taxable wage base compared to inflation. Any additional information on expected salary increases provided by the City is also reflected in this assumption.

The medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at January 1, 2017	<u>\$ 509,337</u>
Changes for the Year:	
Service cost	28,185
Interest	17,344
Benefit payments	<u>(24,109)</u>
Net Changes	<u>21,420</u>
Balances at December 31, 2018	<u><u>\$ 530,757</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate changed from 3.50 percent to 3.30 percent.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.30 percent) or 1-percentage-point higher (4.30 percent) than the current discount rate:

1 Percent Decrease (2.3%)	Current (3.3%)	1 Percent Decrease (4.3%)
\$ 569,906	\$ 530,757	\$ 494,000

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.25 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.25 percent increasing to 6.00 percent) than the current discount rate:

1 Percent Decrease (5.25% decreasing to 4%)	Healthcare Cost Trend Rates (6.25% decreasing to 5%)	1 Percent Increase (7.25% decreasing to 6%)
\$ 475,185	\$ 530,757	\$ 595,785

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Postemployment Benefits Other Than Pensions (Continued)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized negative OPEB expense of \$10,357. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to OPEB Subsequent to the Measurement Date	\$ 31,777	\$ -

Deferred outflows of resources totaling \$31,777 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Note 7: 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 \$213,229 at December 31, 2018. The claims liability of \$5,307 reported in the fund at December 31, 2018 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 2018, 2017 and 2016 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2018	\$ 12,742	\$ 197,838	\$ (205,273)	\$ 5,307
2017	8,514	202,587	(198,359)	12,742
2016	22,593	190,032	(204,111)	8,514

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: 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, 2018, was \$710,856 and \$397,919 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, 2018, 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 2018, 2017 and 2016 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2018	\$ 6,451	\$ 15,205	\$ (21,656)	\$ -
2017	-	23,456	(17,005)	6,451
2016	-	3,618	(3,618)	-

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, 2018

Note 7: Other Information (Continued)

C. Commitments

Power Purchase Commitment - Southern Minnesota Municipal Power Agency (SMPMPA) 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 SMPMPA to purchase power from SMPMPA 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 SMPMPA 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 2018 was \$3,459,265. This accounted for 42 percent of General fund revenues.

Note 8: Tax Abatements

As of December 31, 2018, 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.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 8: Tax Abatements (Continued)

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.

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, 2018 was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated the fiscal year
Tax Abatement Agreements			
Zierke Built Manufacturing, Inc.			\$ 10,476
Tax Increment Districts (PAYGO)			
TIF District #22	42.272%	\$ 48,074	20,322
TIF District #23	49.454%	21,034	10,402
TIF District #24	46.113%	11,112	5,124
TIF District #25	46.113%	31,640	14,590
TIF District #26	46.165%	10,981	5,069
Total			<u>\$ 65,983</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 9: Change in Accounting Principle

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

Also in 2017, the City overstated its accounts payable in the Worker's Compensation Self-insurance fund in the amount of \$169,880.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental activities	\$ 58,277,897	\$ (81,632)	\$ 58,196,265
Business-type activities	\$ 48,787,537	\$ (98,644)	\$ 48,688,893
Business-type activities			
Water Utility	\$ 14,444,546	\$ (36,408)	\$ 14,408,138
Wastewater Utility	13,389,720	(31,231)	13,358,489
Electric Utility	10,173,501	(19,531)	10,153,970
Storm Sewer Utility	7,160,536	(5,181)	7,155,355
Municipal Liquor	3,138,265	(6,293)	3,131,972
Parking Lot	376,297	-	376,297
Total business-type activities	\$ 48,682,865	\$ (98,644)	\$ 48,584,221
Component Unit	\$ 364,314	\$ 4,372	\$ 368,686
Internal service funds			
Worker's Compensation Self-insurance	\$ 265,414	\$ 169,880	\$ 435,294

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REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Fairmont, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

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 Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0735 %	\$ 4,077,479	\$ 133,729	\$ 4,211,208	\$ 4,941,671	85.2 %	79.5 %
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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 379,487	\$ 379,487	\$ -	\$ 5,059,831	7.5 %
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.

City of Fairmont, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2017 - The State's special funding contribution increased from \$6 million to \$16 million

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, 2018

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 Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.1402 %	\$ 1,494,388	\$ -	\$ 1,494,388	\$ 1,477,441	101.1 %	88.8 %
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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 240,033	\$ 240,033	\$ -	\$ 1,481,682	16.2 %
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.

City of Fairmont, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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.

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, 2018

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability				
Service cost	\$ 56,261	\$ 53,182	\$ 47,679	\$ 46,403
Interest	100,750	112,051	106,331	104,175
Differences between expected and actual experience	(77,198)	-	(73,104)	-
Changes of assumptions	26,484	12,042	(42,248)	-
Benefit payments, including refunds of employee contributions	(312,223)	(272,190)	(66,890)	(161,823)
Net Change in Total Pension Liability	(205,926)	(94,915)	(28,232)	(11,245)
Total Pension Liability - January 1	1,711,855	1,806,770	1,835,002	1,846,247
Total Pension Liability (A)	<u>\$ 1,505,929</u>	<u>\$ 1,711,855</u>	<u>\$ 1,806,770</u>	<u>\$ 1,835,002</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 131,968	\$ 127,341	\$ 143,804	\$ 171,691
Contributions - employee	17,420	16,800	15,320	13,760
Net investment income	149,581	99,916	(24,723)	52,082
Benefit payments, including refunds of employee contributions	(312,223)	(272,190)	(66,890)	(161,823)
Administrative expense	(12,899)	(13,915)	(13,568)	(17,227)
Net Change in Plan Fiduciary Net Position	(26,153)	(42,048)	53,943	58,483
Plan Fiduciary Net Position - January 1	1,520,748	1,562,796	1,508,853	1,450,370
Plan Fiduciary Net Position (B)	<u>\$ 1,494,595</u>	<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>\$ 11,334</u>	<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)	99.25%	88.84%	86.50%	82.23%
Covered Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes. No Changes in 2018.

Changes of Assumptions. The expected investment return and discount rate decreased from 6.25% to 6.00% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation.

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, 2018

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
	(a)	(b)	(a-b)
12/31/18	\$ - *	\$ - *	\$ -
12/31/17	151,431	149,388 *	2,043
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 Changes in the City's Total OPEB Liability and Related Ratios

	2018
Total OPEB liability	
Service cost	\$ 28,185
Interest	17,344
Benefit payments	(24,109)
Net change in total OPEB liability	21,420
Total OPEB liability - beginning	509,337
Total OPEB liability - ending	<u>\$ 530,757</u>
Covered payroll	\$ 5,741,610
City's total OPEB liability as a percentage of covered payroll	9.24 %

Benefit changes:

No benefit changes in 2018.

Changes in assumptions:

In 2018, the following assumptions changes:

The discount rate was changed from 3.50% to 3.30%.

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Fairmont, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 2,253,167	\$ 2,993,367	\$ 5,246,534
Receivables			
Delinquent taxes	1,622	-	1,622
Accounts	12,179	-	12,179
Loans	1,242,383	-	1,242,383
Intergovernmental	285,351	201,344	486,695
Due from other funds	29,000	-	29,000
Land held for resale	-	120,000	120,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,823,702</u>	<u>\$ 3,314,711</u>	<u>\$ 7,138,413</u>
Liabilities			
Accounts and contracts payable	\$ 117,669	\$ 213,689	\$ 331,358
Due to other funds	29,971	-	29,971
Due to other governments	224,697	120,000	344,697
Accrued wages payable	2,601	-	2,601
Unearned revenue	70,579	-	70,579
Total Liabilities	<u>445,517</u>	<u>333,689</u>	<u>779,206</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	1,622	-	1,622
	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Restricted	2,471,966	2,381,787	4,853,753
Committed	402,533	776,953	1,179,486
Assigned	502,064	-	502,064
Unassigned	-	(177,718)	(177,718)
Total Fund Balances	<u>3,376,563</u>	<u>2,981,022</u>	<u>6,357,585</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,823,702</u>	<u>\$ 3,314,711</u>	<u>\$ 7,138,413</u>

City of Fairmont, Minnesota
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 814,957	\$ -	\$ 814,957
Intergovernmental	397,923	881,166	1,279,089
Charges for services	468,671	-	468,671
Investment earnings	31,970	50,044	82,014
Miscellaneous	89,226	170,000	259,226
Total Revenues	<u>1,802,747</u>	<u>1,101,210</u>	<u>2,903,957</u>
Expenditures			
Current			
Culture and recreation	15,543	-	15,543
Housing and economic development	118,293	8,158	126,451
Miscellaneous	543,120	-	543,120
Capital outlay			
Streets and highways	-	1,225,791	1,225,791
Miscellaneous	45,649	92,132	137,781
Total Expenditures	<u>722,605</u>	<u>1,326,081</u>	<u>2,048,686</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,080,142</u>	<u>(224,871)</u>	<u>855,271</u>
Other Financing Sources (Uses)			
Transfers in	40,000	958,140	998,140
Transfers out	(129,085)	(298,585)	(427,670)
Total Other Financing Sources (Uses)	<u>(89,085)</u>	<u>659,555</u>	<u>570,470</u>
Net Change in Fund Balances	991,057	434,684	1,425,741
Fund Balances, January 1	<u>2,385,506</u>	<u>2,546,338</u>	<u>4,931,844</u>
Fund Balances, December 31	<u>\$ 3,376,563</u>	<u>\$ 2,981,022</u>	<u>\$ 6,357,585</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, 2018

	212	214	215	216	217
	Central College Incubator	Wetland Bank	Revolving Loan	Revolving Loan 2	Micro Loan
Assets					
Cash and temporary investments	\$ 40,005	\$ 72,973	\$ 263,405	\$ 481,441	\$ 21,937
Receivables					
Delinquent taxes	-	-	-	-	-
Accounts	4,084	-	-	-	-
Loans	-	-	343,244	557,091	4,775
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	29,000	-
Total Assets	\$ 44,089	\$ 72,973	\$ 606,649	\$1,067,532	\$ 26,712
Liabilities					
Accounts and contracts payable	\$ 5,134	\$ -	\$ 268	\$ -	\$ -
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	224,697	-
Accrued wages payable	-	-	-	-	-
Unearned revenue	-	-	-	70,579	-
Total Liabilities	5,134	-	268	295,276	-
Deferred Inflows of Resources					
Unavailable revenue - property taxes	-	-	-	-	-
Fund Balances					
Restricted	-	-	606,381	772,256	-
Committed	2,007	-	-	-	-
Assigned	36,948	72,973	-	-	26,712
Total Fund Balances	38,955	72,973	606,381	772,256	26,712
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 44,089	\$ 72,973	\$ 606,649	\$1,067,532	\$ 26,712

222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011	228 State Housing Grant 2016	230 Aeronautics	240 Lake Restoration	250 Local Option Sales Tax	Total Nonmajor Special Revenue
\$ 835	\$ 1,661	\$ 2,497	\$ 686	\$ 346,440	\$ 394,899	\$ 626,388	\$2,253,167
-	-	-	-	1,622	-	-	1,622
-	-	-	-	965	7,130	-	12,179
-	11,169	10,162	315,942	-	-	-	1,242,383
-	-	-	125,410	26,247	-	133,694	285,351
-	-	-	-	-	-	-	29,000
<u>\$ 835</u>	<u>\$ 12,830</u>	<u>\$ 12,659</u>	<u>\$ 442,038</u>	<u>\$ 375,274</u>	<u>\$ 402,029</u>	<u>\$ 760,082</u>	<u>\$3,823,702</u>
\$ -	\$ -	\$ -	\$ 106,115	\$ 4,649	\$ 1,503	\$ -	\$ 117,669
-	-	-	29,000	971	-	-	29,971
-	-	-	-	-	-	-	224,697
-	-	-	-	2,601	-	-	2,601
-	-	-	-	-	-	-	70,579
-	-	-	135,115	8,221	1,503	-	445,517
-	-	-	-	1,622	-	-	1,622
835	12,830	12,659	306,923	-	-	760,082	2,471,966
-	-	-	-	-	400,526	-	402,533
-	-	-	-	365,431	-	-	502,064
<u>835</u>	<u>12,830</u>	<u>12,659</u>	<u>306,923</u>	<u>365,431</u>	<u>400,526</u>	<u>760,082</u>	<u>3,376,563</u>
<u>\$ 835</u>	<u>\$ 12,830</u>	<u>\$ 12,659</u>	<u>\$ 442,038</u>	<u>\$ 375,274</u>	<u>\$ 402,029</u>	<u>\$ 760,082</u>	<u>\$3,823,702</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, 2018

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2	217 Micro Loan
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Intergovernmental					
State					
Airport maintenance aid	-	-	-	-	-
Other State aids	-	-	-	26,651	-
Charges for services					
Rents	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Investment earnings	236	1,245	3,859	8,132	359
Miscellaneous					
Loan interest	-	-	15,286	9,419	160
Other	49,913	-	753	-	-
Total Revenues	<u>50,149</u>	<u>1,245</u>	<u>19,898</u>	<u>44,202</u>	<u>519</u>
Expenditures					
Current					
Culture and recreation	-	-	-	-	-
Housing and economic development	87,906	2,918	4,918	75	46
Miscellaneous					
Conservation - water resources	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-
Capital outlay					
Miscellaneous					
Conservation - water resources	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-
Total Expenditures	<u>87,906</u>	<u>2,918</u>	<u>4,918</u>	<u>75</u>	<u>46</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(37,757)</u>	<u>(1,673)</u>	<u>14,980</u>	<u>44,127</u>	<u>473</u>
Other Financing Sources (Uses)					
Transfers in	40,000	-	-	-	-
Transfers out	-	-	(3,804)	-	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>-</u>	<u>(3,804)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,243	(1,673)	11,176	44,127	473
Fund Balances, January 1	<u>36,712</u>	<u>74,646</u>	<u>595,205</u>	<u>728,129</u>	<u>26,239</u>
Fund Balances, December 31	<u>\$ 38,955</u>	<u>\$ 72,973</u>	<u>\$ 606,381</u>	<u>\$ 772,256</u>	<u>\$ 26,712</u>

