

CITY OF FAIRMONT
FAIRMONT, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

Prepared By:

Finance Department

Paul Hoyer
Finance Director

Member GFOA of U.S. and Canada
Published May 7, 2021

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Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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CITY OF FAIRMONT – P.O. Box 751 – 100 Downtown Plaza – Fairmont, MN 56031
Phone (507) 238-9461 www.fairmont.org ♦ citygov@fairmont.org

Fax (507) 238-9469

May 7, 2021

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, 2020.

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

Cathy Reynolds
City Administrator

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May 7, 2021

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, 2020. 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 6.7 percent in 2020. 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 percent 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 -

It is impossible to talk about the year 2020 without discussing COVID-19. The City of Fairmont provided a variety of response initiatives such as providing \$250,000 for CARES Act Small Business Grants, offering over \$610,000 in CARES Act Small Business Loans with very favorable terms, offering business support and resources, and co-authoring an Emergency Housing Grant of \$566,000. COVID-19 response was a major priority for staff and our community, who worked tirelessly assisting businesses and individuals in any way possible.

The City of Fairmont continued efforts to ensure Fairmont has an 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 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. To fully understand this complicated topic, Community Partners Research was hired to perform a Housing Study. This study was complete in January 2020. As a result of that effort, City staff has been working with several housing developers looking at a variety of projects. Finally, FEDA partnered with the City's HRA to apply for participation in Minnesota Housing Partnership's, Housing Institute which began July 2020.

Fairmont Area Life is a new resident recruitment and retention campaign. Resident retention is geared towards educating the parents of are students about the career opportunities available locally. Resident recruitment is done through a targeted marketing campaign to the seven-county metropolitan area in Minnesota.

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. The construction of infrastructure was slated for 2020, but with the uncertainty of the year, the project was delayed. The project will be bid in the spring of 2021 for fall 2021 construction.

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. To address this shortage, free local trainings have been offered through Parent Aware, due to the generous support of Profinium Financial. In addition, FEDA created a Child Care Loan Program, offering financial support to current providers and to those entering the industry. Another initiative called 'Prosper' was born in 2020 as a result of a collaboration including the Schmeeckle Foundation and Families First which offers both new and existing childcare providers the opportunity to participate in a specially designed 18-month virtual business development program. The program will provide curriculum, business coaching, support services and provide all the technology needed to operate a family childcare business. 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. Construction will also begin on a new \$9.8 million Public Works building, and there is \$3.4 million included in the 2021 budget for street improvements. The City Council held a budget and goal setting session in 2020 to set improvement goals for the upcoming year. In addition to the infrastructure projects listed above, projects include updates to the Aquatic Park, improvements to the Amber Lake boat landing and parking lot, and the Dutch Creek wetland restoration project to help the water quality in our watershed. 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, 2020 the General fund balance was 64.4 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, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

Honorable Mayor and City Council
May 7, 2020

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

ACKNOWLEDGMENTS

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

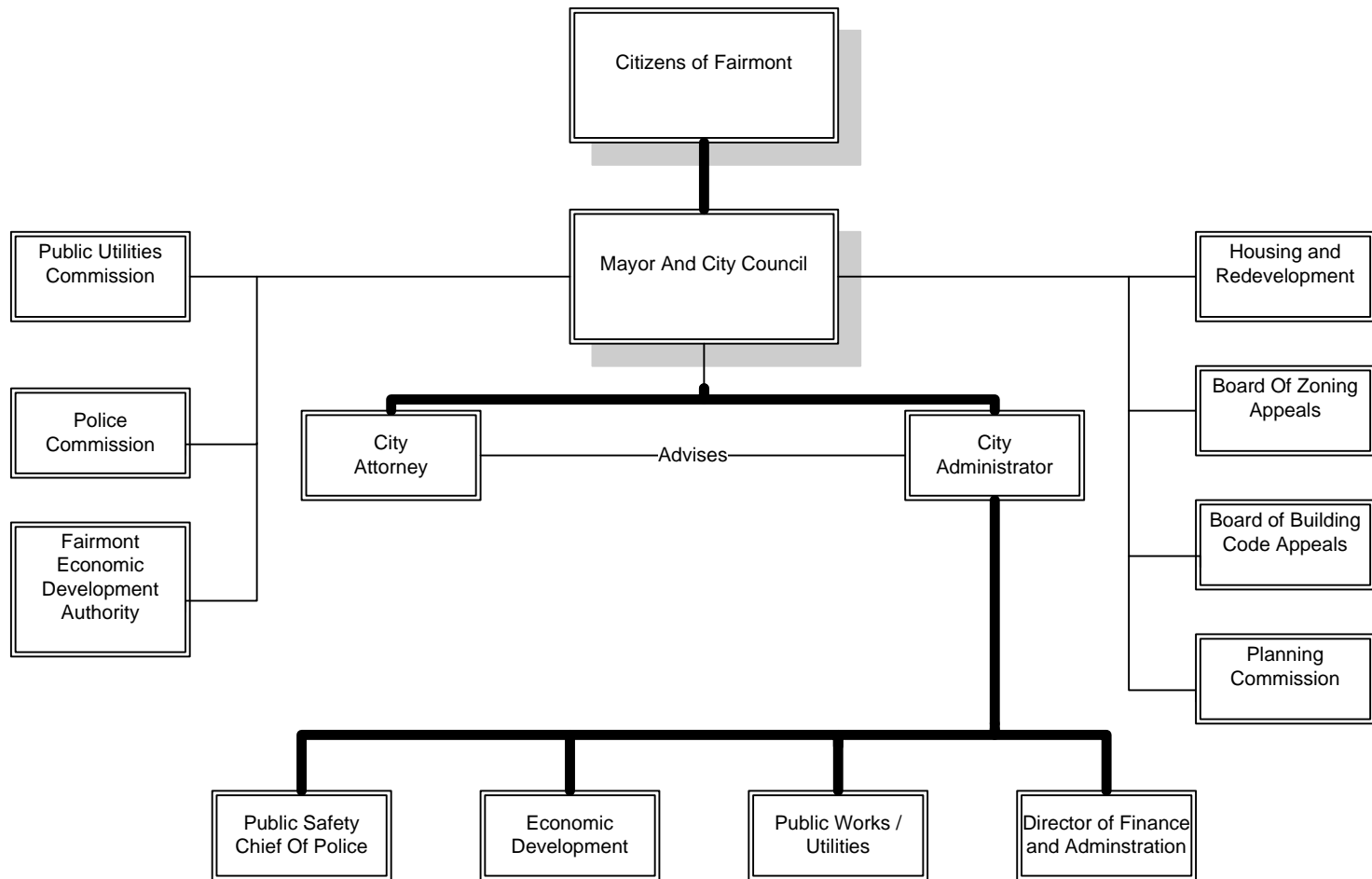
Respectfully submitted,



City of Fairmont
Paul Hoyer
Finance Director

City of Fairmont, Minnesota
Principal City Officials
For the Year Ended December 31, 2020

<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
City Administrator	Cathy Reynolds	
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, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION
CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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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, 2020, 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, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

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 106 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

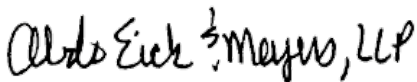
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of 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 7, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 7, 2021

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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, 2020. 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 \$123,866,120 (*net position*). Of this amount, \$24,162,164 (*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 \$7,518,278, compared to an increase of \$4,526,598, 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 \$1,002,078 mainly due to MSA reimbursement grants.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,029,114, a decrease of \$51,769 in comparison with the prior year. Unassigned fund balance at year end is \$1,136,509. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$7,048,832), 2) committed (\$3,531,958), 3) assigned (\$7,308,615) or 4) nonspendable (\$3,200) for the purposes described in Note 3F in the notes to the financial statements.

