

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2019

Prepared By:

Finance Department

Paul Hoyer  
Finance Director

Member GFOA of U.S. and Canada  
Published May 18, 2020

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City of Fairmont, Minnesota  
Comprehensive Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2019

	<u>Page No.</u>
<b>Introductory Section</b>	
Letter from City Administrator	9
Letter of Transmittal	11
Principal City Officials	16
Organization Chart	17
GFOA Certificate of Achievement for Excellence in Financial Reporting	18
<b>Financial Section</b>	
Independent Auditor's Report	21
Management's Discussion and Analysis	25
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	39
Statement of Activities	40
Fund Financial Statements	
Governmental Funds	
Balance Sheet	44
Reconciliation of the Balance Sheet to the Statement of Net Position	45
Statement of Revenues, Expenditures and Changes in Fund Balances	46
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	47
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	49
Proprietary Funds	
Statement of Net Position	50
Statement of Revenues, Expenses and Changes in Net Position	54
Statement of Cash Flows	56
Fiduciary Funds	
Statement of Fiduciary Net Position	60
Statement of Changes in Fiduciary Net Position	61
Notes to the Financial Statements	63
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	102
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	102
Notes to the Required Supplementary Information - General Employees Retirement Fund	103
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	104
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	104
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	105
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	107
Notes to the Required Supplementary Information - Fire Relief Association	107
Schedule of Employer's Fire Relief Association Contributions	108
Schedule of Changes in the City's OPEB Liability and Related Ratios	108
Notes to the Required Supplementary Information - OPEB	108

City of Fairmont, Minnesota  
Comprehensive Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2019

	<u>Page No.</u>
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	111
Nonmajor Special Revenue Funds	
Combining Balance Sheet	114
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	116
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Aeronautics Fund	118
Lake Restoration Fund	119
Nonmajor Capital Projects Funds	
Combining Balance Sheet	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	124
General Fund	
Comparative Balance Sheets	129
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	130
Debt Service Funds	
Combining Balance Sheet	138
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	140
Internal Service Funds	
Combining Statement of Net Position	144
Combining Statement of Revenues, Expenses and Changes in Net Position	145
Combining Statement of Cash Flows	146
Custodial Funds	
Combining Statement of Fiduciary Net Position	148
Combining Statement of Changes in Fiduciary Net Position	149
Discretely Presented Component Unit - Economic Development Authority	
Comparative Balance Sheets/Net Position	150
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances/Net Position	151
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	152
	<u>Table No.</u>
<b>Statistical Section (Unaudited)</b>	
Financial Trends	
Net Position by Component	1
Changes in Net Position	2
Governmental Activities Tax Revenues by Source	3
Fund Balances of Governmental Funds	4
Changes in Fund Balances of Governmental Funds	5
General Governmental Tax Revenues by Source	6
Revenue Capacity	
Market Value and Estimated Actual Value of Taxable Property	7
Property Tax Rates - Direct and Overlapping Governments	8
Principal Property Taxpayers	9
Property Tax Levies and Collections	10
Debt Capacity	
Ratios of Outstanding Debt by Type	11
Direct and Overlapping Governmental Activities Debt	12
Legal Debt Margin Information	13
Pledged-Revenue Coverage	14
Demographic and Economic Information	
Demographic and Economic Statistics	15
Principal Employers	16

City of Fairmont, Minnesota  
Comprehensive Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2019

	<u>Table No.</u>	<u>Page No.</u>
<b>Statistical Section (Unaudited) (Continued)</b>		
Operating Information		
Full-time Equivalent City Government Employees by Function	17	190
Operating Indicators by Function	18	192
Capital Asset Statistics by Function	19	194
Public Utilities Commission Information		
Operating Expenses by Function	20	196
Revenue by Utility	21	198
Kilowatt Hours Generated and Purchased	22	200
Cost Per KWH Generated and Purchased	23	201
Kilowatt Sales	24	203
Large Electric Users - Total Kilowatt Hours Used and Revenue Earned Per Year	25	208
Raw Water Finished and Sold	26	210
Cost Per Thousand Gallons of Finished Water	27	213
District Heat Sales	28	214
Cost Per Thousand Pounds of Steam	29	216
Wastewater Inflow and Cost per Thousand Gallons Treated	30	217
<b>Single Audit and Other Required Reports</b>		
Independent Auditor's Report on Minnesota Legal Compliance		221
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		222
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		224
Schedule of Expenditures of Federal Awards		226
Notes to the Schedule of Expenditures of Federal Awards		227
Schedule of Findings and Questioned Costs		229

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INTRODUCTORY SECTION

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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

Phone (507) 238-9461

[www.fairmont.org](http://www.fairmont.org) ♦ [citygov@fairmont.org](mailto:citygov@fairmont.org)

Fax (507) 238-9469

May 18, 2020

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, 2019.

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

Mark Sievert  
Interim City Administrator

MS/ska  
Encls.

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Phone (507) 238-9461

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May 18, 2020

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, 2019. 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 3.4% in 2019. 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 2019 the budget was increased to \$80,000 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 2019, the City of Fairmont continued efforts in ensuring Fairmont has a good inventory of safe, quality housing for all income levels by applying to DEED for financial assistance to be used for income eligible, single family homeowners in completing structural, health and safety improvements to their homes. The City also continued demolition of uninhabitable housing in order to work to reinvigorate blighted areas. In an effort to create additional housing units, the City partnered with the school district and county to create a 10-year tax abatement program for all new multifamily housing complexes to be built. The City of Fairmont also hired Community Partners Research, Inc to conduct a housing study. FEDA, in partnership with the HRA will apply to be part of the Housing Institute through the Minnesota Housing Partnership. This program will help prioritize the City's housing efforts.

CHS, a soybean processing facility began a \$100 million expansion project in Fairmont. This project won the Project of the Year award through the Economic Development Association of Minnesota as a result of its regional impact. Other economic development projects in the community include a nearly \$4M project by Mayo Clinic Health Systems-Fairmont which renovated unoccupied nursing home space into a cancer center and a MRI suite and Great Plains Transportation Services completed a 12,000 square foot addition to their current Class A office space.

The Fairmont Economic Development Authority obtained a grant to expand infrastructure to 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.

FEDA has been heavily involved in childcare since 2018. Childcare is integral to a community's health. Through our work, we found that 40% of survey respondents (parents) have had to reduce their hours or leave the workforce as a result of not being able to acquire childcare. This is a huge problem. To address this shortage, free local trainings have been offered through Parent Aware, due to the generous support of Profinium. In addition, FEDA created a Child Care Loan Program, offering financial support to current providers and to those entering the industry. Work on this important issue will continue.

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 \$4.6 million street improvement project. The City Council held a budget and goal setting session in 2019 to set improvement goals for the upcoming year. In addition to the infrastructure projects listed above, projects include improvements to the Aquatic Park, constructing an all inclusive playground, a small remodel at the Fire Hall and the City will be purchasing a new fire truck. The Council also allocated funds to continue a program of eliminating blighted housing within the community.

Housing and childcare will continue to be economic development priorities as it is difficult to attract and retain workforce to the community without these two core community needs. Through our work on these initiatives, we will continue to build a place where young people want to come and stay.

The City of Fairmont has been working with several 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, 2019 the General fund balance was 87.7 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, 2018. 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 (28) 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 18, 2020

### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

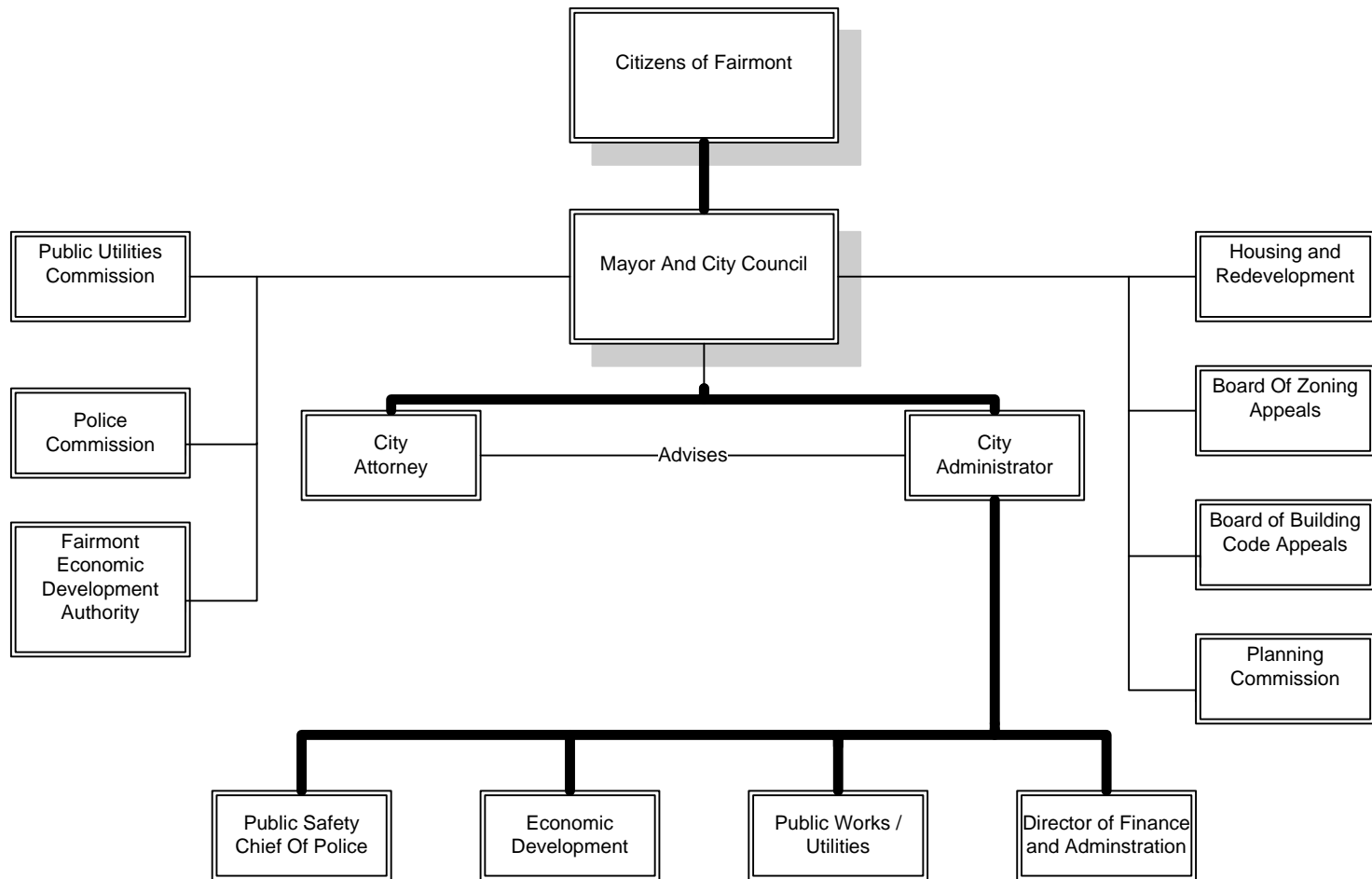
A handwritten signature in blue ink, appearing to read "Paul Hoyer", is positioned above the printed name.

City of Fairmont  
Paul Hoyer  
Finance Director

City of Fairmont, Minnesota  
Principal City Officials  
For the Year Ended December 31, 2019

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Deborah Foster	12/31/2022
Council Members	Tom Hawkins	12/31/2020
	Bruce Peters	12/31/2022
	Ruth Cyphers	12/31/2020
	Randy Lubenow	12/31/2022
	Wayne Hasek	12/31/2020
Interim City Administrator	Mark Sievert	
Finance Director	Paul Hoyer	
City Clerk	Patty Monsen	
Director of Public Works and Public Utilities	Troy Nemmers	
City Attorney	Robert T. Scott	
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, 2018**

*Christopher P. Morrell*

Executive Director/CEO

FINANCIAL SECTION  
CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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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, 2019, 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, 2019, 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 9 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

## **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 102 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***

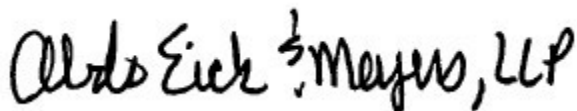
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, schedules, statistical section 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 18, 2020, 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 18, 2020

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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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 11 of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$116,347,842 (*net position*). Of this amount, \$22,557,919 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,526,598, compared to an increase of \$4,714,705, 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. There was also an increased in capital grants of \$956,968, mainly due to MSA grants.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,080,883, an increase of \$1,447,695 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 \$852,437. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$7,589,109), 2) committed (\$3,677,501), 3) assigned (\$6,958,446) or 4) nonspendable (\$3,390) for the purposes described in Note 3F in the notes to the financial statements.

### Overview of the Financial Statements

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

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

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

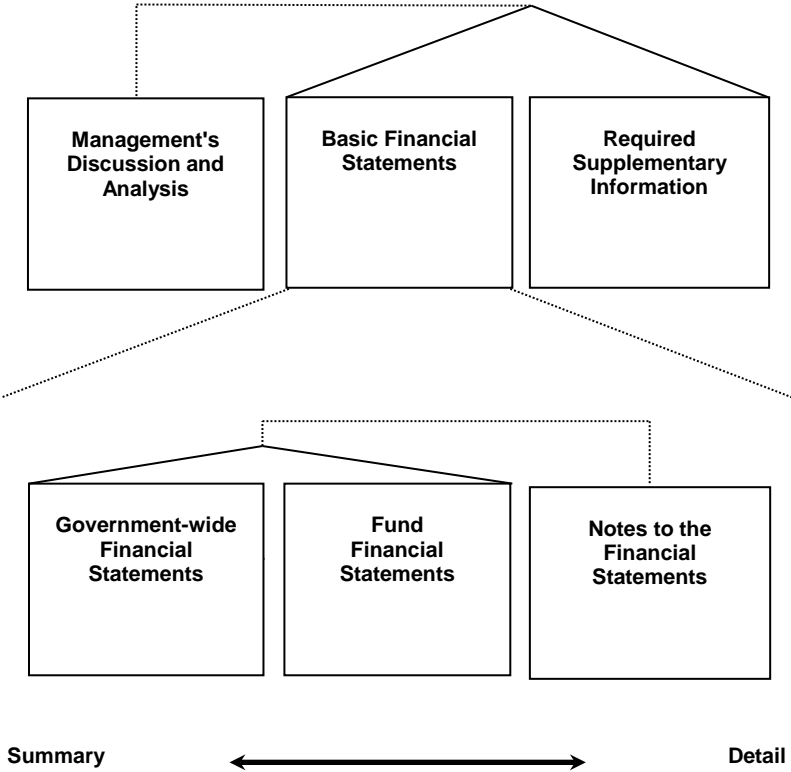


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, sanitation and waste removal, culture and recreation, housing development, economic development and airport and lake restoration. The business-type activities of the City include electric, water, wastewater, storm sewer utilities, a municipal liquor store and off street parking.

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

The government-wide financial statements can be found starting on page 39 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains several individual governmental funds, a number of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and 2019 Capital Improvement Program funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 44 of this report.

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, storm sewer, liquor store and parking lots. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance of its fleet of vehicles, for its management information systems, and self-insurance funds. Because all of these services benefit both governmental and business-type functions, they have been allocated between the *governmental activities* and the *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 50 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 63 of this report.

**Required Supplementary Information.** 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 102 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 110 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 \$116,347,842 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (70.9 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		
	2019	(Restated) 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 25,803,994	\$ 23,333,066	\$ 2,470,928	\$ 19,572,720	\$ 18,327,060	\$ 1,245,660
Capital assets	58,871,597	56,979,957	1,891,640	64,047,916	65,354,415	(1,306,499)
Total Assets	84,675,591	80,313,023	4,362,568	83,620,636	83,681,475	(60,839)
Deferred Outflows of Resources	2,232,551	2,908,018	(675,467)	191,040	404,989	(213,949)
<b>Liabilities</b>						
Long-term liabilities						
outstanding	17,864,922	16,503,288	1,361,634	29,613,877	31,512,832	(1,898,955)
Other liabilities	1,401,515	1,362,724	38,791	1,709,861	1,872,506	(162,645)
Total Liabilities	19,266,437	17,866,012	1,400,425	31,323,738	33,385,338	(2,061,600)
Deferred Inflows of Resources	3,302,889	3,637,242	(334,353)	478,912	597,669	(118,757)
<b>Net Position</b>						
Net investment in						
capital assets	45,287,689	44,638,223	649,466	37,160,916	36,725,415	435,501
Restricted	11,341,318	10,334,955	1,006,363	-	-	-
Unrestricted	7,709,809	6,744,609	965,200	14,848,110	13,378,042	1,470,068
Total Net Position	\$ 64,338,816	\$ 61,717,787	\$ 2,621,029	\$ 52,009,026	\$ 50,103,457	\$ 1,905,569

An additional portion of the City's net position (9.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (19.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Governmental Activities.** Governmental activities increased the City's net position by \$2,621,029. The primary reasons for the increase in net position were a result of an increase in taxes of \$365,248 and capital grants and contributions revenues of \$2,173,779. Key elements of this increase are as follows:

- Increased interest earnings as interest rates have continued to improve.
- Capital grants increased as the result of federal and state aid for street and airport improvements and we saw an increase in contributions for the all-inclusive playground and mini golf course.
- The City continued to increase its General fund reserves to be used to fund a new Public Works facility.

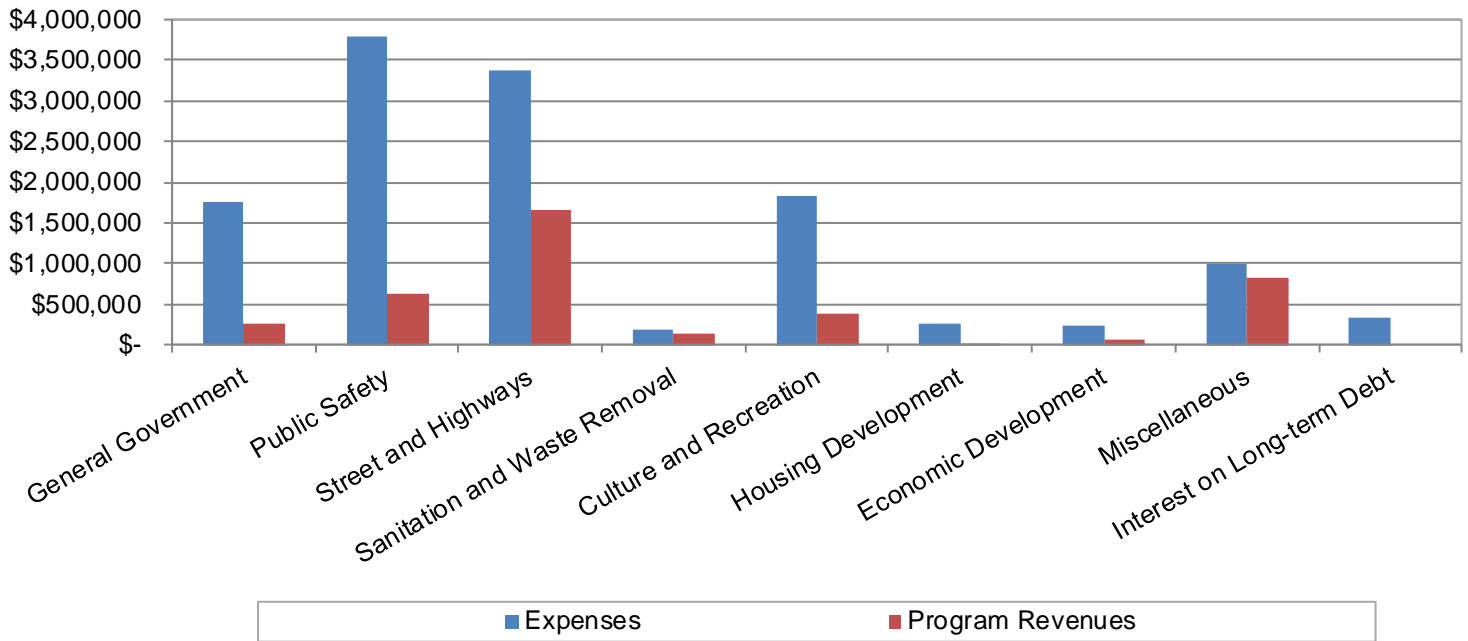
### City of Fairmont's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	(Restated) 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,425,995	\$ 1,429,424	\$ (3,429)	\$ 26,250,369	\$ 26,630,706	\$ (380,337)
Operating grants and contributions	384,501	613,636	(229,135)	-	-	-
Capital grants and contributions	2,173,779	2,124,461	49,318	11,002	1,460	9,542
General Revenues						
Property taxes/tax increments	4,735,117	4,559,071	176,046	-	-	-
Other taxes	1,141,797	952,595	189,202	-	-	-
Grants and contributions not restricted to specific programs	3,492,561	3,614,236	(121,675)	-	-	-
Unrestricted investment earnings	526,019	158,834	367,185	465,562	255,218	210,344
Other	118,508	277,990	(159,482)	-	-	-
Total Revenues	<u>13,998,277</u>	<u>13,730,247</u>	<u>268,030</u>	<u>26,726,933</u>	<u>26,887,384</u>	<u>(160,451)</u>
Expenses						
General government	1,750,444	1,542,708	207,736	-	-	-
Public safety	3,782,782	3,539,550	243,232	-	-	-
Streets and highways	3,373,265	3,056,948	316,317	-	-	-
Sanitation and waste removal	181,175	138,077	43,098	-	-	-
Culture and recreation	1,819,283	1,787,248	32,035	-	-	-
Housing development	260,887	264,902	(4,015)	-	-	-
Economic development	229,239	208,267	20,972	-	-	-
Miscellaneous	995,295	1,010,681	(15,386)	-	-	-
Interest on long-term debt	322,878	266,725	56,153	-	-	-
Electric	-	-	-	14,081,962	14,995,845	(913,883)
Water	-	-	-	3,571,287	3,600,037	(28,750)
Wastewater	-	-	-	2,049,917	1,812,529	237,388
Storm sewer	-	-	-	489,681	461,741	27,940
Liquor	-	-	-	3,285,606	3,210,279	75,327
Parking lot	-	-	-	4,911	7,389	(2,478)
Total Expenses	<u>12,715,248</u>	<u>11,815,106</u>	<u>900,142</u>	<u>23,483,364</u>	<u>24,087,820</u>	<u>(604,456)</u>
Change in Net Position Before Transfers	1,283,029	1,915,141	(632,112)	3,243,569	2,799,564	444,005
Transfers	<u>1,338,000</u>	<u>1,385,000</u>	<u>(47,000)</u>	<u>(1,338,000)</u>	<u>(1,385,000)</u>	<u>47,000</u>
Change in Net Position	2,621,029	3,300,141	(679,112)	1,905,569	1,414,564	491,005
Net Position - January 1, as Restated*	<u>61,717,787</u>	<u>58,417,646</u>	<u>3,300,141</u>	<u>50,103,457</u>	<u>48,688,893</u>	<u>1,414,564</u>
Net Position - December 31	<u>\$ 64,338,816</u>	<u>\$61,717,787</u>	<u>\$2,621,029</u>	<u>\$ 52,009,026</u>	<u>\$ 50,103,457</u>	<u>\$ 1,905,569</u>

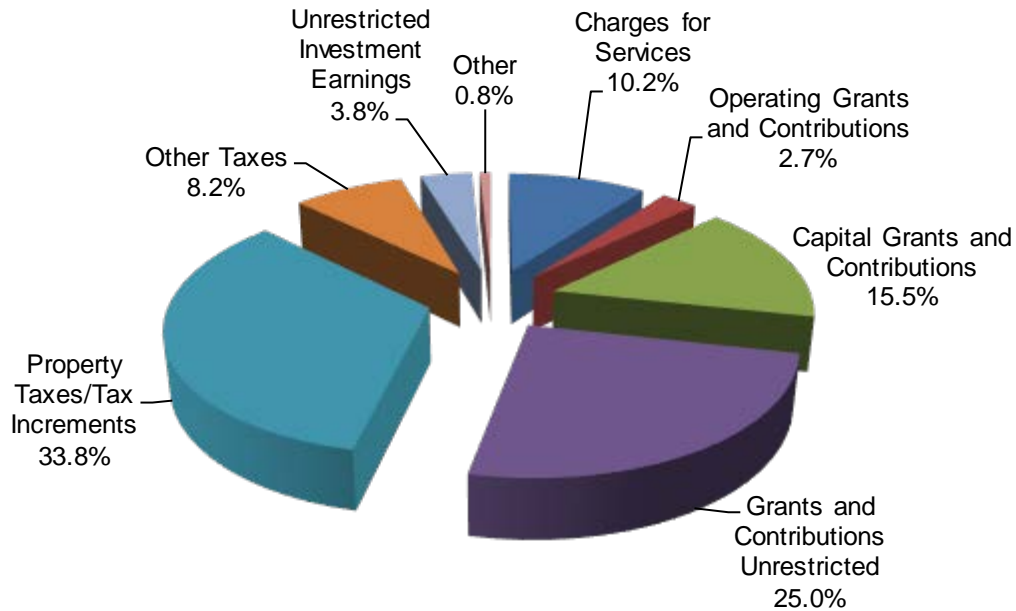
\* GASB Statement No. 84 was implemented for the year ended December 31, 2019 and required a \$107,316 restatement of beginning governmental net position. Prior period adjustments were also required to adjust accounts receivables and accounts payables. Prior year amounts were restated, see notes 9 and 10.