222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011	228 State Housing Grant 2016	230 Aeronautics	240 Lake Restoration	250 Local Option Sales Tax	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ 74,486	\$ -	\$ -	\$ 74,486
-	-	-	-	-	-	740,471	740,471
-	-	-	-	97,275	-	-	97,275
-	-	-	273,997	-	-	-	300,648
-	-	-	-	128,334	-	-	128,334
-	-	-	-	275,487	64,850	-	340,337
7	16	36	547	5,579	6,196	5,758	31,970
-	48	-	12,101	-	-	-	37,014
-	-	-	-	1,546	-	-	52,212
<u>7</u>	<u>64</u>	<u>36</u>	<u>286,645</u>	<u>582,707</u>	<u>71,046</u>	<u>746,229</u>	<u>1,802,747</u>
-	-	-	-	-	-	15,543	15,543
646	4,349	17,418	17	-	-	-	118,293
-	-	-	-	-	10,507	-	10,507
-	-	-	-	532,613	-	-	532,613
-	-	-	-	-	1,400	-	1,400
-	-	-	-	44,249	-	-	44,249
<u>646</u>	<u>4,349</u>	<u>17,418</u>	<u>17</u>	<u>576,862</u>	<u>11,907</u>	<u>15,543</u>	<u>722,605</u>
<u>(639)</u>	<u>(4,285)</u>	<u>(17,382)</u>	<u>286,628</u>	<u>5,845</u>	<u>59,139</u>	<u>730,686</u>	<u>1,080,142</u>
-	-	-	-	-	-	-	40,000
-	-	-	-	-	-	(125,281)	(129,085)
-	-	-	-	-	-	(125,281)	(89,085)
(639)	(4,285)	(17,382)	286,628	5,845	59,139	605,405	991,057
<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>\$ 835</u>	<u>\$ 12,830</u>	<u>\$ 12,659</u>	<u>\$ 306,923</u>	<u>\$ 365,431</u>	<u>\$ 400,526</u>	<u>\$ 760,082</u>	<u>\$ 3,376,563</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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Property taxes	\$ 75,000	\$ 74,486	\$ (514)	\$ 73,650
Intergovernmental				
Federal				
Airport aid	90,000	-	(90,000)	-
State				
Airport maintenance aid	262,500	97,275	(165,225)	67,201
Charges for services				
Rents	140,000	128,334	(11,666)	141,489
Miscellaneous	308,000	275,487	(32,513)	261,435
Investment earnings	2,000	5,579	3,579	3,278
Miscellaneous				
Other	-	1,546	1,546	1,732
Total Revenues	<u>877,500</u>	<u>582,707</u>	<u>(294,793)</u>	<u>548,785</u>
Expenditures				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	127,269	114,965	12,304	94,213
Supplies	248,500	244,456	4,044	202,156
Other services and charges	167,906	173,192	(5,286)	150,481
Capital outlay				
Miscellaneous				
Airport operation and maintenance	375,000	44,249	330,751	12,276
Total Expenditures	<u>918,675</u>	<u>576,862</u>	<u>341,813</u>	<u>459,126</u>
Net Change in Fund Balances	(41,175)	5,845	47,020	89,659
Fund Balances, January 1	<u>359,586</u>	<u>359,586</u>	<u>-</u>	<u>269,927</u>
Fund Balances, December 31	<u>\$ 318,411</u>	<u>\$ 365,431</u>	<u>\$ 47,020</u>	<u>\$ 359,586</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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 3,000	\$ 6,196	\$ 3,196	\$ 3,212
Charges for services				
Miscellaneous - restoration	65,000	64,850	(150)	66,473
Total Revenues	<u>68,000</u>	<u>71,046</u>	<u>3,046</u>	<u>69,685</u>
Expenditures				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	1,000	678	322	268
Other services and charges	12,120	9,829	2,291	9,306
Capital outlay				
Miscellaneous				
Conservation - water resources	35,000	1,400	33,600	23,945
Total Expenditures	<u>48,120</u>	<u>11,907</u>	<u>36,213</u>	<u>33,519</u>
Net Change in Fund Balances	19,880	59,139	39,259	36,166
Fund Balances, January 1	<u>341,387</u>	<u>341,387</u>	<u>-</u>	<u>305,221</u>
Fund Balances, December 31	<u>\$ 361,267</u>	<u>\$ 400,526</u>	<u>\$ 39,259</u>	<u>\$ 341,387</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.

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.

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.

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.

2017 Capital Improvement Program: This fund is used to account for costs associated with major street replacement projects which began in 2016.

2019 Capital Improvement Program: This fund is used to account for costs associated with major street replacement projects which began in 2018.

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City of Fairmont, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2018

	402 Municipal State Aid - Streets	420 Housing	430 Community Center
Assets			
Cash and temporary investments	\$ 1,695,269	\$ 334,747	\$ -
Receivables			
Intergovernmental	106,258	-	-
Land held for resale	-	120,000	-
	<u>-</u>	<u>120,000</u>	<u>-</u>
Total Assets	<u><u>\$ 1,801,527</u></u>	<u><u>\$ 454,747</u></u>	<u><u>\$ -</u></u>
Liabilities			
Accounts and contracts payable	\$ -	\$ -	\$ -
Due to other governments	-	120,000	-
	<u>-</u>	<u>120,000</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>120,000</u>	<u>-</u>
Fund Balances			
Restricted	1,801,527	-	-
Committed	-	334,747	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u><u>1,801,527</u></u>	<u><u>334,747</u></u>	<u><u>-</u></u>
	<u><u>\$ 1,801,527</u></u>	<u><u>\$ 454,747</u></u>	<u><u>\$ -</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,801,527</u></u>	<u><u>\$ 454,747</u></u>	<u><u>\$ -</u></u>

450 Airport Reconstruction Project	476 2016 Capital Improvement Program	477 2017 Capital Improvement Program	479 2019 Capital Improvement Program	Total Nonmajor Capital Projects
\$ 438,123	\$ 521,937	\$ 3,291	\$ -	\$ 2,993,367
95,086	-	-	-	201,344
-	-	-	-	120,000
<u>\$ 533,209</u>	<u>\$ 521,937</u>	<u>\$ 3,291</u>	<u>\$ -</u>	<u>\$ 3,314,711</u>
\$ 29,509	\$ 3,171	\$ 168,877	\$ 12,132	\$ 213,689
-	-	-	-	120,000
<u>29,509</u>	<u>3,171</u>	<u>168,877</u>	<u>12,132</u>	<u>333,689</u>
61,494	518,766	-	-	2,381,787
442,206	-	-	-	776,953
-	-	(165,586)	(12,132)	(177,718)
<u>503,700</u>	<u>518,766</u>	<u>(165,586)</u>	<u>(12,132)</u>	<u>2,981,022</u>
<u>\$ 533,209</u>	<u>\$ 521,937</u>	<u>\$ 3,291</u>	<u>\$ -</u>	<u>\$ 3,314,711</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, 2018

	402 Municipal State Aid - Streets	420 Housing	430 Community Center
Revenues			
Intergovernmental			
Federal			
Airport reconstruction grant	\$ -	\$ -	\$ -
Other federal grants	280,555	-	-
State			
Airport reconstruction grant	-	-	-
Street construction aid	8,000	-	-
Investment earnings	29,678	5,143	-
Miscellaneous			
Proceeds of land sales	-	170,000	-
Total Revenues	<u>318,233</u>	<u>175,143</u>	<u>-</u>
Expenditures			
Current			
Housing and economic development	-	8,158	-
Capital outlay			
Streets and highways	-	-	-
Miscellaneous	-	-	-
Total Expenditures	<u>-</u>	<u>8,158</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>318,233</u>	<u>166,985</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in	-	-	125,281
Transfers out	(298,585)	-	-
Total Other Financing Sources (Uses)	<u>(298,585)</u>	<u>-</u>	<u>125,281</u>
Net Change in Fund Balances	19,648	166,985	125,281
Fund Balances, January 1	<u>1,781,879</u>	<u>167,762</u>	<u>(125,281)</u>
Fund Balances, December 31	<u>\$ 1,801,527</u>	<u>\$ 334,747</u>	<u>\$ -</u>

450 Airport Reconstruction Project	476 2016 Capital Improvement Program	477 2017 Capital Improvement Program	479 2019 Capital Improvement Program	Total Nonmajor Capital Projects
\$ 93,316	\$ -	\$ -	\$ -	\$ 93,316
-	-	438,985	-	719,540
60,310	-	-	-	60,310
-	-	-	-	8,000
10,545	56	4,622	-	50,044
-	-	-	-	170,000
<u>164,171</u>	<u>56</u>	<u>443,607</u>	<u>-</u>	<u>1,101,210</u>
-	-	-	-	8,158
-	15,564	1,198,095	12,132	1,225,791
92,132	-	-	-	92,132
<u>92,132</u>	<u>15,564</u>	<u>1,198,095</u>	<u>12,132</u>	<u>1,326,081</u>
<u>72,039</u>	<u>(15,508)</u>	<u>(754,488)</u>	<u>(12,132)</u>	<u>(224,871)</u>
-	534,274	298,585	-	958,140
-	-	-	-	(298,585)
<u>-</u>	<u>534,274</u>	<u>298,585</u>	<u>-</u>	<u>659,555</u>
72,039	518,766	(455,903)	(12,132)	434,684
431,661	-	290,317	-	2,546,338
<u>\$ 503,700</u>	<u>\$ 518,766</u>	<u>\$ (165,586)</u>	<u>\$ (12,132)</u>	<u>\$ 2,981,022</u>

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The General Fund

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

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City of Fairmont, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and temporary investments	\$ 7,916,959	\$ 7,373,419
Receivables		
Interest	76,759	75,759
Delinquent taxes	65,508	59,260
Special assessments	12,848	22,069
Accounts	98,792	107,770
Intergovernmental	<u>203,529</u>	<u>24,525</u>
Total Assets	<u><u>\$ 8,374,395</u></u>	<u><u>\$ 7,662,802</u></u>
Liabilities		
Accounts and contracts payable	\$ 251,655	\$ 157,819
Due to other funds	31,959	30,341
Due to other governments	286	280
Accrued salaries payable	127,538	119,981
Unearned revenue	<u>21,076</u>	<u>23,338</u>
Total Liabilities	<u><u>432,514</u></u>	<u><u>331,759</u></u>
Deferred Inflows of Resources		
Unavailable revenue - taxes	65,508	59,260
Unavailable revenue - special assessments	<u>12,848</u>	<u>22,069</u>
Total Deferred Inflows of Resources	<u><u>78,356</u></u>	<u><u>81,329</u></u>
Fund Balances		
Committed	79,222	29,122
Assigned	3,807,630	3,279,918
Unassigned	<u>3,976,673</u>	<u>3,940,674</u>
Total Fund Balances	<u><u>7,863,525</u></u>	<u><u>7,249,714</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 8,374,395</u></u>	<u><u>\$ 7,662,802</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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 3,230,372	\$ 3,230,372	\$ 3,214,244	\$ 2,824,041
Franchise taxes	40,000	40,000	41,480	40,696
Total taxes	<u>3,270,372</u>	<u>3,270,372</u>	<u>3,255,724</u>	<u>2,864,737</u>
Special assessments	<u>-</u>	<u>-</u>	<u>1,001</u>	<u>3,649</u>
Licenses and permits				
Business	40,300	40,300	44,000	44,264
Nonbusiness	132,300	132,300	117,590	127,456
Total licenses and permits	<u>172,600</u>	<u>172,600</u>	<u>161,590</u>	<u>171,720</u>
Intergovernmental				
Federal				
Other Federal aids	-	-	165,005	-
State				
Local government aid	3,457,546	3,457,546	3,457,546	3,426,119
Property tax credits	-	-	1,719	1,672
Street maintenance aid	29,085	29,085	30,015	30,015
Police aid	224,043	224,043	251,285	232,062
Other State aids	171,672	171,672	65,077	21,672
County				
Other County aids	-	-	-	9,000
Total intergovernmental	<u>3,882,346</u>	<u>3,882,346</u>	<u>3,970,647</u>	<u>3,720,540</u>
Charges for services				
General government	11,200	11,200	12,692	11,935
Public safety	123,500	123,500	186,787	218,440
Streets and highways	5,500	5,500	15,917	8,355
Sanitation	146,452	146,452	137,360	161,680
Culture and recreation	167,500	167,500	171,847	184,873
Total charges for services	<u>454,152</u>	<u>454,152</u>	<u>524,603</u>	<u>585,283</u>
Fines and forfeits				
Court fines	<u>54,000</u>	<u>54,000</u>	<u>56,420</u>	<u>55,221</u>
Investment earnings	<u>40,000</u>	<u>40,000</u>	<u>2,467</u>	<u>66,986</u>
Miscellaneous				
Rents	48,000	48,000	62,061	48,461
Contributions and donations	-	-	133,299	19,996
Other	53,554	53,554	55,665	49,901
Total miscellaneous	<u>101,554</u>	<u>101,554</u>	<u>251,025</u>	<u>118,358</u>
Total Revenues	<u>7,975,024</u>	<u>7,975,024</u>	<u>8,223,477</u>	<u>7,586,494</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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures				
Current				
General government				
Mayor and council				
Personal services	\$ 62,434	\$ 62,434	\$ 72,528	\$ 56,463
Supplies	2,200	2,200	3,514	825
Other services and charges	5,800	5,800	7,362	5,612
Total mayor and council	70,434	70,434	83,404	62,900
City administrator				
Personal services	114,964	114,964	115,044	94,587
Supplies	2,600	2,600	2,737	1,839
Other services and charges	25,335	25,335	25,142	21,214
Total city administrator	142,899	142,899	142,923	117,640
Elections				
Personal services	27,927	27,927	26,243	11,329
Supplies	2,500	2,500	5,904	40
Other services and charges	625	625	268	53
Total elections	31,052	31,052	32,415	11,422
Recording and reporting				
Personal services	59,632	59,632	58,371	56,645
Supplies	3,300	3,300	4,778	3,011
Other services and charges	4,325	4,325	2,992	3,917
Total recording and reporting	67,257	67,257	66,141	63,573
Local access channel				
Personal services	1,913	1,913	1,778	1,683
Supplies	1,000	1,000	25	-
Other services and charges	7,515	7,515	8,548	7,588
Total local access channel	10,428	10,428	10,351	9,271
Accounting				
Personal services	241,403	241,403	237,329	229,652
Supplies	4,000	4,000	4,486	1,912
Other services and charges	85,618	85,618	57,021	64,563
Total accounting	331,021	331,021	298,836	296,127
City attorney				
Personal services	160,252	160,252	157,797	153,925
Supplies	2,500	2,500	2,971	1,219
Other services and charges	14,065	14,065	10,713	11,848
Total city attorney	176,817	176,817	171,481	166,992