Overview of the Financial Statements

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

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

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

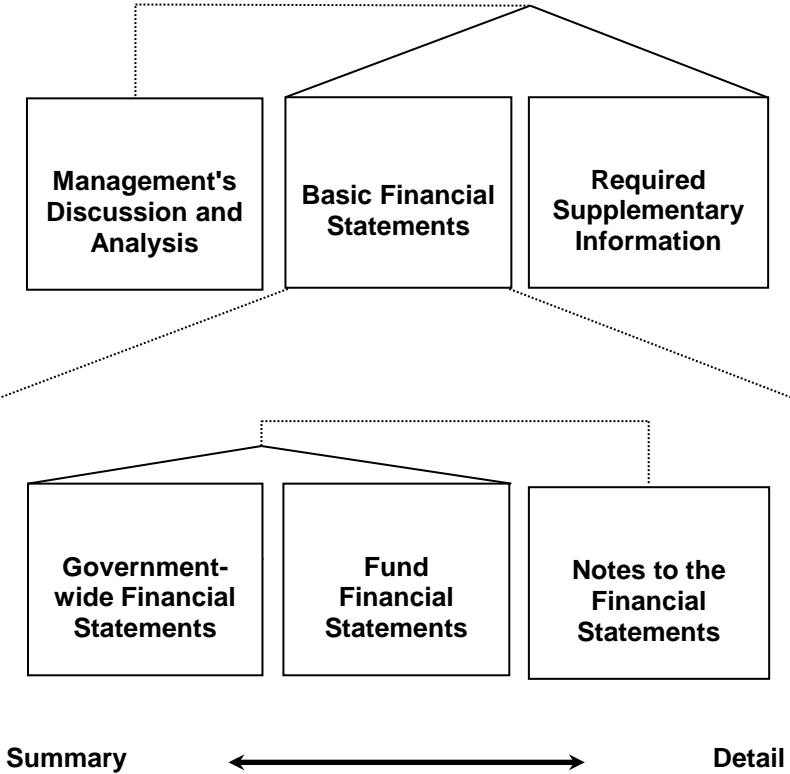


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds, a number of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, Street Improvement Capital Reserve, 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 52 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 65 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 106 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 116 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 \$123,866,120 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (73.1 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Fairmont's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	\$ 26,465,346	\$ 25,803,994	\$ 661,352	\$ 20,420,355	\$ 19,572,720	\$ 847,635
Capital assets	64,968,857	58,871,597	6,097,260	62,777,308	64,047,916	(1,270,608)
Total Assets	91,434,203	84,675,591	6,758,612	83,197,663	83,620,636	(422,973)
Deferred Outflows of Resources	1,506,422	2,232,551	(726,129)	190,666	191,040	(374)
Liabilities						
Long-term liabilities						
outstanding	16,669,995	17,864,922	(1,194,927)	28,173,838	29,613,877	(1,440,039)
Other liabilities	1,737,609	1,401,515	336,094	1,757,543	1,709,861	47,682
Total Liabilities	18,407,604	19,266,437	(858,833)	29,931,381	31,323,738	(1,392,357)
Deferred Inflows of Resources	3,964,123	3,302,889	661,234	159,726	478,912	(319,186)
Net Position						
Net investment in						
capital assets	52,870,737	45,287,689	7,583,048	37,663,308	37,160,916	502,392
Restricted	9,169,911	11,341,318	(2,171,407)	-	-	-
Unrestricted	8,528,250	7,709,809	818,441	15,633,914	14,848,110	785,804
Total Net Position	\$ 70,568,898	\$ 64,338,816	\$ 6,230,082	\$ 53,297,222	\$ 52,009,026	\$ 1,288,196

An additional portion of the City's net position (7.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (19.5 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 \$6,230,082. The primary reasons for the increase in net position were a result of an increase in taxes of \$628,512 and Capital grants and contributions revenues of \$3,218,377. Key elements of this increase are as follows:

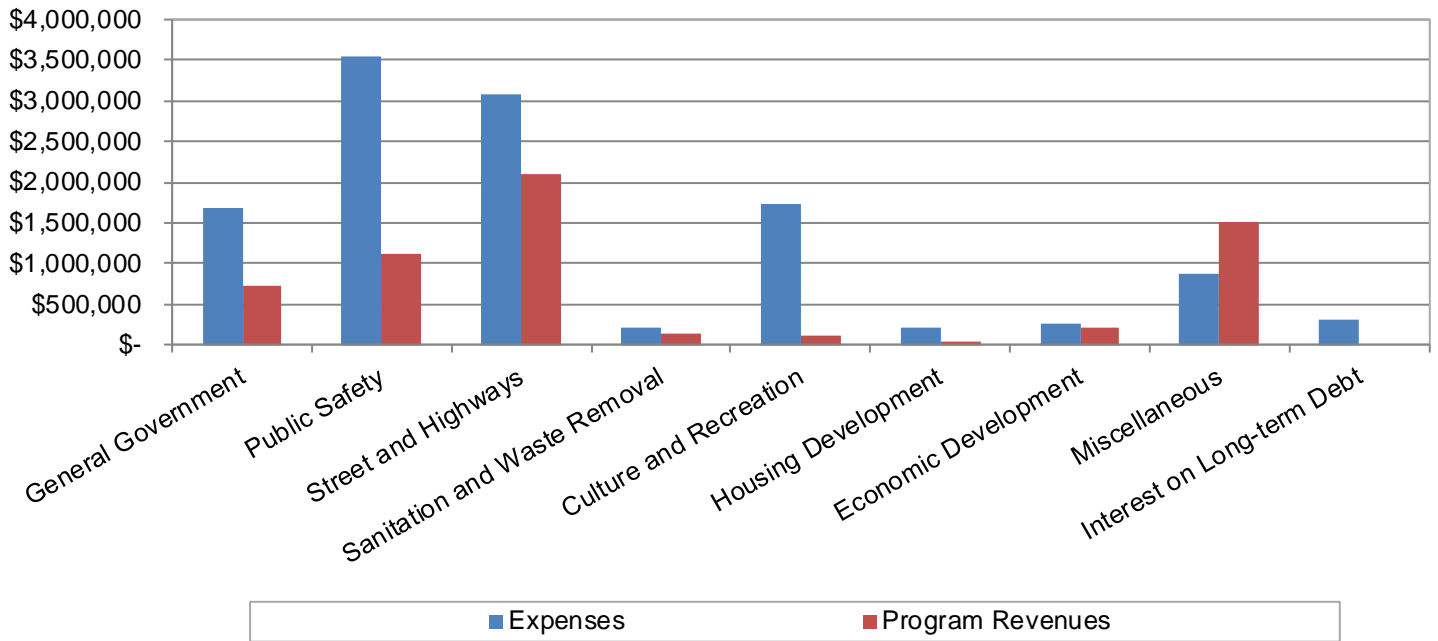
- The City received \$776,532 in CARES Act funding from the State of Minnesota that was used to cover the cost of personnel protective equipment and additional cleaning and sanitation that was needed and provided reimbursement for public safety expenditures. A portion of the CARES Act money was used to award grants to small businesses that were impacted by COVID-19.
- The City received \$283,540 in Federal and State aid for Cedar Creek and Margaret Street trails.
- The City received \$973,139 in Federal aid for a new T-Hangar at the Airport.
- The City had a larger than normal Street Improvement Program in 2020 investing \$5,401,765 in street improvements in 2020.
- The City continued to increase its General fund reserves to fund a new Public Works facility.