Property tax levies increased by 3.9 percent during the year. The increase was used for operating costs and to fund a new Public Works facility. The City also increased its 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



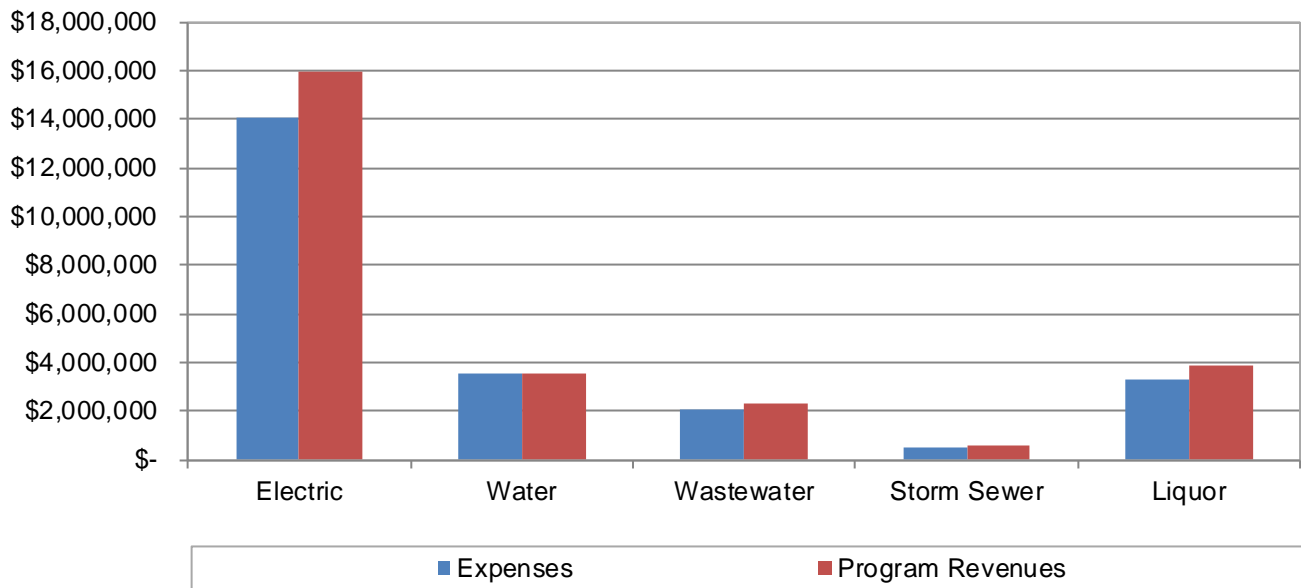
## Revenues by Source



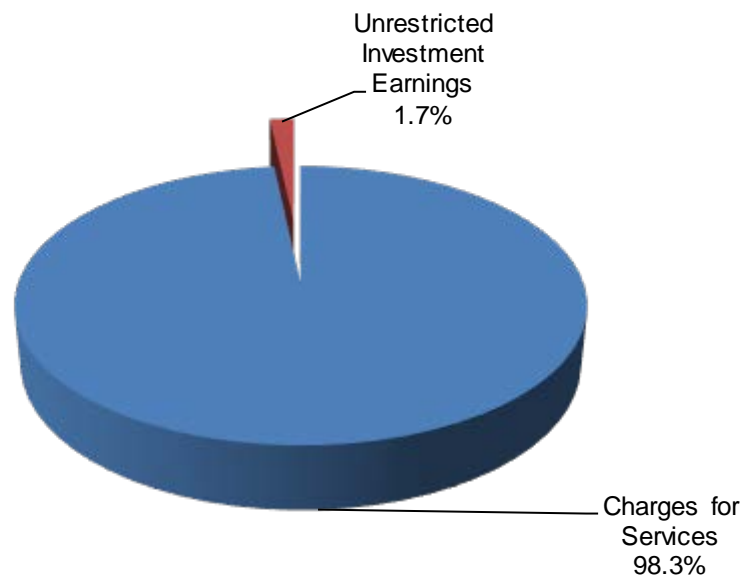
**Business-type Activities.** Business-type activities increased the City's net position by \$1,905,569. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) operating income of \$2,395,358, with a total change in net position of \$1,706,420.
- The PUC approved a 3% water rate increase in 2019 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 \$7,947,471. 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 \$1,048,750, or 11.6 percent of total General fund expenditures, while total fund balance represents 87.7 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$83,946 during the current fiscal year. Contributing factors to the increase are actual expenditures under budget of \$72,318 due to general government and public safety capital outlay expenditures being under budget by \$43,500 and \$70,256, respectively. This is offset by expenditures over budget for general government and sanitation and waste removal by \$15,398 and \$62,274, respectively.

The Debt Service fund has a total fund balance of \$2,259,876, 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 \$1,140,874. The major reason for the decrease was scheduled debt service payments and transfers out of \$1,317,276 to close two funds.

The 2019 Capital Improvement Program fund has a total fund balance deficit of \$161,377, which is a decrease of \$149,245 from prior year. This decrease is due to expenses relating to 2019 Capital Improvements exceed bond proceeds.

**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 \$14,812,830, of which \$1,835,802 was for the Water Utility fund, \$3,721,049 was for the Wastewater Utility fund, \$7,177,037 was for the Electric Utility fund, \$292,293 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,785,489. The total increase in net position for the enterprise funds was \$1,946,571. 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 \$202,127 and actual expenditures were under budget by \$72,318 in 2019. The primary reasons for the variances are as follows:

- The City's market value of its investment portfolio increased considerably from 2018 and with improved interest rates, investment earnings exceeded the budget by \$159,598.
- The City received State Aid for the Cedar Creek Park Trail project and multiple training grants for the Police Department that put our intergovernmental aid revenues over budget by \$48,795
- The Street Lighting department was under budget by \$93,459 as the City has continued to change out it's street lights to LED which has led to a large savings.

## 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, 2019 amounts to \$122,919,513 (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 \$3,129,450 in street improvement projects.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Continued design work on the new Public Works Facility.
- Replaced the roof at the Aquatic Park.
- In the Parks Department, construction started on the new all inclusive playground, installed dugouts, roofs and backstops at the Winnebago Ball Diamond Complex, purchased a new mower, began construction on the Cedar Creek Park Trail, completed construction of the Pioneer Bridge and continued work on the Margaret Street trail extension.
- Began construction on a new T-Hangar and completed a pavement rehab project at the Airport.
- Finished the first phase of the Canyon Drive storm water improvement project.

Additional information on the City's capital assets can be found in Note 3C starting on page 75 of this report.

### City of Fairmont's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and Structures	4,901,576	5,099,814	(198,238)	34,004,451	34,818,621	(814,170)
Improvement Other Than Buildings	9,612,863	10,134,658	(521,795)	22,556,504	22,944,210	(387,706)
Machinery and Equipment	1,497,806	1,646,908	(149,102)	4,417,082	4,678,397	(261,315)
Vehicles	625,624	737,277	(111,653)	-	-	-
Infrastructure	31,604,520	32,678,628	(1,074,108)	-	-	-
Construction in Progress	6,679,730	2,733,194	3,946,536	1,351,164	1,194,472	156,692
Total	<u>\$58,871,597</u>	<u>\$56,979,957</u>	<u>\$ 1,891,640</u>	<u>\$64,047,916</u>	<u>\$65,354,415</u>	<u>\$ (1,306,499)</u>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$40,257,000. Of this amount, \$13,370,000 is special assessment debt and \$26,887,000 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
G.O. Improvement Bonds	\$ 13,370,000	\$ 12,235,000	\$ 1,135,000	\$ -	\$ -	\$ -
G.O. Revenue Bonds	-	-	-	26,887,000	28,629,000	(1,742,000)
Total	<u>\$ 13,370,000</u>	<u>\$ 12,235,000</u>	<u>\$ 1,135,000</u>	<u>\$ 26,887,000</u>	<u>\$ 28,629,000</u>	<u>\$ (1,742,000)</u>

The City's total debt decreased by \$607,000 (1.5 percent) during the current fiscal year. The key factor in this decrease was the retirement of long-term debt of \$3,207,000 and the issuance of \$2,600,000 in new long-term debt.

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 \$21,264,642. 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 80 of this report.

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

- The unemployment rate for Martin County in December 2019 was 3.4 percent, which is a decrease from 3.6 percent a year ago. This rate is slightly lower than the State average of 3.5 percent and the same as the national average rate of 3.4 percent.
- Residential property values increased 5.9 percent, while commercial and agricultural values decreased 0.6 and 4.1 percent respectively in 2019.

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

- The City's property tax levy will increase in 2020 by 12.6 percent. The tax increase will provide an additional \$593,113 per year. Of that amount, \$50,000 will go to street improvements, \$200,000 will go to pay the debt service for the new Public Works Facility, \$25,000 will go towards a part time rental housing/code enforcement position and the remaining \$318,113 will go towards operations and capital costs. The City's share of property taxes is low when compared to similar sized cities throughout the State.
- The Public Utilities Commission approved a 5% increase to water rates and a 5% increase to sewer rates for 2020. The City purchases electric power from SMMPA and they did not increase their rates for 2020. As a result, the City will be able to maintain electric rates at the 2019 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, 2019

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City of Fairmont, Minnesota  
Statement of Net Position  
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>Assets</b>				
Cash and temporary investments	\$ 19,248,175	\$ 15,761,290	\$ 35,009,465	\$ 425,210
Receivables				
Interest	74,866	-	74,866	-
Delinquent taxes	100,675	-	100,675	2,306
Accounts	108,762	2,832,079	2,940,841	1,609
Notes	1,332,217	-	1,332,217	4,214
Special assessments	2,497,540	2,690	2,500,230	-
Intergovernmental	2,338,780	-	2,338,780	699
Due from component unit	7,030	-	7,030	-
Internal balances	(8,626)	8,626	-	-
Inventories	-	898,306	898,306	-
Prepaid items	4,575	35,542	40,117	-
Unamortized maintenance charges	-	34,187	34,187	-
Land held for resale	100,000	-	100,000	-
Capital assets				
Nondepreciable	10,629,208	3,069,879	13,699,087	-
Depreciable, net of accumulated depreciation	48,242,389	60,978,037	109,220,426	-
Total Assets	<u>84,675,591</u>	<u>83,620,636</u>	<u>168,296,227</u>	<u>434,038</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	2,200,157	171,897	2,372,054	-
Deferred other postemployment benefit resources	32,394	19,143	51,537	801
Total Deferred Outflows of Resources	<u>2,232,551</u>	<u>191,040</u>	<u>2,423,591</u>	<u>801</u>
<b>Liabilities</b>				
Accounts and contracts payable	469,776	1,138,738	1,608,514	5,788
Due to primary government	-	-	-	7,030
Due to other governments	539,961	100,204	640,165	-
Accrued interest payable	107,238	211,557	318,795	-
Accrued salaries payable	167,738	114,045	281,783	3,752
Deposits payable	-	138,837	138,837	1,713
Unearned revenue	116,802	6,480	123,282	-
Noncurrent liabilities				
Due within one year	1,649,836	1,904,271	3,554,107	2,905
Due in more than one year	12,481,854	25,389,618	37,871,472	-
Net pension liability	3,410,373	2,129,208	5,539,581	-
Other postemployment benefits liability	322,859	190,780	513,639	7,980
Total Liabilities	<u>19,266,437</u>	<u>31,323,738</u>	<u>50,590,175</u>	<u>29,168</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	2,983,303	453,485	3,436,788	-
Deferred other postemployment benefit resources	43,030	25,427	68,457	1,064
Deferred inflows - intergovernmental	276,556	-	276,556	-
Total Deferred Inflows of Resources	<u>3,302,889</u>	<u>478,912</u>	<u>3,781,801</u>	<u>1,064</u>
<b>Net Position</b>				
Net investment in capital assets	45,287,689	37,160,916	82,448,605	-
Restricted for				
Debt service	4,560,285	-	4,560,285	-
Capital projects	4,818,580	-	4,818,580	-
Housing and economic development	1,962,453	-	1,962,453	-
Unrestricted	7,709,809	14,848,110	22,557,919	404,607
Total Net Position	<u>\$ 64,338,816</u>	<u>\$ 52,009,026</u>	<u>\$ 116,347,842</u>	<u>\$ 404,607</u>

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

City of Fairmont, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,750,444	\$ 252,598	\$ -	\$ -
Public safety	3,782,782	350,116	275,892	-
Streets and highways	3,373,265	1,522	30,015	1,626,294
Sanitation and waste removal	181,175	132,938	-	-
Culture and recreation	1,819,283	180,093	-	215,345
Housing development	260,887	9,018	18,993	-
Economic development	229,239	65,413	-	-
Airport and lake restoration	995,295	434,297	59,601	332,140
Interest on long-term debt	322,878	-	-	-
Total Governmental Activities	<u>12,715,248</u>	<u>1,425,995</u>	<u>384,501</u>	<u>2,173,779</u>
Business-type Activities				
Electric	14,081,962	15,956,156	-	-
Water	3,571,287	3,549,845	-	10,758
Wastewater	2,049,917	2,291,403	-	244
Storm sewer	489,681	587,415	-	-
Municipal liquor	3,285,606	3,859,070	-	-
Parking lot	4,911	6,480	-	-
Total Business-type Activities	<u>23,483,364</u>	<u>26,250,369</u>	<u>-</u>	<u>11,002</u>
Total Primary Government	<u>\$ 36,198,612</u>	<u>\$ 27,676,364</u>	<u>\$ 384,501</u>	<u>\$ 2,184,781</u>
Component Unit				
Housing and economic development	<u>\$ 238,572</u>	<u>\$ 37,994</u>	<u>\$ 100,894</u>	<u>\$ -</u>

General Revenues  
Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Tax increments  
Sales tax  
Hotel-motel taxes  
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)

Prior Period Adjustment (Note 10)

Net Position - January 1, as Restated

Net Position - December 31

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



Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (1,497,846)		\$ (1,497,846)	
(3,156,774)		(3,156,774)	
(1,715,434)		(1,715,434)	
(48,237)		(48,237)	
(1,423,845)		(1,423,845)	
(232,876)		(232,876)	
(163,826)		(163,826)	
(169,257)		(169,257)	
(322,878)		(322,878)	
<u>(8,730,973)</u>		<u>(8,730,973)</u>	
-	1,874,194	1,874,194	
-	(10,684)	(10,684)	
-	241,730	241,730	
-	97,734	97,734	
-	573,464	573,464	
-	1,569	1,569	
<u>-</u>	<u>2,778,007</u>	<u>2,778,007</u>	
<u>(8,730,973)</u>	<u>2,778,007</u>	<u>(5,952,966)</u>	
			<u>\$ (99,684)</u>
3,397,379	-	3,397,379	98,827
1,167,838	-	1,167,838	-
169,900	-	169,900	-
927,291	-	927,291	-
173,068	-	173,068	-
41,438	-	41,438	-
3,492,561	-	3,492,561	-
526,019	465,562	991,581	11,910
36,008	-	36,008	-
82,500	-	82,500	-
1,338,000	(1,338,000)	-	-
<u>11,352,002</u>	<u>(872,438)</u>	<u>10,479,564</u>	<u>110,737</u>
<u>2,621,029</u>	<u>1,905,569</u>	<u>4,526,598</u>	<u>11,053</u>
60,901,553	50,103,457	111,005,010	393,554
<u>816,234</u>	<u>-</u>	<u>816,234</u>	<u>-</u>
<u>61,717,787</u>	<u>50,103,457</u>	<u>111,821,244</u>	<u>393,554</u>
<u>\$ 64,338,816</u>	<u>\$ 52,009,026</u>	<u>\$ 116,347,842</u>	<u>\$ 404,607</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, 2019

City of Fairmont, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2019

	General	Debt Service	2019 Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 8,134,567	\$ 2,249,605	\$ -	\$ 7,735,611	\$ 18,119,783
Receivables					
Interest	74,866	-	-	-	74,866
Delinquent taxes	72,455	25,130	-	3,090	100,675
Accounts	97,423	-	-	9,189	106,612
Loans	-	-	-	1,332,217	1,332,217
Special assessments	4,038	2,382,517	-	110,985	2,497,540
Intergovernmental	47,377	10,271	-	2,281,132	2,338,780
Prepaid items	190	-	-	3,200	3,390
Land held for resale	-	-	-	100,000	100,000
<b>Total Assets</b>	<b>\$ 8,430,916</b>	<b>\$ 4,667,523</b>	<b>\$ -</b>	<b>\$ 11,575,424</b>	<b>\$ 24,673,863</b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ 137,992	\$ -	\$ 161,196	\$ 105,747	\$ 404,935
Due to other funds	40,948	-	-	802	41,750
Due to other governments	48,086	-	181	491,694	539,961
Accrued salaries payable	159,513	-	-	3,448	162,961
Unearned revenue	20,413	-	-	96,389	116,802
<b>Total Liabilities</b>	<b>406,952</b>	<b>-</b>	<b>161,377</b>	<b>698,080</b>	<b>1,266,409</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	72,455	25,130	-	3,090	100,675
Unavailable revenue - special assessments	4,038	2,382,517	-	110,985	2,497,540
Unavailable revenue - intergovernmental	-	-	-	1,728,356	1,728,356
<b>Total Deferred Inflows of Resources</b>	<b>76,493</b>	<b>2,407,647</b>	<b>-</b>	<b>1,842,431</b>	<b>4,326,571</b>
<b>Fund Balances</b>					
Nonspendable	190	-	-	3,200	3,390
Restricted	-	2,259,876	-	5,329,233	7,589,109
Committed	80,912	-	-	3,596,589	3,677,501
Assigned	6,817,619	-	-	140,827	6,958,446
Unassigned	1,048,750	-	(161,377)	(34,936)	852,437
<b>Total Fund Balances</b>	<b>7,947,471</b>	<b>2,259,876</b>	<b>(161,377)</b>	<b>9,034,913</b>	<b>19,080,883</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,430,916</b>	<b>\$ 4,667,523</b>	<b>\$ -</b>	<b>\$ 11,575,424</b>	<b>\$ 24,673,863</b>

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, 2019

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

Total Fund Balances - Governmental Funds	\$ 19,080,883
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	58,808,185
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	(530,446)
Postemployment benefits other than pension obligation	(322,859)
Net pension liability	(3,410,373)
Bonds payable	(13,370,000)
Bond premiums, net of accumulated amortization	(213,908)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	100,675
Special assessments receivable	2,497,540
Intergovernmental receivable	1,451,800
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	2,200,157
Deferred inflows of pension resources	(2,983,303)
Deferred outflows of other postemployment benefit resources	32,394
Deferred inflows of other postemployment benefit resources	(43,030)
Governmental funds do not report a liability for accrued interest until due and payable.	(107,238)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	1,148,339
Total Net Position - Governmental Activities	<u>\$ 64,338,816</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, 2019

	General	Debt Service	2019 Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 3,355,822	\$ 1,167,919	\$ -	\$ 1,337,484	\$ 5,861,225
Special assessments	1,348	470,088	-	1,438	472,874
Licenses and permits	200,446	-	-	-	200,446
Intergovernmental	3,798,318	-	273,446	490,547	4,562,311
Charges for services	514,581	-	-	433,233	947,814
Fines and forfeits	59,930	-	-	-	59,930
Investment earnings	224,613	72,786	18,343	176,910	492,652
Payments from Component Unit for debt service	-	-	-	7,355	7,355
Miscellaneous	160,386	-	425	373,340	534,151
<b>Total Revenues</b>	<b>8,315,444</b>	<b>1,710,793</b>	<b>292,214</b>	<b>2,820,307</b>	<b>13,138,758</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,615,228	-	-	-	1,615,228
Public safety	3,493,881	-	-	-	3,493,881
Streets and highways	1,713,329	489	-	-	1,713,818
Sanitation and waste removal	181,175	-	-	-	181,175
Culture and recreation	1,426,282	-	-	18,198	1,444,480
Housing and economic development	-	-	-	418,073	418,073
Miscellaneous	-	-	-	481,550	481,550
<b>Capital outlay</b>					
Public safety	69,944	-	-	-	69,944
Streets and highways	10,581	-	3,128,314	14,792	3,153,687
Culture and recreation	551,228	-	-	407,986	959,214
Miscellaneous	-	-	-	441,505	441,505
<b>Debt service</b>					
Principal	-	1,465,000	-	-	1,465,000
Interest and other	-	250,546	525	-	251,071
Bond issuance costs	-	-	60,246	-	60,246
<b>Total Expenditures</b>	<b>9,061,648</b>	<b>1,716,035</b>	<b>3,189,085</b>	<b>1,782,104</b>	<b>15,748,872</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(746,204)</b>	<b>(5,242)</b>	<b>(2,896,871)</b>	<b>1,038,203</b>	<b>(2,610,114)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,073,750	-	85,234	3,908,496	5,067,480
Bonds issued	-	57,417	2,542,583	-	2,600,000
Premium on bonds issued	-	-	119,809	-	119,809
Transfers out	(243,600)	(1,193,049)	-	(2,292,831)	(3,729,480)
<b>Total Other Financing Sources (Uses)</b>	<b>830,150</b>	<b>(1,135,632)</b>	<b>2,747,626</b>	<b>1,615,665</b>	<b>4,057,809</b>
<b>Net Change in Fund Balances</b>	<b>83,946</b>	<b>(1,140,874)</b>	<b>(149,245)</b>	<b>2,653,868</b>	<b>1,447,695</b>
<b>Fund Balances, January 1, as Restated (Note 9)</b>	<b>7,863,525</b>	<b>3,400,750</b>	<b>(12,132)</b>	<b>6,487,303</b>	<b>17,739,446</b>
<b>Prior Period Adjustment (Note 10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(106,258)</b>	<b>(106,258)</b>
<b>Fund Balance, January 1, as Restated</b>	<b>7,863,525</b>	<b>3,400,750</b>	<b>(12,132)</b>	<b>6,381,045</b>	<b>17,633,188</b>
<b>Fund Balances, December 31</b>	<b>\$ 7,947,471</b>	<b>\$ 2,259,876</b>	<b>\$ (161,377)</b>	<b>\$ 9,034,913</b>	<b>\$ 19,080,883</b>

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, 2019

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

Net change in Fund balances - governmental funds	\$ 1,447,695
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	4,462,474
Depreciation expense	(2,581,862)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued or incurred	(2,600,000)
Principal repayments	1,465,000
Amortization of premiums, net of premium on bonds issued	(107,174)
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.	
	(24,196)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(152,259)
Direct aid contributions	23,247
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	8,334
Special assessments	356,679
Intergovernmental	437,892
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	(7,590)
Post employment benefits other than pension costs	(37,300)
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.	
	<u>(69,911)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 2,621,029</u></u>

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

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City of Fairmont, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,395,372	\$ 3,395,372	\$ 3,355,822	\$ (39,550)
Special assessments	-	-	1,348	1,348
Licenses and permits	174,100	174,100	200,446	26,346
Intergovernmental	3,749,523	3,749,523	3,798,318	48,795
Charges for services	523,422	523,422	514,581	(8,841)
Fines and forfeits	54,000	54,000	59,930	5,930
Investment earnings	65,015	65,015	224,613	159,598
Miscellaneous	151,885	151,885	160,386	8,501
Total Revenues	8,113,317	8,113,317	8,315,444	202,127
Expenditures				
Current				
General government	1,599,830	1,599,830	1,615,228	(15,398)
Public safety	3,532,847	3,532,847	3,493,881	38,966
Streets and highways	1,695,562	1,695,562	1,713,329	(17,767)
Sanitation and waste removal	118,901	118,901	181,175	(62,274)
Culture and recreation	1,517,626	1,517,626	1,426,282	91,344
Capital outlay				
General government	43,500	43,500	-	43,500
Public safety	140,200	140,200	69,944	70,256
Streets and highways	25,000	25,000	10,581	14,419
Culture and recreation	460,500	460,500	551,228	(90,728)
Total Expenditures	9,133,966	9,133,966	9,061,648	72,318
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,020,649)	(1,020,649)	(746,204)	274,445
Other Financing Sources (Uses)				
Transfers in	1,240,500	1,240,500	1,073,750	(166,750)
Transfers out	(80,000)	(80,000)	(243,600)	(163,600)
Total Other Financing Sources (Uses)	1,160,500	1,160,500	830,150	(330,350)
Net Change in Fund Balances	139,851	139,851	83,946	(55,905)
Fund Balances, January 1	7,863,525	7,863,525	7,863,525	-
Fund Balances, December 31	\$ 8,003,376	\$ 8,003,376	\$ 7,947,471	\$ (55,905)