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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personal services	\$ 146,948	\$ 146,948	\$ 134,643	\$ 12,305	\$ 155,023
Supplies	1,500	1,500	2,913	(1,413)	3,962
Other services and charges	4,500	4,500	5,989	(1,489)	5,072
Total planning and zoning	<u>152,948</u>	<u>152,948</u>	<u>143,545</u>	<u>9,403</u>	<u>164,057</u>
General government building					
Personal services	73,816	73,816	68,568	5,248	65,454
Supplies	5,500	5,500	2,703	2,797	2,077
Other services and charges	59,970	59,970	87,350	(27,380)	50,145
Total general government building	<u>139,286</u>	<u>139,286</u>	<u>158,621</u>	<u>(19,335)</u>	<u>117,676</u>
Library building					
Supplies	4,000	4,000	2,360	1,640	1,999
Other services and charges	73,560	73,560	97,590	(24,030)	78,668
Total library building	<u>77,560</u>	<u>77,560</u>	<u>99,950</u>	<u>(22,390)</u>	<u>80,667</u>
Other general government					
Supplies	250	250	229	21	99
Other services and charges	230,000	230,000	230,574	(574)	150,463
Total other general government	<u>230,250</u>	<u>230,250</u>	<u>230,803</u>	<u>(553)</u>	<u>150,562</u>
Total general government	<u>1,429,952</u>	<u>1,429,952</u>	<u>1,438,470</u>	<u>(8,518)</u>	<u>1,240,887</u>
Public safety					
Police					
Administration					
Personal services	442,266	442,266	400,641	41,625	432,620
Supplies	4,750	4,750	3,932	818	3,342
Other services and charges	19,990	19,990	10,981	9,009	18,750
Total administration	<u>467,006</u>	<u>467,006</u>	<u>415,554</u>	<u>51,452</u>	<u>454,712</u>
Crime control					
Personal services	1,695,896	1,695,896	1,875,959	(180,063)	1,688,859
Supplies	79,250	79,250	52,126	27,124	45,904
Other services and charges	254,025	254,025	290,283	(36,258)	261,432
Total crime control	<u>2,029,171</u>	<u>2,029,171</u>	<u>2,218,368</u>	<u>(189,197)</u>	<u>1,996,195</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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017
	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
Crossing guards				
Personal services	-	-	3,083	1,078
Other services and charges	3,000	3,000	-	-
Total crossing guards	3,000	3,000	3,083	1,078
Drug task force				
Other services and charges	16,700	16,700	31,565	25,870
Total police	2,518,377	2,518,377	2,668,570	2,478,108
Fire				
Fire fighting				
Personal services	258,984	258,984	233,445	242,948
Supplies	42,000	42,000	10,989	5,057
Other services and charges	85,525	85,525	169,102	169,343
Total fire fighting	386,509	386,509	413,536	417,348
Training				
Personal services	51,405	51,405	37,616	38,288
Supplies	5,000	5,000	-	-
Other services and charges	10,250	10,250	214	228
Total training	66,655	66,655	37,830	38,516
Total fire	453,164	453,164	451,366	455,864
Inspection				
Building inspection				
Personal services	216,491	216,491	204,520	191,750
Supplies	7,300	7,300	4,717	2,727
Other services and charges	13,050	13,050	9,960	10,303
Total building inspection	236,841	236,841	219,197	204,780
Fire inspection				
Personal services	-	-	-	2,744
Other services and charges	-	-	408	106
Total fire inspection	-	-	408	2,850
Total inspection	236,841	236,841	219,605	207,630
Civil defense				
Supplies	600	600	464	1,845
Other services and charges	225	225	1,562	2,245
Total civil defense	825	825	2,026	4,090

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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Animal control					
Personal services	\$ 93,050	\$ 93,050	\$ 77,440	\$ 15,610	\$ 64,104
Supplies	11,225	11,225	8,801	2,424	9,015
Other services and charges	32,659	32,659	32,544	115	28,965
Total animal control	136,934	136,934	118,785	18,149	102,084
Total public safety	3,346,141	3,346,141	3,460,352	(114,211)	3,247,776
Streets and highways					
Paved streets					
Personal services	467,942	467,942	435,552	32,390	388,476
Supplies	159,950	159,950	147,944	12,006	126,325
Other services and charges	58,770	58,770	71,071	(12,301)	47,656
Total paved streets	686,662	686,662	654,567	32,095	562,457
Ice and snow removal					
Personal services	212,019	212,019	197,591	14,428	176,431
Supplies	47,000	47,000	78,914	(31,914)	40,966
Other services and charges	18,200	18,200	55,330	(37,130)	15,142
Total ice and snow removal	277,219	277,219	331,835	(54,616)	232,539
Road and bridge equipment					
Personal services	42,404	42,404	39,518	2,886	35,285
Supplies	25,000	25,000	9,224	15,776	13,786
Other services and charges	121,000	121,000	142,845	(21,845)	120,926
Total road and bridge equipment	188,404	188,404	191,587	(3,183)	169,997
Street lighting					
Other services and charges	167,900	167,900	158,959	8,941	157,650
Engineering					
Personal services	292,775	292,775	285,907	6,868	279,059
Supplies	10,500	10,500	5,336	5,164	4,692
Other services and charges	45,810	45,810	35,806	10,004	39,541
Total engineering	349,085	349,085	327,049	22,036	323,292
Total streets and highways	1,669,270	1,669,270	1,663,997	5,273	1,445,935
Sanitation and waste removal					
Weed control					
Other services and charges	20,400	20,400	5,552	14,848	42,842
Garbage collection					
Personal services	34,743	34,743	30,623	4,120	30,924
Supplies	3,900	3,900	2,073	1,827	1,780
Other services and charges	63,250	63,250	99,829	(36,579)	73,413
Total garbage collection	101,893	101,893	132,525	(30,632)	106,117
Total sanitation and waste removal	122,293	122,293	138,077	(15,784)	148,959
Culture and recreation					
Parks					
Personal services	753,799	753,799	701,180	52,619	655,418
Supplies	82,600	82,600	70,938	11,662	73,160
Other services and charges	250,050	250,050	229,455	20,595	324,386
Total parks	1,086,449	1,086,449	1,001,573	84,876	1,052,964

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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Expenditures (Continued)				
Current (continued)				
Culture and recreation (continued)				
Recreation - aquatic park				
Personal services	\$ 267,097	\$ 267,097	\$ 253,845	\$ 254,257
Supplies	57,000	57,000	62,366	49,295
Other services and charges	92,854	92,854	80,444	94,125
Total recreation - aquatic park	<u>416,951</u>	<u>416,951</u>	<u>396,655</u>	<u>397,677</u>
Total culture and recreation	<u>1,503,400</u>	<u>1,503,400</u>	<u>1,398,228</u>	<u>1,450,641</u>
Total current	<u>8,071,056</u>	<u>8,071,056</u>	<u>8,099,124</u>	<u>7,534,198</u>
Capital outlay				
General government	71,000	71,000	34,203	92,042
Public safety	140,600	140,600	153,385	451,377
Streets and highways	396,000	396,000	209,785	203,599
Culture and recreation	<u>1,144,000</u>	<u>1,144,000</u>	<u>416,307</u>	<u>103,071</u>
Total capital outlay	<u>1,751,600</u>	<u>1,751,600</u>	<u>813,680</u>	<u>850,089</u>
Total Expenditures	<u>9,822,656</u>	<u>9,822,656</u>	<u>8,912,804</u>	<u>8,384,287</u>
Deficiency of Revenues				
Under Expenditures	<u>(1,847,632)</u>	<u>(1,847,632)</u>	<u>(689,327)</u>	<u>(797,793)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	29,334	43,435
Transfers in	1,363,000	1,363,000	1,348,804	1,047,132
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(75,000)</u>	<u>(35,000)</u>
Total Other Financing Sources (Uses)	<u>1,283,000</u>	<u>1,283,000</u>	<u>1,303,138</u>	<u>1,055,567</u>
Net Change in Fund Balances	<u>(564,632)</u>	<u>(564,632)</u>	<u>613,811</u>	<u>257,774</u>
Fund Balances, January 1	<u>7,249,714</u>	<u>7,249,714</u>	<u>7,249,714</u>	<u>6,991,940</u>
Fund Balances, December 31	<u>\$ 6,685,082</u>	<u>\$ 6,685,082</u>	<u>\$ 7,863,525</u>	<u>\$ 7,249,714</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, 2018

	323	369	305	320	322
	Special	2009	Fire	Tax	Tax
	Assessment	Special	Truck	Increment	Increment
		Assessments	Debt	District	District
				No. 23	No. 22
Assets					
Cash and temporary investments	\$ 922,427	\$ -	\$ 260,342	\$ 12,680	\$ -
Receivables					
Delinquent taxes	244	-	896	-	-
Special assessments					
Delinquent	6,773	-	-	-	-
Noncurrent	182,449	-	-	-	-
Intergovernmental	1,186	-	703	-	-
Due from other funds	10,000	-	-	-	-
Total Assets	\$ 1,123,079	\$ -	\$ 261,941	\$ 12,680	\$ -
Liabilities					
Accounts payable	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total Liabilities	2,500	-	-	-	-
Deferred Inflows of Resources					
Unavailable revenue - taxes	244	-	896	-	-
Unavailable revenue - special assessments	189,222	-	-	-	-
Total Deferred Inflows of Resources	189,466	-	896	-	-
Fund Balances					
Restricted	931,113	-	261,045	12,680	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,123,079	\$ -	\$ 261,941	\$ 12,680	\$ -

City of Fairmont, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued)
December 31, 2018

	324 Tax Increment District No. 24	325 Tax Increment District No. 25	326 Tax Increment District No. 26	327 Tax Increment District No. 27	372 2012 Refunding Bonds
Assets					
Cash and temporary investments	\$ 5,583	\$ -	\$ 2,007	\$ -	\$ 457,555
Receivables					
Delinquent taxes	-	-	-	-	12,587
Special assessments					
Delinquent	-	-	-	-	175,832
Noncurrent	-	-	-	-	578,784
Intergovernmental	-	-	-	-	8,416
Due from other funds	-	-	-	-	-
Total Assets	<u><u>\$ 5,583</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,007</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,233,174</u></u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	10,000	-
Total Liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>10,000</u></u>	<u><u>-</u></u>
Deferred Inflows of Resources					
Unavailable revenue - taxes	-	-	-	-	12,587
Unavailable revenue - special assessments	-	-	-	-	754,616
Total Deferred Inflows of Resources	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>767,203</u></u>
Fund Balances					
Restricted	<u>5,583</u>	<u>-</u>	<u>2,007</u>	<u>(10,000)</u>	<u>465,971</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 5,583</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,007</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,233,174</u></u>

373	375	376	377	
2013 Improvement Bonds	2015 Improvement Bonds	2016 G.O. Bonds	2017 G.O. Bonds	Totals
\$ 226,867	\$ 359,770	\$ 665,169	\$ 483,819	\$ 3,396,219
1,959	2,322	7,002	201	25,211
3,963	6,138	1,527	6,076	200,309
137,985	235,904	366,585	425,997	1,927,704
977	1,704	3,647	668	17,301
-	-	-	-	10,000
<u>\$ 371,751</u>	<u>\$ 605,838</u>	<u>\$ 1,043,930</u>	<u>\$ 916,761</u>	<u>\$ 5,576,744</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,500
-	-	-	-	10,000
-	-	-	-	12,500
1,959	2,322	7,002	201	25,211
141,948	242,042	368,112	432,073	2,128,013
<u>143,907</u>	<u>244,364</u>	<u>375,114</u>	<u>432,274</u>	<u>2,153,224</u>
227,844	361,474	668,816	484,487	3,411,020
<u>\$ 371,751</u>	<u>\$ 605,838</u>	<u>\$ 1,043,930</u>	<u>\$ 916,761</u>	<u>\$ 5,576,744</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, 2018