City of Fairmont's Changes in Net Position

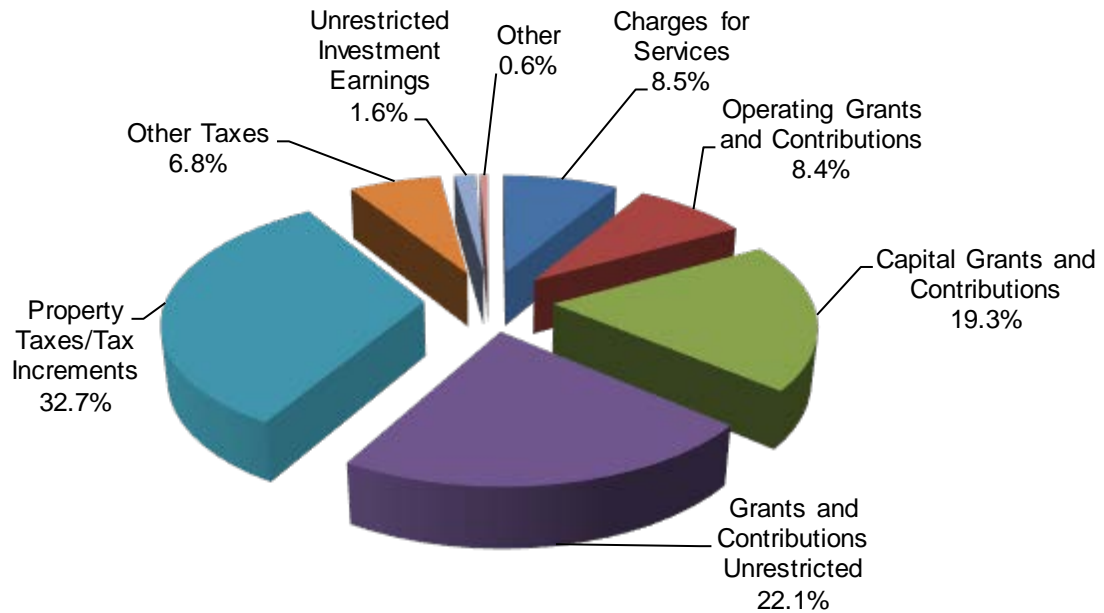
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,407,083	\$ 1,425,995	\$ (18,912)	\$ 26,566,974	\$ 26,250,369	\$ 316,605
Operating grants and contributions	1,390,641	384,501	1,006,140	-	-	-
Capital grants and contributions	3,218,377	2,173,779	1,044,598	-	11,002	(11,002)
General Revenues						
Property taxes/tax increments	5,378,757	4,735,117	643,640	-	-	-
Other taxes	1,126,669	1,141,797	(15,128)	-	-	-
Grants and contributions not restricted to specific programs	3,630,935	3,492,561	138,374	-	-	-
Unrestricted investment earnings	264,971	526,019	(261,048)	309,918	465,562	(155,644)
Other	92,538	118,508	(25,970)	-	-	-
Total Revenues	<u>16,509,971</u>	<u>13,998,277</u>	<u>2,511,694</u>	<u>26,876,892</u>	<u>26,726,933</u>	<u>149,959</u>
Expenses						
General government	1,679,698	1,750,444	(70,746)	-	-	-
Public safety	3,539,488	3,782,782	(243,294)	-	-	-
Streets and highways	3,081,028	3,373,265	(292,237)	-	-	-
Sanitation and waste removal	216,896	181,175	35,721	-	-	-
Culture and recreation	1,737,963	1,819,283	(81,320)	-	-	-
Housing development	222,704	260,887	(38,183)	-	-	-
Economic development	269,155	229,239	39,916	-	-	-
Miscellaneous	885,655	995,295	(109,640)	-	-	-
Interest on long-term debt	302,302	322,878	(20,576)	-	-	-
Electric	-	-	-	13,764,261	14,081,962	(317,701)
Water	-	-	-	3,680,766	3,571,287	109,479
Wastewater	-	-	-	2,058,940	2,049,917	9,023
Storm sewer	-	-	-	508,968	489,681	19,287
Liquor	-	-	-	3,915,279	3,285,606	629,673
Parking lot	-	-	-	5,482	4,911	571
Total Expenses	<u>11,934,889</u>	<u>12,715,248</u>	<u>(780,359)</u>	<u>23,933,696</u>	<u>23,483,364</u>	<u>450,332</u>
Change in Net Position Before Transfers	4,575,082	1,283,029	3,292,053	2,943,196	3,243,569	(300,373)
Transfers	1,655,000	1,338,000	317,000	(1,655,000)	(1,338,000)	(317,000)
Change in Net Position	6,230,082	2,621,029	3,609,053	1,288,196	1,905,569	(617,373)
Net Position - January 1	64,338,816	61,717,787	2,621,029	52,009,026	50,103,457	1,905,569
Net Position - December 31	<u>\$ 70,568,898</u>	<u>\$64,338,816</u>	<u>\$6,230,082</u>	<u>\$ 53,297,222</u>	<u>\$ 52,009,026</u>	<u>\$ 1,288,196</u>

Property tax levies increased by 12.6 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 and a part time Community Service Officer position. The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



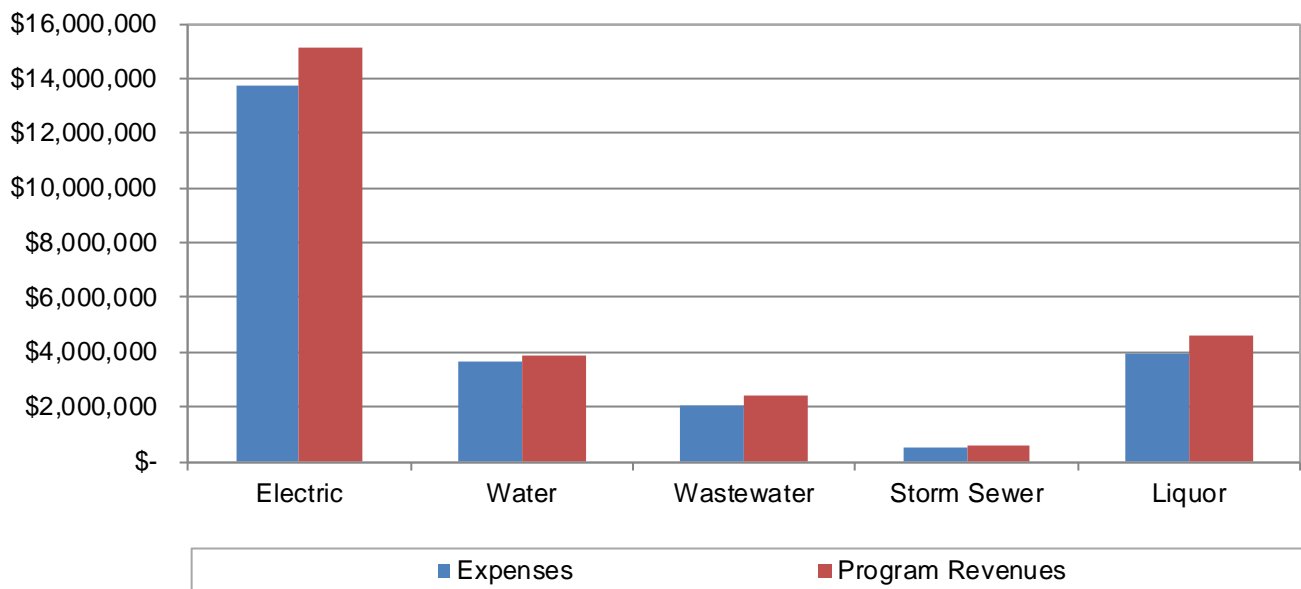
Revenues by Source



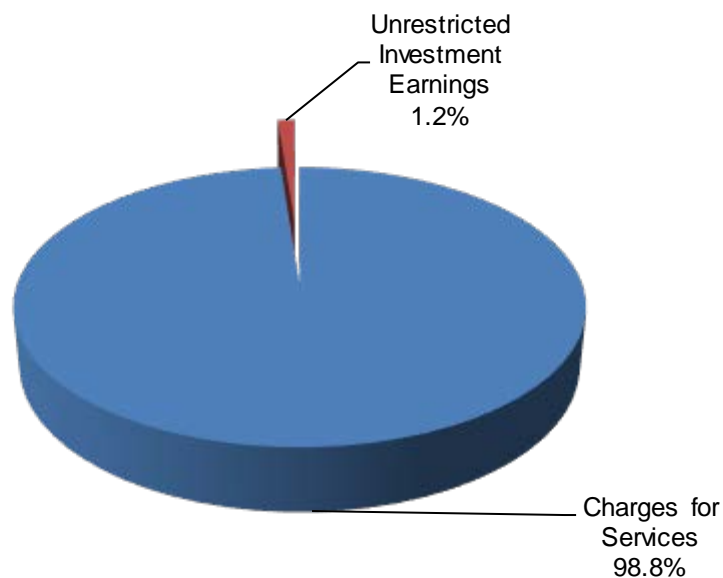
Business-type Activities. Business-type activities increased the City's net position by \$1,288,196. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) operating income of \$2,475,124, with a total change in net position of \$1,277,321.
- The PUC approved a 5 percent water rate increase in 2020 and revenues increased 8.2 percent.
- The PUC approved a 5 percent sewer rate increase in 2020 and revenues increased 3.9 percent.