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, 2019

	Business-type Activities - Enterprise Funds			
	<b>601</b> Water Utility	<b>602</b> Wastewater Utility	<b>604</b> Electric Utility	Total Public Utilities Commission
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 2,347,106	\$ 4,001,495	\$ 7,136,863	\$ 13,485,464
Receivables				
Accounts	469,397	329,496	1,941,353	2,740,246
Special assessments - current	2,250	440	-	2,690
Due from other funds	-	-	-	-
Inventories	47,481	-	439,762	487,243
Prepaid items	34,192	-	-	34,192
<b>Total Current Assets</b>	<b>2,900,426</b>	<b>4,331,431</b>	<b>9,517,978</b>	<b>16,749,835</b>
<b>Noncurrent Assets</b>				
Unamortized maintenance charges	34,187	-	-	34,187
<b>Capital assets</b>				
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	13,212,805	8,421,837	13,938,084	35,572,726
Machinery and equipment	468,820	6,805,295	3,951,819	11,225,934
Construction in progress	87,302	144,990	-	232,292
<b>Total capital assets</b>	<b>42,793,955</b>	<b>26,505,545</b>	<b>19,283,687</b>	<b>88,583,187</b>
Less accumulated depreciation	(7,874,764)	(12,217,296)	(13,886,952)	(33,979,012)
<b>Total Capital Assets</b>	<b>34,919,191</b>	<b>14,288,249</b>	<b>5,396,735</b>	<b>54,604,175</b>
(Net of Accumulated Depreciation)				
<b>Total Noncurrent Assets</b>	<b>34,953,378</b>	<b>14,288,249</b>	<b>5,396,735</b>	<b>54,638,362</b>
<b>Total Assets</b>	<b>37,853,804</b>	<b>18,619,680</b>	<b>14,914,713</b>	<b>71,388,197</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	49,301	29,856	65,728	144,885
Deferred other postemployment benefit resources	5,873	4,617	5,781	16,271
<b>Total Deferred Outflows of Resources</b>	<b>55,174</b>	<b>34,473</b>	<b>71,509</b>	<b>161,156</b>

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

Business-type Activities - Enterprise Funds				
<b>603</b>	<b>609</b>	Non-major		Governmental
Storm Sewer	Municipal	<b>611</b>		Activities -
Utility	Liquor	Parking	Totals	Internal Service
		Lot		Funds
\$ 481,258	\$ 1,793,043	\$ 1,525	\$ 15,761,290	\$ 1,128,392
57,501	34,332	-	2,832,079	2,150
-	-	-	2,690	-
-	-	-	-	69,839
-	411,063	-	898,306	-
-	1,350	-	35,542	1,185
538,759	2,239,788	1,525	19,529,907	1,201,566
-	-	-	34,187	-
495,863	229,138	375,850	1,718,715	-
-	1,725,625	-	42,659,996	-
9,126,458	19,169	-	9,145,627	-
-	-	-	35,572,726	-
-	36,543	-	11,262,477	279,782
1,118,872	-	-	1,351,164	-
10,741,193	2,010,475	375,850	101,710,705	279,782
(3,212,815)	(470,962)	-	(37,662,789)	(216,370)
7,528,378	1,539,513	375,850	64,047,916	63,412
7,528,378	1,539,513	375,850	64,082,103	63,412
8,067,137	3,779,301	377,375	83,612,010	1,264,978
9,739	17,273	-	171,897	-
1,348	1,524	-	19,143	-
11,087	18,797	-	191,040	-

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, 2019

	Business-type Activities - Enterprise Funds			
	<b>601</b> Water Utility	<b>602</b> Wastewater Utility	<b>604</b> Electric Utility	Total Public Utilities Commission
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts and contracts payable	\$ 61,369	\$ 24,388	\$ 901,008	\$ 986,765
Due to other funds	8,618	5,439	10,183	24,240
Due to other governments	-	-	60,235	60,235
Accrued interest payable	183,206	24,559	-	207,765
Accrued salaries payable	35,320	17,710	42,432	95,462
Sick leave/severance payable - current portion	24,067	12,929	77,353	114,349
Deposits payable	21,550	-	117,287	138,837
Unearned revenue	-	-	-	-
Bonds payable - current portion	818,000	755,000	-	1,573,000
Total Current Liabilities	<u>1,152,130</u>	<u>840,025</u>	<u>1,208,498</u>	<u>3,200,653</u>
<b>Noncurrent Liabilities</b>				
Sick leave/severance payable, net of current portion	13,813	58,883	150,836	223,532
Other postemployment benefits liability	58,530	46,018	57,616	162,164
Pension liability	609,649	370,033	814,421	1,794,103
Bonds payable, net of current portion	21,752,000	3,152,000	-	24,904,000
Total Noncurrent Liabilities	<u>22,433,992</u>	<u>3,626,934</u>	<u>1,022,873</u>	<u>27,083,799</u>
Total Liabilities	<u>23,586,122</u>	<u>4,466,959</u>	<u>2,231,371</u>	<u>30,284,452</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	130,062	78,763	173,400	382,225
Deferred other postemployment benefit resources	7,801	6,133	7,679	21,613
Total Deferred Inflows of Resources	<u>137,863</u>	<u>84,896</u>	<u>181,079</u>	<u>403,838</u>
<b>Net Position</b>				
Net investment in capital assets	12,349,191	10,381,249	5,396,735	28,127,175
Unrestricted	1,835,802	3,721,049	7,177,037	12,733,888
Total Net Position	<u>\$ 14,184,993</u>	<u>\$ 14,102,298</u>	<u>\$ 12,573,772</u>	<u>\$ 40,861,063</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	Non-major 611 Parking Lot	Totals		
\$ 45,087	\$ 106,886	\$ -	\$ 1,138,738	\$ 64,841	
-	2,414	-	26,654	1,435	
-	39,969	-	100,204	-	
3,792	-	-	211,557	-	
5,658	12,925	-	114,045	4,777	
7,530	9,392	-	131,271	5,593	
-	-	-	138,837	-	
-	6,115	365	6,480	-	
200,000	-	-	1,773,000	-	
262,067	177,701	365	3,640,786	76,646	
22,528	18,768	-	264,828	11,743	
13,431	15,185	-	190,780	-	
121,255	213,850	-	2,129,208	-	
220,790	-	-	25,124,790	-	
378,004	247,803	-	27,709,606	11,743	
640,071	425,504	365	31,350,392	88,389	
25,692	45,568	-	453,485	-	
1,790	2,024	-	25,427	-	
27,482	47,592	-	478,912	-	
7,118,378	1,539,513	375,850	37,160,916	63,412	
292,293	1,785,489	1,160	14,812,830	1,113,177	
<u>\$ 7,410,671</u>	<u>\$ 3,325,002</u>	<u>\$ 377,010</u>	51,973,746	<u>\$ 1,176,589</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>35,280</u>	
Net Position of Business-type Activities			<u>\$ 52,009,026</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, 2019

	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	3,161,600	1,510,675	15,201,760	19,874,035
Miscellaneous revenues	376,473	779,859	346,099	1,502,431
Total Operating Revenues	<u>3,538,073</u>	<u>2,290,534</u>	<u>15,547,859</u>	<u>21,376,466</u>
Operating Expenses				
Production or purchase	-	-	11,362,565	11,362,565
Filtration	1,190,152	-	-	1,190,152
Treatment	-	772,346	-	772,346
Distribution	560,545	-	1,140,552	1,701,097
Collection	-	308,481	-	308,481
Administration and other	338,413	262,599	1,056,630	1,657,642
Depreciation	944,080	615,046	429,699	1,988,825
Total Operating Expenses	<u>3,033,190</u>	<u>1,958,472</u>	<u>13,989,446</u>	<u>18,981,108</u>
Operating Income (Loss)	<u>504,883</u>	<u>332,062</u>	<u>1,558,413</u>	<u>2,395,358</u>
Nonoperating Revenues (Expenses)				
Investment income	76,786	122,699	195,215	394,700
State grants	1,435	869	1,914	4,218
Miscellaneous income	10,337	-	394,828	405,165
Gain (loss) on sale of assets	-	-	12,775	12,775
Interest expense	(516,034)	(75,764)	-	(591,798)
Bond premium amortization	-	-	-	-
Payments to Economic Development Authority	(16,340)	(11,201)	(72,459)	(100,000)
Total Nonoperating Revenues (Expenses)	<u>(443,816)</u>	<u>36,603</u>	<u>532,273</u>	<u>125,060</u>
Income (Loss) Before Transfers and Capital Grants and Contributions	61,067	368,665	2,090,686	2,520,418
Capital Grants and Contributions	10,758	244	-	11,002
Transfers Out	<u>(134,802)</u>	<u>(92,409)</u>	<u>(597,789)</u>	<u>(825,000)</u>
Change in Net Position	<u>(62,977)</u>	<u>276,500</u>	<u>1,492,897</u>	<u>1,706,420</u>
Net Position - January 1	14,247,970	13,825,798	11,080,875	39,154,643
Prior Period Adjustment (Note 10)	-	-	-	-
Net Position, January 1, as Restated	<u>14,247,970</u>	<u>13,825,798</u>	<u>11,080,875</u>	<u>39,154,643</u>
Net Position - December 31	<u>\$ 14,184,993</u>	<u>\$ 14,102,298</u>	<u>\$ 12,573,772</u>	<u>\$ 40,861,063</u>

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

**Business-type Activities - Enterprise Funds**

<b>603</b>	<b>609</b>	<b>Non-major</b>		<b>Governmental</b>
<b>Storm Sewer</b>	<b>Municipal</b>	<b>611</b>		<b>Activities -</b>
<b>Utility</b>	<b>Liquor</b>	<b>Parking</b>	<b>Totals</b>	<b>Internal Service</b>
		<b>Lot</b>		<b>Funds</b>
\$ -	\$ 3,858,216	\$ -	\$ 3,858,216	\$ -
-	(2,685,515)	-	(2,685,515)	-
586,910	-	6,480	20,467,425	2,934,058
-	-	-	1,502,431	12,632
<u>586,910</u>	<u>1,172,701</u>	<u>6,480</u>	<u>23,142,557</u>	<u>2,946,690</u>
-	-	-	11,362,565	-
-	-	-	1,190,152	-
-	-	-	772,346	-
-	-	-	1,701,097	-
-	-	-	308,481	-
279,778	549,244	4,911	2,491,575	3,085,330
191,515	45,926	-	2,226,266	7,550
<u>471,293</u>	<u>595,170</u>	<u>4,911</u>	<u>20,052,482</u>	<u>3,092,880</u>
<u>115,617</u>	<u>577,531</u>	<u>1,569</u>	<u>3,090,075</u>	<u>(146,190)</u>
13,821	57,007	34	465,562	33,367
283	503	-	5,004	-
222	351	-	405,738	-
-	-	-	12,775	-
(15,875)	-	-	(607,673)	-
2,088	-	-	2,088	-
-	-	-	(100,000)	-
<u>539</u>	<u>57,861</u>	<u>34</u>	<u>183,494</u>	<u>33,367</u>
116,156	635,392	1,603	3,273,569	(112,823)
-	-	-	11,002	-
-	(513,000)	-	(1,338,000)	-
<u>116,156</u>	<u>122,392</u>	<u>1,603</u>	<u>1,946,571</u>	<u>(112,823)</u>
7,294,515	3,202,610	375,407	50,027,175	1,380,828
-	-	-	-	(91,416)
<u>7,294,515</u>	<u>3,202,610</u>	<u>375,407</u>	<u>50,027,175</u>	<u>1,289,412</u>
<u>\$ 7,410,671</u>	<u>\$ 3,325,002</u>	<u>\$ 377,010</u>	<u>\$ 51,973,746</u>	<u>\$ 1,176,589</u>
Change in net position as shown above			\$ 1,946,571	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(41,002)	
Change in Net Position of Business-type			<u>\$ 1,905,569</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, 2019

	Business-type Activities - Enterprise Funds			
	<b>601</b> Water Utility	<b>602</b> Wastewater Utility	<b>604</b> Electric Utility	Total Public Utilities Commission
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 3,528,525	\$ 2,268,749	\$ 16,173,859	\$ 21,971,133
Payments to suppliers	(870,357)	(627,219)	(12,085,413)	(13,582,989)
Payments to and on behalf of employees	(964,589)	(492,285)	(1,340,981)	(2,797,855)
Payments for interfund services used	(259,259)	(196,510)	(375,639)	(831,408)
Other receipts	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,434,320</u>	<u>952,735</u>	<u>2,371,826</u>	<u>4,758,881</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to other funds	(134,802)	(92,409)	(597,789)	(825,000)
Payments to Economic Development Authority	(16,340)	(11,201)	(72,459)	(100,000)
State aids received	1,435	869	1,914	4,218
Increase in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	<u>1,590</u>	<u>116</u>	<u>(39)</u>	<u>1,667</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(148,117)</u>	<u>(102,625)</u>	<u>(668,373)</u>	<u>(919,115)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(382,994)	(233,637)	(196,130)	(812,761)
Proceeds from sale of capital assets	-	-	12,775	12,775
Capital grants received	15,753	683	-	16,436
Principal paid on revenue bond obligations	(800,000)	(742,000)	-	(1,542,000)
Interest paid on revenue bond obligations	<u>(522,528)</u>	<u>(80,428)</u>	<u>-</u>	<u>(602,956)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,689,769)</u>	<u>(1,055,382)</u>	<u>(183,355)</u>	<u>(2,928,506)</u>
Cash Flows from Investing Activities				
Interest received	<u>76,786</u>	<u>122,699</u>	<u>195,215</u>	<u>394,700</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(326,780)	(82,573)	1,715,313	1,305,960
Cash and Cash Equivalents, January 1	<u>2,673,886</u>	<u>4,084,068</u>	<u>5,421,550</u>	<u>12,179,504</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,347,106</u>	<u>\$ 4,001,495</u>	<u>\$ 7,136,863</u>	<u>\$ 13,485,464</u>

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



Business-type Activities - Enterprise Funds

<b>603</b>	<b>609</b>	<b>Non-major</b>		<b>Governmental</b>
Storm Sewer	Municipal	<b>611</b>		Activities -
Utility	Liquor	Parking	Totals	Internal Service
		Lot		Funds
\$ 583,176	\$ 3,865,182	\$ 6,267	\$ 26,425,758	\$ 2,932,962
(44,123)	(2,867,109)	(5,290)	(16,499,511)	(663,288)
(178,843)	(317,669)	-	(3,294,367)	(2,428,772)
(51,191)	(83,449)	(20)	(966,068)	(40,583)
222	351	-	573	12,632
<u>309,241</u>	<u>597,306</u>	<u>957</u>	<u>5,666,385</u>	<u>(187,049)</u>
-	(513,000)	-	(1,338,000)	-
-	-	-	(100,000)	-
283	503	-	5,004	-
-	-	-	-	(10,983)
-	219	-	1,886	277
<u>283</u>	<u>(512,278)</u>	<u>-</u>	<u>(1,431,110)</u>	<u>(10,706)</u>
(99,287)	(3,199)	-	(915,247)	(18,578)
-	-	-	12,775	-
-	-	-	16,436	-
(200,000)	-	-	(1,742,000)	-
(18,125)	-	-	(621,081)	-
<u>(317,412)</u>	<u>(3,199)</u>	<u>-</u>	<u>(3,249,117)</u>	<u>(18,578)</u>
<u>13,821</u>	<u>57,007</u>	<u>34</u>	<u>465,562</u>	<u>33,367</u>
5,933	138,836	991	1,451,720	(182,966)
<u>475,325</u>	<u>1,654,207</u>	<u>534</u>	<u>14,309,570</u>	<u>1,311,358</u>
<u>\$ 481,258</u>	<u>\$ 1,793,043</u>	<u>\$ 1,525</u>	<u>\$ 15,761,290</u>	<u>\$ 1,128,392</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, 2019

	Business-type Activities - Enterprise Funds			
	<b>601</b> Water Utility	<b>602</b> Wastewater Utility	<b>604</b> Electric Utility	Total Public Utilities Commission
Reconciliation of Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 504,883	\$ 332,062	\$ 1,558,413	\$ 2,395,358
Prior period adjustment	-	-	-	-
Adjustments to reconcile operating income (loss) to net				
cash provided (used) by operating activities				
Other income related to operations	10,337	-	394,828	405,165
Depreciation	944,080	615,046	429,699	1,988,825
(Increase) decrease in assets				
Net accounts receivable	(23,165)	(21,785)	226,447	181,497
Inventories	(2,459)	-	(26,720)	(29,179)
Prepaid items	-	-	-	-
Unamortized maintenance charges	34,192	-	-	34,192
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	68,931	26,675	95,357	190,963
Deferred other postemployment benefit resources	(1,945)	(1,879)	(1,671)	(5,495)
Increase (decrease) in liabilities				
Accounts and contracts payable	16,648	(41,736)	(115,047)	(140,135)
Due to other governments	-	-	7,148	7,148
Accrued salaries payable	2,520	2,857	4,367	9,744
Sick leave/severance payable	(662)	(1,212)	(14,736)	(16,610)
Postemployment benefits other than pension obligation	(7,083)	286	(11,030)	(17,827)
Net pension liability	(73,087)	43,595	(115,774)	(145,266)
Deposits payable	3,280	-	4,725	8,005
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(49,951)	(7,307)	(71,859)	(129,117)
Deferred other postemployment benefit resources	7,801	6,133	7,679	21,613
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,434,320</u>	<u>\$ 952,735</u>	<u>\$ 2,371,826</u>	<u>\$ 4,758,881</u>
Noncash Investing, Capital and Financing Activities				
Capital assets acquired on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of bond (premium) discount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
<b>603</b> Storm Sewer Utility	<b>609</b> Municipal Liquor	<b>611</b> Parking Lot	Totals		
\$ 115,617	\$ 577,531	\$ 1,569	\$ 3,090,075	\$ (146,190)	
-	-	-	-	(91,416)	
222	351	-	405,738	-	
191,515	45,926	-	2,226,266	7,550	
(3,734)	6,390	-	184,153	(1,096)	
-	(31,428)	-	(60,607)	-	
-	-	-	-	(60)	
-	-	-	34,192	-	
10,094	19,593	-	220,650	-	
(668)	(538)	-	(6,701)	-	
(14,036)	(25,703)	(399)	(180,273)	33,260	
-	138	-	7,286	-	
964	154	-	10,862	787	
3,179	13,173	-	(258)	10,116	
2,076	(1,285)	-	(17,036)	-	
6,727	966	-	(137,573)	-	
-	-	-	8,005	-	
-	576	(213)	363	-	
(4,505)	(10,562)	-	(144,184)	-	
1,790	2,024	-	25,427	-	
<u>\$ 309,241</u>	<u>\$ 597,306</u>	<u>\$ 957</u>	<u>\$ 5,666,385</u>	<u>\$ (187,049)</u>	
<u>\$ 43,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,210</u>	<u>\$ -</u>	
<u>\$ (2,088)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,088)</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, 2019

	Custodial Funds
Assets	
Cash and temporary investments	\$ 215,933
Receivables	
Accounts	610
Total Assets	<u>216,543</u>
Liabilities	
Accounts payable	19,061
Deposits payable	609
Total Liabilities	<u>19,670</u>
Net Position	
Restricted	
Individuals, organizations and other governments	<u><u>\$ 196,873</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, 2019

	Custodial Funds
Additions	
Investment earnings	\$ 10,373
Charges for services	224,785
Miscellaneous	4,523
Total Additions	<u>239,681</u>
Deductions	
Housing	
Supplies	833
Other services and charges	236,924
Payments to other entities	155,150
Total Deductions	<u>392,907</u>
Net Increase (Decrease) in Fiduciary Net Position	(153,226)
Net Position, January 1	<u>350,099</u>
Net Position, December 31	<u><u>\$ 196,873</u></u>

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

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## 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 150 of these financial statements.

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

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

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

The *2019 Capital Improvements fund* accounts for the construction activity associated with the 2019 Capital Improvements project.



## 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.

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*

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The City's Custodial fund accounts for activities of Multi-Family Housing Fund and HRA Potter's Addition Fund.

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.

## 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, 2019:

- Governmental agency securities of \$6,665,473 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$18,114,995 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, 2019 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.

## **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.

### ***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.

### ***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2019. All trade receivables are shown net of an allowance for uncollectible accounts.

### ***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.

### ***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.

### ***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.

## 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.

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

Land and Land Improvements	\$ 10,000
Other Improvements	25,000
Buildings	25,000
Building Improvements	25,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Structures	10 - 50
System Infrastructure and Improvements	10 - 100
Machinery, Equipment and Vehicles	5 - 33

### **Deferred Outflows of Resources**

In addition to assets, the 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.

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

### ***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, 2019. 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, 2019

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

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

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
Pension Expense	\$ 477,001	\$ 319,017	\$ 65,264	\$ 861,282

***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 three sources: property taxes, special assessments and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

***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, 2019

## 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".

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 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, 2019:

Fund	Amount
Major	
Capital Projects	
2019 Capital Improvement Program	\$ 161,377
Nonmajor	
Capital Projects	
2017 Capital Improvement Program	34,936
Total	<u>\$ 196,313</u>

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 fair 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 \$6,605,675, including \$215,933 reported in fiduciary funds. The bank balance was \$6,666,381. The bank balance was covered by federal depository insurance of \$750,453. Of the remaining balance, \$5,915,928, 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, 2019

**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 1 year	\$ 4,261,342		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 1 year			
Non-pooled Investments at Fair Value					
Governmental Agency Securities	AAA	1 to 5 years	6,665,473	\$ 6,665,473	\$ -
Negotiable certificates of deposit	N/A	less than 1 year	8,310,425	-	8,310,425
Negotiable certificates of deposit	N/A	1 to 5 years	9,804,570	-	9,804,570
Total Investments			<u>\$ 29,041,810</u>	<u>\$ 6,665,473</u>	<u>\$ 18,114,995</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.

**Cash on Hand**

Cash in the possession of the City, consisting of undeposited receipts, petty cash, and change funds totals \$3,123.

**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	Custodial Funds	Total
Deposits	\$ 5,964,532	\$ 425,210	\$ 215,933	\$ 6,605,675
Investments	29,041,810	-	-	29,041,810
Cash on Hand	3,123	-	-	3,123
Total Cash and Temporary Investments	<u>\$ 35,009,465</u>	<u>\$ 425,210</u>	<u>\$ 215,933</u>	<u>\$ 35,650,608</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**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, 2019 is \$958,612.

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, 2019 are \$373,605 of which \$20,941 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 \$352,664 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, 2019 is \$4,214.

**C. Capital Assets**

**Primary Government**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	2,733,194	4,238,026	(291,490)	6,679,730
Total Capital Assets not Being Depreciated	6,682,672	4,238,026	(291,490)	10,629,208
Capital Assets Being Depreciated				
Buildings and structures	9,148,687	-	-	9,148,687
Improvements other than buildings	16,195,425	142,886	-	16,338,311
Machinery and equipment	5,266,183	87,097	-	5,353,280
Vehicles	3,110,233	10,675	(15,756)	3,105,152
Infrastructure	49,477,319	293,858	-	49,771,177
Bridges	4,890,518	-	-	4,890,518
Total Capital Assets Being Depreciated	88,088,365	534,516	(15,756)	88,607,125
Less Accumulated Depreciation for				
Buildings and structures	(4,048,873)	(198,238)	-	(4,247,111)
Improvements other than buildings	(6,060,767)	(664,681)	-	(6,725,448)
Machinery and equipment	(3,619,275)	(236,199)	-	(3,855,474)
Vehicles	(2,372,956)	(122,328)	15,756	(2,479,528)
Infrastructure	(20,263,432)	(1,245,706)	-	(21,509,138)
Bridges	(1,425,777)	(122,260)	-	(1,548,037)
Total Accumulated Depreciation	(37,791,080)	(2,589,412)	15,756	(40,364,736)
Total Capital Assets Being Depreciated, Net	50,297,285	(2,054,896)	-	48,242,389
Governmental Activities Capital Assets, Net	<u>\$ 56,979,957</u>	<u>\$ 2,183,130</u>	<u>\$ (291,490)</u>	<u>\$ 58,871,597</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,718,715	\$ -	\$ -	\$ 1,718,715
Construction in progress	1,194,472	156,692	-	1,351,164
Total Capital Assets not Being Depreciated	<u>2,913,187</u>	<u>156,692</u>	<u>-</u>	<u>3,069,879</u>
Capital Assets Being Depreciated				
Buildings and structures	42,659,996	-	-	42,659,996
Improvements other than buildings	44,119,147	599,206	-	44,718,353
Machinery and equipment	11,168,605	163,869	(69,997)	11,262,477
Total Capital Assets Being Depreciated	<u>97,947,748</u>	<u>763,075</u>	<u>(69,997)</u>	<u>98,640,826</u>
Less Accumulated Depreciation for				
Buildings and structures	(7,841,375)	(814,170)	-	(8,655,545)
Improvements other than buildings	(21,174,937)	(986,912)	-	(22,161,849)
Machinery and equipment	(6,490,208)	(425,184)	69,997	(6,845,395)
Total Accumulated Depreciation	<u>(35,506,520)</u>	<u>(2,226,266)</u>	<u>69,997</u>	<u>(37,662,789)</u>
Total Capital Assets Being Depreciated, Net	<u>62,441,228</u>	<u>(1,463,191)</u>	<u>-</u>	<u>60,978,037</u>
Business-type Activities Capital Assets, Net	<u>\$ 65,354,415</u>	<u>\$ (1,306,499)</u>	<u>\$ -</u>	<u>\$ 64,047,916</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**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	\$ 73,340
Public safety	182,073
Streets and highways	1,457,682
Culture and recreation	317,346
Housing and economic development	65,861
Airport	485,560
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>7,550</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,589,412</u></u>

**Business-type Activities**

Electric utility	\$ 429,699
Water utility	944,080
Wastewater utility	615,046
Storm sewer	191,515
Liquor	<u>45,926</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 2,226,266</u></u>

**Construction Commitments**

The City has active construction projects as of December 31, 2019. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Cedar Creek Park Trail	\$ 147,536	\$ 193,013
Margaret Street	2,298,987	46,449
Canyon Drive	864,192	24,052
Pioneer Bridge	205,941	27,542
T-Hangar	141,266	760,901
Pavement Rehab	185,540	38,995
Winnebago Avenue	1,999,501	498,706
Overlay Improvement	<u>708,054</u>	<u>509,067</u>
Total	<u><u>\$ 6,551,017</u></u>	<u><u>\$ 2,098,725</u></u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**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, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
Internal service		
Medical self-insurance	Public Utilities Commission	
	Water Utility fund	\$ 7,033
	Electric Utility fund	10,183
	General	40,948
Worker's compensation self-insurance	Nonmajor governmental	802
	Public Utilities Commission	
	Water Utility fund	1,585
	Wastewater Utility fund	5,439
	Municipal Liquor	2,414
	Internal service	
	Central garage and equipment	1,435
		<u>1,435</u>
Total		<u><u>\$ 69,839</u></u>

The above amounts represent interfund billings that will repaid during the first couple of months of 2020.