	323	369	305	320	322
	Special	2009	Fire	Tax	Tax
	Assessment	Special	Truck	Increment	Increment
		Assessments	Debt	District	District
				No. 23	No. 22
Revenues					
Taxes					
Property taxes	\$ (59)	\$ -	\$ 63,985	\$ -	\$ -
Tax increment district taxes	-	-	-	25,360	57,962
Special assessments	42,687	-	-	-	-
Investment earnings	25,184	-	2,525	-	-
Payments from Component Unit for debt service	-	-	-	-	-
Total Revenues	<u>67,812</u>	<u>-</u>	<u>66,510</u>	<u>25,360</u>	<u>57,962</u>
Expenditures					
Current					
Housing and economic development	-	-	-	25,172	57,962
Debt service					
Principal	-	427,363	-	-	-
Interest and other	2,500	-	-	-	-
Total Expenditures	<u>2,500</u>	<u>427,363</u>	<u>-</u>	<u>25,172</u>	<u>57,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65,312</u>	<u>(427,363)</u>	<u>66,510</u>	<u>188</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	-	75,000	-	-
Transfers out	(713,061)	(231,550)	-	-	-
Total Other Financing Sources (Uses)	<u>(713,061)</u>	<u>(231,550)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(647,749)	(658,913)	141,510	188	-
Fund Balances, January 1	<u>1,578,862</u>	<u>658,913</u>	<u>119,535</u>	<u>12,492</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 931,113</u>	<u>\$ -</u>	<u>\$ 261,045</u>	<u>\$ 12,680</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, 2018

	324 Tax Increment District No. 24	325 Tax Increment District No. 25	326 Tax Increment District No. 26	327 Tax Increment District No. 27	372 2012 Refunding Bonds
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 542,329
Tax increment district taxes	11,166	31,795	12,007	-	-
Special assessments	-	-	-	-	165,859
Investment earnings	-	-	-	-	3,041
Payments from Component Unit for debt service	-	400	400	-	-
Total Revenues	<u>11,166</u>	<u>32,195</u>	<u>12,407</u>	<u>-</u>	<u>711,229</u>
Expenditures					
Current					
Housing and economic development	8,962	21,194	-	1,957	-
Debt service					
Principal	-	-	-	-	735,000
Interest and other	-	-	-	-	58,460
Total Expenditures	<u>8,962</u>	<u>21,194</u>	<u>-</u>	<u>1,957</u>	<u>793,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,204</u>	<u>11,001</u>	<u>12,407</u>	<u>(1,957)</u>	<u>(82,231)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,204	11,001	12,407	(1,957)	(82,231)
Fund Balances, January 1	<u>3,379</u>	<u>(11,001)</u>	<u>(10,400)</u>	<u>(8,043)</u>	<u>548,202</u>
Fund Balances, December 31	<u>\$ 5,583</u>	<u>\$ -</u>	<u>\$ 2,007</u>	<u>\$ (10,000)</u>	<u>\$ 465,971</u>

373	375	376	377	
2013 Improvement Bonds	2015 Improvement Bonds	2016 G.O. Bonds	2017 G.O. Bonds	Totals
\$ 94,332	\$ 143,832	\$ 262,195	\$ 17,029	\$ 1,123,643
-	-	-	-	138,290
24,454	37,424	80,585	49,213	400,222
2,998	4,359	12,673	5,099	55,879
-	-	-	-	800
<u>121,784</u>	<u>185,615</u>	<u>355,453</u>	<u>71,341</u>	<u>1,718,834</u>
-	-	-	-	115,247
105,000	170,000	992,637	-	2,430,000
40,763	49,431	70,351	81,258	302,763
<u>145,763</u>	<u>219,431</u>	<u>1,062,988</u>	<u>81,258</u>	<u>2,848,010</u>
<u>(23,979)</u>	<u>(33,816)</u>	<u>(707,535)</u>	<u>(9,917)</u>	<u>(1,129,176)</u>
-	-	231,550	178,787	485,337
-	-	-	-	(944,611)
-	-	<u>231,550</u>	<u>178,787</u>	<u>(459,274)</u>
(23,979)	(33,816)	(475,985)	168,870	(1,588,450)
<u>251,823</u>	<u>395,290</u>	<u>1,144,801</u>	<u>315,617</u>	<u>4,999,470</u>
<u>\$ 227,844</u>	<u>\$ 361,474</u>	<u>\$ 668,816</u>	<u>\$ 484,487</u>	<u>\$ 3,411,020</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 Statement of Net Position
December 31, 2018

	701	703	704	705	710	
	Central Garage and Equipment	Medical Self-insurance	Property, Equipment and Liability Self-insurance	Worker's Compensation Self-insurance	Data Processing	Totals
Assets						
Current Assets						
Cash and temporary investments	\$ 16,770	\$ 172,291	\$ 710,856	\$ 397,919	\$ 13,522	\$ 1,311,358
Receivables						
Accounts	-	557	-	497	-	1,054
Due from other funds	-	49,209	-	9,647	-	58,856
Prepaid items	-	-	-	-	1,125	1,125
Total Current Assets	16,770	222,057	710,856	408,063	14,647	1,372,393
Capital Assets						
Machinery and equipment	49,848	-	-	-	211,356	261,204
Less accumulated depreciation	-	-	-	-	(208,820)	(208,820)
Net Capital Assets	49,848	-	-	-	2,536	52,384
Total Assets	66,618	222,057	710,856	408,063	17,183	1,424,777
Liabilities						
Current Liabilities						
Accounts and contracts payable	6,791	8,828	-	10,144	5,818	31,581
Due to other funds	1,158	-	-	-	-	1,158
Accrued salaries payable	11,210	-	-	-	-	11,210
Total Liabilities	19,159	8,828	-	10,144	5,818	43,949
Net Position						
Investment in capital assets	-	-	-	-	2,536	2,536
Unrestricted	47,459	213,229	710,856	397,919	8,829	1,378,292
Total Net Position	\$ 47,459	\$ 213,229	\$ 710,856	\$ 397,919	\$ 11,365	\$ 1,380,828

City of Fairmont, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	701	703	704	705	710	
	Central Garage and Equipment	Medical Self-insurance	Property, Equipment and Liability Self-insurance	Worker's Compensation Self-insurance	Data Processing	Totals
Operating Revenues						
Charges for services	\$ 260,517	\$ 1,737,587	\$ 317,706	\$ 339,164	\$ 90,976	\$ 2,745,950
Miscellaneous revenues	108	3,583	-	4,831	-	8,522
Total Operating Revenues	<u>260,625</u>	<u>1,741,170</u>	<u>317,706</u>	<u>343,995</u>	<u>90,976</u>	<u>2,754,472</u>
Operating Expenses						
Administration and other						
Personal services	180,676	348	-	-	-	181,024
Supplies	33,536	-	-	-	7,020	40,556
Other services and charges	6,032	97,701	15,000	49,061	104,351	272,145
Insurance premiums paid	-	1,496,377	260,839	338,412	-	2,095,628
Insurance claims paid	-	197,838	15,205	-	-	213,043
Depreciation	-	-	-	-	9,244	9,244
Total Operating Expenses	<u>220,244</u>	<u>1,792,264</u>	<u>291,044</u>	<u>387,473</u>	<u>120,615</u>	<u>2,811,640</u>
Operating Income (Loss)	40,381	(51,094)	26,662	(43,478)	(29,639)	(57,168)
Nonoperating Revenues						
Investment income	<u>283</u>	<u>478</u>	<u>11,382</u>	<u>6,103</u>	<u>228</u>	<u>18,474</u>
Change in Net Position	40,664	(50,616)	38,044	(37,375)	(29,411)	(38,694)
Net Position - January 1 as Restated	<u>6,795</u>	<u>263,845</u>	<u>672,812</u>	<u>435,294</u>	<u>40,776</u>	<u>1,419,522</u>
Net Position - December 31	<u>\$ 47,459</u>	<u>\$ 213,229</u>	<u>\$ 710,856</u>	<u>\$ 397,919</u>	<u>\$ 11,365</u>	<u>\$ 1,380,828</u>

City of Fairmont, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2018

	701	703	704	705	710	
	Central Garage and Equipment	Medical Self-insurance	Property, Equipment and Liability Self-insurance	Worker's Compensation Self-insurance	Data Processing	Totals
Cash Flows from Operating Activities						
Receipts from interfund services provided	\$ 260,517	\$ 1,746,810	\$ 317,706	\$ 357,293	\$ 90,976	\$ 2,773,302
Payments to suppliers	(32,330)	(98,049)	(297,495)	(49,061)	(90,855)	(567,790)
Payments to and on behalf of employees	(143,083)	(1,698,857)	-	(337,364)	-	(2,179,304)
Payments for interfund services used	(36,641)	(17)	-	-	(898)	(37,556)
Other receipts	108	3,583	-	4,831	-	8,522
Net Cash Provided (Used) by Operating Activities	<u>48,571</u>	<u>(46,530)</u>	<u>20,211</u>	<u>(24,301)</u>	<u>(777)</u>	<u>(2,826)</u>
Cash Flows from Noncapital and Related Financing Activities						
Increase in due from other funds	-	(3,162)	-	(801)	-	(3,963)
Increase in due to other funds	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>38</u>	<u>(3,162)</u>	<u>-</u>	<u>(801)</u>	<u>-</u>	<u>(3,925)</u>
Cash Flows from Capital And Related Financing Activities						
Acquisition of capital assets	<u>(49,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,848)</u>
Cash Flows from Investing Activities						
Interest received	<u>283</u>	<u>478</u>	<u>11,382</u>	<u>6,103</u>	<u>228</u>	<u>18,474</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(956)	(49,214)	31,593	(18,999)	(549)	(38,125)
Cash and Cash Equivalents, January 1	<u>17,726</u>	<u>221,505</u>	<u>679,263</u>	<u>416,918</u>	<u>14,071</u>	<u>1,349,483</u>
Cash and Cash Equivalents, December 31	<u>\$ 16,770</u>	<u>\$ 172,291</u>	<u>\$ 710,856</u>	<u>\$ 397,919</u>	<u>\$ 13,522</u>	<u>\$ 1,311,358</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 40,381	\$ (51,094)	\$ 26,662	\$ (43,478)	\$ (29,639)	\$ (57,168)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	-	-	-	-	9,244	9,244
(Increase) decrease in assets						
Net accounts receivable	-	9,223	-	18,129	-	27,352
Prepaid expenses	-	-	-	-	19,110	19,110
Increase (decrease) in liabilities						
Accounts and contracts payable	5,625	(4,659)	(6,451)	1,048	508	(3,929)
Accrued wages payable	<u>2,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,565</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,571</u>	<u>\$ (46,530)</u>	<u>\$ 20,211</u>	<u>\$ (24,301)</u>	<u>\$ (777)</u>	<u>\$ (2,826)</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..

Fairmont Visitor Profile: This fund is used to account for the donations received and the expenditures made to fund a profile of visitors to the Fairmont area.

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City of Fairmont, Minnesota
Agency Funds
Combining Balance Sheet
December 31, 2018

	873 C.V.B. Tax Agency	706 Flex Plan	871 Multi- Family Housing	872 HRA Potter's Addition
Assets				
Cash and temporary investments	\$ 1,954	\$ 12,418	\$ 125,194	\$ 303,305
Receivables				
Due from other governments	-	1,109	-	-
	<u>-</u>	<u>1,109</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,954</u>	<u>\$ 13,527</u>	<u>\$ 125,194</u>	<u>\$ 303,305</u>
Liabilities				
Accounts payable	\$ 1,954	\$ 13,527	\$ 119,839	\$ 290,744
Deposits payable	-	-	5,355	12,561
	<u>-</u>	<u>-</u>	<u>5,355</u>	<u>12,561</u>
Total Liabilities	<u>\$ 1,954</u>	<u>\$ 13,527</u>	<u>\$ 125,194</u>	<u>\$ 303,305</u>

874	876	877	878	879	880	
Focus on Fairmont	Project 1590	Inclusive Playground	Mall Playground	iPaddlePort	Fairmont Visitor Profile	Total
\$ -	\$ -	\$ 100,767	\$ -	\$ 5,000	\$ -	\$ 548,638
-	-	-	-	-	-	1,109
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,767</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 549,747</u>
\$ -	\$ -	\$ 100,767	\$ -	\$ 5,000	\$ -	\$ 531,831
-	-	-	-	-	-	17,916
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,767</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 549,747</u>

City of Fairmont, Minnesota
Agency Funds
Individual Fund Statements of Changes in Assets and Liabilities
For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
C. V. B. Tax Agency Fund (873)				
Assets				
Cash and temporary investments	\$ 15,136	\$ 170,644	\$ 183,826	\$ 1,954
Liabilities				
Accounts payable	\$ 15,136	\$ 170,644	\$ 183,826	\$ 1,954
Flex Plan Fund (706)				
Assets				
Cash and temporary investments	\$ 11,940	\$ 43,627	\$ 43,149	\$ 12,418
Due from other governments	1,003	43,716	43,610	1,109
Total Assets	\$ 12,943	\$ 87,343	\$ 86,759	\$ 13,527
Liabilities				
Accounts payable	\$ 12,943	\$ 87,343	\$ 86,759	\$ 13,527
Multi-Family Housing Fund (871)				
Assets				
Cash and temporary investments	\$ 131,871	\$ 74,389	\$ 81,066	\$ 125,194
Accounts receivable	-	69,160	69,160	-
Total Assets	\$ 131,871	\$ 143,549	\$ 150,226	\$ 125,194
Liabilities				
Accounts payable	\$ 126,756	\$ 142,029	\$ 148,946	\$ 119,839
Deposits payable	5,115	1,520	1,280	5,355
Total Liabilities	\$ 131,871	\$ 143,549	\$ 150,226	\$ 125,194
HRA Potter's Addition Fund (872)				
Assets				
Cash and temporary investments	\$ 252,608	\$ 217,333	\$ 166,636	\$ 303,305
Accounts receivable	62	151,841	151,903	-
Total Assets	\$ 252,670	\$ 369,174	\$ 318,539	\$ 303,305
Liabilities				
Accounts payable	\$ 241,806	\$ 366,801	\$ 317,863	\$ 290,744
Deposits payable	10,864	2,373	676	12,561
Total Liabilities	\$ 252,670	\$ 369,174	\$ 318,539	\$ 303,305
Focus on Fairmont (874)				
Assets				
Cash and temporary investments	\$ 412	\$ 4,500	\$ 4,912	\$ -
Liabilities				
Accounts payable	\$ 412	\$ 4,500	\$ 4,912	\$ -