Expenses and Program Revenues - Business-type Activities



Revenues by Source



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$6,141,660. 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 \$1,512,473, or 15.9 percent of total General fund expenditures, while total fund balance represents 64.4 percent of General fund expenditures.

The fund balance of the City's General fund decreased by \$1,805,811 during the current fiscal year. Contributing factors to the decrease are actual expenditures under budget of \$1,434,228 due to public safety current and capital outlay expenditures being under budget by \$252,874 and \$409,298, respectively. Culture and recreation expenditures were also under budget by \$540,657. The City was in line with the budgeted deficit of \$2,055,270.

The Debt Service fund has a total fund balance of \$2,381,888, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$122,012. The major reason for the increase was scheduled revenues and transfers in exceeding scheduled debt service payments.

The 2019 Capital Improvement Program fund has a total fund balance deficit of \$322,530, which is a decrease of \$161,153 from prior year. This increase in deficit is due to expenses relating to 2019 Capital Improvements exceeding revenues and transfers of MSA revenues from the street improvement capital reserve fund.

The Street Improvement Capital Reserve fund has a total fund balance of \$817,790, which is a decrease of \$2,177,316 from prior year. The decrease is due to MSA revenues received in current and prior year being transferred out to various capital project funds.

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 \$15,610,557, of which \$2,004,532 was for the Water Utility fund, \$3,531,861 was for the Wastewater Utility fund, \$7,993,356 was for the Electric Utility fund, \$317,028 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,760,852. The total increase in net position for the enterprise funds was \$1,300,119. 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 \$472,802 and actual expenditures were under budget by \$1,434,228 in 2020. The primary reasons for the variances are as follows:

- The City received \$776,532 in CARES Act funding from the State of Minnesota that was used to cover the cost of personnel protective equipment and additional cleaning and sanitation that was needed and provided reimbursement for public safety expenditures.
- Building permit revenue exceeded budget by \$150,293.
- As a result of COVID-19 there were a number of budgeted capital projects that were not completed in 2020 that resulted in expenditures being under budget

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, 2020 amounts to \$127,746,165 (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 \$5,456,578 in street improvement projects.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Continued design work on the new Public Works Facility.
- Repaired the Ward Park boat landing and parking lot.
- Completed construction of a new T-Hangar at the Airport.

Additional information on the City's capital assets can be found in Note 3C starting on page 77 of this report.

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

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and Structures	4,704,483	4,901,576	(197,093)	33,220,996	34,004,451	(783,455)
Improvement Other Than Buildings	10,351,973	9,612,863	739,110	23,027,064	22,556,504	470,560
Machinery and Equipment	1,442,383	1,497,806	(55,423)	4,357,168	4,417,082	(59,914)
Vehicles	747,819	625,624	122,195	-	-	-
Infrastructure	32,421,933	31,604,520	817,413	-	-	-
Construction in Progress	11,350,788	6,679,730	4,671,058	453,365	1,351,164	(897,799)
Total	<u>\$64,968,857</u>	<u>\$58,871,597</u>	<u>\$ 6,097,260</u>	<u>\$62,777,308</u>	<u>\$64,047,916</u>	<u>\$ (1,270,608)</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$37,014,000. Of this amount, \$11,900,000 is special assessment debt and \$25,114,000 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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
G.O. Improvement Bonds	\$ 11,900,000	\$ 13,370,000	\$ (1,470,000)	\$ -	\$ -	\$ -
G.O. Revenue Bonds	-	-	-	25,114,000	26,887,000	(1,773,000)
Total	<u>\$ 11,900,000</u>	<u>\$ 13,370,000</u>	<u>\$ (1,470,000)</u>	<u>\$ 25,114,000</u>	<u>\$ 26,887,000</u>	<u>\$ (1,773,000)</u>

The City's total debt decreased by \$3,243,000 (8.1 percent) during the current fiscal year. The key factor in this decrease was the retirement of long-term debt of \$3,243,000.

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

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$22,678,542. 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 82 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Martin County in December 2020 was 3.9 percent, which is an increase from 3.4 percent a year ago. This rate is lower than the State average of 4.6 percent and the same as the national average rate of 6.5 percent.
- The City continued to see strong residential home sales and experienced a significant increase in its taxable market values. Residential values increased 6.7 percent, commercial values increased 6.8 percent and agricultural values increased 4.9 percent.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year.

- The City's property tax levy will increase in 2021 by 6.8 percent. The tax increase will provide an additional \$361,814 per year. Of that amount, \$35,000 will allow the addition of a part time Community Service Officer position, \$150,000 will go to cover the cost of health insurance and work comp premium increases, \$66,000 will go to cover cost of living increases for employees, and \$45,000 will be used for contracted services for Human Resources. The City's share of property taxes is low when compared to similar sized cities throughout the State.
- In 2020 the Public Utilities Commission approved a water and wastewater rate study with Bolton & Menk and Northland Securities. The study evaluated our existing rates, planned capital projects and put together a forecasting model to come up with recommended rate increases for the next ten years. For 2021 the study recommends a 17.1 percent increase to our residential water rates and a 16.8 percent increase to our commercial and industrial water rates. For our wastewater rates, it recommends a 6.4 percent increase to the residential rates and 51.9 percent increase to our commercial rates. The larger increase to the commercial wastewater rate in 2021 is a result of adding a new \$25.25 per month base rate. This gets our wastewater rate structure more in line with our water rates and industry standards. The City purchases electric power from SMMPA and the SMMPA Board approved to leave their rates unchanged for 2021 at their October 16, 2020 annual meeting. Therefore the City will be able to maintain electric rates at the 2020 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, 2020