***Due to/from Primary Government/Component Unit***

The composition of amounts due from/to primary government/component unit at December 31, 2019 is as follows:

Receivable Entity	Payable Entity	Amount
Primary Government	Component unit	
Amounts related to internal service	Amounts related to internal service	
fund elimination	fund elimination	<u><u>\$ 7,030</u></u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

***Interfund Transfers***

The composition of interfund transfers for the year ended December 31, 2019 is as follows:

Fund	Transfers in			Total
	General	2019 Capital Improvement Program	Nonmajor Governmental	
Transfers Out				
General	\$ -	\$ -	\$ 243,600	\$ 243,600
Debt Service	-	-	1,193,049	1,193,049
Nonmajor governmental	8,250	85,234	2,199,347	2,292,831
Water Utility	134,802	-	-	134,802
Wastewater Utility	92,409	-	-	92,409
Electric Utility	597,789	-	-	597,789
Liquore Store	240,500	-	272,500	513,000
Total Transfers Out	<u>\$ 1,073,750</u>	<u>\$ 85,234</u>	<u>\$ 3,908,496</u>	<u>\$ 5,067,480</u>

The transfer of \$240,500 from the Municipal Liquor fund to the General fund for Margaret St. Trail Extension (\$190,000) and Aquatic Park (\$50,500).

The transfer of \$272,500 from the Municipal Liquor fund to Nonmajor Governmental funds includes a \$60,000 to the SMEC fund to cover the fund's deficit, a \$37,500 transfer to the Airport Construction fund for the Airport T-Hangar, a \$150,000 transfer to fund the Adventure Playground, a \$25,000 transfer to pay the City's Share of the Mini Golf Course.

The transfer of \$825,000 from the Water Utility (\$134,802), Wastewater Utility (\$92,409) and the Electric Utility (\$597,789) funds to the General fund is payment in lieu of taxes.

The transfer of \$80,000 from the General fund to the Fire Truck fund for fire call revenue received.

The transfer of \$13,600 from the General fund to the Airport fund to move land rent.

The transfer of \$150,000 from the General fund to fund the Adventure Playground.

The transfer of \$8,250 from the Revolving Loan fund to the General fund for the City's share of the administration expenses.

The transfer of \$144,306 from the MSA fund to the 2017 Capital Improvements fund for the Margaret Street Project.

The transfer of \$85,234 from the MSA fund to the 2019 Capital Improvements fund for the 2019 Street Project.

The transfer of \$1,520,454 from the Local Option Sales Tax fund to the Community Center fund for the Community Center Study.

Transfers from the 2008 Housing Grant fund (\$2,880) and the 2011 Housing Grant fund (\$2,411) were made to the 2016 Housing Grant fund for MVAC administration expenses.

The transfer of \$835 from the 2001 Housing Grant fund to the 2016 Housing Grant fund to close the fund.

The transfer of \$330,806 from the old Fire Truck fund to the new Fire Truck fund to close the fund.

The transfer of \$862,243 from the Debt Service Reserve fund to the Capital Reserve fund to close the fund.

The transfer of \$528,461 from the 2016 Capital Improvements fund to the Capital Reserve fund to close the fund.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

#### E. Long-term Debt

##### General Obligation Bonds

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

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

##### ***Primary Government Debt***

##### General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. Ad valorem tax levies of \$10,062,597 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	\$ 2,735,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,200,000
G.O. Improvement Bonds of 2015A	2,330,000	2.00 - 3.00	08/20/15	03/01/31	1,845,000
G.O. Improvement Crossover Refunding Bonds of 2016A	2,715,000	1.50 - 2.00	05/01/16	03/01/27	2,210,000
G.O. Improvement Bonds of 2017A	2,950,000	2.00 - 3.00	07/18/17	03/01/33	2,780,000
G.O. Improvement Bonds of 2019A	2,600,000	3.00	06/06/19	03/01/35	2,600,000
Total G.O. Special Assessment Bonds					<u><u>\$ 13,370,000</u></u>

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2020	\$ 1,470,000	\$ 321,713	\$ 1,791,713
2021	1,635,000	274,966	1,909,966
2022	1,445,000	244,566	1,689,566
2023	1,230,000	216,940	1,446,940
2024	1,260,000	190,309	1,450,309
2025 - 2029	3,925,000	619,592	4,544,592
2030 - 2034	2,195,000	170,625	2,365,625
2035	210,000	3,150	213,150
Total	<u><u>\$ 13,370,000</u></u>	<u><u>\$ 2,041,861</u></u>	<u><u>\$ 15,411,861</u></u>



City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

General Obligation Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2004 G.O. Revenue Notes (PFA)	\$ 13,248,347	1.73 %	05/25/04	08/20/24	\$ 3,907,000
G.O. Storm Sewer Crossover Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	410,000
2011 G.O. Revenue Notes (PFA)	28,902,811	2.23	10/11/11	08/20/41	<u>22,570,000</u>
Total G.O. Revenue Bonds					<u>\$ 26,887,000</u>

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b>		
	Business-type Activities		
	Principal	Interest	Total
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	1,701,000	442,616	2,143,616
2025 - 2029	4,776,000	1,834,738	6,610,738
2030 - 2034	5,333,000	1,276,932	6,609,932
2035 - 2039	5,957,000	653,914	6,610,914
2040 - 2041	<u>2,228,000</u>	<u>71,131</u>	<u>2,299,131</u>
Total	<u>\$ 26,887,000</u>	<u>\$ 6,391,320</u>	<u>\$ 33,278,320</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the year ended December 31, 2019 are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,538,073	\$ 2,290,534	\$ 586,910
Principal and Interest	1,322,528	822,428	218,125
Percentage of Revenues	37.4%	35.9%	37.2%

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation special assessment bonds	\$ 12,235,000	\$ 2,600,000	\$ (1,465,000)	\$ 13,370,000	\$ 1,470,000
Bond premiums	106,734	119,809	(12,635)	213,908	-
Total Bonds Payable	12,341,734	2,719,809	(1,477,635)	13,583,908	1,470,000
Sick Leave/Severance Payable	530,076	573,330	(555,624)	547,782	179,836
 Governmental Activity Long-term Liabilities	 \$ 12,871,810	 \$ 3,293,139	 \$ (2,033,259)	 \$ 14,131,690	 \$ 1,649,836
<b>Business-type Activities</b>					
Bonds Payable					
General obligation revenue bonds	\$ 28,629,000	\$ -	\$ (1,742,000)	\$ 26,887,000	\$ 1,773,000
Bond premiums	12,878	-	(2,088)	10,790	-
Total Bonds Payable	28,641,878	-	(1,744,088)	26,897,790	1,773,000
Sick Leave/Severance Payable	396,357	278,852	(279,110)	396,099	131,271
 Business-type Activity Long-term Liabilities	 \$ 29,038,235	 \$ 278,852	 \$ (2,023,198)	 \$ 27,293,889	 \$ 1,904,271
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component Unit Activities</b>					
Sick Leave/Severance Payable	\$ 2,460	\$ 8,229	\$ (7,784)	\$ 2,905	\$ 2,905

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	\$ 5,454,000	\$ 4,592,563

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**F. Components of Fund Balance**

At December 31, 2019, 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	2019 Capital Improvement Program	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	\$ 190	\$ -	\$ -	\$ 3,200	\$ 3,390
Restricted for					
Debt service	\$ -	\$ 2,259,876	\$ -	\$ -	\$ 2,259,876
State aid street improvements	-	-	-	1,602,924	1,602,924
Capital projects	-	-	-	1,526,135	1,526,135
Housing and economic development	-	-	-	1,962,453	1,962,453
Inclusive playground	-	-	-	197,924	197,924
iPaddle Port	-	-	-	5,000	5,000
Mini Golf Course	-	-	-	34,797	34,797
Total	\$ -	\$ 2,259,876	\$ -	\$ 5,329,233	\$ 7,589,109
Committed for					
Police department capital	\$ 50	\$ -	\$ -	\$ -	\$ 50
Bike trail	4,640	-	-	-	4,640
LaFrance	4,172	-	-	-	4,172
Fire department	72,050	-	-	-	72,050
Aeronautics	-	-	-	418,639	418,639
Capital projects	-	-	-	2,683,176	2,683,176
Central college incubator	-	-	-	36,423	36,423
Conservation	-	-	-	458,351	458,351
Total	\$ 80,912	\$ -	\$ -	\$ 3,596,589	\$ 3,677,501
Assigned for					
Budget	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000
Police equipment	36,223	-	-	-	36,223
Building inspection	11,143	-	-	-	11,143
Housing demolition	37,068	-	-	-	37,068
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	45,188	-	-	-	45,188
Street building	36,237	-	-	-	36,237
Park land	136,280	-	-	-	136,280
Street/park building replacement	2,424,977	-	-	-	2,424,977
Government building	101,826	-	-	-	101,826
Street equipment	120,880	-	-	-	120,880
Park trail	376,830	-	-	-	376,830
Central college incubator	-	-	-	38,001	38,001
Wetland bank	-	-	-	75,161	75,161
Housing and economic development	-	-	-	27,665	27,665
Total	\$ 6,817,619	\$ -	\$ -	\$ 140,827	\$ 6,958,446
Unassigned	\$ 1,048,750	\$ -	\$ (161,377)	\$ (34,936)	\$ 852,437

## **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 Plan (GERP)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

#### Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP 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 state 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.

#### GERP Benefits

GERP 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)**

### PEPFP Benefits

Benefits for the PEPFP 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

### **C. Contributions**

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

#### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$386,042, \$379,487 and \$362,456, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

#### Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$261,618, \$240,033 and \$219,305, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

### **D. Pension Costs**

#### General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$3,997,305 for its proportionate share of the General Employees Fund'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 2019. 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 \$124,328. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0723 percent which was a 0.0012 percent decrease from its proportion measured as of June 30, 2018.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

City's Proportionate Share of the Net Pension Liability	\$ 3,997,305
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>124,328</u>
Total	<u><u>\$ 4,121,633</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$467,690 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$9,311 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan'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	\$ 122,957	\$ 1,315
Changes in Actuarial Assumptions	5,413	323,696
Net Difference Between Projected and Actual Earnings on Plan Investments	-	416,570
Changes in Proportion	-	102,079
Contributions Paid to PERA Subsequent to the Measurement Date	<u>191,423</u>	<u>-</u>
Total	<u><u>\$ 319,793</u></u>	<u><u>\$ 843,660</u></u>

The \$191,423 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (273,306)
2021	(346,701)
2022	(101,723)
2023	6,440

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,493,635 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.1403 percent which was an increase of 0.0001 percent from its proportionate share measured as of June 30, 2018.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

The City also recognized \$18,941 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$300,076 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan'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	\$ 77,349	\$ 281,835
Changes in Actuarial Assumptions	1,399,794	1,800,242
Net Difference Between Projected and Actual Earnings on Plan Investments	-	274,998
Changes in Proportion	241,709	114,145
Contributions Paid to PERA Subsequent to the Measurement Date	130,881	-
Total	<u>\$ 1,849,733</u>	<u>\$ 2,471,220</u>

The \$130,881 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (85,449)
2021	(191,826)
2022	(528,692)
2023	54,582
2024	(983)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 disability rates 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 General Employees Plan and 1.0 percent per year for Police and Fire Plan.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
International Equity	17.50	5.90
Cash Equivalents	2.00	-
Total	<u>100.00 %</u>	



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

### F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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 General Employees Fund and the Police and Fire Fund 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.

### 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%)
General Employees Fund	\$ 6,571,354	\$ 3,997,305	\$ 1,871,916
Police and Fire Fund	3,264,809	1,493,635	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](http://www.mnpera.org).

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

### A. Plan Description

All members of the Fairmont Fire Department (the Department) are covered by a defined benefit plan administered by the Fairmont Fire Department Relief Association (the Association). As of December 31, 2018, 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, 2019

**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, 2018, 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, 2019 were \$43,439. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At December 31, 2019, the City reported a net pension liability of \$48,641 for the plan. The net pension liability was measured as of December 31, 2018. 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	\$ 1,505,929	\$ 1,494,595	\$ 11,334
Changes for the Year			
Service cost	49,365	-	49,365
Interest	88,426	-	88,426
Contributions - State and local	-	133,620	(133,620)
Contributions - donations and other income	-	3,798	(3,798)
Contributions - member	-	24,300	(24,300)
Net investment income	-	(44,856)	44,856
Benefit payments	(163,048)	(163,048)	-
Administrative expenses	-	(16,378)	16,378
Total Net Changes	(25,257)	(62,564)	37,307
Ending Balance December 31, 2017	\$ 1,480,672	\$ 1,432,031	\$ 48,641

For the year ended December 31, 2019, the City recognized pension expense of \$65,264.

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

At December 31, 2019, 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	\$ -	\$ 99,064
Changes in Actuarial Assumptions	27,939	22,844
Net Difference Between Projected and Actual Earnings on Plan Investments	82,996	-
Contributions to Plan Subsequent to the Measurement Date	91,593	-
	<u>202,528</u>	<u>121,908</u>
Total	<u>\$ 202,528</u>	<u>\$ 121,908</u>

Deferred outflows of resources totaling \$91,593 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, 2020. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ 15,889
2021	(6,505)
2022	(4,770)
2023	8,230
2024	(13,724)
Thereafter	(10,093)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2019, 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	3.71%

There were no changes in actuarial assumptions in 2019.

The 6.00 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, 2019

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Rate of Return</u>
Domestic Equity	40.00 %	5.39 %
International Equity	5.00	5.20
Fixed Income	35.00	1.98
Real Estate and Alternatives	5.00	4.25
Cash and Equivalents	<u>15.00</u>	0.79
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined Benefit Plan	\$ 96,491	\$ 48,641	\$ 4,078

**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, 2019, the following employees were covered by the benefit terms:

Active Plan Members

83

### 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 2019, implicit contributions totaled \$31,777.

### C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$521,619 was measured as of January 1, 2019, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.80%
Expected Long-Term Investment Return	3.80%, net of investment expense
20-Year Municipal Bond Yield	3.80%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.50% as of January 1, 2019 grading to 5.00% over 6 yr

The discount rate used to measure the total OPEB liability was 3.80 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, 2019

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**D. Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Balances at January 1, 2018	<u>\$ 530,757</u>
Changes for the Year:	
Service cost	34,697
Interest	18,140
Differences between expected and actual experience	49,254
Changes in assumptions or other inputs	(79,452)
Benefit payments	<u>(31,777)</u>
Net Changes	<u>(9,138)</u>
Balances at December 31, 2019	<u><u>\$ 521,619</u></u>

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for Police and Fire Personnel were updated.
- The discount rate was changed from 3.30% to 3.80%.
- The percentage of future retirees who are assumed to continue on one of the City's medical plans post-employment was reduced from 50% to 45%.

**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 (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

1 Percent Decrease (2.8%)	Current (3.8%)	1 Percent Decrease (4.8%)
\$ 564,407	\$ 521,619	\$ 481,553

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

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 cost trend rate:

1 Percent Decrease (5.5% Decreasing to 4%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5%)	1 Percent Increase (7.5% Decreasing to 6%)
<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ 464,689	\$ 521,619	\$ 588,272

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

For the year ended December 31, 2019, the City recognized negative expense of \$10,357. At December 31, 2019, 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
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ 43,097	\$ -
Changes in Actuarial Assumptions	-	69,521
Contributions to OPEB Subsequent to the Measurement Date	<u>9,241</u>	<u>-</u>
Total	<u>\$ 52,338</u>	<u>\$ 69,521</u>

Deferred outflows of resources totaling \$9,241 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	\$ (3,775)
2021	(3,775)
2022	(3,775)
2023	(3,775)
2024	(3,775)
Thereafter	(7,550)

City of Fairmont, Minnesota  
Notes to the Financial Statements  
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 \$100,738 at December 31, 2019. The claims liability of \$15,997 reported in the fund at December 31, 2019 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 2019, 2018 and 2017 were:

<u>Year</u>	<u>January 1 Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>December 31 Claims Liability</u>
2019	\$ 5,307	\$ 210,703	\$ (200,013)	\$ 15,997
2018	12,742	197,838	(205,273)	5,307
2017	8,514	202,587	(198,359)	12,742



City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**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, 2019, was \$742,006 and \$267,033 for the Property, Equipment and Liability and Workers' Compensation Self-insurance funds, respectively. The claims liabilities of \$27,763 reported in the Property, Equipment and Liability and Worker's Compensation funds at December 31, 2019, 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 2019, 2018 and 2017 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2019	\$ -	\$ 60,303	\$ (32,540)	\$ 27,763
2018	6,451	15,205	(21,656)	-
2017	-	23,456	(17,005)	6,451

**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, 2019

## **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 2019 was \$3,465,149. This accounted for 42 percent of General fund revenues.

## **Note 8: Tax Abatements**

As of December 31, 2019, 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, 2019

**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, 2019 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.			\$ 20,289
Tax Increment Districts (PAYGO)			
TIF District #22	42.272%	\$ 46,770	19,771
TIF District #23	49.454%	16,628	8,223
TIF District #24	46.113%	12,102	5,581
TIF District #25	46.113%	38,518	17,762
TIF District #26	46.165%	23,122	10,674
TIF District #27	48.739%	8,926	4,350
Total			<u>\$ 86,650</u>

City of Fairmont, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## Note 9: Change in Accounting Principle

During fiscal year 2019, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 84, *Fiduciary Activities*. This standard required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2019 financial statements. Changes related to this standard are reflected in the financial statements and related disclosures.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2018 balances to the January 1, 2019 financial statement balances:

Fund	Net Position January 1, 2019 as Previously Reported	Prior Period Restatement	Net Position January 1, 2019 as Restated
Governmental Activities	\$ 60,794,237	\$ 107,316	\$ 60,901,553
Governmental Funds			
General	\$ 7,863,525	\$ -	\$ 7,863,525
Debt Service	3,411,020	(10,270)	3,400,750
2019 Capital Improvement	(12,132)		(12,132)
Other Governmental Funds	6,369,717	117,586	6,487,303
Total Governmental Funds	\$ 17,632,130	\$ 107,316	\$ 17,739,446

## Note 10: Prior Period Adjustment

Fund	Net Position January 1, 2019 as Previously Reported	Prior Period Adjustment (1)	Prior Period Adjustment (2)	Prior Period Adjustment (3)	Net Position January 1, 2019 as Restated
Governmental Activities	\$ 60,901,553	\$ 1,013,908	\$ (106,258)	\$ (91,416)	\$ 61,717,787
Governmental Activities					
General Fund	\$ 7,863,525	\$ -	\$ -	\$ -	\$ 7,863,525
Debt Service Fund	3,400,750	-	-	-	3,400,750
2019 Capital Improvement Program	(12,132)	-	-	-	(12,132)
Other Governmental Funds	6,487,303	-	(106,258)	-	6,381,045
Total Governmental Activities	\$ 6,487,303	\$ -	\$ (106,258)	\$ -	\$ 6,381,045
Internal Service Funds	\$ 1,380,828	\$ -	\$ -	\$ (91,416)	\$ 1,289,412

(1) A prior period adjustment was made in the amount of \$1,013,908 to record MSA receivable.

(2) A prior period adjustment was made in the amount of \$98,258 to eliminate a receivable balance that was never received and \$8,000 to correct MSA revenue recorded in prior year that should not have been.

(3) A prior period adjustment was made in the amount of \$91,416 to correct an accounts payable balance for insurance premiums.

## Note 11: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around its impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. The City's assets may have seen unrealized market losses as of May 18, 2020. However, City management is unable to determine the long term material impact to its asset values.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Fairmont, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2019

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees 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
06/30/19	0.0723 %	\$ 3,997,305	\$ 124,328	\$ 4,121,633	\$ 5,126,826	80.4 %	80.2 %
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 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)
12/31/19	\$ 386,042	\$ 386,042	\$ -	\$ 5,147,222	7.5 %
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, 2019

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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, 2019

**Schedule of Employer's Share of PERA Net Pension Liability - 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
06/30/19	0.1403 %	\$ 1,493,635	\$ -	\$ 1,493,635	\$ 1,497,356	99.8 %	89.3 %
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 - 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)
12/31/19	\$ 261,618	\$ 261,618	\$ -	\$ 1,543,467	17.0 %
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, 2019

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

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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.

City of Fairmont, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

**Notes to the Required Supplementary Information - Police and Fire Fund (Continued)**

Changes in Plan Provisions

2018 - 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. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 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 postretirement 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 5.60 percent per annum to 7.50 percent per annum.

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, 2019

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

	2019 (Fire Relief Report Date 2018)	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	\$ 49,365	\$ 56,261	\$ 53,182	\$ 47,679	\$ 46,403
Interest	88,426	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	(163,048)	(312,223)	(272,190)	(66,890)	(161,823)
Net Change in Total Pension Liability	(25,257)	(205,926)	(94,915)	(28,232)	(11,245)
Total Pension Liability - January 1	1,505,929	1,711,855	1,806,770	1,835,002	1,846,247
Total Pension Liability (A)	<u>\$ 1,480,672</u>	<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	\$ 133,620	\$ 131,968	\$ 127,341	\$ 143,804	\$ 171,691
Contributions - donations and other income	3,798	-	-	-	-
Contributions - employee	24,300	17,420	16,800	15,320	13,760
Net investment income	(44,856)	149,581	99,916	(24,723)	52,082
Benefit payments, including refunds of employee contributions	(163,048)	(312,223)	(272,190)	(66,890)	(161,823)
Administrative expense	(16,378)	(12,899)	(13,915)	(13,568)	(17,227)
Net Change in Plan Fiduciary Net Position	(62,564)	(26,153)	(42,048)	53,943	58,483
Plan Fiduciary Net Position - January 1	1,494,595	1,520,748	1,562,796	1,508,853	1,450,370
Plan Fiduciary Net Position (B)	<u>\$ 1,432,031</u>	<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>\$ 48,641</u>	<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)	96.71%	99.25%	88.84%	86.50%	82.23%
Covered Payroll	N/A	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	N/A

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

**Notes to the Required Supplementary Information - Fire Relief Association**

Changes in Actuarial Assumptions

2018 - 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.

City of Fairmont, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

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

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/19	\$ - *	\$ - *	\$ -
12/31/18	104,682	161,718	(57,036)
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**

	2019	2018
Total OPEB liability		
Service cost	\$ 34,697	\$ 28,185
Interest	18,140	17,344
Differences between expected and actual experience	49,254	-
Changes in assumptions	(79,452)	-
Benefit payments	(31,777)	(24,109)
Net change in total OPEB liability	(9,138)	21,420
Total OPEB liability - beginning	530,757	509,337
Total OPEB liability - ending	<u>\$ 521,619</u>	<u>\$ 530,757</u>
Covered payroll	\$ 5,667,283	\$ 5,741,610
City's total OPEB liability as a percentage of covered payroll	9.20	9.24 %

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

**Notes to the Required Supplementary Information - OPEB**

Changes in Actuarial Assumptions

2019 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The retirement and withdrawal tables for Police and Fire Personnel were updated. The discount rate was changed from 3.30% to 3.80%. The percentage of future retirees who are assumed to continue on one of the City's medical plans post-employment was reduced from 50% to 45%.