City of Fairmont, Minnesota
Agency Funds
Individual Fund Statements of Changes in Assets and Liabilities (Continued)
For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Project 1590 (876)				
Assets				
Cash and temporary investments	\$ 14,918	\$ -	\$ 14,918	\$ -
		.		
Liabilities				
Accounts payable	\$ 14,918	\$ -	\$ 14,918	\$ -
Inclusive Playground (877)				
Assets				
Cash and temporary investments	\$ 44,747	\$ 64,581	\$ 8,561	\$ 100,767
		.		
Liabilities				
Accounts payable	\$ 44,747	\$ 64,581	\$ 8,561	\$ 100,767
Mall Playground (878)				
Assets				
Cash and temporary investments	\$ 28,852	\$ 8,610	\$ 37,462	\$ -
		.		
Liabilities				
Accounts payable	\$ 28,852	\$ 8,610	\$ 37,462	\$ -
iPaddlePort (879)				
Assets				
Cash and temporary investments	\$ 5,000	\$ -	\$ -	\$ 5,000
		.		
Liabilities				
Accounts payable	\$ 5,000	\$ -	\$ -	\$ 5,000
Fairmont Visitor Profile (880)				
Assets				
Cash and temporary investments	\$ -	\$ 2,500	\$ 2,500	\$ -
		.		
Liabilities				
Accounts payable	\$ -	\$ 2,500	\$ 2,500	\$ -
Totals - All Funds				
Assets				
Cash and temporary investments	\$ 505,484	\$ 586,184	\$ 543,030	\$ 548,638
Accounts receivable	62	221,001	221,063	-
Due from other governments	1,003	43,716	43,610	1,109
Total Assets	\$ 506,549	\$ 850,901	\$ 807,703	\$ 549,747
Liabilities				
Accounts payable	\$ 490,570	\$ 847,008	\$ 805,747	\$ 531,831
Deposits payable	15,979	3,893	1,956	17,916
Total Liabilities	\$ 506,549	\$ 850,901	\$ 807,703	\$ 549,747

City of Fairmont, Minnesota
Discretely Presented Component Unit
Economic Development Authority
Comparative Balance Sheets/Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	\$ 405,280	\$ 375,265
Receivables		
Delinquent taxes	2,301	2,289
Accounts	499	116
Loans	6,371	8,463
Intergovernmental	1,099	687
	<u>415,550</u>	<u>386,820</u>
Total Assets	<u>\$ 415,550</u>	<u>\$ 386,820</u>
Liabilities		
Accounts and contracts payable	\$ 3,788	\$ 7,295
Accrued wages payable	3,217	2,721
Total Liabilities	<u>7,005</u>	<u>10,016</u>
Deferred Inflows of Resources		
Unavailable revenue - taxes	<u>2,301</u>	<u>2,289</u>
Fund Balances		
Assigned for		
Economic development	<u>406,244</u>	<u>374,515</u>
	<u>406,244</u>	<u>374,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 415,550</u>	<u>\$ 386,820</u>
Amounts reported for governmental activities in the statement of net position are different because		
Total Fund Balances - Governmental Funds As Shown Above	\$ 406,244	\$ 374,515
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(2,460)	(3,297)
Postemployment benefits other than pension obligation	(7,883)	(4,837)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	2,301	2,289
Governmental funds do not report long-term amounts related to other postemployment benefits.		
Deferred outflows of postemployment benefits	472	-
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>(5,120)</u>	<u>(4,356)</u>
Total Net Position - Governmental Activities	<u>\$ 393,554</u>	<u>\$ 364,314</u>

City of Fairmont, Minnesota
Discretely Presented Component Unit
Economic Development Authority
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances/Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Taxes	\$ 99,300	\$ 98,249
Intergovernmental	-	10,000
Payments from City	105,762	100,000
Investment earnings	6,181	4,140
Miscellaneous	38,953	29,688
Total Revenues	<u>250,196</u>	<u>242,077</u>
Expenditures		
Current		
Housing and economic development	217,667	296,395
Debt service		
Payments to City for debt service	800	-
Total Expenditures	<u>218,467</u>	<u>296,395</u>
Net Change in Fund Balances	31,729	(54,318)
Fund Balances, January 1	<u>374,515</u>	<u>428,833</u>
Fund Balances, December 31	<u><u>\$ 406,244</u></u>	<u><u>\$ 374,515</u></u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ 31,729	\$ (54,318)
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	12	317
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	837	(858)
Post employment benefits other than pension costs	(6,946)	(33)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.		
	<u>(764)</u>	<u>(530)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 24,868</u></u>	<u><u>\$ (55,422)</u></u>

City of Fairmont, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations -
Governmental Funds
For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)	
	2018	2017		
Revenues				
Taxes	\$ 5,332,614	\$ 4,207,083	26.75	%
Special assessments	401,223	721,283	(44.37)	
Licenses and permits	161,590	171,720	(5.90)	
Intergovernmental	5,249,736	5,115,057	2.63	
Charges for services	993,274	913,191	8.77	
Fines and forfeits	56,420	55,221	2.17	
Investment earnings	140,360	170,377	(17.62)	
Miscellaneous	510,251	504,388	1.16	
Payments from Component Unit for debt service	800	-	N/A	
Total Revenues	<u>\$ 12,846,268</u>	<u>\$ 11,858,320</u>	8.33	%
Per Capita	<u>\$ 1,243</u>	<u>\$ 1,145</u>	8.55	%
Expenditures				
Current				
General government	\$ 1,438,470	\$ 1,240,887	15.92	%
Public safety	3,460,352	3,247,776	6.55	
Streets and highways	1,663,997	1,445,935	15.08	
Sanitation and waste removal	138,077	148,959	(7.31)	
Culture and recreation	1,413,771	1,377,943	2.60	
Housing and economic development	241,698	319,018	(24.24)	
Miscellaneous	543,120	456,424	18.99	
Capital outlay				
General government	34,203	92,042	(62.84)	
Public safety	153,385	451,377	(66.02)	
Streets and highways	1,435,576	4,081,660	(64.83)	
Culture and recreation	416,307	321,579	29.46	
Miscellaneous	137,781	65,790	109.43	
Debt service				
Principal	2,430,000	3,730,000	(34.85)	
Interest and other charges	302,763	333,112	(9.11)	
Bond issuance costs	-	41,379	(100.00)	
Total Expenditures	<u>\$ 13,809,500</u>	<u>\$ 17,353,881</u>	(20.42)	%
Per Capita	<u>\$ 1,337</u>	<u>\$ 1,676</u>	(20.26)	%
Total Long-term Indebtedness	\$ 12,235,000	\$ 14,665,000	(16.57)	%
Per Capita	1,184	1,417	(16.40)	
General Fund Balance - December 31	\$ 7,863,525	\$ 7,249,714	8.47	%
Per Capita	761	700	8.69	

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				
	2018	2017	2016	2015	2014
Governmental Activities					
Net investment in capital assets	\$ 44,638,223	\$ 43,687,451	42,677,369	\$ 41,232,320	\$ 40,916,624
Restricted	10,334,955	9,971,329	9,958,778	12,367,042	12,265,446
Unrestricted	5,821,059	4,619,117	3,969,515	2,908,794	1,550,558
Total Governmental Activities Net Position	<u>60,794,237</u>	<u>58,277,897</u>	<u>56,605,662</u>	<u>56,508,156</u>	<u>54,732,628</u>
Business-type Activities					
Net investment in capital assets	36,725,415	35,673,883	34,422,093	33,949,598	33,735,220
Restricted	-	-	-	-	-
Unrestricted	13,378,042	13,113,654	13,095,940	12,197,684	11,263,786
Total Business-type Activities Net Position	<u>50,103,457</u>	<u>48,787,537</u>	<u>47,518,033</u>	<u>46,147,282</u>	<u>44,999,006</u>
Primary government					
Net investment in capital assets	81,363,638	79,361,334	77,099,462	75,181,918	74,651,844
Restricted	10,334,955	9,971,329	9,958,778	12,367,042	12,265,446
Unrestricted	19,199,101	17,732,771	17,065,455	15,106,478	12,814,344
Total Primary Government Net Position	<u>\$ 110,897,694</u>	<u>\$ 107,065,434</u>	<u>\$ 104,123,695</u>	<u>\$ 102,655,438</u>	<u>\$ 99,731,634</u>

Table 1

Fiscal Year				
2013	2012	2011	2010	2009
\$ 38,956,915	\$ 33,902,134	\$ 31,176,518	\$ 31,067,381	\$ 29,608,919
9,957,243	8,523,280	12,247,802	11,329,052	8,777,860
7,610,856	9,029,687	6,960,460	6,469,646	8,413,308
<u>56,525,014</u>	<u>51,455,101</u>	<u>50,384,780</u>	<u>48,866,079</u>	<u>46,800,087</u>
32,805,088	33,021,655	30,733,612	28,564,935	27,473,728
-	-	-	-	230,583
12,142,960	10,123,274	9,556,319	5,724,972	5,575,435
<u>44,948,048</u>	<u>43,144,929</u>	<u>40,289,931</u>	<u>34,289,907</u>	<u>33,279,746</u>
71,762,003	66,923,789	61,910,130	59,632,316	57,082,647
9,957,243	8,523,280	12,247,802	11,329,052	9,008,443
19,753,816	19,152,961	16,516,779	12,194,618	13,988,743
<u>\$ 101,473,062</u>	<u>\$ 94,600,030</u>	<u>\$ 90,674,711</u>	<u>\$ 83,155,986</u>	<u>\$ 80,079,833</u>

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental Activities					
General government	\$ 1,538,761	\$ 1,389,155	\$ 1,315,890	\$ 1,216,566	\$ 1,143,844
Public safety	3,490,270	3,598,787	3,806,893	2,717,662	3,035,606
Public works/streets	3,036,945	2,988,471	2,787,405	3,128,949	2,566,565
Sanitation and waste removal	138,077	148,959	138,831	100,740	132,693
Culture and recreation	1,762,810	1,758,014	1,643,560	1,584,291	1,520,715
Housing development	94,458	143,337	127,407	120,042	173,290
Economic development	207,984	243,958	234,923	148,400	55,579
Miscellaneous	1,009,453	918,959	910,637	728,443	760,332
Interest on long-term debt	266,725	313,947	323,637	477,400	446,355
Total Governmental Activities Expenses	<u>11,545,483</u>	<u>11,503,587</u>	<u>11,289,183</u>	<u>10,222,493</u>	<u>9,834,979</u>
Business-type Activities					
Electric	14,995,845	14,731,070	14,297,048	13,285,756	13,617,700
District heat	-	-	-	-	-
Water	3,600,037	3,541,198	3,547,150	3,279,741	2,489,640
Wastewater	1,812,529	1,876,476	1,745,686	1,818,529	1,811,386
Storm sewer	461,741	482,469	437,661	453,463	421,155
Liquor	3,210,279	3,181,621	3,134,956	3,035,247	2,950,980
Parking lot	7,389	8,180	6,432	5,252	4,663
Total Business-type Activities Expenses	<u>24,087,820</u>	<u>23,821,014</u>	<u>23,168,933</u>	<u>21,877,988</u>	<u>21,295,524</u>
Total Primary Government Expenses	<u>\$ 35,633,303</u>	<u>\$ 35,324,601</u>	<u>\$ 34,458,116</u>	<u>\$ 32,100,481</u>	<u>\$ 31,130,503</u>

Table 2

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

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 239,759	\$ 200,395	\$ 206,187	\$ 218,618	\$ 223,894
Public safety	309,577	351,871	229,177	267,438	173,616
Public works/streets	13,302	13,080	7,995	3,327	1,177
Sanitation and waste removal	137,360	161,680	162,841	142,225	98,879
Culture and recreation	171,529	184,505	188,734	185,412	167,287
Housing development	22,226	17,786	9,044	7,669	7,585
Economic development	65,454	66,613	65,973	76,006	68,833
Miscellaneous	470,217	471,129	491,669	517,193	511,424
Operating grants and contributions	613,636	340,258	413,384	369,600	285,926
Capital grants and contributions	1,216,811	2,200,736	890,243	824,310	2,031,172
Total Governmental Activities					
Program Revenues	3,259,871	4,008,053	2,665,247	2,611,798	3,569,793
Business-type Activities					
Charges for services					
Electric	16,405,873	15,866,026	15,375,663	14,599,368	14,742,850
District heat	-	-	-	-	-
Water	3,521,529	3,494,693	3,502,969	3,359,568	3,299,993
Wastewater	2,305,792	2,334,393	2,389,450	2,349,903	2,602,355
Storm sewer	581,475	582,584	581,011	582,566	583,369
Liquor	3,809,557	3,685,869	3,684,982	3,597,659	3,446,532
Parking	6,480	6,749	5,708	5,773	4,837
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,460	44,417	10,227	(97)	7,429
Total Business-type Activities					
Program Revenues	26,632,166	26,014,731	25,550,010	24,494,740	24,687,365
Total Primary Government Program Revenues	\$ 29,892,037	\$ 30,022,784	\$ 28,215,257	\$ 27,106,538	\$ 28,257,158
Net (Expense)/Revenue					
Governmental Activities	\$ (8,285,612)	\$ (7,495,534)	\$ (8,623,936)	\$ (7,610,695)	\$ (6,265,186)
Business-type Activities	2,544,346	2,193,717	2,381,077	2,616,752	3,391,841
Total Primary Government Net (Expense) Revenue	\$ (5,741,266)	\$ (5,301,817)	\$ (6,242,859)	\$ (4,993,943)	\$ (2,873,345)