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City of Fairmont, Minnesota
Statement of Net Position
December 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 20,239,047	\$ 16,607,081	\$ 36,846,128	\$ 489,329
Receivables				
Interest	70,845	-	70,845	-
Delinquent taxes	100,073	-	100,073	2,097
Accounts	103,360	2,895,510	2,998,870	1,200
Notes	1,477,339	-	1,477,339	1,972
Special assessments	2,291,626	4,743	2,296,369	-
Intergovernmental	1,704,959	-	1,704,959	760
Due from component unit	7,428	-	7,428	-
Internal balances	11,859	(11,859)	-	-
Inventories	-	889,342	889,342	-
Prepaid items	30,699	1,350	32,049	-
Unamortized maintenance charges	-	34,188	34,188	-
Pension asset	328,111	-	328,111	-
Land held for resale	100,000	-	100,000	-
Capital assets				
Nondepreciable	15,300,266	2,172,080	17,472,346	-
Depreciable, net of accumulated depreciation	49,668,591	60,605,228	110,273,819	-
Total Assets	<u>91,434,203</u>	<u>83,197,663</u>	<u>174,631,866</u>	<u>495,358</u>
Deferred Outflows of Resources				
Deferred pension resources	1,472,744	168,658	1,641,402	-
Deferred other postemployment benefit resources	33,678	22,008	55,686	882
Total Deferred Outflows of Resources	<u>1,506,422</u>	<u>190,666</u>	<u>1,697,088</u>	<u>882</u>
Liabilities				
Accounts and contracts payable	824,246	1,176,256	2,000,502	10,700
Due to primary government	-	-	-	7,428
Due to other governments	476,224	88,280	564,504	-
Accrued interest payable	91,656	197,692	289,348	-
Accrued salaries payable	192,947	147,459	340,406	4,793
Deposits payable	-	140,098	140,098	1,163
Unearned revenue	152,536	7,758	160,294	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	1,837,096	1,951,149	3,788,245	3,407
Due in more than one year				
Long-term liabilities	10,803,411	23,590,608	34,394,019	-
Net pension liability	3,690,660	2,410,658	6,101,318	-
Other postemployment benefits liability	338,828	221,423	560,251	8,871
Total Liabilities	<u>18,407,604</u>	<u>29,931,381</u>	<u>48,338,985</u>	<u>36,362</u>
Deferred Inflows of Resources				
Deferred pension resources	1,928,648	136,543	2,065,191	-
Deferred other postemployment benefit resources	35,476	23,183	58,659	929
Deferred inflows - intergovernmental	1,999,999	-	1,999,999	-
Total Deferred Inflows of Resources	<u>3,964,123</u>	<u>159,726</u>	<u>4,123,849</u>	<u>929</u>
Net Position				
Net investment in capital assets	52,870,737	37,663,308	90,534,045	-
Restricted for				
Debt service	4,502,967	-	4,502,967	-
Capital projects	2,529,418	-	2,529,418	-
Housing and economic development	2,137,526	-	2,137,526	-
Unrestricted	<u>8,528,250</u>	<u>15,633,914</u>	<u>24,162,164</u>	<u>458,949</u>
Total Net Position	<u>\$ 70,568,898</u>	<u>\$ 53,297,222</u>	<u>\$123,866,120</u>	<u>\$ 458,949</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,679,698	\$ 182,358	\$ 550,267	\$ -
Public safety	3,539,488	509,698	609,849	-
Streets and highways	3,081,028	1,971	-	2,092,990
Sanitation and waste removal	216,896	143,764	-	-
Culture and recreation	1,737,963	94,547	-	13,100
Housing development	222,704	9,106	40,442	-
Economic development	269,155	93,680	120,000	-
Airport and lake restoration	885,655	371,959	70,083	1,112,287
Interest on long-term debt	302,302	-	-	-
Total Governmental Activities	<u>11,934,889</u>	<u>1,407,083</u>	<u>1,390,641</u>	<u>3,218,377</u>
Business-type Activities				
Electric	13,764,261	15,104,950	-	-
Water	3,680,766	3,850,371	-	-
Wastewater	2,058,940	2,381,915	-	-
Storm sewer	508,968	589,732	-	-
Municipal liquor	3,915,279	4,632,806	-	-
Parking lot	5,482	7,200	-	-
Total Business-type Activities	<u>23,933,696</u>	<u>26,566,974</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 35,868,585</u>	<u>\$ 27,974,057</u>	<u>\$ 1,390,641</u>	<u>\$ 3,218,377</u>
Component Unit				
Housing and economic development	<u>\$ 436,719</u>	<u>\$ 47,122</u>	<u>\$ 335,719</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

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
\$ (947,073)		\$ (947,073)	
(2,419,941)		(2,419,941)	
(986,067)		(986,067)	
(73,132)		(73,132)	
(1,630,316)		(1,630,316)	
(173,156)		(173,156)	
(55,475)		(55,475)	
668,674		668,674	
(302,302)		(302,302)	
<u>(5,918,788)</u>		<u>(5,918,788)</u>	
-	\$ 1,340,689	1,340,689	
-	169,605	169,605	
-	322,975	322,975	
-	80,764	80,764	
-	717,527	717,527	
-	1,718	1,718	
-	<u>2,633,278</u>	<u>2,633,278</u>	
<u>(5,918,788)</u>	<u>2,633,278</u>	<u>(3,285,510)</u>	
			<u>\$ (53,878)</u>
4,041,498	-	4,041,498	100,179
1,171,872	-	1,171,872	-
165,387	-	165,387	-
969,829	-	969,829	-
115,865	-	115,865	-
40,975	-	40,975	-
3,630,935	-	3,630,935	-
264,971	309,918	574,889	8,041
78,889	-	78,889	-
13,649	-	13,649	-
1,655,000	(1,655,000)	-	-
<u>12,148,870</u>	<u>(1,345,082)</u>	<u>10,803,788</u>	<u>108,220</u>
6,230,082	1,288,196	7,518,278	54,342
<u>64,338,816</u>	<u>52,009,026</u>	<u>116,347,842</u>	<u>404,607</u>
<u>\$ 70,568,898</u>	<u>\$ 53,297,222</u>	<u>\$ 123,866,120</u>	<u>\$ 458,949</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, 2020

City of Fairmont, Minnesota

Balance Sheet Governmental Funds December 31, 2020

	General	Debt Service	Street Improvement Capital Reserve
Assets			
Cash and temporary investments	\$ 6,288,089	\$ 2,362,278	\$ 1,934,935
Receivables			
Interest	70,845	-	-
Delinquent taxes	73,703	23,608	106
Accounts	94,754	-	-
Notes	-	-	-
Special assessments	6,125	2,189,127	96,374
Intergovernmental	246,335	19,610	111,389
Due from other funds	-	-	771,465
Prepaid items	-	-	-
Land held for resale	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 6,779,851</u></u>	<u><u>\$ 4,594,623</u></u>	<u><u>\$ 2,914,269</u></u>
Liabilities			
Accounts and contracts payable	\$ 265,748	\$ -	\$ -
Due to other funds	51,370	-	-
Due to other governments	50,107	-	-
Accrued salaries payable	182,822	-	-
Unearned revenue	8,316	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>558,363</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	73,703	23,608	106
Unavailable revenue - special assessments	6,125	2,189,127	96,374
Unavailable revenue - intergovernmental	-	-	1,999,999
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u><u>79,828</u></u>	<u><u>2,212,735</u></u>	<u><u>2,096,479</u></u>
Fund Balances			
Nonspendable	-	-	-
Restricted	-	2,381,888	-
Committed	94,412	-	817,790
Assigned	4,534,775	-	-
Unassigned	1,512,473	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u><u>6,141,660</u></u>	<u><u>2,381,888</u></u>	<u><u>817,790</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 6,779,851</u></u>	<u><u>\$ 4,594,623</u></u>	<u><u>\$ 2,914,269</u></u>

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

2019 Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 8,567,590	\$ 19,152,892
-	-	70,845
-	2,656	100,073
-	8,407	103,161
-	1,477,339	1,477,339
-	-	2,291,626
-	1,327,625	1,704,959
-	-	771,465
-	3,200	3,200
-	100,000	100,000
<u>\$ -</u>	<u>\$ 11,486,817</u>	<u>\$ 25,775,560</u>
\$ 276,676	\$ 152,332	\$ 715,481
45,854	727,053	824,277
-	446,842	476,224
-	3,408	186,230
-	144,220	152,536
<u>322,530</u>	<u>1,473,855</u>	<u>2,354,748</u>
-	2,656	100,073
-	-	2,291,626
-	-	1,999,999
<u>-</u>	<u>2,656</u>	<u>4,391,698</u>
-	3,200	3,200
-	4,666,944	7,048,832
-	2,619,756	3,531,958
-	2,773,840	7,308,615
<u>(322,530)</u>	<u>(53,434)</u>	<u>1,136,509</u>
<u>(322,530)</u>	<u>10,010,306</u>	<u>19,029,114</u>
<u>\$ -</u>	<u>\$ 11,486,817</u>	<u>\$ 25,775,560</u>

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

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City of Fairmont, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2020

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

Total Fund Balances - Governmental Funds	\$ 19,029,114
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.	64,905,213
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Severance payable	(522,476)
Postemployment benefits other than pension obligation	(338,828)
Net pension liability	(3,362,549)
Bonds payable	(11,900,000)
Bond premiums, net of accumulated amortization	(198,120)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	100,073
Special assessments receivable	2,291,626
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	1,472,744
Deferred inflows of pension resources	(1,928,648)
Deferred outflows of other postemployment benefit resources	33,678
Deferred inflows of other postemployment benefit resources	(35,476)
Governmental funds do not report a liability for accrued interest until due and payable.	(91,656)
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.	1,114,203
Total Net Position - Governmental Activities	<u>\$ 70,568,898</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, 2020