2018 - The discount rate was changed from 3.50% to 3.30%.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Fairmont, Minnesota  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2019

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 1,987,608	\$ 5,748,003	\$ 7,735,611
Receivables			
Delinquent taxes	1,686	1,404	3,090
Accounts	9,189	-	9,189
Loans	1,332,217	-	1,332,217
Special assessments			
Delinquent	-	6,588	6,588
Noncurrent	-	104,397	104,397
Intergovernmental	192,359	2,088,773	2,281,132
Prepaid items	3,200	-	3,200
Land held for resale	-	100,000	100,000
	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total Assets	<u>\$ 3,526,259</u>	<u>\$ 8,049,165</u>	<u>\$ 11,575,424</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 12,347	\$ 93,400	\$ 105,747
Due to other funds	802	-	802
Due to other governments	391,694	100,000	491,694
Accrued salaries payable	3,448	-	3,448
Unearned revenue	96,389	-	96,389
Total Liabilities	<u>504,680</u>	<u>193,400</u>	<u>698,080</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	1,686	1,404	3,090
Unavailable revenue - special assessments	-	110,985	110,985
Unavailable revenue - intergovernmental	-	1,728,356	1,728,356
Total Deferred Inflows of Resources	<u>1,686</u>	<u>1,840,745</u>	<u>1,842,431</u>
<b>Fund Balances</b>			
Nonspendable	3,200	-	3,200
Restricted	1,962,453	3,366,780	5,329,233
Committed	913,413	2,683,176	3,596,589
Assigned	140,827	-	140,827
Unassigned	-	(34,936)	(34,936)
Total Fund Balances	<u>3,019,893</u>	<u>6,015,020</u>	<u>9,034,913</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 3,526,259</u>	<u>\$ 8,049,165</u>	<u>\$ 11,575,424</u>

City of Fairmont, Minnesota  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2019

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,337,011	\$ 473	\$ 1,337,484
Special assessments	-	1,438	1,438
Intergovernmental	78,594	411,953	490,547
Charges for services	433,233	-	433,233
Investment earnings	76,975	99,935	176,910
Payments from Component Unit for debt service	7,355	-	7,355
Miscellaneous	75,495	297,845	373,340
Total Revenues	<u>2,008,663</u>	<u>811,644</u>	<u>2,820,307</u>
Expenditures			
Current			
Culture and recreation	16,684	1,514	18,198
Housing and economic development	413,723	4,350	418,073
Miscellaneous	481,513	37	481,550
Capital outlay			
Streets and highways	-	14,792	14,792
Culture and recreation	-	407,986	407,986
Miscellaneous	10,534	430,971	441,505
Total Expenditures	<u>922,454</u>	<u>859,650</u>	<u>1,782,104</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,086,209</u>	<u>(48,006)</u>	<u>1,038,203</u>
Other Financing Sources (Uses)			
Transfers in	79,726	3,828,770	3,908,496
Transfers out	<u>(1,534,829)</u>	<u>(758,002)</u>	<u>(2,292,831)</u>
Total Other Financing Sources (Uses)	<u>(1,455,103)</u>	<u>3,070,768</u>	<u>1,615,665</u>
Net Change in Fund Balances	<u>(368,894)</u>	<u>3,022,762</u>	<u>2,653,868</u>
Fund Balances, January 1, as Restated (Note 9)	3,388,787	3,098,516	6,487,303
Prior Period Adjustment (Note 10)	<u>-</u>	<u>(106,258)</u>	<u>(106,258)</u>
Fund Balance, January 1, as Restated	<u>3,388,787</u>	<u>2,992,258</u>	<u>6,381,045</u>
Fund Balances, December 31	<u>\$ 3,019,893</u>	<u>\$ 6,015,020</u>	<u>\$ 9,034,913</u>

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## 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.

**Tax Increment District No. 23:** This fund accounts for tax increment financing activities relative to various City projects.

**Tax Increment District No. 22:** This fund accounts for tax increment financing activities relative to various City projects.

**Tax Increment District No. 24:** This fund accounts for tax increment financing activities relative to various City projects.

**Tax Increment District No. 25:** This fund accounts for tax increment financing activities relative to various City projects.

**Tax Increment District No. 26:** This fund accounts for tax increment financing activities relative to various City projects.

**Tax Increment District No. 27:** This fund accounts for tax increment financing activities relative to various City projects.

**Visit Fairmont:** 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.

City of Fairmont, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2019

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2	217 Micro Loan	222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011	228 State Housing Grant 2016
<b>Assets</b>									
Cash and temporary investments	\$ 74,720	\$ 75,161	\$ 336,127	\$ 577,410	\$ 16,411	\$ -	\$ -	\$ -	\$ -
Receivables									
Delinquent taxes	-	-	-	-	-	-	-	-	-
Accounts	240	-	-	-	-	-	-	-	-
Loans	-	-	275,683	717,929	11,254	-	9,687	1,722	315,942
Intergovernmental	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 74,960</u>	<u>\$ 75,161</u>	<u>\$ 611,810</u>	<u>\$ 1,295,339</u>	<u>\$ 27,665</u>	<u>\$ -</u>	<u>\$ 9,687</u>	<u>\$ 1,722</u>	<u>\$ 315,942</u>
<b>Liabilities</b>									
Accounts and contracts payable	\$ 536	\$ -	\$ 268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	391,694	-	-	-	-	-
Accrued wages payable	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	88,514	-	-	-	-	-
<b>Total Liabilities</b>	<u>536</u>	<u>-</u>	<u>268</u>	<u>480,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>									
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	-
<b>Fund Balances</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	611,542	815,131	-	-	9,687	1,722	315,942
Committed	36,423	-	-	-	-	-	-	-	-
Assigned	38,001	75,161	-	-	27,665	-	-	-	-
<b>Total Fund Balances</b>	<u>74,424</u>	<u>75,161</u>	<u>611,542</u>	<u>815,131</u>	<u>27,665</u>	<u>-</u>	<u>9,687</u>	<u>1,722</u>	<u>315,942</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 74,960</u>	<u>\$ 75,161</u>	<u>\$ 611,810</u>	<u>\$ 1,295,339</u>	<u>\$ 27,665</u>	<u>\$ -</u>	<u>\$ 9,687</u>	<u>\$ 1,722</u>	<u>\$ 315,942</u>

230	240	250	320	322	324	325	326	327	873	Total
Aeronautics	Lake Restoration	Local Option Sales Tax	Tax Increment District No. 23	Tax Increment District No. 22	Tax Increment District No. 24	Tax Increment District No. 25	Tax Increment District No. 26	Tax Increment District No. 27	Visit Fairmont	Nonmajor Special Revenue
\$ 410,976	\$ 451,055	\$ -	\$ 10,050	\$ -	\$ 6,081	\$ -	\$ 12,641	\$ 4,760	\$ 12,216	\$ 1,987,608
1,686	-	-	-	-	-	-	-	-	-	1,686
1,647	7,302	-	-	-	-	-	-	-	-	9,189
-	-	-	-	-	-	-	-	-	-	1,332,217
19,417	-	172,942	-	-	-	-	-	-	-	192,359
3,200	-	-	-	-	-	-	-	-	-	3,200
<u>\$ 436,926</u>	<u>\$ 458,357</u>	<u>\$ 172,942</u>	<u>\$ 10,050</u>	<u>\$ -</u>	<u>\$ 6,081</u>	<u>\$ -</u>	<u>\$ 12,641</u>	<u>\$ 4,760</u>	<u>\$ 12,216</u>	<u>\$ 3,526,259</u>
\$ 1,276	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	10,261	\$ 12,347
802	-	-	-	-	-	-	-	-	-	802
-	-	-	-	-	-	-	-	-	-	391,694
3,448	-	-	-	-	-	-	-	-	-	3,448
7,875	-	-	-	-	-	-	-	-	-	96,389
13,401	6	-	-	-	-	-	-	-	10,261	504,680
1,686	-	-	-	-	-	-	-	-	-	1,686
3,200	-	-	-	-	-	-	-	-	-	3,200
-	-	172,942	10,050	-	6,081	-	12,641	4,760	1,955	1,962,453
418,639	458,351	-	-	-	-	-	-	-	-	913,413
-	-	-	-	-	-	-	-	-	-	140,827
<u>421,839</u>	<u>458,351</u>	<u>172,942</u>	<u>10,050</u>	<u>-</u>	<u>6,081</u>	<u>-</u>	<u>12,641</u>	<u>4,760</u>	<u>1,955</u>	<u>3,019,893</u>
<u>\$ 436,926</u>	<u>\$ 458,357</u>	<u>\$ 172,942</u>	<u>\$ 10,050</u>	<u>\$ -</u>	<u>\$ 6,081</u>	<u>\$ -</u>	<u>\$ 12,641</u>	<u>\$ 4,760</u>	<u>\$ 12,216</u>	<u>\$ 3,526,259</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, 2019

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2	217 Micro Loan	222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011
Revenues								
Taxes								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-	-
Hotel-motel	-	-	-	-	-	-	-	-
Tax increment district taxes	-	-	-	-	-	-	-	-
Intergovernmental								
Airport maintenance aid	-	-	-	-	-	-	-	-
Other State aids	-	-	-	18,993	-	-	-	-
Charges for services								
Rents	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Investment earnings	1,053	2,232	9,662	15,436	466	-	49	52
Payments from Component Unit for debt service	-	-	-	-	-	-	-	-
Miscellaneous								
Loan interest	-	-	13,035	8,521	361	-	10	-
Other	52,358	-	20	-	126	-	-	-
Total Revenues	<u>53,411</u>	<u>2,232</u>	<u>22,717</u>	<u>42,950</u>	<u>953</u>	<u>-</u>	<u>59</u>	<u>52</u>
Expenditures								
Current								
Culture and recreation	-	-	-	-	-	-	-	-
Housing and economic development	77,942	44	9,307	75	-	-	322	8,578
Miscellaneous								
Conservation - water resources	-	-	-	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-	-	-	-
Capital outlay								
Miscellaneous								
Conservation - water resources	-	-	-	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-	-	-	-
Total Expenditures	<u>77,942</u>	<u>44</u>	<u>9,307</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>8,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(24,531)</u>	<u>2,188</u>	<u>13,410</u>	<u>42,875</u>	<u>953</u>	<u>-</u>	<u>(263)</u>	<u>(8,526)</u>
Other Financing Sources (Uses)								
Transfers in	60,000	-	-	-	-	-	-	-
Transfers out	-	-	(8,249)	-	-	(835)	(2,880)	(2,411)
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>-</u>	<u>(8,249)</u>	<u>-</u>	<u>-</u>	<u>(835)</u>	<u>(2,880)</u>	<u>(2,411)</u>
Net Change in Fund Balances	35,469	2,188	5,161	42,875	953	(835)	(3,143)	(10,937)
Fund Balances, January 1	<u>38,955</u>	<u>72,973</u>	<u>606,381</u>	<u>772,256</u>	<u>26,712</u>	<u>835</u>	<u>12,830</u>	<u>12,659</u>
Fund Balances, December 31	<u>\$ 74,424</u>	<u>\$ 75,161</u>	<u>\$ 611,542</u>	<u>\$ 815,131</u>	<u>\$ 27,665</u>	<u>\$ -</u>	<u>\$ 9,687</u>	<u>\$ 1,722</u>

228 State Housing Grant 2016	230 Aeronautics	240 Lake Restoration	250 Local Option Sales Tax	320 Tax Increment District No. 23	322 Tax Increment District No. 22	324 Tax Increment District No. 24	325 Tax Increment District No. 25	326 Tax Increment District No. 26	327 Tax Increment District No. 27	873 Visit Fairmont	Total Nonmajor Special Revenue
\$ -	\$ 74,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,107
-	-	-	927,291	-	-	-	-	-	-	-	927,291
-	-	-	-	-	-	-	-	-	-	173,068	173,068
-	-	-	-	20,100	56,535	12,161	38,707	25,282	9,760	-	162,545
-	59,601	-	-	-	-	-	-	-	-	-	59,601
-	-	-	-	-	-	-	-	-	-	-	18,993
-	138,267	-	-	-	-	-	-	-	-	-	138,267
-	229,955	65,011	-	-	-	-	-	-	-	-	294,966
643	11,727	12,948	22,707	-	-	-	-	-	-	-	76,975
2,355	-	-	-	-	-	-	-	-	5,000	-	7,355
-	-	-	-	-	-	-	-	-	-	-	21,927
-	1,064	-	-	-	-	-	-	-	-	-	53,568
2,998	514,721	77,959	949,998	20,100	56,535	12,161	38,707	25,282	14,760	173,068	2,008,663
-	-	-	16,684	-	-	-	-	-	-	-	16,684
105	-	-	-	22,730	56,535	11,663	38,707	14,648	-	173,067	413,723
-	-	10,334	-	-	-	-	-	-	-	-	10,334
-	471,179	-	-	-	-	-	-	-	-	-	471,179
-	-	9,800	-	-	-	-	-	-	-	-	9,800
-	734	-	-	-	-	-	-	-	-	-	734
105	471,913	20,134	16,684	22,730	56,535	11,663	38,707	14,648	-	173,067	922,454
2,893	42,808	57,825	933,314	(2,630)	-	498	-	10,634	14,760	1	1,086,209
6,126	13,600	-	-	-	-	-	-	-	-	-	79,726
-	-	-	(1,520,454)	-	-	-	-	-	-	-	(1,534,829)
6,126	13,600	-	(1,520,454)	-	-	-	-	-	-	-	(1,455,103)
9,019	56,408	57,825	(587,140)	(2,630)	-	498	-	10,634	14,760	1	(368,894)
306,923	365,431	400,526	760,082	12,680	-	5,583	-	2,007	(10,000)	1,954	3,388,787
<u>\$ 315,942</u>	<u>\$ 421,839</u>	<u>\$ 458,351</u>	<u>\$ 172,942</u>	<u>\$ 10,050</u>	<u>\$ -</u>	<u>\$ 6,081</u>	<u>\$ -</u>	<u>\$ 12,641</u>	<u>\$ 4,760</u>	<u>\$ 1,955</u>	<u>\$ 3,019,893</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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019			2018
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Property taxes	\$ 75,000	\$ 74,107	\$ (893)	\$ 74,486
Intergovernmental				
Federal				
Airport aid	675,000	-	(675,000)	-
State				
Airport maintenance aid	102,500	59,601	(42,899)	97,275
Charges for services				
Rents	140,000	138,267	(1,733)	128,334
Miscellaneous	299,500	229,955	(69,545)	275,487
Investment earnings	4,000	11,727	7,727	5,579
Miscellaneous				
Other	-	1,064	1,064	1,546
Total Revenues	<u>1,296,000</u>	<u>514,721</u>	<u>(781,279)</u>	<u>582,707</u>
Expenditures				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	127,073	122,663	4,410	114,965
Supplies	244,250	171,471	72,779	244,456
Other services and charges	169,156	177,045	(7,889)	173,192
Capital outlay				
Miscellaneous				
Airport operation and maintenance	790,000	734	789,266	44,249
Total Expenditures	<u>1,330,479</u>	<u>471,913</u>	<u>858,566</u>	<u>576,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,479)	42,808	77,287	5,845
Other Financing Sources (Uses)				
Transfers in	<u>37,500</u>	<u>13,600</u>	<u>(23,900)</u>	<u>-</u>
Net Change in Fund Balances	3,021	56,408	53,387	5,845
Fund Balances, January 1	<u>365,431</u>	<u>365,431</u>	<u>-</u>	<u>359,586</u>
Fund Balances, December 31	<u>\$ 368,452</u>	<u>\$ 421,839</u>	<u>\$ 53,387</u>	<u>\$ 365,431</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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019			2018
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
State	\$ 250,000	\$ -	\$ (250,000)	\$ -
Investment earnings	4,000	12,948	8,948	6,196
Charges for services				
Miscellaneous - restoration	65,000	65,011	11	64,850
Total Revenues	<u>319,000</u>	<u>77,959</u>	<u>(241,041)</u>	<u>71,046</u>
Expenditures				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	1,000	685	315	678
Other services and charges	10,595	9,649	946	9,829
Capital outlay				
Miscellaneous				
Conservation - water resources	305,000	9,800	295,200	1,400
Total Expenditures	<u>316,595</u>	<u>20,134</u>	<u>296,461</u>	<u>11,907</u>
Net Change in Fund Balances	2,405	57,825	55,420	59,139
Fund Balances, January 1	<u>400,526</u>	<u>400,526</u>	<u>-</u>	<u>341,387</u>
Fund Balances, December 31	<u>\$ 402,931</u>	<u>\$ 458,351</u>	<u>\$ 55,420</u>	<u>\$ 400,526</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.

**Capital Reserve**: 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.

**Fire Truck Replacement**: This fund is used to account for costs associated with the Lair Road Bridge.

**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.

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

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

**Mini Golf Course**: This fund is used to account for the donations received and the expenditures made for the mini golf course.

**Air Race Classic**: This fund is used to account for the donations received and the expenditures made for the air race classic.

City of Fairmont, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
December 31, 2019

	<b>402</b>	<b>410</b>	<b>420</b>	<b>430</b>	<b>450</b>
	Capital Reserve	Fire Truck Replacement	Housing	Community Center	Airport Reconstruction Project
<b>Assets</b>					
Cash and temporary investments	\$ 2,913,816	\$ 412,871	\$ 424,748	\$ 1,526,135	\$ 230,352
Receivables					
Delinquent taxes	143	1,261	-	-	-
Special assessments					
Delinquent	6,588	-	-	-	-
Noncurrent	104,397	-	-	-	-
Intergovernmental	1,809,646	433	-	-	278,694
Land held for resale	-	-	100,000	-	-
<b>Total Assets</b>	<b>\$ 4,834,590</b>	<b>\$ 414,565</b>	<b>\$ 524,748</b>	<b>\$ 1,526,135</b>	<b>\$ 509,046</b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ 56,104
Due to other governments	-	-	100,000	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>56,104</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	143	1,261	-	-	-
Unavailable revenue - special assessments	110,985	-	-	-	-
Unavailable revenue - intergovernmental	1,728,356	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>1,839,484</b>	<b>1,261</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Restricted	1,602,924	-	-	1,526,135	-
Committed	1,392,182	413,304	424,748	-	452,942
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,995,106</b>	<b>413,304</b>	<b>424,748</b>	<b>1,526,135</b>	<b>452,942</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,834,590</b>	<b>\$ 414,565</b>	<b>\$ 524,748</b>	<b>\$ 1,526,135</b>	<b>\$ 509,046</b>

<b>476</b> 2016 Capital Improvement Program	<b>477</b> 2017 Capital Improvement Program	<b>877</b> Inclusive Playground	<b>879</b> iPaddle Port	<b>881</b> Mini Golf Course	<b>882</b> Air Race Classic	Total Nonmajor Capital Projects
\$ -	\$ -	\$ 200,284	\$ 5,000	\$ 34,797	\$ -	\$ 5,748,003
-	-	-	-	-	-	1,404
-	-	-	-	-	-	6,588
-	-	-	-	-	-	104,397
-	-	-	-	-	-	2,088,773
-	-	-	-	-	-	100,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,284</u>	<u>\$ 5,000</u>	<u>\$ 34,797</u>	<u>\$ -</u>	<u>\$ 8,049,165</u>
\$ -	\$ 34,936	\$ 2,360	\$ -	\$ -	\$ -	\$ 93,400
-	-	-	-	-	-	100,000
-	34,936	2,360	-	-	-	193,400
-	-	-	-	-	-	1,404
-	-	-	-	-	-	110,985
-	-	-	-	-	-	1,728,356
-	-	-	-	-	-	1,840,745
-	-	197,924	5,000	34,797	-	3,366,780
-	-	-	-	-	-	2,683,176
-	(34,936)	-	-	-	-	(34,936)
-	(34,936)	197,924	5,000	34,797	-	6,015,020
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,284</u>	<u>\$ 5,000</u>	<u>\$ 34,797</u>	<u>\$ -</u>	<u>\$ 8,049,165</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, 2019

	<b>402</b>	<b>410</b>	<b>420</b>	<b>430</b>	<b>450</b>
	Capital Reserve	Fire Truck Replacement	Housing	Community Center	Airport Reconstruction Project
Revenues					
Taxes					
Property taxes	\$ 40	\$ 433	\$ -	\$ -	\$ -
Special assessments	1,438	-	-	-	-
Intergovernmental					
Federal					
Airport reconstruction grant	-	-	-	-	204,387
Other federal grants	79,813	-	-	-	-
State					
Airport reconstruction grant	-	-	-	-	127,753
Investment earnings	57,382	2,065	11,851	7,195	10,610
Miscellaneous					
Proceeds of land sales	-	-	82,500	-	-
Contributions	-	-	-	-	-
Total Revenues	<u>138,673</u>	<u>2,498</u>	<u>94,351</u>	<u>7,195</u>	<u>342,750</u>
Expenditures					
Current					
Culture and recreation	-	-	-	1,514	-
Housing and economic development	-	-	4,350	-	-
Miscellaneous	-	-	-	-	37
Capital outlay					
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Miscellaneous	-	-	-	-	430,971
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,350</u>	<u>1,514</u>	<u>431,008</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>138,673</u>	<u>2,498</u>	<u>90,001</u>	<u>5,681</u>	<u>(88,258)</u>
Other Financing Sources (Uses)					
Transfers in	1,390,704	410,806	-	1,520,454	37,500
Transfers out	(229,540)	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,161,164</u>	<u>410,806</u>	<u>-</u>	<u>1,520,454</u>	<u>37,500</u>
Net Change in Fund Balances	<u>1,299,837</u>	<u>413,304</u>	<u>90,001</u>	<u>1,526,135</u>	<u>(50,758)</u>
Fund Balances, January 1, as Restated (Note 9)	1,801,527	-	334,747	-	503,700
Prior Period Adjustment (Note 10)	<u>(106,258)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, January 1, as Restated	<u>1,695,269</u>	<u>-</u>	<u>334,747</u>	<u>-</u>	<u>503,700</u>
Fund Balances, December 31	<u>\$ 2,995,106</u>	<u>\$ 413,304</u>	<u>\$ 424,748</u>	<u>\$ 1,526,135</u>	<u>\$ 452,942</u>

<b>476</b> 2016 Capital Improvement Program	<b>477</b> 2017 Capital Improvement Program	<b>877</b> Inclusive Playground	<b>879</b> iPaddle Port	<b>881</b> Mini Golf Course	<b>882</b> Air Race Classic	Total Nonmajor Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473
-	-	-	-	-	-	1,438
-	-	-	-	-	-	204,387
-	-	-	-	-	-	79,813
-	-	-	-	-	-	127,753
10,832	-	-	-	-	-	99,935
-	-	-	-	-	-	82,500
-	-	142,877	-	71,556	912	215,345
10,832	-	142,877	-	71,556	912	811,644
-	-	-	-	-	-	1,514
-	-	-	-	-	-	4,350
-	-	-	-	-	-	37
1,136	13,656	-	-	-	-	14,792
-	-	345,315	-	61,759	912	407,986
-	-	-	-	-	-	430,971
1,136	13,656	345,315	-	61,759	912	859,650
9,696	(13,656)	(202,438)	-	9,797	-	(48,006)
-	144,306	300,000	-	25,000	-	3,828,770
(528,462)	-	-	-	-	-	(758,002)
(528,462)	144,306	300,000	-	25,000	-	3,070,768
(518,766)	130,650	97,562	-	34,797	-	3,022,762
518,766	(165,586)	100,362	5,000	-	-	3,098,516
-	-	-	-	-	-	(106,258)
518,766	(165,586)	100,362	5,000	-	-	2,992,258
\$ -	\$ (34,936)	\$ 197,924	\$ 5,000	\$ 34,797	\$ -	\$ 6,015,020

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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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 8,134,567	\$ 7,916,959
Receivables		
Interest	74,866	76,759
Delinquent taxes	72,455	65,508
Accounts	97,423	98,792
Special assessments	4,038	12,848
Intergovernmental	47,377	203,529
Prepaid items	<u>190</u>	<u>-</u>
Total Assets	<u><u>\$ 8,430,916</u></u>	<u><u>\$ 8,374,395</u></u>
Liabilities		
Accounts and contracts payable	\$ 137,992	\$ 251,655
Due to other funds	40,948	31,959
Due to other governments	48,086	286
Accrued salaries payable	159,513	127,538
Unearned revenue	<u>20,413</u>	<u>21,076</u>
Total Liabilities	<u>406,952</u>	<u>432,514</u>
Deferred Inflows of Resources		
Unavailable revenue - taxes	72,455	65,508
Unavailable revenue - special assessments	<u>4,038</u>	<u>12,848</u>
Total Deferred Inflows of Resources	<u>76,493</u>	<u>78,356</u>
Fund Balances		
Nonspendable	190	-
Committed	80,912	79,222
Assigned	6,817,619	3,807,630
Unassigned	<u>1,048,750</u>	<u>3,976,673</u>
Total Fund Balances	<u>7,947,471</u>	<u>7,863,525</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 8,430,916</u></u>	<u><u>\$ 8,374,395</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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 3,355,372	\$ 3,355,372	\$ 3,314,384	\$ (40,988)	\$ 3,214,244
Franchise taxes	40,000	40,000	41,438	1,438	41,480
Total taxes	3,395,372	3,395,372	3,355,822	(39,550)	3,255,724
Special assessments	-	-	1,348	1,348	1,001
Licenses and permits					
Business	41,800	41,800	41,376	(424)	44,000
Nonbusiness	132,300	132,300	159,070	26,770	117,590
Total licenses and permits	174,100	174,100	200,446	26,346	161,590
Intergovernmental					
Federal					
Other Federal aids	-	-	-	-	165,005
State					
Local government aid	3,463,457	3,463,457	3,463,457	-	3,457,546
Property tax credits	-	-	1,692	1,692	1,719
Street maintenance aid	29,085	29,085	30,015	930	30,015
Police aid	235,309	235,309	255,655	20,346	251,285
Other State aids	21,672	21,672	41,909	20,237	65,077
County					
Other County aids	-	-	5,590	5,590	-
Total intergovernmental	3,749,523	3,749,523	3,798,318	48,795	3,970,647
Charges for services					
General government	11,200	11,200	12,243	1,043	12,692
Public safety	178,500	178,500	184,711	6,211	186,787
Streets and highways	6,500	6,500	3,777	(2,723)	15,917
Sanitation	149,722	149,722	132,938	(16,784)	137,360
Culture and recreation	177,500	177,500	180,912	3,412	171,847
Total charges for services	523,422	523,422	514,581	(8,841)	524,603
Fines and forfeits					
Court fines	54,000	54,000	59,930	5,930	56,420
Investment earnings	65,015	65,015	224,613	159,598	2,467
Miscellaneous					
Rents	48,000	48,000	42,009	(5,991)	62,061
Contributions and donations	10,000	10,000	5,740	(4,260)	133,299
Other	93,885	93,885	112,637	18,752	55,665
Total miscellaneous	151,885	151,885	160,386	8,501	251,025
Total Revenues	8,113,317	8,113,317	8,315,444	202,127	8,223,477