Table 2 (Continued)

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

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Revenues and Other					
Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 3,295,022	\$ 2,912,776	\$ 2,556,358	\$ 2,297,072	\$ 2,153,651
Property taxes, levied for debt service	1,124,959	1,003,754	1,074,582	1,025,796	1,094,331
Tax increments	139,090	92,094	74,173	67,165	27,020
Sales tax	740,471	175,477	-	-	-
Franchise taxes	41,480	40,696	39,526	38,294	36,927
Grants and contributions not restricted to specific programs	3,614,236	3,469,459	3,646,550	3,691,778	3,789,473
Unrestricted investment earnings (loss)	158,834	182,987	138,795	94,493	170,917
Other revenues	15,278	9,459	13,141	567,451	33,139
Gain on sale of capital assets	199,334	193,935	28,684	38,485	69,662
Transfers	1,385,000	1,087,132	1,149,633	1,565,689	964,632
Total Governmental Activities	<u>10,713,704</u>	<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	255,218	162,919	139,307	97,213	89,997
Transfers	(1,385,000)	(1,087,132)	(1,149,633)	(1,565,689)	(964,632)
Total Business-type Activities	<u>(1,129,782)</u>	<u>(924,213)</u>	<u>(1,010,326)</u>	<u>(1,468,476)</u>	<u>(874,635)</u>
Total Primary Government	<u>\$ 9,583,922</u>	<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	\$ 2,428,092	\$ 1,672,235	\$ 97,506	\$ 1,775,528	\$ 2,074,566
Business-type Activities	1,414,564	1,269,504	1,370,751	1,148,276	2,517,206
Total Primary Government	<u>\$ 3,842,656</u>	<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
\$ 1,975,108	\$ 1,885,398	\$ 1,596,716	\$ 1,473,465	\$ 1,384,997
1,153,660	1,152,523	1,025,257	1,013,775	1,019,496
-	334,725	341,402	563,453	618,379
-	-	-	-	-
36,205	34,343	35,392	35,749	35,119
3,918,992	3,822,810	3,795,820	3,863,130	4,228,418
(14,237)	144,501	148,810	155,334	182,804
17,052	32,397	7,615	10,497	68,704
3,241	42,104	957,136	6,423	767
1,128,562	977,632	941,148	890,561	885,601
8,218,583	8,426,433	8,849,296	8,012,387	8,424,285
53,461	86,530	53,591	101,859	73,871
(1,128,562)	(977,632)	(941,148)	(890,561)	(885,601)
(1,075,101)	(891,102)	(887,557)	(788,702)	(811,730)
\$ 7,143,482	\$ 7,535,331	\$ 7,961,739	\$ 7,223,685	\$ 7,612,555
\$ 5,069,913	\$ 1,070,321	\$ 1,718,208	\$ 2,063,105	\$ (504,913)
1,803,119	2,854,998	6,016,252	1,010,161	676,551
\$ 6,873,032	\$ 3,925,319	\$ 7,734,460	\$ 3,073,266	\$ 171,638

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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				
2018	\$3,295,022	\$1,124,959	\$ 139,090	\$ 740,471	\$ 41,480	\$5,341,022
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

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ -	\$ -	\$ 787	\$ -	\$ -
Restricted (Reserved 2009 - 2010)	-	-	-	-	-
Committed	79,222	29,122	151,622	151,622	134,658
Assigned	3,807,630	3,279,918	2,739,131	2,739,131	1,766,336
Unassigned (Unreserved 2009 - 2010)	3,976,673	3,940,674	4,100,400	3,488,001	3,406,365
Total General Fund	<u>\$ 7,863,525</u>	<u>\$ 7,249,714</u>	<u>\$ 6,991,940</u>	<u>\$ 6,378,754</u>	<u>\$ 5,307,359</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 3,200
Restricted (Reserved 2009 - 2010)	8,264,773	8,618,602	10,818,055	11,337,886	10,843,720
Committed	1,179,486	940,810	1,110,270	1,082,705	1,322,943
Assigned	502,064	497,183	364,986	207,420	105,406
Unassigned (Unreserved 2009 - 2010)	(177,718)	(125,281)	(764,003)	(2,850)	(109,734)
Total All Other Governmental Funds	<u>\$ 9,768,605</u>	<u>\$ 9,931,314</u>	<u>\$ 11,529,308</u>	<u>\$ 12,625,161</u>	<u>\$ 12,165,535</u>

Table 4

Fiscal Year				
2013	2012	2011	2010	2009
\$ 205,000	\$ 205,000	\$ -	\$ -	\$ -
-	-	-	-	2,300
135,575	104,777	40,387	-	-
989,402	909,063	1,757,373	-	-
3,225,036	3,178,069	3,456,713	4,889,101	4,744,998
<u>\$ 4,555,013</u>	<u>\$ 4,396,909</u>	<u>\$ 5,254,473</u>	<u>\$ 4,889,101</u>	<u>\$ 4,747,298</u>
\$ 3,200	\$ 4,080	\$ 4,000	\$ -	\$ -
12,731,158	12,491,677	8,178,777	7,530,799	6,368,794
604,172	137,347	89,950	-	-
2,045,307	2,412,379	2,525,140	-	-
(10,218)	(207,534)	(276,237)	3,242,524	2,248,030
<u>\$ 15,373,619</u>	<u>\$ 14,837,949</u>	<u>\$ 10,521,630</u>	<u>\$ 10,773,323</u>	<u>\$ 8,616,824</u>

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues					
Taxes	\$ 5,332,614	\$ 4,207,083	\$ 3,768,410	\$ 3,448,929	\$ 3,307,262
Special assessments	401,223	721,283	459,825	589,366	674,620
Intergovernmental revenue	5,249,736	5,115,057	4,831,630	4,313,685	5,786,044
Licenses and permits	161,590	171,720	155,757	213,922	149,066
Charges for services	993,274	913,191	830,732	799,346	668,623
Fines and forfeits	56,420	55,221	55,554	56,129	66,829
Interest	140,360	170,377	127,993	86,920	165,770
Other revenues	511,051	504,388	411,293	974,449	429,845
Total Revenues	<u>12,846,268</u>	<u>11,858,320</u>	<u>10,641,194</u>	<u>10,482,746</u>	<u>11,248,059</u>
Expenditures					
General government	1,438,470	1,240,887	1,133,899	1,218,580	1,041,291
Public safety	3,460,352	3,247,776	3,079,878	3,016,290	2,902,658
Public works	1,802,074	1,636,273	1,577,725	1,561,660	1,402,299
Culture and recreation	1,413,771	1,377,943	1,319,819	1,330,948	1,419,270
Housing and economic development	241,698	319,018	283,659	199,147	262,042
Public transportation	543,120	456,424	460,580	492,002	566,190
Capital outlay	2,177,252	5,012,448	3,058,970	3,452,739	2,286,066
Debt service					
Principal	2,430,000	3,730,000	3,780,000	1,230,000	4,650,000
Interest and fees	302,763	333,112	390,173	408,708	504,376
Total Expenditures	<u>13,809,500</u>	<u>17,353,881</u>	<u>15,084,703</u>	<u>12,910,074</u>	<u>15,034,192</u>
Deficiency of Revenues Under Expenditures	<u>(963,232)</u>	<u>(5,495,561)</u>	<u>(4,443,509)</u>	<u>(2,427,328)</u>	<u>(3,786,133)</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	29,334	43,435	28,684	38,485	69,662
Transfers in	2,832,281	4,520,394	1,734,065	2,366,802	989,632
Transfers out	(1,447,281)	(3,433,262)	(584,432)	(801,113)	(25,000)
Bonds issued	-	2,950,000	2,715,000	2,330,000	-
Premium (discount) on bonds issued	-	74,774	67,525	24,175	-
Total Other Financing Sources (Uses)	<u>1,414,334</u>	<u>4,155,341</u>	<u>3,960,842</u>	<u>3,958,349</u>	<u>1,034,294</u>
Net Change in Fund Balances	<u>\$ 451,102</u>	<u>\$ (1,340,220)</u>	<u>\$ (482,667)</u>	<u>\$ 1,531,021</u>	<u>\$ (2,751,839)</u>
Debt service as a percentage of noncapital expenditures	23%	32%	34%	16%	40%

Table 5

Fiscal Year				
2013	2012	2011	2010	2009
\$ 3,153,610	\$ 3,398,775	\$ 2,977,296	\$ 3,071,934	\$ 3,027,035
815,756	736,782	795,914	1,209,484	961,413
9,716,414	5,399,277	5,466,554	6,356,499	4,576,936
134,360	192,982	164,159	209,472	259,405
416,091	304,432	293,483	246,652	194,932
55,394	74,671	72,617	79,054	90,530
(19,866)	132,406	135,391	138,235	160,308
565,643	315,626	326,767	294,939	314,345
14,837,402	10,554,951	10,232,181	11,606,269	9,584,904
1,196,929	1,157,782	1,085,598	1,019,439	979,188
2,981,980	2,826,749	2,837,558	2,742,200	2,816,119
1,525,919	1,500,995	1,621,730	1,549,746	1,472,077
1,283,893	1,207,576	1,134,889	1,199,478	1,151,695
134,378	573,075	502,151	707,778	650,853
336,450	210,815	187,033	186,214	183,804
7,612,851	3,996,105	3,415,045	2,965,921	2,583,866
1,410,000	1,465,000	2,735,000	1,840,000	1,535,000
544,346	946,826	594,109	590,692	629,690
17,026,746	13,884,923	14,113,113	12,801,468	12,002,292
(2,189,344)	(3,329,972)	(3,880,932)	(1,195,199)	(2,417,388)
9,183	42,104	957,136	2,423	2,617
1,822,851	3,165,011	1,674,392	1,126,742	1,200,490
(694,289)	(2,173,388)	(483,244)	(236,181)	(314,889)
1,715,000	5,755,000	1,820,000	2,615,000	1,755,000
30,373	-	26,327	(14,484)	13,084
2,883,118	6,788,727	3,994,611	3,493,500	2,656,302
\$ 693,774	\$ 3,458,755	\$ 113,679	\$ 2,298,301	\$ 238,914
19%	24%	29%	24%	22%

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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
2018	\$4,412,373	\$ 138,290	\$ 740,471	\$ 41,480	\$5,332,614
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

City of Fairmont, Minnesota
Market Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended December 31,		Real and Personal Property		Agricultural Property	Other
		Residential Property	Commercial Property		
2018	(1)	\$ 432,537,700	\$ 210,313,100	\$ 36,801,300	\$ 5,894,400
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

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

Table 7

Total Taxable Market Value	Total Direct Tax Rate	Indicated Market Value	Assessed Value (1) as a Percentage of Actual Value
\$ 685,546,500	55.687	\$ 759,629,000	90.25 %
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

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
2018	42.795	12.892	55.687	39.115	0.878	39.993
2017	42.959	12.788	55.747	39.199	0.889	40.088
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

Source: Martin County Assessors' Office.

Table 8

Overlapping Rates				
School District				Total Direct and Overlapping Rates
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total School Tax Capacity Rate	Special Districts	
10.914	14.328	25.242	0.394	121.316
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

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

Taxpayer	Type of Business	2018		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Cenex Harvest States	Soybean Crushing	\$ 22,748,900	1	3.3 %
Green Plains Fairmont LLC	Ethanol Manufacturing	20,368,700	2	3.0
Wal-Mart	Retail	10,991,800	3	1.6
SMMPA	Utilities	9,379,300	4	1.4
Mayo Health Systems-Fairmont	Medical Facility	7,217,700	5	1.1
Goldfinch Estates	Assisted Living	9,569,400	6	1.4
Capview Income & Value Fund	Retail	5,426,000	7	0.8
Bank Midwest	Banking	5,342,400	8	0.8
Weigh-Tronix, Inc.	Scale Manufacturing	4,435,000	9	0.7
Minnesota Energy Resources	Utilities	4,163,000	10	0.6
Five Lakes Center	Shopping Center	-		-
Holiday Inn	Hotel	-		-
Hawkeye Foodservice	Distribution	-		-
Fairmont Foods	Food Processing	-		-
Total		<u>\$ 99,642,200</u>		<u>14.7 %</u>

Source: Martin County Assessors' Office.