	General	Debt Service	Street Improvement Capital Reserve
Revenues			
Taxes	\$ 3,943,567	\$ 1,170,952	\$ 56
Special assessments	1,434	475,825	22,164
Licenses and permits	334,988	-	-
Intergovernmental	4,752,114	-	3,251,281
Charges for services	470,484	-	-
Fines and forfeits	42,131	-	-
Investment earnings	51,701	29,814	56,238
Miscellaneous	172,050	-	-
Total Revenues	<u>9,768,469</u>	<u>1,676,591</u>	<u>3,329,739</u>
Expenditures			
Current			
General government	1,645,448	-	-
Public safety	3,387,809	-	-
Streets and highways	1,655,056	-	-
Sanitation and waste removal	216,896	-	-
Culture and recreation	1,358,015	-	-
Housing and economic development	-	-	-
Miscellaneous	-	-	-
Capital outlay			
General government	51,850	-	-
Public safety	128,202	-	-
Streets and highways	209,090	-	-
Culture and recreation	888,893	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	1,470,000	-
Interest and other	-	322,905	-
Total Expenditures	<u>9,541,259</u>	<u>1,792,905</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>227,210</u>	<u>(116,314)</u>	<u>3,329,739</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	13,649	-	-
Transfers in	1,233,330	238,326	52,398
Transfers out	(3,280,000)	-	(5,559,453)
Total Other Financing Sources (Uses)	<u>(2,033,021)</u>	<u>238,326</u>	<u>(5,507,055)</u>
Net Change in Fund Balances	(1,805,811)	122,012	(2,177,316)
Fund Balances, January 1	<u>7,947,471</u>	<u>2,259,876</u>	<u>2,995,106</u>
Fund Balances, December 31	<u>\$ 6,141,660</u>	<u>\$ 2,381,888</u>	<u>\$ 817,790</u>

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

2019 Capital Improvement Program	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,391,453	\$ 6,506,028
-	-	499,423
-	-	334,988
-	1,342,812	9,346,207
-	370,129	840,613
-	-	42,131
8,063	99,706	245,522
135	117,716	289,901
<u>8,198</u>	<u>3,321,816</u>	<u>18,104,813</u>
-	-	1,645,448
-	-	3,387,809
-	2,084	1,657,140
-	-	216,896
-	38,885	1,396,900
-	440,300	440,300
-	412,936	412,936
-	-	51,850
-	-	128,202
5,390,998	522,184	6,122,272
-	194,102	1,082,995
-	1,478,811	1,478,811
-	-	1,470,000
10,767	-	333,672
<u>5,401,765</u>	<u>3,089,302</u>	<u>19,825,231</u>
<u>(5,393,567)</u>	<u>232,514</u>	<u>(1,720,418)</u>
-	-	13,649
5,232,414	4,717,593	11,474,061
-	(979,608)	(9,819,061)
<u>5,232,414</u>	<u>3,737,985</u>	<u>1,668,649</u>
(161,153)	3,970,499	(51,769)
<u>(161,377)</u>	<u>6,039,807</u>	<u>19,080,883</u>
<u>\$ (322,530)</u>	<u>\$ 10,010,306</u>	<u>\$ 19,029,114</u>

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

City of Fairmont, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2020

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

Net change in Fund balances - governmental funds	\$ (51,769)
--	-------------

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	8,712,313
Depreciation expense	(2,615,285)

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

Principal repayments	1,470,000
Amortization of premiums, net of premium on bonds issued	15,788

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.

15,582

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

Pension expense	344,690
Direct aid contributions	30,376

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	(602)
Special assessments	(205,914)
Intergovernmental	(1,451,800)

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	7,970
Post employment benefits other than pension costs	(7,131)

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.

(34,136)

Change in Net Position - Governmental Activities	<u>\$ 6,230,082</u>
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The notes to the financial statements are an integral part of this statement.

City of Fairmont, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,938,485	\$ 3,938,485	\$ 3,943,567	\$ 5,082
Special assessments	-	-	1,434	1,434
Licenses and permits	181,600	181,600	334,988	153,388
Intergovernmental	4,373,772	4,373,772	4,752,114	378,342
Charges for services	537,317	537,317	470,484	(66,833)
Fines and forfeits	55,000	55,000	42,131	(12,869)
Investment earnings	60,015	60,015	51,701	(8,314)
Miscellaneous	149,478	149,478	172,050	22,572
Total Revenues	<u>9,295,667</u>	<u>9,295,667</u>	<u>9,768,469</u>	<u>472,802</u>
Expenditures				
Current				
General government	1,643,505	1,643,505	1,645,448	(1,943)
Public safety	3,640,683	3,640,683	3,387,809	252,874
Streets and highways	1,694,914	1,694,914	1,655,056	39,858
Sanitation and waste removal	138,817	138,817	216,896	(78,079)
Culture and recreation	1,562,018	1,562,018	1,358,015	204,003
Capital outlay				
General government	91,500	91,500	51,850	39,650
Public safety	537,500	537,500	128,202	409,298
Streets and highways	237,000	237,000	209,090	27,910
Culture and recreation	1,429,550	1,429,550	888,893	540,657
Total Expenditures	<u>10,975,487</u>	<u>10,975,487</u>	<u>9,541,259</u>	<u>1,434,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,679,820)</u>	<u>(1,679,820)</u>	<u>227,210</u>	<u>1,907,030</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	13,649	13,649
Transfers in	2,004,550	2,004,550	1,233,330	(771,220)
Transfers out	(2,380,000)	(2,380,000)	(3,280,000)	(900,000)
Total Other Financing Sources (Uses)	<u>(375,450)</u>	<u>(375,450)</u>	<u>(2,033,021)</u>	<u>(1,657,571)</u>
Net Change in Fund Balances	(2,055,270)	(2,055,270)	(1,805,811)	249,459
Fund Balances, January 1	<u>7,947,471</u>	<u>7,947,471</u>	<u>7,947,471</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,892,201</u>	<u>\$ 5,892,201</u>	<u>\$ 6,141,660</u>	<u>\$ 249,459</u>