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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 81,727	\$ 81,727	\$ 74,329	\$ 7,398	\$ 72,528
Supplies	2,200	2,200	4,523	(2,323)	3,514
Other services and charges	6,125	6,125	8,199	(2,074)	7,362
Total mayor and council	90,052	90,052	87,051	3,001	83,404
City administrator					
Personal services	118,246	118,246	122,880	(4,634)	115,044
Supplies	2,600	2,600	941	1,659	2,737
Other services and charges	25,635	25,635	22,649	2,986	25,142
Total city administrator	146,481	146,481	146,470	11	142,923
Elections					
Personal services	12,249	12,249	12,182	67	26,243
Supplies	2,500	2,500	92	2,408	5,904
Other services and charges	625	625	55	570	268
Total elections	15,374	15,374	12,329	3,045	32,415
Recording and reporting					
Personal services	61,243	61,243	60,915	328	58,371
Supplies	3,300	3,300	6,234	(2,934)	4,778
Other services and charges	4,325	4,325	3,572	753	2,992
Total recording and reporting	68,868	68,868	70,721	(1,853)	66,141
Local access channel					
Personal services	1,746	1,746	1,844	(98)	1,778
Supplies	1,000	1,000	18	982	25
Other services and charges	7,515	7,515	9,905	(2,390)	8,548
Total local access channel	10,261	10,261	11,767	(1,506)	10,351
Accounting					
Personal services	244,824	244,824	247,698	(2,874)	237,329
Supplies	4,000	4,000	1,412	2,588	4,486
Other services and charges	125,868	125,868	98,793	27,075	57,021
Total accounting	374,692	374,692	347,903	26,789	298,836
City attorney					
Personal services	164,808	164,808	179,106	(14,298)	157,797
Supplies	2,500	2,500	854	1,646	2,971
Other services and charges	14,315	14,315	156,298	(141,983)	10,713
Total city attorney	181,623	181,623	336,258	(154,635)	171,481

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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personal services	\$ 156,219	\$ 156,219	\$ 129,145	\$ 27,074	\$ 134,643
Supplies	2,000	2,000	2,739	(739)	2,913
Other services and charges	5,000	5,000	15,768	(10,768)	5,989
Total planning and zoning	163,219	163,219	147,652	15,567	143,545
General government building					
Personal services	75,956	75,956	71,798	4,158	68,568
Supplies	6,000	6,000	2,064	3,936	2,703
Other services and charges	58,000	58,000	59,801	(1,801)	87,350
Total general government building	139,956	139,956	133,663	6,293	158,621
Library building					
Supplies	4,000	4,000	2,541	1,459	2,360
Other services and charges	81,560	81,560	67,004	14,556	97,590
Total library building	85,560	85,560	69,545	16,015	99,950
Other general government					
Supplies	250	250	400	(150)	229
Other services and charges	323,494	323,494	251,469	72,025	230,574
Total other general government	323,744	323,744	251,869	71,875	230,803
Total general government	1,599,830	1,599,830	1,615,228	(15,398)	1,438,470
Public safety					
Police					
Administration					
Personal services	456,881	456,881	466,497	(9,616)	400,641
Supplies	4,750	4,750	552	4,198	3,932
Other services and charges	20,360	20,360	14,643	5,717	10,981
Total administration	481,991	481,991	481,692	299	415,554
Crime control					
Personal services	1,841,398	1,841,398	1,934,129	(92,731)	1,875,959
Supplies	81,250	81,250	48,174	33,076	52,126
Other services and charges	267,150	267,150	263,745	3,405	290,283
Total crime control	2,189,798	2,189,798	2,246,048	(56,250)	2,218,368

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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Police					
D.A.R.E. program					
Supplies	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ -
Crossing guards					
Personal services	-	-	(1,239)	1,239	3,083
Other services and charges	3,000	3,000	-	3,000	-
Total crossing guards	3,000	3,000	(1,239)	4,239	3,083
Drug task force					
Other services and charges	19,200	19,200	35,864	(16,664)	31,565
Total police	2,696,489	2,696,489	2,762,365	(65,876)	2,668,570
Fire					
Fire fighting					
Personal services	256,041	256,041	202,462	53,579	233,445
Supplies	42,000	42,000	6,492	35,508	10,989
Other services and charges	84,375	84,375	114,257	(29,882)	169,102
Total fire fighting	382,416	382,416	323,211	59,205	413,536
Training					
Personal services	46,884	46,884	32,156	14,728	37,616
Supplies	5,000	5,000	-	5,000	-
Other services and charges	10,250	10,250	221	10,029	214
Total training	62,134	62,134	32,377	29,757	37,830
Total fire	444,550	444,550	355,588	88,962	451,366
Inspection					
Building inspection					
Personal services	224,740	224,740	216,121	8,619	204,520
Supplies	6,300	6,300	3,357	2,943	4,717
Other services and charges	12,850	12,850	9,957	2,893	9,960
Total building inspection	243,890	243,890	229,435	14,455	219,197
Fire inspection					
Other services and charges	-	-	-	-	408
Total inspection	243,890	243,890	229,435	14,455	219,605
Civil defense					
Supplies	600	600	1,075	(475)	464
Other services and charges	2,600	2,600	11	2,589	1,562
Total civil defense	3,200	3,200	1,086	2,114	2,026

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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Animal control					
Personal services	\$ 100,334	\$ 100,334	\$ 95,541	\$ 4,793	\$ 77,440
Supplies	11,225	11,225	10,788	437	8,801
Other services and charges	33,159	33,159	39,078	(5,919)	32,544
Total animal control	144,718	144,718	145,407	(689)	118,785
Total public safety	3,532,847	3,532,847	3,493,881	38,966	3,460,352
Streets and highways					
Paved streets					
Personal services	479,008	479,008	487,041	(8,033)	435,552
Supplies	167,450	167,450	232,194	(64,744)	147,944
Other services and charges	57,270	57,270	51,678	5,592	71,071
Total paved streets	703,728	703,728	770,913	(67,185)	654,567
Ice and snow removal					
Personal services	217,050	217,050	220,920	(3,870)	197,591
Supplies	47,000	47,000	63,931	(16,931)	78,914
Other services and charges	18,350	18,350	40,011	(21,661)	55,330
Total ice and snow removal	282,400	282,400	324,862	(42,462)	331,835
Road and bridge equipment					
Personal services	43,410	43,410	44,185	(775)	39,518
Supplies	25,000	25,000	6,276	18,724	9,224
Other services and charges	121,000	121,000	131,901	(10,901)	142,845
Total road and bridge equipment	189,410	189,410	182,362	7,048	191,587
Street lighting					
Other services and charges	158,400	158,400	64,941	93,459	158,959
Engineering					
Personal services	303,714	303,714	322,314	(18,600)	285,907
Supplies	10,500	10,500	3,752	6,748	5,336
Other services and charges	47,410	47,410	44,185	3,225	35,806
Total engineering	361,624	361,624	370,251	(8,627)	327,049
Total streets and highways	1,695,562	1,695,562	1,713,329	(17,767)	1,663,997
Sanitation and waste removal					
Weed control					
Other services and charges	20,400	20,400	10,010	10,390	5,552
Garbage collection					
Personal services	34,851	34,851	35,008	(157)	30,623
Supplies	3,900	3,900	1,964	1,936	2,073
Other services and charges	59,750	59,750	134,193	(74,443)	99,829
Total garbage collection	98,501	98,501	171,165	(72,664)	132,525
Total sanitation and waste removal	118,901	118,901	181,175	(62,274)	138,077
Culture and recreation					
Parks					
Personal services	757,038	757,038	723,860	33,178	701,180
Supplies	82,600	82,600	73,877	8,723	70,938
Other services and charges	258,050	258,050	227,111	30,939	251,863
Total parks	1,097,688	1,097,688	1,024,848	72,840	1,023,981

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, 2019  
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Recreation - aquatic park					
Personal services	\$ 271,584	\$ 271,584	\$ 268,400	\$ 3,184	\$ 253,845
Supplies	53,500	53,500	51,116	2,384	62,366
Other services and charges	94,854	94,854	81,918	12,936	80,444
Total recreation - aquatic park	419,938	419,938	401,434	18,504	396,655
Total culture and recreation	1,517,626	1,517,626	1,426,282	91,344	1,420,636
Total current	8,464,766	8,464,766	8,429,895	34,871	8,121,532
Capital outlay					
General government	43,500	43,500	-	43,500	34,203
Public safety	140,200	140,200	69,944	70,256	153,385
Streets and highways	25,000	25,000	10,581	14,419	209,785
Culture and recreation	460,500	460,500	551,228	(90,728)	393,899
Total capital outlay	669,200	669,200	631,753	37,447	791,272
Total Expenditures	9,133,966	9,133,966	9,061,648	72,318	8,912,804
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(1,020,649)	(1,020,649)	(746,204)	274,445	(689,327)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	29,334
Transfers in	1,240,500	1,240,500	1,073,750	(166,750)	1,348,804
Transfers out	(80,000)	(80,000)	(243,600)	(163,600)	(75,000)
Total Other Financing Sources (Uses)	1,160,500	1,160,500	830,150	(330,350)	1,303,138
Net Change in Fund Balances	139,851	139,851	83,946	(55,905)	613,811
Fund Balances, January 1	7,863,525	7,863,525	7,863,525	-	7,249,714
Fund Balances, December 31	\$ 8,003,376	\$ 8,003,376	\$ 7,947,471	\$ (55,905)	\$ 7,863,525

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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.

City of Fairmont, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2019

	<b>323</b>	<b>305</b>	<b>372</b>	<b>373</b>
	Special	Fire	2012	2013
	Assessment	Truck	Refunding	Improvement
		Debt	Bonds	Bonds
<b>Assets</b>				
Cash and temporary investments	\$ -	\$ -	\$ 351,337	\$ 207,478
Receivables				
Delinquent taxes	-	-	12,569	2,129
Special assessments				
Delinquent	-	-	8,377	4,415
Noncurrent	-	-	576,076	117,416
Intergovernmental	-	-	4,907	663
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,266</u>	<u>\$ 332,101</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	\$ -	\$ -	\$ 12,569	\$ 2,129
Unavailable revenue - special assessments	-	-	584,453	121,831
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>597,022</u>	<u>123,960</u>
<b>Fund Balances</b>				
Restricted	-	-	356,244	208,141
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,266</u>	<u>\$ 332,101</u>

<b>375</b> 2015 Improvement Bonds	<b>376</b> 2016 Refunding Bonds	<b>377</b> 2017 Improvement Bonds	<b>379</b> 2019 Improvement Bonds	Totals
\$ 325,831	\$ 692,822	\$ 491,206	\$ 180,931	\$ 2,249,605
2,864	6,500	1,068	-	25,130
4,884	1,094	4,475	-	23,245
210,311	291,011	393,076	771,382	2,359,272
1,825	2,456	420	-	10,271
<u>\$ 545,715</u>	<u>\$ 993,883</u>	<u>\$ 890,245</u>	<u>\$ 952,313</u>	<u>\$ 4,667,523</u>
\$ 2,864	\$ 6,500	\$ 1,068	\$ -	\$ 25,130
215,195	292,105	397,551	771,382	2,382,517
<u>218,059</u>	<u>298,605</u>	<u>398,619</u>	<u>771,382</u>	<u>2,407,647</u>
<u>327,656</u>	<u>695,278</u>	<u>491,626</u>	<u>180,931</u>	<u>2,259,876</u>
<u>\$ 545,715</u>	<u>\$ 993,883</u>	<u>\$ 890,245</u>	<u>\$ 952,313</u>	<u>\$ 4,667,523</u>

City of Fairmont, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2019

	<b>323</b>	<b>305</b>	<b>372</b>	<b>373</b>
	Special Assessment	Fire Truck Debt	2012 Refunding Bonds	2013 Improvement Bonds
Revenues				
Taxes				
Property taxes	\$ -	\$ 63,828	\$ 538,550	\$ 98,376
Special assessments	36,448	-	133,192	20,634
Investment earnings	19,398	5,933	4,147	4,950
Total Revenues	<u>55,846</u>	<u>69,761</u>	<u>675,889</u>	<u>123,960</u>
Expenditures				
Current				
Streets and highways	489	-	-	-
Debt service				
Principal	-	-	735,000	105,000
Interest and other	-	-	50,616	38,663
Total Expenditures	<u>489</u>	<u>-</u>	<u>785,616</u>	<u>143,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>55,357</u>	<u>69,761</u>	<u>(109,727)</u>	<u>(19,703)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Bonds issued	-	-	-	-
Transfers out	(986,470)	(330,806)	-	-
Total Other Financing Sources (Uses)	<u>(986,470)</u>	<u>(330,806)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(931,113)	(261,045)	(109,727)	(19,703)
Fund Balances, January 1	<u>931,113</u>	<u>261,045</u>	<u>465,971</u>	<u>227,844</u>
Fund Balances, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 356,244</u></u>	<u><u>\$ 208,141</u></u>

<b>375</b> 2015 Improvement Bonds	<b>376</b> 2016 Refunding Bonds	<b>377</b> 2017 Improvement Bonds	<b>379</b> 2019 Improvement Bonds	Totals
\$ 140,452	\$ 259,490	\$ 67,223	\$ -	\$ 1,167,919
33,922	79,806	45,603	120,483	470,088
7,839	16,514	10,974	3,031	72,786
<u>182,213</u>	<u>355,810</u>	<u>123,800</u>	<u>123,514</u>	<u>1,710,793</u>
-	-	-	-	489
170,000	285,000	170,000	-	1,465,000
46,031	44,348	70,888	-	250,546
<u>216,031</u>	<u>329,348</u>	<u>240,888</u>	<u>-</u>	<u>1,716,035</u>
<u>(33,818)</u>	<u>26,462</u>	<u>(117,088)</u>	<u>123,514</u>	<u>(5,242)</u>
-	-	124,227	-	124,227
-	-	-	57,417	57,417
-	-	-	-	(1,317,276)
<u>-</u>	<u>-</u>	<u>124,227</u>	<u>57,417</u>	<u>(1,135,632)</u>
(33,818)	26,462	7,139	180,931	(1,140,874)
<u>361,474</u>	<u>668,816</u>	<u>484,487</u>	<u>-</u>	<u>3,400,750</u>
<u>\$ 327,656</u>	<u>\$ 695,278</u>	<u>\$ 491,626</u>	<u>\$ 180,931</u>	<u>\$ 2,259,876</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.

City of Fairmont, Minnesota  
Internal Service Funds  
Combining Statement of Net Position  
December 31, 2019

	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
<b>Assets</b>						
<b>Current Assets</b>						
Cash and temporary investments	\$ 18,756	\$ 60,884	\$ 768,769	\$ 267,033	\$ 12,950	\$ 1,128,392
Receivables						
Accounts	-	575	1,000	575	-	2,150
Due from other funds	-	58,164	-	11,675	-	69,839
Prepaid items	-	-	-	-	1,185	1,185
<b>Total Current Assets</b>	<b>18,756</b>	<b>119,623</b>	<b>769,769</b>	<b>279,283</b>	<b>14,135</b>	<b>1,201,566</b>
<b>Capital Assets</b>						
Machinery and equipment	49,848	-	-	-	229,934	279,782
Less accumulated depreciation	(4,998)	-	-	-	(211,372)	(216,370)
<b>Net Capital Assets</b>	<b>44,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,562</b>	<b>63,412</b>
<b>Total Assets</b>	<b>63,606</b>	<b>119,623</b>	<b>769,769</b>	<b>279,283</b>	<b>32,697</b>	<b>1,264,978</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts and contracts payable	633	18,885	27,763	12,250	5,310	64,841
Due to other funds	1,435	-	-	-	-	1,435
Sick leave/severance payable - current portion	5,593	-	-	-	-	5,593
Accrued salaries payable	4,777	-	-	-	-	4,777
<b>Total Current Liabilities</b>	<b>12,438</b>	<b>18,885</b>	<b>27,763</b>	<b>12,250</b>	<b>5,310</b>	<b>76,646</b>
<b>Noncurrent Liabilities</b>						
Sick leave/severance payable, net of current portion	11,743	-	-	-	-	11,743
<b>Total Liabilities</b>	<b>24,181</b>	<b>18,885</b>	<b>27,763</b>	<b>12,250</b>	<b>5,310</b>	<b>88,389</b>
<b>Net Position</b>						
Investment in capital assets	44,850	-	-	-	18,562	63,412
Unrestricted	(5,425)	100,738	742,006	267,033	8,825	1,113,177
<b>Total Net Position</b>	<b>\$ 39,425</b>	<b>\$ 100,738</b>	<b>\$ 742,006</b>	<b>\$ 267,033</b>	<b>\$ 27,387</b>	<b>\$ 1,176,589</b>



City of Fairmont, Minnesota  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2019

	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	\$ 221,629	\$ 1,813,602	\$ 360,761	\$ 366,818	\$ 171,248	\$ 2,934,058
Miscellaneous revenues	-	9,002	-	3,630	-	12,632
Total Operating Revenues	<u>221,629</u>	<u>1,822,604</u>	<u>360,761</u>	<u>370,448</u>	<u>171,248</u>	<u>2,946,690</u>
Operating Expenses						
Administration and other						
Personal services	189,072	161	-	-	-	189,233
Supplies	29,593	-	-	-	401	29,994
Other services and charges	6,540	101,852	15,000	44,497	152,663	320,552
Insurance premiums paid	-	1,623,784	276,078	374,683	-	2,274,545
Insurance claims paid	-	210,703	60,303	-	-	271,006
Depreciation	4,998	-	-	-	2,552	7,550
Total Operating Expenses	<u>230,203</u>	<u>1,936,500</u>	<u>351,381</u>	<u>419,180</u>	<u>155,616</u>	<u>3,092,880</u>
Operating Income (Loss)	(8,574)	(113,896)	9,380	(48,732)	15,632	(146,190)
Nonoperating Revenues (Expenses)						
Investment income	<u>540</u>	<u>1,405</u>	<u>21,770</u>	<u>9,262</u>	<u>390</u>	<u>33,367</u>
Change in Net Position	<u>(8,034)</u>	<u>(112,491)</u>	<u>31,150</u>	<u>(39,470)</u>	<u>16,022</u>	<u>(112,823)</u>
Net Position - January 1	47,459	213,229	710,856	397,919	11,365	1,380,828
Prior Period Adjustment (Note 10)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,416)</u>	<u>-</u>	<u>(91,416)</u>
Net Position, January 1, as Restated	<u>47,459</u>	<u>213,229</u>	<u>710,856</u>	<u>306,503</u>	<u>11,365</u>	<u>1,289,412</u>
Net Position - December 31	<u>\$ 39,425</u>	<u>\$ 100,738</u>	<u>\$ 742,006</u>	<u>\$ 267,033</u>	<u>\$ 27,387</u>	<u>\$ 1,176,589</u>

City of Fairmont, Minnesota  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2019

	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	\$ 221,629	\$ 1,813,584	\$ 359,761	\$ 366,740	\$ 171,248	\$ 2,932,962
Payments to suppliers	(40,810)	(102,013)	(323,618)	(44,497)	(152,350)	(663,288)
Payments to and on behalf of employees	(140,358)	(1,824,421)	-	(463,993)	-	(2,428,772)
Payments for interfund services used	(39,292)	(9)	-	-	(1,282)	(40,583)
Other receipts	-	9,002	-	3,630	-	12,632
Net Cash Provided (Used) by Operating Activities	1,169	(103,857)	36,143	(138,120)	17,616	(187,049)
Cash Flows from Noncapital and Related Financing Activities						
Increase in due from other funds	-	(8,955)	-	(2,028)	-	(10,983)
Increase in due to other funds	277	-	-	-	-	277
Net Cash Provided (Used) by Noncapital and Related Financing Activities	277	(8,955)	-	(2,028)	-	(10,706)
Cash Flows from Capital And Related Financing Activities						
Acquisition of capital assets	-	-	-	-	(18,578)	(18,578)
Cash Flows from Investing Activities						
Interest received	540	1,405	21,770	9,262	390	33,367
Net Increase (Decrease) in Cash and Cash Equivalents	1,986	(111,407)	57,913	(130,886)	(572)	(182,966)
Cash and Cash Equivalents, January 1	16,770	172,291	710,856	397,919	13,522	1,311,358
Cash and Cash Equivalents, December 31	<u>\$ 18,756</u>	<u>\$ 60,884</u>	<u>\$ 768,769</u>	<u>\$ 267,033</u>	<u>\$ 12,950</u>	<u>\$ 1,128,392</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ (8,574)	\$ (113,896)	\$ 9,380	\$ (48,732)	\$ 15,632	\$ (146,190)
Prior period adjustment	-	-	-	(91,416)	-	(91,416)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	4,998	-	-	-	2,552	7,550
(Increase) decrease in assets						
Net accounts receivable	-	(18)	(1,000)	(78)	-	(1,096)
Prepaid expenses	-	-	-	-	(60)	(60)
Increase (decrease) in liabilities						
Accounts and contracts payable	(6,158)	10,057	27,763	2,106	(508)	33,260
Accrued salaries payable	787	-	-	-	-	787
Sick leave/severance payable	10,116	-	-	-	-	10,116
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,169</u>	<u>\$ (103,857)</u>	<u>\$ 36,143</u>	<u>\$ (138,120)</u>	<u>\$ 17,616</u>	<u>\$ (187,049)</u>

## Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

**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.

City of Fairmont, Minnesota  
Combining Statement of Fiduciary Net Position  
Custodial Funds  
December 31, 2019

	<b>871</b> Multi-Family Housing Fund	<b>872</b> HRA Potter's Addition Fund	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 67,152	\$ 148,781	\$ 215,933
Receivables	-	610	610
Total Assets	<u>67,152</u>	<u>149,391</u>	<u>216,543</u>
Liabilities			
Accounts payable	5,355	13,706	19,061
Deposits payable	-	609	609
Total Liabilities	<u>5,355</u>	<u>14,315</u>	<u>19,670</u>
Net Position			
Restricted			
Individuals, organizations and other governments	<u>\$ 61,797</u>	<u>\$ 135,076</u>	<u>\$ 196,873</u>

City of Fairmont, Minnesota  
Combining Statement of Changes in Fiduciary Net Position  
Custodial Funds  
December 31, 2019

	<b>871</b> Multi-Family Housing Fund	<b>872</b> HRA Potter's Addition Fund	Total
Additions			
Investment earnings	\$ 3,315	\$ 7,058	\$ 10,373
Charges for services	73,208	151,577	224,785
Miscellaneous	-	4,523	4,523
Total Additions	<u>76,523</u>	<u>163,158</u>	<u>239,681</u>
Deductions			
Housing			
Supplies	224	609	833
Other services and charges	61,638	175,286	236,924
Payments to other entities	<u>52,575</u>	<u>102,575</u>	<u>155,150</u>
Total Deductions	<u>114,437</u>	<u>278,470</u>	<u>392,907</u>
Net Increase (Decrease) in Fiduciary Net Position	(37,914)	(115,312)	(153,226)
Net Position, January 1, as Restated	<u>99,711</u>	<u>250,388</u>	<u>350,099</u>
Net Position, December 31	<u><u>\$ 61,797</u></u>	<u><u>\$ 135,076</u></u>	<u><u>\$ 196,873</u></u>

City of Fairmont, Minnesota  
Discretely Presented Component Unit  
Economic Development Authority  
Comparative Balance Sheets/Net Position  
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	\$ 425,210	\$ 405,280
Receivables		
Delinquent taxes	2,306	2,301
Accounts	1,609	499
Loans	4,214	6,371
Intergovernmental	699	1,099
	<u>434,038</u>	<u>415,550</u>
Total Assets	<u>\$ 434,038</u>	<u>\$ 415,550</u>
Liabilities		
Accounts and contracts payable	\$ 7,501	\$ 3,788
Accrued wages payable	3,752	3,217
Total Liabilities	<u>11,253</u>	<u>7,005</u>
Deferred Inflows of Resources		
Unavailable revenue - taxes	<u>2,306</u>	<u>2,301</u>
Fund Balances		
Assigned for		
Economic development	<u>420,479</u>	<u>406,244</u>
	<u>420,479</u>	<u>406,244</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 434,038</u>	<u>\$ 415,550</u>
Amounts reported for governmental activities in the statement of net position are different because		
Total Fund Balances - Governmental Funds As Shown Above	\$ 420,479	\$ 406,244
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(2,905)	(2,460)
Postemployment benefits other than pension obligation	(7,980)	(7,883)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	2,306	2,301
Governmental funds do not report long-term amounts related to other postemployment benefits.		
Deferred outflows of postemployment benefits	801	472
Deferred inflows of postemployment benefits	(1,064)	-
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>(7,030)</u>	<u>(5,120)</u>
Total Net Position - Governmental Activities	<u>\$ 404,607</u>	<u>\$ 393,554</u>

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

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, 2019 and 2018

	2019	2018
Revenues		
Taxes	\$ 98,822	\$ 99,300
Payments from City	108,249	105,762
Investment earnings	11,910	6,181
Miscellaneous	37,994	38,953
Total Revenues	<u>256,975</u>	<u>250,196</u>
Expenditures		
Current		
Housing and economic development	235,385	217,667
Debt service		
Payments to City for debt service	7,355	800
Total Expenditures	<u>242,740</u>	<u>218,467</u>
Net Change in Fund Balances	14,235	31,729
Fund Balances, January 1	<u>406,244</u>	<u>374,515</u>
Fund Balances, December 31	<u>\$ 420,479</u>	<u>\$ 406,244</u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ 14,235	\$ 31,729
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	5	12
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.		
Sick leave/severance payable	(445)	837
Post employment benefits other than pension costs	(832)	(6,946)
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>(1,910)</u>	<u>(764)</u>
Change in Net Position - Governmental Activities	<u>\$ 11,053</u>	<u>\$ 24,868</u>

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

City of Fairmont, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations -  
Governmental Funds  
For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)	
	2019	2018		
Revenues				
Taxes	\$ 5,861,225	\$ 5,332,614	9.91	%
Special assessments	472,874	401,223	17.86	
Licenses and permits	200,446	161,590	24.05	
Intergovernmental	4,562,311	5,249,736	(13.09)	
Charges for services	947,814	993,274	(4.58)	
Fines and forfeits	59,930	56,420	6.22	
Investment earnings	492,652	140,360	250.99	
Miscellaneous	534,151	510,251	4.68	
Payments from Component Unit for debt service	7,355	800	819.38	
Total Revenues	<u>\$ 13,138,758</u>	<u>\$ 12,846,268</u>	2.28	%
Per Capita	<u>\$ 1,275</u>	<u>\$ 1,243</u>	2.52	%
Expenditures				
Current				
General government	\$ 1,615,228	\$ 1,438,470	12.29	%
Public safety	3,493,881	3,460,352	0.97	
Streets and highways	1,713,818	1,663,997	2.99	
Sanitation and waste removal	181,175	138,077	31.21	
Culture and recreation	1,444,480	1,413,771	2.17	
Housing and economic development	418,073	241,698	72.97	
Miscellaneous	481,550	543,120	(11.34)	
Capital outlay				
General government	-	34,203	(100.00)	
Public safety	69,944	153,385	(54.40)	
Streets and highways	3,153,687	1,435,576	119.68	
Culture and recreation	959,214	416,307	130.41	
Miscellaneous	441,505	137,781	220.44	
Debt service				
Principal	1,465,000	2,430,000	(39.71)	
Interest and other charges	251,071	302,763	(17.07)	
Bond issuance costs	60,246	-	100.00	
Total Expenditures	<u>\$ 15,748,872</u>	<u>\$ 13,809,500</u>	14.04	%
Per Capita	<u>\$ 1,528</u>	<u>\$ 1,337</u>	14.32	%
Total Long-term Indebtedness	\$ 13,370,000	\$ 12,235,000	9.28	%
Per Capita	1,297	1,184	9.54	
General Fund Balance - December 31	\$ 7,947,471	\$ 7,863,525	1.07	%
Per Capita	771	761	1.31	

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.