Table 9

2009		
Taxable Market Value	Rank	Percentage of Total Taxable Market Value
\$ 16,215,100	2	2.6 %
25,130,900	1	4.0
12,838,800	3	2.1
-		-
6,172,500	5	1.0
-		-
8,383,400	4	1.3
-		-
3,957,700	7	0.6
-		-
4,200,000	6	0.7
3,632,600	8	0.6
3,458,000	9	0.6
3,187,500	10	0.5
<u>\$ 87,176,500</u>		<u>14.0 %</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
2018	\$ 4,537,870	\$ 4,485,200	98.8 %	\$ -	\$ 4,485,200	98.8 %
2017	4,049,030	4,000,995	98.8	30,514	4,031,509	99.6
2016	3,714,706	3,680,130	99.1	23,741	3,703,871	99.7
2015	3,410,035	3,372,606	98.9	31,819	3,404,425	99.8
2014	3,310,714	3,264,224	98.6	45,022	3,309,246	100.0
2013	3,214,285	3,156,697	98.2	55,811	3,212,508	99.9
2012	3,120,665	3,064,821	98.2	53,935	3,118,756	99.9
2011	2,992,245	2,936,191	98.1	54,693	2,990,884	100.0
2010	2,857,242	2,816,532	98.6	39,652	2,856,184	100.0
2009	2,760,620	2,727,817	98.8	32,595	2,760,412	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	
2018	\$ -	\$ 12,341,734	\$ -	\$ 622,878	\$ 28,019,000	\$ 40,983,612
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

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

Table 11

Percentage of (Net) General Bonded Debt to Property Value	Percentage of Personal Income	Per Capita
1.62 %	12.78 %	\$ 3,967
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	10.72	2,677
2.28	11.11	2,774
2.60	15.26	2,848

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City of Fairmont, Minnesota
Direct and Overlapping Governmental Activities Debt
December 31, 2018

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Fairmont	\$ 12,341,734	100.00 %	\$ 12,341,734
Total direct debt	<u>12,341,734</u>		<u>12,341,734</u>
Martin County	15,828,000	15.65	2,477,082
Independent School District No. 2752	45,585,000	46.36	21,133,206
Total overlapping debt	<u>61,413,000</u>		<u>23,610,288</u>
Total direct and overlapping debt	<u>\$ 73,754,734</u>		<u>\$ 35,952,022</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

	2018	2017	2016	2015	2014
Debt limit	\$ 20,566,395	\$ 19,772,562	\$ 19,234,896	\$ 18,414,708	\$ 18,517,473
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 20,566,395</u>	<u>\$ 19,772,562</u>	<u>\$ 19,234,896</u>	<u>\$ 18,414,708</u>	<u>\$ 18,517,473</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 2018

Market value	\$ 685,546,500
Debt limit (3% of total assessed value)	<u>20,566,395</u>
Debt applicable to limit	
General obligation bonds	-
Less Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 20,566,395</u></u>

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

Table 13

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 17,169,371	\$ 16,580,637	\$ 16,294,931	\$ 18,627,948	\$ 18,785,547
<u>-</u>	<u>65,000</u>	<u>125,000</u>	<u>175,000</u>	<u>215,000</u>
<u>\$ 17,169,371</u>	<u>\$ 16,515,637</u>	<u>\$ 16,169,931</u>	<u>\$ 18,452,948</u>	<u>\$ 18,570,547</u>
<u>-</u>	<u>0.4</u>	<u>0.8</u>	<u>0.9</u>	<u>1.1</u>

City of Fairmont, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Table 14

		Utility Revenue Bonds						
		Gross	Direct	Net Revenue	Debt Service Requirements ⁽⁵⁾			
Year		Revenue	Operating Expenses ⁽⁴⁾	Available for Debt Service	Principal	Interest	Total	Coverage
2018	(1)	\$6,538,779	\$3,467,187	\$3,071,592	\$1,701,000	\$ 657,039	\$2,358,039	1.30
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

Source: City of Fairmont Financial Records.

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

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

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

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

(4) Does not include depreciation.

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

City of Fairmont, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 15

<u>Fiscal Year</u>	<u>Population (A)</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income (B)</u>	<u>Median Age (B & C)</u>	<u>School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
2018	10,332	\$ 31,042	\$ 320,725,944	47.6	1,711	3.6 %
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	265,402,915	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

(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

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

Table 16

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	488	1	4.91 %	740	1	6.51 %
Weigh-Tronix Scale Manufacturing	350	2	3.52	340	2	2.99
Fairmont Foods of Minnesota	330	3	3.32	300	4	2.64
ISD 2752	260	4	2.62	325	3	2.86
Hy-Vee	240	5	2.41	-		-
Torgerson Properties	219	6	2.20	-		-
Wal-Mart	191	7	1.92	-		-
REM Heartland	185	8	1.86	200	6	1.76
Lakeview Health Care Facility	155	9	1.56	250	5	2.20
Martin County	131	10	1.32	120	10	1.06
3M	-		-	130	7	1.14
MRCI	-		-	125	8	1.10
Harsco Track Technologies	-		-	120	9	1.06
Total	<u>2,549</u>		<u>25.64 %</u>	<u>2,650</u>		<u>23.32 %</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				
	2018	2017	2016	2015	2014
General government	11	11	10	11	11
Public safety					
Police					
Officers	18	18	15	16	16
Civilians	2	2	2	2	2
Streets and highways					
Engineering	4	4	4	3	3
Maintenance	11	10	10	10	10
Culture and recreation					
Parks	10	10	10	9	9
Housing and economic development	4	4	4	3	3
Water	11	12	12	12	11
Sewer	5	5	5	5	5
Electric	11	11	11	11	11
Liquor Store	3	3	3	3	3
Airport	1	1	1	1	1
Total	<u>91</u>	<u>91</u>	<u>87</u>	<u>86</u>	<u>85</u>

Source: City of Fairmont Records

Table 17

Full-time Equivalent Employees as of December 31				
2013	2012	2011	2010	2009
11	11	14	14	14
16	17	17	18	18
2	2	2	1	1
4	4	3	4	4
10	10	12	12	12
8	8	8	8	8
2	2	2	2	2
10	10	10	11	11
6	6	6	6	6
12	12	12	17	17
3	3	3	3	3
-	-	-	-	-
84	85	89	96	96

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

Function	Fiscal Year				
	2018	2017	2016	2015	2014
Police					
Adult arrests	1,320	1,086	916	979	1,310
Juvenile arrests	86	89	69	87	74
Fire					
Number of fire calls answered	95	104	103	119	114
Number of rescue calls answered	36	40	34	19	17
Highways and streets					
Street resurfacing (miles)	1	4	1	5	3
Culture and recreation					
Attendance at water park	21,691	21,852	25,585	25,336	22,771
Water					
Annual water consumption (thousands of gallons)	359,856	371,690	375,715	367,127	354,293
Wastewater					
Annual treatment flows (thousands of gallons)	778,920	586,820	673,240	490,670	475,036
Electric					
Annual KWH electricity sold (thousands of kwh)	150,728	146,088	147,048	142,562	147,322

Sources: Various government departments.

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

Table 18

Fiscal Year				
2013	2012	2011	2010	2009
1,178	1,306	1,175	1,483	1,426
54	125	162	125	132
126	122	140	128	97
22	28	20	34	35
4	5	5	4	5
22,400	24,500	21,000	26,346	25,000
414,121	430,334	455,140	465,407	481,836
468,170	404,830	656,800	741,060	536,740
148,187	151,973	156,001	153,605	147,794

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

Function	Fiscal Year				
	2018	2017	2016	2015	2014
Public safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	14	15	15
Part-time paid police	2	2	2	3	3
Civilian employees	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	32	32	32	32	32
Hydrants	556	556	556	556	556
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	74	74	74	74	74
Percent of paved streets	97	96%	96%	96%	96%
Signalized intersections	10	10	10	10	10
Parks division					
Neighborhood parks	29	29	29	29	26
Area in acres	560	560	560	560	540
Basketball courts	2	2	2	2	2
Hockey rinks/indoor	1	1	1	1	1
Hockey rinks/outdoor	1	1	1	1	1
Baseball diamonds	1	1	1	1	1
Softball diamonds	3	3	3	3	3
Swimming areas	2	2	2	2	2
Tennis courts	2	2	2	2	2
Volleyball courts	2	2	2	2	2
Utilities					
Municipal water					
Consumers	4,433	4,430	4,435	4,423	4,410
Average daily consumption	1,238,544	1,220,239	1,265,344	1,238,628	970,665
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	84	83	83
Municipal wastewater treatment					
Average daily treatment	2,131,667	1,608,333	1,836,667	1,342,500	1,301,468
Maximum design capacity	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Miles of sanitary sewer	81	81	81	80	80
Storm drains					
Miles of storm sewer	41	41	41	41	41
Holding ponds	9	9	9	8	8
Parking system					
Off-street parking					
Off street lots	7	7	7	7	7
Employees					
Supervisors	10	10	10	10	10
Union employees	63	64	61	59	58
Other employees	18	17	16	17	17
Total employees	91	91	87	86	85

Source: City of Fairmont Records

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

Table 19

Fiscal Year				
2013	2012	2011	2010	2009
1	1	1	1	1
16	17	17	18	18
3	3	3	3	3
2	2	2	1	1
1	1	1	1	1
32	32	32	32	32
556	556	556	556	556
5	5	5	5	5
74	74	74	74	74
96%	96%	96%	96%	96%
10	10	10	10	10
26	26	26	26	26
540	540	540	540	540
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
1	1	-	-	-
3	3	5	5	5
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
4,426	4,429	4,442	4,443	4,599
1,134,577	1,272,199	1,413,036	1,539,775	1,546,175
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
1,282,658	1,109,123	1,799,452	2,030,301	1,470,521
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	10	11	13	13
57	58	59	65	65
17	17	19	18	18
84	85	89	96	96

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

	2018	2017	2016	2015	2014
Electric Department/Fund					
Production	\$11,988,898	\$11,830,111	\$11,652,003	\$10,697,955	\$10,973,273
Distribution	1,321,749	1,319,652	1,309,186	1,158,176	1,171,484
Administration and depreciation	1,578,789	1,434,720	1,250,177	1,387,871	1,364,473
Total Electric Department/Fund	<u>14,889,436</u>	<u>14,584,483</u>	<u>14,211,366</u>	<u>13,244,002</u>	<u>13,509,230</u>
Water Department/Fund					
Filtration	1,192,070	1,338,340	1,339,214	1,028,792	986,423
Distribution	548,746	296,577	301,137	439,942	420,787
Administration and depreciation	1,305,123	1,323,799	1,335,355	1,229,500	479,722
Total Water Department/Fund	<u>3,045,939</u>	<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>	<u>-</u>
Wastewater Department/Fund					
Treatment	586,482	615,313	491,159	589,736	532,665
Collection	270,740	296,213	296,240	294,909	287,866
Administration and depreciation	853,625	841,832	830,211	807,607	839,304
Total Wastewater Department/Fund	<u>1,710,847</u>	<u>1,753,358</u>	<u>1,617,610</u>	<u>1,692,252</u>	<u>1,659,835</u>
Total	<u>\$19,646,222</u>	<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
\$11,370,136	\$11,488,996	\$11,793,263	\$11,907,333	\$11,457,408
1,173,817	1,251,599	1,234,196	1,212,690	1,071,154
1,357,745	1,253,489	1,210,384	1,219,437	1,066,353
<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>
950,375	957,550	1,007,315	1,128,507	1,164,881
466,580	449,489	282,000	432,482	437,103
436,620	356,590	327,437	286,837	264,022
<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>
-	-	62,657	116,599	122,270
-	-	602	794	654
-	-	-	246,203	222,305
<u>-</u>	<u>-</u>	<u>63,259</u>	<u>363,596</u>	<u>345,229</u>
633,326	623,509	588,910	587,921	584,674
303,052	279,944	284,448	271,987	293,973
843,856	781,998	780,124	709,412	690,480
<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>\$17,535,507</u>	<u>\$17,443,164</u>	<u>\$17,571,336</u>	<u>\$18,120,202</u>	<u>\$17,375,277</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Electric Department/Fund	\$ 16,384,952	\$ 15,845,241	\$ 15,338,091	\$ 14,561,648	\$ 14,713,001
Water Department/Fund	3,513,185	3,488,744	3,497,629	3,329,141	3,273,006
District Heat Department/Fund	-	-	-	-	-
Wastewater Department/Fund	<u>2,303,196</u>	<u>2,334,068</u>	<u>2,387,483</u>	<u>2,349,903</u>	<u>2,599,354</u>
Total	<u><u>\$ 22,201,333</u></u>	<u><u>\$ 21,668,053</u></u>	<u><u>\$ 21,223,203</u></u>	<u><u>\$ 20,240,692</u></u>	<u><u>\$ 20,585,361</u></u>

Table 21

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 14,639,236	\$ 14,856,538	\$ 15,601,619	\$ 14,724,031	\$ 14,270,358
3,332,167	3,023,394	2,838,809	2,413,865	2,037,674
-	-	82,626	129,919	144,589
<u>2,542,395</u>	<u>2,159,105</u>	<u>2,246,597</u>	<u>2,250,191</u>	<u>2,143,140</u>
<u><u>\$ 20,513,798</u></u>	<u><u>\$ 20,039,037</u></u>	<u><u>\$ 20,769,651</u></u>	<u><u>\$ 19,518,006</u></u>	<u><u>\$ 18,595,761</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
2018	-	154,178,601	SMMPA/WAPA	154,178,601	150,728,230	-	31,846
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

* 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
2018	\$ 11,988,898 0.07776	\$ 1,321,749 0.00857	\$ 1,165,401 0.00756	\$ 413,388 0.00268	\$ 14,889,436 0.09657	\$154,178,601 150,728,230	\$ 0.09878
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 0.00648	388,406 0.00256	14,211,366 0.09345	153,558,569 147,048,570	0.09664
2015	10,697,955 0.07147	1,158,176 0.00774	994,948 0.00656	392,923 0.00256	13,244,002 0.08833	149,679,834 142,562,065	0.09290
2014	10,973,273 0.07154	1,171,484 0.00764	982,024 0.00608	382,449 0.00278	13,509,230 0.08804	153,388,172 147,321,850	0.09170
2013	11,370,136 0.07213	1,173,817 0.00745	932,076 0.00524	425,669 0.00271	13,901,698 0.08753	157,632,145 148,187,120	0.09381
2012	11,488,996 0.07226	1,251,599 0.00787	825,695 0.00492	427,794 0.00270	13,994,084 0.08775	158,985,096 151,973,053	0.09208
2011	11,793,263 0.07156	1,234,196 0.00749	781,856 0.00454	428,528 0.00286	14,237,843 0.08645	164,791,504 155,661,326	0.09147
2010	11,907,333 0.07406	1,212,690 0.00754	748,128 0.00373	471,309 0.00290	14,339,460 0.08823	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