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

City of Fairmont, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Assets				
Current Assets				
Cash and temporary investments	\$ 2,512,358	\$ 3,787,121	\$ 8,016,065	\$ 14,315,544
Receivables				
Accounts	530,296	339,080	1,915,557	2,784,933
Special assessments - current	4,743	-	-	4,743
Due from other funds	-	-	-	-
Inventories	47,642	-	408,177	455,819
Prepaid items	-	-	-	-
Total Current Assets	<u>3,095,039</u>	<u>4,126,201</u>	<u>10,339,799</u>	<u>17,561,039</u>
Noncurrent Assets				
Unamortized maintenance charges	<u>34,188</u>	<u>-</u>	<u>-</u>	<u>34,188</u>
Capital assets				
Land	468,687	58,186	90,991	617,864
Buildings	28,556,341	11,104,366	1,302,793	40,963,500
Improvements other than buildings	-	-	-	-
Utility plant in service	13,212,805	8,624,778	14,105,588	35,943,171
Machinery and equipment	523,852	6,890,781	4,215,402	11,630,035
Construction in progress	95,094	190,130	98,942	384,166
Total capital assets	<u>42,856,779</u>	<u>26,868,241</u>	<u>19,813,716</u>	<u>89,538,736</u>
Less accumulated depreciation	<u>(8,839,173)</u>	<u>(12,844,351)</u>	<u>(14,342,577)</u>	<u>(36,026,101)</u>
Total Capital Assets				
(Net of Accumulated Depreciation)	<u>34,017,606</u>	<u>14,023,890</u>	<u>5,471,139</u>	<u>53,512,635</u>
Total Noncurrent Assets	<u>34,051,794</u>	<u>14,023,890</u>	<u>5,471,139</u>	<u>53,546,823</u>
Total Assets	<u>37,146,833</u>	<u>18,150,091</u>	<u>15,810,938</u>	<u>71,107,862</u>
Deferred Outflows of Resources				
Deferred pension resources	51,265	28,474	62,914	142,653
Deferred other postemployment benefit resources	6,856	4,257	7,868	18,981
Total Deferred Outflows of Resources	<u>58,121</u>	<u>32,731</u>	<u>70,782</u>	<u>161,634</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		
\$ 453,230	\$ 1,834,976	\$ 3,331	\$ 16,607,081	\$ 1,086,155	
58,871	51,706	-	2,895,510	199	
-	-	-	4,743	-	
-	-	-	-	90,007	
-	433,523	-	889,342	-	
-	1,350	-	1,350	27,499	
512,101	2,321,555	3,331	20,398,026	1,203,860	
-	-	-	34,188	-	
495,863	229,138	375,850	1,718,715	-	
-	1,725,625	-	42,689,125	-	
10,235,705	19,169	-	10,254,874	-	
-	-	-	35,943,171	-	
-	36,543	-	11,666,578	291,195	
69,199	-	-	453,365	-	
10,800,767	2,010,475	375,850	102,725,828	291,195	
(3,405,335)	(517,084)	-	(39,948,520)	(227,551)	
7,395,432	1,493,391	375,850	62,777,308	63,644	
7,395,432	1,493,391	375,850	62,811,496	63,644	
7,907,533	3,814,946	379,181	83,209,522	1,267,504	
9,151	16,854	-	168,658	-	
1,443	1,584	-	22,008	-	
10,594	18,438	-	190,666	-	

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, 2020

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Liabilities				
Current Liabilities				
Accounts and contracts payable	\$ 28,312	\$ 19,722	\$ 909,820	\$ 957,854
Due to other funds	10,052	6,577	13,193	29,822
Due to other governments	-	-	60,561	60,561
Accrued interest payable	176,566	19,813	-	196,379
Accrued salaries payable	47,416	23,917	53,824	125,157
Sick leave/severance payable - current portion	31,479	17,038	70,545	119,062
Deposits payable	21,708	-	118,390	140,098
Unearned revenue	-	-	-	-
Bonds payable - current portion	836,000	768,000	-	1,604,000
Total Current Liabilities	1,151,533	855,067	1,226,333	3,232,933
Noncurrent Liabilities				
Sick leave/severance payable, net of current portion	16,843	62,660	153,269	232,772
Other postemployment benefits liability	68,977	42,827	79,160	190,964
Net pension liability	732,738	406,981	899,241	2,038,960
Bonds payable, net of current portion	20,916,000	2,384,000	-	23,300,000
Total Noncurrent Liabilities	21,734,558	2,896,468	1,131,670	25,762,696
Total Liabilities	22,886,091	3,751,535	2,358,003	28,995,629
Deferred Inflows of Resources				
Deferred pension resources	41,503	23,052	50,934	115,489
Deferred other postemployment benefit resources	7,222	4,484	8,288	19,994
Total Deferred Inflows of Resources	48,725	27,536	59,222	135,483
Net Position				
Net investment in capital assets	12,265,606	10,871,890	5,471,139	28,608,635
Unrestricted	2,004,532	3,531,861	7,993,356	13,529,749
Total Net Position	\$ 14,270,138	\$ 14,403,751	\$ 13,464,495	\$ 42,138,384

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

Business-type Activities - Enterprise Funds

603	609	Non-major 611		Governmental Activities - Internal Service Funds
Storm Sewer Utility	Municipal Liquor	Parking Lot	Totals	
\$ 158	\$ 217,944	\$ -	\$ 1,175,956	\$ 108,765
2,395	2,999	-	35,216	1,979
-	28,019	-	88,580	-
1,313	-	-	197,692	-
7,698	14,604	-	147,459	6,717
7,797	10,290	-	137,149	4,925
-	-	-	140,098	-
-	7,355	403	7,758	-
210,000	-	-	1,814,000	-
<u>229,361</u>	<u>281,211</u>	<u>403</u>	<u>3,743,908</u>	<u>122,386</u>
23,354	25,780	-	281,906	14,986
14,520	15,939	-	221,423	-
130,801	240,897	-	2,410,658	-
8,702	-	-	23,308,702	-
<u>177,377</u>	<u>282,616</u>	<u>-</u>	<u>26,222,689</u>	<u>14,986</u>
<u>406,738</u>	<u>563,827</u>	<u>403</u>	<u>29,966,597</u>	<u>137,372</u>
7,409	13,645	-	136,543	-
1,520	1,669	-	23,183	-
<u>8,929</u>	<u>15,314</u>	<u>-</u>	<u>159,726</u>	<u>-</u>
7,185,432	1,493,391	375,850	37,663,308	63,644
<u>317,028</u>	<u>1,760,852</u>	<u>2,928</u>	<u>15,610,557</u>	<u>1,066,488</u>
<u>\$ 7,502,460</u>	<u>\$ 3,254,243</u>	<u>\$ 378,778</u>	53,273,865	<u>\$ 1,130,132</u>

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. 23,357

Net Position of Business-type Activities \$ 53,297,222

City of Fairmont, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	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	3,428,772	1,573,397	14,828,750	19,830,919
Miscellaneous revenues	399,697	807,425	267,892	1,475,014
Total Operating Revenues	<u>3,828,469</u>	<u>2,380,822</u>	<u>15,096,642</u>	<u>21,305,933</u>
Operating Expenses				
Production or purchase	-	-	11,045,034	11,045,034
Filtration	1,090,886	-	-	1,090,886
Treatment	-	753,613	-	753,613
Distribution	652,320	-	1,211,160	1,863,480
Collection	-	317,671	-	317,671
Administration and other	456,204	293,226	963,606	1,713,036
Depreciation	964,409	627,055	455,625	2,047,089
Total Operating Expenses	<u>3,163,819</u>	<u>1,991,565</u>	<u>13,675,425</u>	<u>18,830,809</u>
Operating Income (Loss)	<u>664,650</u>	<u>389,257</u>	<u>1,421,217</u>	<u>2,475,124</u>
Nonoperating Revenues (Expenses)				
Investment income	45,668	73,773	142,619	262,060
State grants	1,968	1,093	2,416	5,477
Miscellaneous income	16,717	-	442	17,159
Interest expense	(497,871)	(62,845)	-	(560,716)
Bond premium amortization	-	-	-	-
Payments to Economic Development Authority	(16,130)	(10,792)	(73,078)	(100,000)
Total Nonoperating Revenues (Expenses)	<u>(449,648)</u>	<u>1,229</u>	<u>72,399</u>	<u>(376,020)</u>
Income (Loss) Before Transfers and Capital Grants and Contributions	215,002	390,486	1,493,616	2,099,104
Capital Grants and Contributions	3,217	-	-	3,217
Transfers Out	<u>(133,074)</u>	<u>(89,033)</u>	<u>(602,893)</u>	<u>(825,000)</u>
Change in Net Position	85,145	301,453	890,723	1,277,321
Net Position - January 1	<u>14,184,993</u>	<u>14,102,298</u>	<u>12,573,772</u>	<u>40,861,063</u>
Net Position - December 31	<u><u>\$ 14,270,138</u></u>	<u><u>\$ 14,403,751</u></u>	<u><u>\$ 13,464,495</u></u>	<u><u>\$ 42,138,384</u></u>