STAISTICAL SECTION (UNAUDITED)

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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## **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.

City of Fairmont, Minnesota  
Net Position By Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental Activities					
Net investment in capital assets	\$ 45,287,689	\$ 44,638,223	43,687,451	\$ 42,677,369	\$ 41,232,320
Restricted	11,341,318	10,334,955	9,971,329	9,958,778	12,367,042
Unrestricted	7,709,809	5,821,059	4,619,117	3,969,515	2,908,794
Total Governmental Activities Net Position	<u>64,338,816</u>	<u>60,794,237</u>	<u>58,277,897</u>	<u>56,605,662</u>	<u>56,508,156</u>
Business-type Activities					
Net investment in capital assets	37,160,916	36,725,415	35,673,883	34,422,093	33,949,598
Unrestricted	14,848,110	13,378,042	13,113,654	13,095,940	12,197,684
Total Business-type Activities Net Position	<u>52,009,026</u>	<u>50,103,457</u>	<u>48,787,537</u>	<u>47,518,033</u>	<u>46,147,282</u>
Primary government					
Net investment in capital assets	82,448,605	81,363,638	79,361,334	77,099,462	75,181,918
Restricted	11,341,318	10,334,955	9,971,329	9,958,778	12,367,042
Unrestricted	<u>22,557,919</u>	<u>19,199,101</u>	<u>17,732,771</u>	<u>17,065,455</u>	<u>15,106,478</u>
Total Primary Government Net Position	<u>\$ 116,347,842</u>	<u>\$ 110,897,694</u>	<u>\$ 107,065,434</u>	<u>\$ 104,123,695</u>	<u>\$ 102,655,438</u>

**Table 1**

Fiscal Year				
2014	2013	2012	2011	2010
\$ 40,916,624	\$ 38,956,915	\$ 33,902,134	\$ 31,176,518	\$ 31,067,381
12,265,446	9,957,243	8,523,280	12,247,802	11,329,052
1,550,558	7,610,856	9,029,687	6,960,460	6,469,646
54,732,628	56,525,014	51,455,101	50,384,780	48,866,079
33,735,220	32,805,088	33,021,655	30,733,612	28,564,935
11,263,786	12,142,960	10,123,274	9,556,319	5,724,972
44,999,006	44,948,048	43,144,929	40,289,931	34,289,907
74,651,844	71,762,003	66,923,789	61,910,130	59,632,316
12,265,446	9,957,243	8,523,280	12,247,802	11,329,052
12,814,344	19,753,816	19,152,961	16,516,779	12,194,618
<u>\$ 99,731,634</u>	<u>\$ 101,473,062</u>	<u>\$ 94,600,030</u>	<u>\$ 90,674,711</u>	<u>\$ 83,155,986</u>

City of Fairmont, Minnesota  
Changes in Net Position (Continued on the Following Pages)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
Expenses					
Governmental Activities					
General government	\$ 1,750,444	\$ 1,538,761	\$ 1,389,155	\$ 1,315,890	\$ 1,216,566
Public safety	3,782,782	3,490,270	3,598,787	3,806,893	2,717,662
Public works/streets	3,373,265	3,036,945	2,988,471	2,787,405	3,128,949
Sanitation and waste removal	181,175	138,077	148,959	138,831	100,740
Culture and recreation	1,819,283	1,762,810	1,758,014	1,643,560	1,584,291
Housing development	260,887	94,458	143,337	127,407	120,042
Economic development	229,239	207,984	243,958	234,923	148,400
Miscellaneous	995,295	1,009,453	918,959	910,637	728,443
Interest on long-term debt	322,878	266,725	313,947	323,637	477,400
Total Governmental Activities Expenses	<u>12,715,248</u>	<u>11,545,483</u>	<u>11,503,587</u>	<u>11,289,183</u>	<u>10,222,493</u>
Business-type Activities					
Electric	14,081,962	14,995,845	14,731,070	14,297,048	13,285,756
District heat	-	-	-	-	-
Water	3,571,287	3,600,037	3,541,198	3,547,150	3,279,741
Wastewater	2,049,917	1,812,529	1,876,476	1,745,686	1,818,529
Storm sewer	489,681	461,741	482,469	437,661	453,463
Liquor	3,285,606	3,210,279	3,181,621	3,134,956	3,035,247
Parking lot	4,911	7,389	8,180	6,432	5,252
Total Business-type Activities Expenses	<u>23,483,364</u>	<u>24,087,820</u>	<u>23,821,014</u>	<u>23,168,933</u>	<u>21,877,988</u>
Total Primary Government Expenses	<u>\$36,198,612</u>	<u>\$35,633,303</u>	<u>\$35,324,601</u>	<u>\$34,458,116</u>	<u>\$32,100,481</u>

**Table 2**

Fiscal Year				
2014	2013	2012	2011	2010
\$ 1,143,844	\$ 1,232,309	\$ 1,181,084	\$ 1,123,699	\$ 1,092,840
3,035,606	3,210,448	2,880,151	2,941,828	2,887,905
2,566,565	3,286,029	2,853,511	3,599,560	2,927,285
132,693	95,337	46,686	35,685	46,879
1,520,715	1,362,430	1,286,209	1,265,100	1,309,746
173,290	76,316	439,722	32,366	282,849
55,579	157,187	387,642	492,852	411,663
760,332	573,647	302,744	318,644	325,526
446,355	674,359	658,275	539,480	579,300
9,834,979	10,668,062	10,036,024	10,349,214	9,863,993
13,617,700	13,983,971	14,199,539	14,751,216	14,472,796
-	-	-	244,063	363,596
2,489,640	2,675,602	1,931,755	1,680,372	1,867,238
1,811,386	1,932,731	1,810,984	1,837,211	1,788,281
421,155	367,738	299,870	366,330	356,087
2,950,980	2,898,764	2,931,921	2,848,468	2,671,313
4,663	4,830	4,905	4,735	4,456
21,295,524	21,863,636	21,178,974	21,732,395	21,523,767
<u>\$31,130,503</u>	<u>\$32,531,698</u>	<u>\$31,214,998</u>	<u>\$32,081,609</u>	<u>\$31,387,760</u>

City of Fairmont, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 252,598	\$ 239,759	\$ 200,395	\$ 206,187	\$ 218,618
Public safety	350,116	309,577	351,871	229,177	267,438
Public works/streets	1,522	13,302	13,080	7,995	3,327
Sanitation and waste removal	132,938	137,360	161,680	162,841	142,225
Culture and recreation	180,093	171,529	184,505	188,734	185,412
Housing development	9,018	22,226	17,786	9,044	7,669
Economic development	65,413	65,454	66,613	65,973	76,006
Miscellaneous	434,297	470,217	471,129	491,669	517,193
Operating grants and contributions	384,501	613,636	340,258	413,384	369,600
Capital grants and contributions	2,173,779	1,216,811	2,200,736	890,243	824,310
Total Governmental Activities					
Program Revenues	3,984,275	3,259,871	4,008,053	2,665,247	2,611,798
Business-type Activities					
Charges for services					
Electric	15,956,156	16,405,873	15,866,026	15,375,663	14,599,368
District heat	-	-	-	-	-
Water	3,549,845	3,521,529	3,494,693	3,502,969	3,359,568
Wastewater	2,291,403	2,305,792	2,334,393	2,389,450	2,349,903
Storm sewer	587,415	581,475	582,584	581,011	582,566
Liquor	3,859,070	3,809,557	3,685,869	3,684,982	3,597,659
Parking	6,480	6,480	6,749	5,708	5,773
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	11,002	1,460	44,417	10,227	(97)
Total Business-type Activities					
Program Revenues	26,261,371	26,632,166	26,014,731	25,550,010	24,494,740
Total Primary Government Program Revenues	<u>\$30,245,646</u>	<u>\$29,892,037</u>	<u>\$30,022,784</u>	<u>\$28,215,257</u>	<u>\$27,106,538</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (8,730,973)	\$ (8,285,612)	\$ (7,495,534)	\$ (8,623,936)	\$ (7,610,695)
Business-type Activities	<u>2,778,007</u>	<u>2,544,346</u>	<u>2,193,717</u>	<u>2,381,077</u>	<u>2,616,752</u>
Total Primary Government Net (Expense) Revenue	<u>\$ (5,952,966)</u>	<u>\$ (5,741,266)</u>	<u>\$ (5,301,817)</u>	<u>\$ (6,242,859)</u>	<u>\$ (4,993,943)</u>



**Table 2 (Continued)**

Fiscal Year				
2014	2013	2012	2011	2010
\$ 223,894	\$ 207,868	\$ 188,707	\$ 213,341	\$ 168,661
173,616	157,367	220,627	192,848	225,456
1,177	3,141	4,738	1,511	750
98,879	103,531	14,471	12,850	16,112
167,287	164,170	154,816	138,197	155,301
7,585	8,198	9,248	7,453	11,651
68,833	61,749	56,746	146,488	39,159
511,424	261,149	116,964	98,727	111,911
285,926	407,550	662,907	125,964	276,326
2,031,172	6,144,669	1,250,688	2,280,747	2,909,384
<u>3,569,793</u>	<u>7,519,392</u>	<u>2,679,912</u>	<u>3,218,126</u>	<u>3,914,711</u>
14,742,850	14,675,757	15,074,146	15,649,347	14,782,836
-	-	-	82,626	129,919
3,299,993	3,338,756	3,015,814	2,863,396	2,425,175
2,602,355	2,542,395	2,159,105	2,280,406	2,249,994
583,369	587,188	576,106	575,513	577,995
3,446,532	3,392,791	3,293,151	3,171,724	3,151,913
4,837	4,797	4,824	4,228	4,798
-	-	-	8,964	-
7,429	200,172	801,928	4,000,000	-
<u>24,687,365</u>	<u>24,741,856</u>	<u>24,925,074</u>	<u>28,636,204</u>	<u>23,322,630</u>
<u>\$28,257,158</u>	<u>\$32,261,248</u>	<u>\$27,604,986</u>	<u>\$31,854,330</u>	<u>\$27,237,341</u>
\$ (6,265,186)	\$ (3,148,670)	\$ (7,356,112)	\$ (7,131,088)	\$ (5,949,282)
3,391,841	2,878,220	3,746,100	6,903,809	1,798,863
<u>\$ (2,873,345)</u>	<u>\$ (270,450)</u>	<u>\$ (3,610,012)</u>	<u>\$ (227,279)</u>	<u>\$ (4,150,419)</u>

City of Fairmont, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 3,397,379	\$ 3,295,022	\$ 2,912,776	\$ 2,556,358	\$ 2,297,072
Property taxes, levied for debt service	1,167,838	1,124,959	1,003,754	1,074,582	1,025,796
Tax increments	169,900	139,090	92,094	74,173	67,165
Sales tax	927,291	740,471	175,477	-	-
Hotel-motel tax	173,068	-	-	-	-
Franchise taxes	41,438	41,480	40,696	39,526	38,294
Grants and contributions not restricted to specific programs	3,492,561	3,614,236	3,469,459	3,646,550	3,691,778
Unrestricted investment earnings (loss)	526,019	158,834	182,987	138,795	94,493
Other revenues	36,008	15,278	9,459	13,141	567,451
Gain on sale of capital assets	82,500	199,334	193,935	28,684	38,485
Transfers	1,338,000	1,385,000	1,087,132	1,149,633	1,565,689
Total Governmental Activities	<u>11,352,002</u>	<u>10,713,704</u>	<u>9,167,769</u>	<u>8,721,442</u>	<u>9,386,223</u>
Business-type Activities					
Unrestricted investment earnings	465,562	255,218	162,919	139,307	97,213
Transfers	(1,338,000)	(1,385,000)	(1,087,132)	(1,149,633)	(1,565,689)
Total Business-type Activities	<u>(872,438)</u>	<u>(1,129,782)</u>	<u>(924,213)</u>	<u>(1,010,326)</u>	<u>(1,468,476)</u>
Total Primary Government	<u>\$10,479,564</u>	<u>\$ 9,583,922</u>	<u>\$ 8,243,556</u>	<u>\$ 7,711,116</u>	<u>\$ 7,917,747</u>
Changes in Net Position					
Governmental Activities	\$ 2,621,029	\$ 2,428,092	\$ 1,672,235	\$ 97,506	\$ 1,775,528
Business-type Activities	<u>1,905,569</u>	<u>1,414,564</u>	<u>1,269,504</u>	<u>1,370,751</u>	<u>1,148,276</u>
Total Primary Government	<u>\$ 4,526,598</u>	<u>\$ 3,842,656</u>	<u>\$ 2,941,739</u>	<u>\$ 1,468,257</u>	<u>\$ 2,923,804</u>

**Table 2 (Continued)**

Fiscal Year				
2014	2013	2012	2011	2010
\$ 2,153,651	\$ 1,975,108	\$ 1,885,398	\$ 1,596,716	\$ 1,473,465
1,094,331	1,153,660	1,152,523	1,025,257	1,013,775
27,020	-	334,725	341,402	563,453
-	-	-	-	-
-	-	-	-	-
36,927	36,205	34,343	35,392	35,749
3,789,473	3,918,992	3,822,810	3,795,820	3,863,130
170,917	(14,237)	144,501	148,810	155,334
33,139	17,052	32,397	7,615	10,497
69,662	3,241	42,104	957,136	6,423
964,632	1,128,562	977,632	941,148	890,561
<u>8,339,752</u>	<u>8,218,583</u>	<u>8,426,433</u>	<u>8,849,296</u>	<u>8,012,387</u>
89,997	53,461	86,530	53,591	101,859
(964,632)	(1,128,562)	(977,632)	(941,148)	(890,561)
<u>(874,635)</u>	<u>(1,075,101)</u>	<u>(891,102)</u>	<u>(887,557)</u>	<u>(788,702)</u>
<u>\$ 7,465,117</u>	<u>\$ 7,143,482</u>	<u>\$ 7,535,331</u>	<u>\$ 7,961,739</u>	<u>\$ 7,223,685</u>
\$ 2,074,566	\$ 5,069,913	\$ 1,070,321	\$ 1,718,208	\$ 2,063,105
2,517,206	1,803,119	2,854,998	6,016,252	1,010,161
<u>\$ 4,591,772</u>	<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>	<u>\$ 7,734,460</u>	<u>\$ 3,073,266</u>

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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	Hotel-Motel Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service					
2019	\$3,397,379	\$1,167,838	\$ 169,900	\$ 927,291	\$ 173,068	\$ 41,438	\$5,876,914
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

City of Fairmont, Minnesota  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
General Fund					
Nonspendable	\$ 190	\$ -	\$ -	\$ 787	\$ -
Committed	80,912	79,222	29,122	151,622	151,622
Assigned	6,817,619	3,807,630	3,279,918	2,739,131	2,739,131
Unassigned (Unreserved 2010)	1,048,750	3,976,673	3,940,674	4,100,400	3,488,001
Total General Fund	<u>\$ 7,947,471</u>	<u>\$ 7,863,525</u>	<u>\$ 7,249,714</u>	<u>\$ 6,991,940</u>	<u>\$ 6,378,754</u>
All Other Governmental Funds					
Nonspendable	\$ 3,200	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2009 - 2010)	7,589,109	8,264,773	8,618,602	10,818,055	11,337,886
Committed	3,596,589	1,179,486	940,810	1,110,270	1,082,705
Assigned	140,827	502,064	497,183	364,986	207,420
Unassigned (Unreserved 2010)	(196,313)	(177,718)	(125,281)	(764,003)	(2,850)
Total All Other Governmental Funds	<u>\$ 11,133,412</u>	<u>\$ 9,768,605</u>	<u>\$ 9,931,314</u>	<u>\$ 11,529,308</u>	<u>\$ 12,625,161</u>

**Table 4**

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

City of Fairmont, Minnesota  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues					
Taxes	\$ 5,861,225	\$ 5,332,614	\$ 4,207,083	\$ 3,768,410	\$ 3,448,929
Special assessments	472,874	401,223	721,283	459,825	589,366
Intergovernmental revenue	4,562,311	5,249,736	5,115,057	4,831,630	4,313,685
Licenses and permits	200,446	161,590	171,720	155,757	213,922
Charges for services	947,814	993,274	913,191	830,732	799,346
Fines and forfeits	59,930	56,420	55,221	55,554	56,129
Interest	492,652	140,360	170,377	127,993	86,920
Other revenues	541,506	511,051	504,388	411,293	974,449
Total Revenues	<u>13,138,758</u>	<u>12,846,268</u>	<u>11,858,320</u>	<u>10,641,194</u>	<u>10,482,746</u>
Expenditures					
General government	1,615,228	1,438,470	1,240,887	1,133,899	1,218,580
Public safety	3,493,881	3,460,352	3,247,776	3,079,878	3,016,290
Public works	1,955,239	1,802,074	1,636,273	1,577,725	1,561,660
Culture and recreation	1,444,480	1,413,771	1,377,943	1,319,819	1,330,948
Housing and economic development	418,073	241,698	319,018	283,659	199,147
Public transportation	481,550	543,120	456,424	460,580	492,002
Capital outlay	4,624,350	2,177,252	5,012,448	3,058,970	3,452,739
Debt service					
Principal	1,465,000	2,430,000	3,730,000	3,780,000	1,230,000
Interest and fees	251,071	302,763	333,112	390,173	408,708
Total Expenditures	<u>15,748,872</u>	<u>13,809,500</u>	<u>17,353,881</u>	<u>15,084,703</u>	<u>12,910,074</u>
Deficiency of Revenues					
Under Expenditures	<u>(2,610,114)</u>	<u>(963,232)</u>	<u>(5,495,561)</u>	<u>(4,443,509)</u>	<u>(2,427,328)</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	29,334	43,435	28,684	38,485
Transfers in	5,067,480	2,832,281	4,520,394	1,734,065	2,366,802
Transfers out	(3,729,480)	(1,447,281)	(3,433,262)	(584,432)	(801,113)
Bonds issued	2,600,000	-	2,950,000	2,715,000	2,330,000
Premium (discount) on bonds issued	119,809	-	74,774	67,525	24,175
Total Other Financing Sources (Uses)	<u>4,057,809</u>	<u>1,414,334</u>	<u>4,155,341</u>	<u>3,960,842</u>	<u>3,958,349</u>
Net Change in Fund Balances	<u>\$ 1,447,695</u>	<u>\$ 451,102</u>	<u>\$ (1,340,220)</u>	<u>\$ (482,667)</u>	<u>\$ 1,531,021</u>
Debt service as a percentage of noncapital expenditures	15%	23%	32%	34%	16%



**Table 5**

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

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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
2019	\$ 4,892,496	\$ -	\$ 927,291	\$ 41,438	\$ 5,861,225
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

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		
2019	(1)	\$ 458,194,900	\$ 209,041,500	\$ 35,306,200	\$ 6,278,800
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

Source: Martin County Assessors' Office

(1) 2012 - 2019 Total Market Value after Homestead Market Value Exclusion

**Table 7**

Total Taxable Market Value	Total Direct Tax Rate	Indicated Market Value	Assessed Value as a Percentage of Actual Value
\$ 708,821,400	61.041	\$ 781,293,400	90.72 %
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

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
2019	47.918	13.123	61.041	41.038	0.629	41.667
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

Source: Martin County Assessors' Office.

**Table 8**

Overlapping Rates				Total Direct and Overlapping Rates
School District			Special Districts	
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total School Tax Capacity Rate		
10.906	13.947	24.853	0.400	127.961
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

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

Taxpayer	Type of Business	2019		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Cenex Harvest States	Soybean Crushing	\$ 22,518,900	1	3.2 %
Green Plains Fairmont LLC	Ethanol Manufacturing	20,697,600	2	2.9
Wal-Mart	Retail	9,234,500	3	1.3
SMMPA	Utilities	8,223,800	4	1.2
Mayo Health Systems-Fairmont	Medical Facility	7,217,700	5	1.0
Bank Midwest	Banking	5,351,100	6	0.8
Goldfinch Estates	Assisted Living	9,764,800	7	1.4
Minnesota Energy Resources	Utilities	4,655,100	8	0.7
Weigh-Tronix, Inc.	Scale Manufacturing	4,538,600	9	0.6
Fairmont Foods	Food Processing	4,301,500	10	0.6
Five Lakes Center	Shopping Center	-		-
Holiday Inn	Hotel	-		-
Hawkeye Foodservice	Distribution	-		-
Total		<u>\$ 96,503,600</u>		<u>13.7 %</u>

Source: Martin County Assessors' Office.