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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
2018						
Residential Light	29,310,618	\$ 3,316,840	\$ 0.113162	19.4 %	20.9 %	3,786
Commercial Service	22,791,640	2,438,585	0.106995	15.1	15.3	755
General Service	16,497,971	1,626,728	0.098602	10.9	10.2	42
Industrial Sales	53,960,562	4,883,075	0.090493	35.9	30.8	12
All Electric	8,782,597	770,695	0.087753	5.8	4.8	8
Rural Electric	4,021,451	446,534	0.111038	2.7	2.8	227
Filter Plant	1,398,400	92,994	0.066500	0.9	0.6	1
Street Lighting	1,568,877	117,666	0.075000	1.0	0.7	6
Flat Rate Security Lights	75,982	10,739	0.141336	0.1	0.1	146
Residential Heat	9,613,644	1,003,001	0.104331	6.4	6.3	910
Wastewater Plant	1,422,302	94,576	0.066495	0.9	0.6	1
Seasonal Heat Rate	1,284,186	99,419	0.077418	0.9	0.6	22
Energy Cost Adjustment	-	1,004,451	-	-	6.3	-
Total Sales	<u>150,728,230</u>	<u>\$ 15,905,303</u>	<u>\$ 0.105523</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,916</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
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	-
Total Sales	<u>146,087,575</u>	<u>\$ 15,370,273</u>	<u>\$ 0.105213</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,924</u>

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

Table 24 (Continued)

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

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

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

Table 24 (Continued)

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

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

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

Table 24 (Continued)

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

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2011						
Residential Light	31,317,844	\$ 2,588,036	\$ 0.081144	20.1 %	17.7 %	4,002
Commercial Service	21,389,157	1,669,914	0.075909	13.7	11.4	741
General Service	19,416,287	1,334,831	0.070981	12.5	9.1	47
Industrial Sales	56,005,474	3,371,816	0.062990	36.0	23.1	12
All Electric	9,281,304	562,505	0.061132	6.0	3.8	8
Rural Electric	3,625,936	300,942	0.075854	2.3	2.1	225
Filter Plant	1,647,720	62,613	0.038234	1.1	0.4	1
Street Lighting	1,902,419	141,340	0.077557	1.2	1.0	6
Flat Rate Security Lights	136,259	10,456	0.079668	0.1	0.1	-
Residential Heat	8,694,687	652,295	0.078421	5.6	4.5	798
Wastewater Plant	1,270,200	48,268	0.038957	0.8	0.3	1
SMMPA Expansion Rate	974,039	45,552	0.042984	0.6	0.3	26
Energy Cost Adjustment	-	3,823,925	-	-	26.2	-
Total Sales	<u>155,661,326</u>	<u>\$ 14,612,493</u>	<u>\$ 0.093874</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

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

Table 24 (Continued)

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

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

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

	2018	2017	2016	2015	2014
Industrial/Commercial Users					
Fairmont Foods	18,089,301	17,322,061	16,131,520	14,158,043	13,051,618
	\$ 1,695,401	\$ 1,630,297	\$ 1,440,743	\$ 1,210,805	\$ 1,107,336
Minnesota Mining and Manufacturing	8,254,355	8,787,746	9,002,036	8,211,144	7,825,221
	\$ 778,448	\$ 825,014	\$ 798,762	\$ 701,501	\$ 651,696
Harsco Track Technology	447,600	456,000	486,300	518,400	517,200
	\$ 50,090	\$ 50,748	\$ 50,089	\$ 50,927	\$ 51,381
Hancor	5,780,000	6,569,000	5,490,000	6,089,000	6,670,000
	\$ 578,682	\$ 648,024	\$ 534,868	\$ 567,118	\$ 601,875
Weigh-Tronix	5,421,726	5,373,396	5,655,123	5,418,081	5,597,822
	\$ 550,597	\$ 544,844	\$ 549,562	\$ 518,706	\$ 523,817
Fareway Foods	1,243,206	1,211,071	1,279,500	1,339,479	1,378,376
	\$ 115,007	\$ 113,631	\$ 144,365	\$ 117,101	\$ 119,403
Shopko	889,250	925,500	986,250	1,123,000	1,218,750
	\$ 93,224	\$ 95,098	\$ 100,484	\$ 108,445	\$ 109,459
Holiday Inn	1,472,250	1,351,500	1,425,750	1,443,250	1,565,250
	\$ 146,828	\$ 135,959	\$ 135,194	\$ 134,459	\$ 141,662
Fairmall Shopping Center	832,680	801,360	917,255	1,044,880	1,129,560
	\$ 87,720	\$ 84,918	\$ 92,316	\$ 103,581	\$ 105,865
Hy-Vee Foods	2,736,800	2,744,800	2,810,400	2,756,800	2,666,800
	\$ 253,234	\$ 251,410	\$ 247,622	\$ 234,366	\$ 224,510
Fairmont Refrigerated Services	5,665,680	5,841,720	5,881,320	5,660,120	6,055,200
	\$ 509,622	\$ 526,569	\$ 496,713	\$ 460,842	\$ 485,452
Kmart	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Wal-Mart Stores	3,370,000	3,604,400	3,431,200	3,110,800	3,234,800
	\$ 322,079	\$ 338,028	\$ 304,944	\$ 264,077	\$ 266,997
Fairmont Hospital	6,107,877	5,634,855	6,276,600	6,192,900	3,487,368
	\$ 557,391	\$ 529,624	\$ 552,693	\$ 537,020	\$ 399,776
I.S.D. No. 2752	1,833,600	1,973,800	2,023,200	1,980,000	3,487,368
	\$ 257,019	\$ 266,275	\$ 262,645	\$ 247,891	\$ 399,776
Wastewater Treatment Plant	1,422,302	1,350,010	1,287,238	1,401,166	1,437,200
	\$ 94,576	\$ 85,786	\$ 85,601	\$ 93,178	\$ 99,569
Water Treatment Plant	1,398,400	1,370,000	1,423,200	1,391,200	1,535,800
	\$ 92,994	\$ 91,105	\$ 94,643	\$ 92,515	\$ 93,366

Table 25

2013	2012	2011	2010	2009
2,464,831	14,315,307	15,975,378	14,405,962	15,229,904
\$ 1,042,803	\$ 1,180,918	\$ 1,317,813	\$ 1,114,623	\$ 1,130,627
7,591,649	7,712,425	7,361,865	7,172,204	6,743,792
\$ 619,290	\$ 631,048	\$ 604,175	\$ 547,629	\$ 498,185
552,000	571,200	1,136,400	1,742,400	1,935,600
\$ 54,207	\$ 56,457	\$ 122,519	\$ 177,622	\$ 184,883
7,509,000	8,627,000	7,840,000	7,092,000	6,536,000
\$ 666,009	\$ 723,634	\$ 661,645	\$ 566,223	\$ 519,326
5,734,080	6,392,412	6,501,321	6,501,551	6,111,050
\$ 530,950	\$ 575,467	\$ 589,774	\$ 551,984	\$ 511,612
1,484,452	1,398,829	1,309,292	1,142,880	-
\$ 124,463	\$ 119,854	\$ 115,007	\$ 89,704	\$ -
1,414,500	1,451,000	1,287,750	1,280,250	1,246,000
\$ 122,882	\$ 123,958	\$ 113,221	\$ 105,200	\$ 98,515
1,633,500	1,552,500	1,759,000	1,674,250	1,610,500
\$ 143,720	\$ 139,323	\$ 154,431	\$ 138,570	\$ 127,840
1,092,200	945,860	776,400	789,640	760,940
\$ 103,406	\$ 88,258	\$ 90,337	\$ 71,990	\$ 69,330
2,698,800	2,605,120	2,657,440	2,525,920	2,670,880
\$ 222,689	\$ 221,566	\$ 211,168	\$ 189,363	\$ 192,183
6,139,800	6,127,560	6,030,720	5,872,680	6,031,080
\$ 480,003	\$ 474,287	\$ 465,861	\$ 424,233	\$ 414,539
-	-	-	-	129,984
\$ -	\$ -	\$ -	\$ -	\$ 11,927
3,296,000	3,449,200	3,506,800	3,476,800	3,461,200
\$ 270,157	\$ 283,831	\$ 285,919	\$ 268,115	\$ 255,977
6,375,600	6,314,400	6,735,600	6,806,700	6,521,400
\$ 527,157	\$ 516,892	\$ 557,202	\$ 540,320	\$ 485,053
3,585,720	3,427,680	3,211,200	2,558,880	2,312,000
\$ 400,658	\$ 384,529	\$ 346,486	\$ 240,995	\$ 209,171
1,325,800	1,248,800	1,270,200	1,239,000	1,286,800
\$ 89,004	\$ 83,835	\$ 79,786	\$ 70,727	\$ 69,939
1,212,440	1,475,640	1,647,730	1,637,640	1,768,320
\$ 76,158	\$ 92,691	\$ 103,500	\$ 93,483	\$ 96,110

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>2018</u>					
Net Raw Water	449,645,802	100.0 %			
Used in Production	<u>21,425,416</u>	<u>4.8</u>			
Net Finished Water	428,220,386	95.2			
Loss in Distribution System (including hydrant)	<u>68,364,481</u>	<u>15.2</u>			
Total Sales	<u>359,855,905</u>	<u>80.0</u>	\$ 3,142,423	\$ 8.732448	4,433
<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

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>2013</u>					
Net Raw Water	526,958,224	100.0 %			
Used in Production	<u>58,852,312</u>	<u>11.2</u>			
Net Finished Water	468,105,912	88.8			
Loss in Distribution System (including hydrant)	<u>53,985,299</u>	<u>10.2</u>			
Total Sales	<u>414,120,613</u>	<u>78.6</u>	\$ 2,995,348	\$ 7.233033	4,426
<u>2012</u>					
Net Raw Water	485,011,000	100.0			
Used in Production	<u>20,658,344</u>	<u>4.3</u>			
Net Finished Water	464,352,656	95.7			
Loss in Distribution System (including hydrant)	<u>34,019,079</u>	<u>7.0</u>			
Total Sales	<u>430,333,577</u>	<u>88.7</u>	2,699,242	6.272441	4,429
<u>2011</u>					
Net Raw Water	589,167,636	100.0			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (including hydrant)	<u>60,617,941</u>	<u>10.3</u>			
Total Sales	<u>455,140,379</u>	<u>77.2</u>	2,536,752	5.573560	4,442
<u>2010</u>					
Net Raw Water	591,918,009	100.0			
Used in Production	<u>61,373,009</u>	<u>10.4</u>			
Net Finished Water	530,545,000	89.6			
Loss in Distribution System (including hydrant)	<u>65,137,047</u>	<u>11.0</u>			
Total Sales	<u>465,407,953</u>	<u>78.6</u>	2,114,745	4.543852	4,443
<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

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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
2018	\$ 1,192,070 2.7838	\$ 548,746 1.2815	\$ 372,594 0.8701	\$ 932,529 2.1777	\$3,045,939 7.1131	\$ 428,220,386 359,855,905	\$ 8.4643
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

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>2018</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<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>2016</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2015</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2014</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	

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

Table 28 (Continued)

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2013</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2012</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2011</u>					
Steam billed to customers	3,989,000	72.0	62,639	15.7029	6
Metered warehouse use	270,000	4.9	-	-	
Metered Power Plant use	870,000	15.7	-	-	
Loss	408,000	7.4	-	-	
Fuel cost adder	-	-	19,987	3.6097	
Total steam metered to District Heat Department	5,537,000	100.0	82,626	14.9225	
<u>2010</u>					
Steam billed to customers	6,443,000	75.6	81,706	12.6814	6
Metered warehouse use	337,000	4.0	2,252	6.6825	
Metered Power Plant use	1,492,000	17.5	11,190	7.5000	
Loss	249,000	2.9	-	-	
Fuel cost adder	-	-	33,350	3.9139	
Total steam metered to District Heat Department	8,521,000	100.0	128,498	15.0802	
<u>2009</u>					
Steam billed to customers	7,483,000	49.8	86,055	11.5001	7
Metered warehouse use	433,000	2.9	4,990	11.5242	
Metered Power Plant use	1,484,000	9.9	17,146	11.5539	
Loss	5,612,000	37.4	-	-	
Fuel cost adder	-	-	37,712	2.5121	
Total steam metered to District Heat Department	15,012,000	100.0	145,903	9.7191	

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
2018	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ -
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

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
2018	778,920	\$ 586,482 0.7529	\$ 270,740 0.3476	\$ 239,901 0.3080	\$ 613,724 0.7879	\$1,710,847 2.1964	871,000 3,840,000
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

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SINGLE AUDIT AND
OTHER REQUIRED REPORTS

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2019.

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
May 7, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2019.

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.

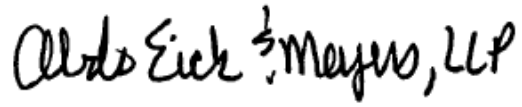
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
Mankato, Minnesota
May 7, 2019



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, 2018. 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, 2018.

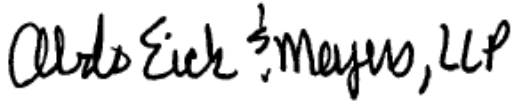
Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 7, 2019

City of Fairmont, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

<u>Federal Funding Source</u>	<u>Administering Department</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Commerce		Economic Adjustment Assistance	11.307		\$ 607,762
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401	P0116X01SRM	8,750
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	273,997
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	TMNFAA00291415	93,316
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	1029945	719,540
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036		<u>165,005</u>
	Total Expended				<u><u>\$ 1,868,370</u></u>
		Balance of RLF loans outstanding at year end			\$ 343,244
		Cash and investment balances in the RLF at year end			263,405
		Administrative expenses paid out of RLF income during the year			<u>1,113</u>
		Subtotal			<u>607,762</u>
		Federal share of the RLF			<u>100%</u>
		Total Expenditures			<u><u>\$ 607,762</u></u>

City of Fairmont, Minnesota
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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, 2018. 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. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2018, the City did not elect to use the 10% de minimis indirect cost rate.

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City of Fairmont, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	Yes

Identification of Major Programs/Projects

	<u>CFDA No.</u>
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.