**Table 9**

2010		
Taxable Market Value	Rank	Percentage of Total Taxable Market Value
\$ 16,034,900	2	2.6 %
24,354,900	1	3.9
11,864,300	3	1.9
-		-
5,849,400	5	0.9
-		-
8,268,000	4	1.3
-		-
3,787,900	7	0.6
3,157,800	10	0.5
4,200,000	6	0.7
3,480,400	8	0.6
3,241,300	9	0.5
<u>\$ 84,238,900</u>		<u>13.5 %</u>

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City of Fairmont, Minnesota  
Property Tax Levies and Collections  
Last Ten Fiscal Years

**Table 10**

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 4,712,867	\$ 4,642,968	98.5 %	\$ -	\$ 4,642,968	98.5 %
2018	4,537,870	4,485,200	98.8	38,010	4,523,210	99.7
2017	4,049,030	4,000,995	98.8	40,184	4,041,179	99.8
2016	3,714,706	3,680,130	99.1	29,757	3,709,887	99.9
2015	3,410,035	3,372,606	98.9	36,366	3,408,972	100.0
2014	3,310,714	3,264,224	98.6	45,797	3,310,021	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

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	
2019	\$ -	\$ 13,583,908	\$ -	\$ 420,790	\$ 26,477,000	\$ 40,481,698
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

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

**Table 11**

<u>Percentage of (Net) General Bonded Debt to Property Value</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
1.74 %	12.71 %	\$ 3,928
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

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City of Fairmont, Minnesota  
Direct and Overlapping Governmental Activities Debt  
December 31, 2019

**Table 12**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Fairmont	\$ 13,583,908	100.00 %	\$ 13,583,908
Total direct debt	<u>13,583,908</u>		<u>13,583,908</u>
Martin County	15,854,000	16.73	2,652,374
Independent School District No. 2752	31,510,000	47.97	15,115,347
Total overlapping debt	<u>47,364,000</u>		<u>17,767,721</u>
Total direct and overlapping debt	<u>\$ 60,947,908</u>		<u>\$ 31,351,629</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

	2019	2018	2017	2016	2015
Debt Limit	\$ 21,264,642	\$ 20,566,395	\$ 19,772,562	\$ 19,234,896	\$ 18,414,708
Total net debt applicable to limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 21,264,642</u>	<u>\$ 20,566,395</u>	<u>\$ 19,772,562</u>	<u>\$ 19,234,896</u>	<u>\$ 18,414,708</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 2019**

Market value	\$ 708,821,400
Debt limit (3% of total assessed value)	<u>21,264,642</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>\$ 21,264,642</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 18,517,473	\$ 17,169,371	\$ 16,580,637	\$ 16,294,931	\$ 18,627,948
<u>-</u>	<u>-</u>	<u>65,000</u>	<u>125,000</u>	<u>175,000</u>
<u><u>\$ 18,517,473</u></u>	<u><u>\$ 17,169,371</u></u>	<u><u>\$ 16,515,637</u></u>	<u><u>\$ 16,169,931</u></u>	<u><u>\$ 18,452,948</u></u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>0.4</u></u>	<u><u>0.8</u></u>	<u><u>0.9</u></u>

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

**Table 14**

		Utility Revenue Bonds						
		Gross	Direct	Net Revenue	Debt Service Requirements <sup>(5)</sup>			
Year		Revenue	Operating Expenses <sup>(4)</sup>	Available for Debt Service	Principal	Interest	Total	Coverage
2019	<sup>(1)</sup>	\$6,628,823	\$3,712,314	\$2,916,509	\$1,742,000	\$ 621,081	\$2,363,081	1.23
2018	<sup>(1)</sup>	6,538,779	\$3,467,187	3,071,592	1,701,000	657,039	2,358,039	1.30
2017	<sup>(1)</sup>	6,508,636	3,440,195	3,068,441	1,667,000	692,037	2,359,037	1.30
2016	<sup>(1)</sup>	6,559,574	3,294,576	3,264,998	1,629,495	726,279	2,355,774	1.39
2015	<sup>(2)</sup>	6,330,329	3,112,875	3,217,454	1,624,000	756,333	2,380,333	1.35
2014	<sup>(2)</sup>	6,452,780	2,992,864	3,459,916	1,590,000	765,525	2,355,525	1.47
2013	<sup>(2)</sup>	6,498,498	2,937,352	3,561,146	1,744,000	609,695	2,353,695	1.51
2012	<sup>(2)</sup>	5,823,490	2,701,862	3,121,628	833,812	289,320	1,123,132	2.78
2011	<sup>(2)</sup>	2,876,421	1,137,876	1,738,545	647,000	303,453	950,453	1.83
2010	<sup>(3)</sup>	2,881,620	993,506	1,888,114	866,000	334,329	1,200,329	1.57

Source: City of Fairmont Financial Records.

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

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

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

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

(4) Does not include depreciation.

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

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

**Table 15**

Fiscal Year	Population (A)	Per Capita Personal Income	Total Personal Income (B)	Median Age (B & C)	School Enrollment (D)	Unemployment Rate (E)
2019	10,307	\$ 30,900	\$ 318,486,300	47.6	1,694	3.4 %
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	10,521	26,065	274,229,865	47.6	1,699	4.4
2012	10,631	24,965	265,402,915	47.6	1,694	5.0
2011	10,666	24,965	266,276,690	47.6	1,726	5.2
2010	10,666	24,965	266,276,690	47.6	1,686	6.5

(A) Source: State Demographer

(B) Source: United States Census Bureau

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

(D) Source: ISD #2752

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

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

**Table 16**

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Foods of Minnesota	330	1	3.30 %	272	6	2.39 %
Weigh-Tronix Scale Manufacturing	305	2	3.05	331	2	2.91
Fairmont Mayo Health Systems	267	3	2.67	680	1	5.98
ISD 2752	260	4	2.60	325	3	2.86
Hy-Vee	240	5	2.40	180	9	1.58
Torgerson Properties	219	6	2.19	273	5	2.40
Wal-Mart	191	7	1.91	195	8	1.71
REM Heartland	185	8	1.85	275	4	2.42
Lakeview Health Care Facility	155	9	1.55	256	7	2.25
Martin County	131	10	1.31	-	-	-
MRCI	-		-	155	10	1.36
Total	<u>2,283</u>		<u>22.83 %</u>	<u>2,942</u>		<u>25.86 %</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				
	2019	2018	2017	2016	2015
General Government	11	11	11	10	11
Public Safety					
Police					
Officers	18	18	18	15	16
Civilians	2	2	2	2	2
Streets and Highways					
Engineering	4	4	4	4	3
Maintenance	11	11	10	10	10
Culture and Recreation					
Parks	10	10	10	10	9
Housing and Economic Development	3	4	4	4	3
Water	11	11	12	12	12
Sewer	5	5	5	5	5
Electric	9	11	11	11	11
Liquor Store	3	3	3	3	3
Airport	1	1	1	1	1
Total	<u>88</u>	<u>91</u>	<u>91</u>	<u>87</u>	<u>86</u>

Source: City of Fairmont Records

**Table 17**

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

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

Function	Fiscal Year				
	2019	2018	2017	2016	2015
Police					
Adult arrests	1,269	1,320	1,086	916	979
Juvenile arrests	128	86	89	69	87
Fire					
Number of fire calls answered	102	95	104	103	119
Number of rescue calls answered	35	36	40	34	19
Highways and Streets					
Street resurfacing (miles)	5	1	4	1	5
Culture and Recreation					
Attendance at water park	20,747	21,691	21,852	25,585	25,336
Water					
Annual water consumption (thousands of gallons)	345,631	359,856	371,690	375,715	367,127
Wastewater					
Annual treatment flows (thousands of gallons)	758,520	778,920	586,820	673,240	490,670
Electric					
Annual KWH electricity sold (thousands of kwh)	144,833	150,728	146,088	147,048	142,562

Sources: Various government departments.

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



**Table 18**

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

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

Function	Fiscal Year				
	2019	2018	2017	2016	2015
Public Safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	18	14	15
Part-time paid police	2	2	2	2	3
Civilian employees	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	28	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	9700%	96%	96%	96%
Signalized intersections	10	10	10	10	10
Parks division					
Neighborhood parks	29	29	29	29	29
Area in acres	560	560	560	560	560
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
Mini Golf (9 holes)	1	-	-	-	-
Disc Golf (54 holes)	1	1	1	1	1
Swimming areas	2	2	2	2	2
Tennis courts	2	2	2	2	2
Volleyball courts	5	2	2	2	2
Utilities					
Municipal water					
Consumers	4,435	4,433	4,430	4,435	4,423
Average daily consumption	1,217,150	1,238,544	1,220,239	1,265,344	1,238,628
Maximum production capacity	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
Storage capacity	48,000,000	4,800,000	4,800,000	4,800,000	4,800,000
Miles of water main	84	84	84	84	83
Municipal wastewater treatment					
Average daily treatment	2,070,833	2,131,667	1,608,333	1,836,667	1,342,500
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	81	80
Storm drains					
Miles of storm sewer	56	41	41	41	41
Holding ponds	13	9	9	9	8
Parking System					
Off-street parking					
Off street lots	7	7	7	7	7
Employees					
Supervisors	10	10	10	10	10
Union employees	62	63	64	61	59
Other employees	16	18	17	16	17
Total Employees	88	91	91	87	86

Source: City of Fairmont Records

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

Table 19

Fiscal Year				
2014	2013	2012	2011	2010
1	1	1	1	1
15	16	17	17	18
3	3	3	3	3
2	2	2	2	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	1	-	-
3	3	3	5	5
-	-	-	-	-
1	1	1	1	1
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
4,410	4,426	4,429	4,442	4,443
970,665	1,134,577	1,272,199	1,413,036	1,539,775
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
1,301,468	1,282,658	1,109,123	1,799,452	2,030,301
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	10	11	13
58	57	58	59	65
17	17	17	19	18
85	84	85	89	96

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

	2019	2018	2017	2016	2015
Electric Department/Fund					
Production	\$11,362,565	\$11,988,898	\$11,830,111	\$11,652,003	\$10,697,955
Distribution	1,140,552	1,321,749	1,319,652	1,309,186	1,158,176
Administration and depreciation	1,486,329	1,578,789	1,434,720	1,250,177	1,387,871
Total Electric Department/Fund	<u>13,989,446</u>	<u>14,889,436</u>	<u>14,584,483</u>	<u>14,211,366</u>	<u>13,244,002</u>
Water Department/Fund					
Filtration	1,190,152	1,192,070	1,338,340	1,339,214	1,028,792
Distribution	560,545	548,746	296,577	301,137	439,942
Administration and depreciation	1,282,493	1,305,123	1,323,799	1,335,355	1,229,500
Total Water Department/Fund	<u>3,033,190</u>	<u>3,045,939</u>	<u>2,958,716</u>	<u>2,975,706</u>	<u>2,698,234</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	772,346	586,482	615,313	491,159	589,736
Collection	308,481	270,740	296,213	296,240	294,909
Administration and depreciation	877,645	853,625	841,832	830,211	807,607
Total Wastewater Department/Fund	<u>1,958,472</u>	<u>1,710,847</u>	<u>1,753,358</u>	<u>1,617,610</u>	<u>1,692,252</u>
Total	<u>\$18,981,108</u>	<u>\$19,646,222</u>	<u>\$19,296,557</u>	<u>\$18,804,682</u>	<u>\$17,634,488</u>

**Table 20**

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Electric Department/Fund	\$ 15,547,859	\$ 16,384,952	\$ 15,845,241	\$ 15,338,091	\$ 14,561,648
Water Department/Fund	3,538,073	3,513,185	3,488,744	3,497,629	3,329,141
District Heat Department/Fund	-	-	-	-	-
Wastewater Department/Fund	<u>2,290,534</u>	<u>2,303,196</u>	<u>2,334,068</u>	<u>2,387,483</u>	<u>2,349,903</u>
Total	<u><u>\$ 21,376,466</u></u>	<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>

**Table 21**

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

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
2019	-	149,293,261	SMMPA/WAPA	149,293,261	144,833,429	-	30,753
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

\* 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
2019	\$ 11,362,565 0.07611	\$1,140,552 0.00764	\$ 1,056,630 0.00708	\$ 429,699 0.00288	\$ 13,989,446 0.09371	\$149,293,261 144,833,429	\$ 0.09659
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 0.00568	388,072 0.00256	14,584,483 0.09496	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 0.00465	471,309 0.00293	14,339,460 0.08918	160,782,257 153,605,131	0.09335

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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
<u>2019</u>						
Residential Light	27,859,621	\$ 3,165,892	\$ 0.113637	19.2 %	20.8 %	3,816
Commercial Service	22,264,366	2,349,325	0.105520	15.4	15.5	764
General Service	15,710,084	1,538,087	0.097904	10.8	10.1	42
Industrial Sales	52,659,930	4,781,350	0.090797	36.4	31.6	13
All Electric	8,580,360	673,994	0.078551	5.9	4.4	8
Rural Electric	3,730,724	414,555	0.111119	2.6	2.7	223
Filter Plant	1,382,000	91,903	0.066500	1.0	0.6	1
Street Lighting	499,123	37,434	0.075000	0.3	0.2	8
Flat Rate Security Lights	46,540	10,675	0.229373	-	0.1	-
Residential Heat	9,424,897	985,082	0.104519	6.5	6.5	905
Wastewater Plant	1,406,052	93,502	0.066500	1.0	0.6	1
Seasonal Heat Rate	1,269,732	97,076	0.076454	0.9	0.6	25
Energy Cost Adjustment	-	962,885	-	-	6.3	-
Total Sales	<u>144,833,429</u>	<u>\$ 15,201,760</u>	<u>\$ 0.104960</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,806</u>
<u>2018</u>						
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>

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
<u>2017</u>						
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>
<u>2016</u>						
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>

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

**Table 24 (Continued)**

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2015						
Residential Light	27,532,940	\$ 3,132,345	\$ 0.113767	19.3 %	22.2 %	3,849
Commercial Service	20,172,539	2,180,659	0.108100	14.2	15.5	753
General Service	17,502,445	1,765,020	0.100844	12.3	12.5	43
Industrial Sales	50,448,638	4,503,510	0.089269	35.4	31.9	12
All Electric	8,595,082	759,629	0.088379	6.0	5.4	8
Rural Electric	3,749,447	417,365	0.111314	2.6	3.0	226
Filter Plant	1,391,200	92,515	0.066500	1.0	0.7	1
Street Lighting	1,634,671	122,601	0.075000	1.1	0.9	6
Flat Rate Security Lights	126,678	10,545	0.083243	0.1	0.1	-
Residential Heat	8,938,461	934,426	0.104540	6.3	6.6	901
Wastewater Plant	1,401,166	93,178	0.066500	1.0	0.7	1
SMMPA Expansion Rate	1,068,798	77,445	0.072460	0.7	0.5	24
Energy Cost Adjustment	-	3	-	-	-	-
Total Sales	<u>142,562,065</u>	<u>\$ 14,089,241</u>	<u>\$ 0.098829</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,824</u>
2014						
Residential Light	28,653,260	\$ 2,418,394	\$ 0.084402	19.4 %	17.0 %	3,879
Commercial Service	21,184,995	1,656,657	0.078200	14.4	11.6	747
General Service	18,549,910	1,286,853	0.069372	12.6	9.0	43
Industrial Sales	50,409,061	3,068,222	0.060866	34.3	21.5	12
All Electric	9,039,097	556,328	0.061547	6.1	3.9	8
Rural Electric	3,914,295	323,984	0.082769	2.7	2.3	225
Filter Plant	1,437,200	54,614	0.038000	1.0	0.4	1
Street Lighting	1,791,188	134,339	0.075000	1.2	0.9	6
Flat Rate Security Lights	128,637	10,320	0.080226	0.1	0.1	-
Residential Heat	9,293,874	698,258	0.075131	6.3	4.9	888
Wastewater Plant	1,535,800	58,360	0.038000	1.0	0.4	1
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>

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
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>
2012						
Residential Light	30,135,119	\$ 2,585,797	\$ 0.082566	19.8 %	17.9 %	4,002
Commercial Service	21,416,365	1,681,089	0.078595	14.1	11.6	741
General Service	19,763,554	1,366,118	0.070359	13.0	9.5	47
Industrial Sales	54,749,354	3,291,661	0.058774	36.1	23.0	12
All Electric	8,402,183	524,619	0.056524	5.5	3.6	8
Rural Electric	3,541,412	294,972	0.081351	2.3	2.0	225
Filter Plant	1,475,640	56,074	0.034031	1.0	0.4	1
Street Lighting	1,767,241	132,543	0.069671	1.2	0.9	6
Flat Rate Security Lights	131,924	10,427	0.076523	0.1	0.1	-
Residential Heat	8,688,023	652,925	0.075095	5.7	4.5	798
Wastewater Plant	1,248,800	47,454	0.037359	0.8	0.3	1
SMMPA Expansion Rate	653,438	30,192	0.030997	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>

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
<u>2011</u>						
Residential Light	31,317,844	\$ 2,588,036	\$ 0.082638	20.1 %	17.7 %	4,002
Commercial Service	21,389,157	1,669,914	0.078073	13.7	11.4	741
General Service	19,416,287	1,334,831	0.068748	12.5	9.1	47
Industrial Sales	56,005,474	3,371,816	0.060205	36.0	23.1	12
All Electric	9,281,304	562,505	0.060606	6.0	3.8	8
Rural Electric	3,625,936	300,942	0.082997	2.3	2.1	225
Filter Plant	1,647,720	62,613	0.038000	1.1	0.4	1
Street Lighting	1,902,419	141,340	0.074295	1.2	1.0	6
Flat Rate Security Lights	136,259	10,456	0.076736	0.1	0.1	-
Residential Heat	8,694,687	652,295	0.075022	5.6	4.5	798
Wastewater Plant	1,270,200	48,268	0.038000	0.8	0.3	1
SMMPA Expansion Rate	974,039	45,552	0.046766	0.6	0.3	26
Energy Cost Adjustment	-	3,823,925	-	-	26.2	-
Total Sales	<u>155,661,326</u>	<u>\$ 14,612,493</u>	<u>\$ 0.093874</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>
<u>2010</u>						
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>

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

	2019	2018	2017	2016	2015
Industrial/Commercial Users					
Fairmont Foods	17,836,756	18,089,301	17,322,061	16,131,520	14,158,043
	\$ 1,697,329	\$ 1,695,401	\$ 1,630,297	\$ 1,440,743	\$ 1,210,805
Minnesota Mining and Manufacturing	7,410,947	8,254,355	8,787,746	9,002,036	8,211,144
	\$ 715,857	\$ 778,448	\$ 825,014	\$ 798,762	\$ 701,501
Harsco Track Technology	480,000	447,600	456,000	486,300	518,400
	\$ 55,111	\$ 50,090	\$ 50,748	\$ 50,089	\$ 50,927
Hancor	6,939,000	5,780,000	6,569,000	5,490,000	6,089,000
	\$ 671,093	\$ 578,682	\$ 648,024	\$ 534,868	\$ 567,118
Weigh-Tronix	5,025,564	5,421,726	5,373,396	5,655,123	5,418,081
	\$ 508,736	\$ 550,597	\$ 544,844	\$ 549,562	\$ 518,706
Fareway Foods	1,189,792	1,243,206	1,211,071	1,279,500	1,339,479
	\$ 109,971	\$ 115,007	\$ 113,631	\$ 144,365	\$ 117,101
Shopko	650,500	889,250	925,500	986,250	1,123,000
	\$ 65,981	\$ 93,224	\$ 95,098	\$ 100,484	\$ 108,445
Holiday Inn	1,526,500	1,472,250	1,351,500	1,425,750	1,443,250
	\$ 150,514	\$ 146,828	\$ 135,959	\$ 135,194	\$ 134,459
Fairmall Shopping Center	752,120	832,680	801,360	917,255	1,044,880
	\$ 80,286	\$ 87,720	\$ 84,918	\$ 92,316	\$ 103,581
Hy-Vee Foods	2,687,600	2,736,800	2,744,800	2,810,400	2,756,800
	\$ 248,140	\$ 253,234	\$ 251,410	\$ 247,622	\$ 234,366
Fairmont Refrigerated Services	5,338,800	5,665,680	5,841,720	5,881,320	5,660,120
	\$ 483,978	\$ 509,622	\$ 526,569	\$ 496,713	\$ 460,842
Wal-Mart Stores	2,736,400	3,370,000	3,604,400	3,431,200	3,110,800
	\$ 274,293	\$ 322,079	\$ 338,028	\$ 304,944	\$ 264,077
Fairmont Hospital	6,001,047	6,107,877	5,634,855	6,276,600	6,192,900
	\$ 458,907	\$ 557,391	\$ 529,624	\$ 552,693	\$ 537,020
I.S.D. No. 2752	1,689,600	1,833,600	1,973,800	2,023,200	1,980,000
	\$ 239,758	\$ 257,019	\$ 266,275	\$ 262,645	\$ 247,891
Wastewater Treatment Plant	1,404,052	1,422,302	1,350,010	1,287,238	1,401,166
	\$ 93,502	\$ 94,576	\$ 85,786	\$ 85,601	\$ 93,178
Water Treatment Plant	1,382,000	1,398,400	1,370,000	1,423,200	1,391,200
	\$ 91,903	\$ 92,994	\$ 91,105	\$ 94,643	\$ 92,515



**Table 25**

2014	2013	2012	2011	2010
13,051,618	2,464,831	14,315,307	15,975,378	14,405,962
\$ 1,107,336	\$ 1,042,803	\$ 1,180,918	\$ 1,317,813	\$ 1,114,623
7,825,221	7,591,649	7,712,425	7,361,865	7,172,204
\$ 651,696	\$ 619,290	\$ 631,048	\$ 604,175	\$ 547,629
517,200	552,000	571,200	1,136,400	1,742,400
\$ 51,381	\$ 54,207	\$ 56,457	\$ 122,519	\$ 177,622
6,670,000	7,509,000	8,627,000	7,840,000	7,092,000
\$ 601,875	\$ 666,009	\$ 723,634	\$ 661,645	\$ 566,223
5,597,822	5,734,080	6,392,412	6,501,321	6,501,551
\$ 523,817	\$ 530,950	\$ 575,467	\$ 589,774	\$ 551,984
1,378,376	1,484,452	1,398,829	1,309,292	1,142,880
\$ 119,403	\$ 124,463	\$ 119,854	\$ 115,007	\$ 89,704
1,218,750	1,414,500	1,451,000	1,287,750	1,280,250
\$ 109,459	\$ 122,882	\$ 123,958	\$ 113,221	\$ 105,200
1,565,250	1,633,500	1,552,500	1,759,000	1,674,250
\$ 141,662	\$ 143,720	\$ 139,323	\$ 154,431	\$ 138,570
1,129,560	1,092,200	945,860	776,400	789,640
\$ 105,865	\$ 103,406	\$ 88,258	\$ 90,337	\$ 71,990
2,666,800	2,698,800	2,605,120	2,657,440	2,525,920
\$ 224,510	\$ 222,689	\$ 221,566	\$ 211,168	\$ 189,363
6,055,200	6,139,800	6,127,560	6,030,720	5,872,680
\$ 485,452	\$ 480,003	\$ 474,287	\$ 465,861	\$ 424,233
3,234,800	3,296,000	3,449,200	3,506,800	3,476,800
\$ 266,997	\$ 270,157	\$ 283,831	\$ 285,919	\$ 268,115
3,487,368	6,375,600	6,314,400	6,735,600	6,806,700
\$ 399,776	\$ 527,157	\$ 516,892	\$ 557,202	\$ 540,320
3,487,368	3,585,720	3,427,680	3,211,200	2,558,880
\$ 399,776	\$ 400,658	\$ 384,529	\$ 346,486	\$ 240,995
1,437,200	1,325,800	1,248,800	1,270,200	1,239,000
\$ 99,569	\$ 89,004	\$ 83,835	\$ 79,786	\$ 70,727
1,535,800	1,212,440	1,475,640	1,647,730	1,637,640
\$ 93,366	\$ 76,158	\$ 92,691	\$ 103,500	\$ 93,483

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>2019</u>					
Net Raw Water	440,623,633	100.0 %			
Used in Production	<u>22,290,892</u>	<u>5.1</u>			
Net Finished Water	418,332,741	94.9			
Loss in Distribution System (including hydrant)	<u>72,701,553</u>	<u>16.5</u>			
Total Sales	<u>345,631,188</u>	<u>78.4</u>	\$ 3,161,600	\$ 9.147323	4,433
<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

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

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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
2019	\$ 1,190,152 2.8450	\$ 560,545 1.3400	\$ 338,413 0.8090	\$ 944,080 2.2568	\$3,033,190 7.2508	\$ 418,332,741 345,631,188	\$ 8.7758
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

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>2019</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<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	-	-	-	-	

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

**Table 28 (Continued)**

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

City of Fairmont, Minnesota  
Public Utilities Commission  
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
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
2011	62,657	602	-	-	63,259	5,537,000	
	11.3161	0.1087	-	-	11.4248	5,129,000	12.3336
2010	116,599	794	-	246,203	363,596	8,521,000	
	13.6837	0.0932	-	28.8937	42.6706	8,272,000	43.9550



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
2019	758,520	\$ 772,346 1.0182	\$ 308,481 0.4067	\$ 262,599 0.3462	\$ 615,046 0.8109	\$ 1,958,472 2.5820	1,090,000 11,250,000
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

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SINGLE AUDIT AND  
OTHER REQUIRED REPORTS

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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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, 2019, 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 18, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 18, 2020

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, 2019, 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 18, 2020.

**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.

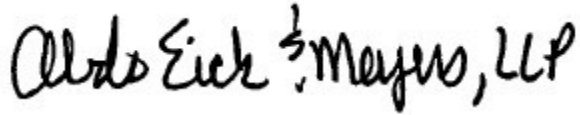
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Abdo Eick & Meyers, LLP". The signature is written in a cursive, flowing style.

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
May 18, 2020

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, 2019. 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, 2019.



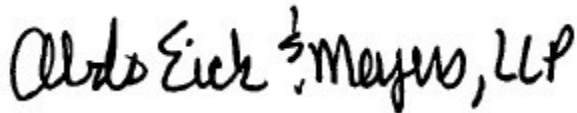
## Report on Internal Control Over Compliance

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 18, 2020

City of Fairmont, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019

<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		\$ 612,868
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401	P0116X01SRM	6,709
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	TMNFAA00291415	204,386
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	1029945	<u>79,813</u>
	Total Expended				<u><u>\$ 903,776</u></u>
		Balance of RLF loans outstanding at year end			\$ 275,683
		Cash and investment balances in the RLF at year end			336,127
		Administrative expenses paid out of RLF income during the year			<u>1,058</u>
		Subtotal			612,868
		Federal share of the RLF			<u>100%</u>
		Total Expenditures			<u><u>\$ 612,868</u></u>

City of Fairmont, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019

**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, 2019. 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, 2019, 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, 2019

**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***

**CFDA No.**

Economic Adjustment Assistance	11.307
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	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.