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

Business-type Activities - Enterprise Funds

603	609	Non-major		Governmental
Storm Sewer	Municipal	611		Activities -
Utility	Liquor	Parking		Internal Service
		Lot	Totals	Funds
\$ -	\$ 4,631,500	\$ -	\$ 4,631,500	\$ -
-	(3,298,602)	-	(3,298,602)	-
589,241	-	7,200	20,427,360	2,883,381
-	-	-	1,475,014	6,702
<u>589,241</u>	<u>1,332,898</u>	<u>7,200</u>	<u>23,235,272</u>	<u>2,890,083</u>
-	-	-	11,045,034	-
-	-	-	1,090,886	-
-	-	-	753,613	-
-	-	-	1,863,480	-
-	-	-	317,671	-
306,689	568,575	5,482	2,593,782	2,944,808
192,520	46,122	-	2,285,731	11,181
<u>499,209</u>	<u>614,697</u>	<u>5,482</u>	<u>19,950,197</u>	<u>2,955,989</u>
<u>90,032</u>	<u>718,201</u>	<u>1,718</u>	<u>3,285,075</u>	<u>(65,906)</u>
8,074	39,734	50	309,918	19,449
351	647	-	6,475	-
140	659	-	17,958	-
(8,896)	-	-	(569,612)	-
2,088	-	-	2,088	-
-	-	-	(100,000)	-
<u>1,757</u>	<u>41,040</u>	<u>50</u>	<u>(333,173)</u>	<u>19,449</u>
91,789	759,241	1,768	2,951,902	(46,457)
-	-	-	3,217	-
-	(830,000)	-	(1,655,000)	-
91,789	(70,759)	1,768	1,300,119	(46,457)
<u>7,410,671</u>	<u>3,325,002</u>	<u>377,010</u>	<u>51,973,746</u>	<u>1,176,589</u>
<u>\$ 7,502,460</u>	<u>\$ 3,254,243</u>	<u>\$ 378,778</u>	<u>\$ 53,273,865</u>	<u>\$ 1,130,132</u>

Change in net position as shown above \$ 1,300,119

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. (11,923)

Change in Net Position of Business-type \$ 1,288,196

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, 2020

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 3,784,445	\$ 2,371,238	\$ 15,123,983	\$ 21,279,666
Payments to suppliers	(908,678)	(620,602)	(11,578,490)	(13,107,770)
Payments to and on behalf of employees	(954,283)	(581,531)	(1,273,278)	(2,809,092)
Payments for interfund services used	(271,487)	(174,811)	(335,058)	(781,356)
Other receipts	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,649,997</u>	<u>994,294</u>	<u>1,937,157</u>	<u>4,581,448</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to other funds	(133,074)	(89,033)	(602,893)	(825,000)
Payments to Economic Development Authority	(16,130)	(10,792)	(73,078)	(100,000)
State aids received	1,968	1,093	2,416	5,477
Increase in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	<u>1,434</u>	<u>1,138</u>	<u>3,010</u>	<u>5,582</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(145,802)</u>	<u>(97,594)</u>	<u>(670,545)</u>	<u>(913,941)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(62,824)	(362,696)	(530,029)	(955,549)
Capital grants received	724	440	-	1,164
Principal paid on revenue bond obligations	(818,000)	(755,000)	-	(1,573,000)
Interest paid on revenue bond obligations	<u>(504,511)</u>	<u>(67,591)</u>	<u>-</u>	<u>(572,102)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,384,611)</u>	<u>(1,184,847)</u>	<u>(530,029)</u>	<u>(3,099,487)</u>
Cash Flows from Investing Activities				
Interest received	<u>45,668</u>	<u>73,773</u>	<u>142,619</u>	<u>262,060</u>
Net Increase (Decrease) in Cash and Cash Equivalents	165,252	(214,374)	879,202	830,080
Cash and Cash Equivalents, January 1	<u>2,347,106</u>	<u>4,001,495</u>	<u>7,136,863</u>	<u>13,485,464</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 2,512,358</u></u>	<u><u>\$ 3,787,121</u></u>	<u><u>\$ 8,016,065</u></u>	<u><u>\$ 14,315,544</u></u>

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

Business-type Activities - Enterprise Funds

603 Storm Sewer Utility	609 Municipal Liquor	Non-major		Governmental Activities - Internal Service Funds
		611 Parking Lot	Totals	
\$ 587,871	\$ 4,615,366	\$ 7,238	\$ 26,490,141	\$ 2,885,332
(80,204)	(3,376,009)	(5,456)	(16,569,439)	(695,751)
(179,776)	(328,316)	-	(3,317,184)	(2,184,243)
(52,720)	(80,733)	(26)	(914,835)	(42,689)
140	659	-	799	6,702
<u>275,311</u>	<u>830,967</u>	<u>1,756</u>	<u>5,689,482</u>	<u>(30,649)</u>
-	(830,000)	-	(1,655,000)	-
-	-	-	(100,000)	-
351	647	-	6,475	-
-	-	-	-	(20,168)
<u>2,395</u>	<u>585</u>	<u>-</u>	<u>8,562</u>	<u>544</u>
<u>2,746</u>	<u>(828,768)</u>	<u>-</u>	<u>(1,739,963)</u>	<u>(19,624)</u>
(102,784)	-	-	(1,058,333)	(11,413)
-	-	-	1,164	-
(200,000)	-	-	(1,773,000)	-
<u>(11,375)</u>	<u>-</u>	<u>-</u>	<u>(583,477)</u>	<u>-</u>
<u>(314,159)</u>	<u>-</u>	<u>-</u>	<u>(3,413,646)</u>	<u>(11,413)</u>
<u>8,074</u>	<u>39,734</u>	<u>50</u>	<u>309,918</u>	<u>19,449</u>
(28,028)	41,933	1,806	845,791	(42,237)
<u>481,258</u>	<u>1,793,043</u>	<u>1,525</u>	<u>15,761,290</u>	<u>1,128,392</u>
<u>\$ 453,230</u>	<u>\$ 1,834,976</u>	<u>\$ 3,331</u>	<u>\$ 16,607,081</u>	<u>\$ 1,086,155</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, 2020

	Business-type Activities - Enterprise Funds			
	601 Water Utility	602 Wastewater Utility	604 Electric Utility	Total Public Utilities Commission
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 664,650	\$ 389,257	\$ 1,421,217	\$ 2,475,124
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	16,717	-	442	17,159
Depreciation	964,409	627,055	455,625	2,047,089
(Increase) decrease in assets				
Net accounts receivable	(60,899)	(9,584)	25,796	(44,687)
Inventories	(161)	-	31,585	31,424
Prepaid items	34,192	-	-	34,192
Unamortized maintenance charges	(1)	-	-	(1)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(1,964)	1,382	2,814	2,232
Deferred other postemployment benefit resources	(983)	360	(2,087)	(2,710)
Increase (decrease) in liabilities				
Accounts and contracts payable	(33,057)	(4,666)	8,812	(28,911)
Due to other governments	-	-	326	326
Accrued salaries payable	12,096	6,207	11,392	29,695
Sick leave/severance payable	10,442	7,886	(4,375)	13,953
Postemployment benefits other than pension obligation	10,447	(3,191)	21,544	28,800
Net pension liability	123,089	36,948	84,820	244,857
Deposits payable	158	-	1,103	1,261
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(88,559)	(55,711)	(122,466)	(266,736)
Deferred other postemployment benefit resources	(579)	(1,649)	609	(1,619)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,649,997</u>	<u>\$ 994,294</u>	<u>\$ 1,937,157</u>	<u>\$ 4,581,448</u>
Noncash Investing, Capital and Financing Activities				
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
603 Storm Sewer Utility	609 Municipal Liquor	Non-major 611 Parking Lot	Totals		
\$ 90,032	\$ 718,201	\$ 1,718	\$ 3,285,075	\$ (65,906)	
140	659	-	17,958	-	
192,520	46,122	-	2,285,731	11,181	
(1,370)	(17,374)	-	(63,431)	1,951	
-	(22,460)	-	8,964	-	
-	-	-	34,192	(26,314)	
-	-	-	(1)	-	
588	419	-	3,239	-	
(95)	(60)	-	(2,865)	-	
(1,719)	111,058	-	80,428	43,924	
-	(11,950)	-	(11,624)	-	
2,040	1,679	-	33,414	1,940	
1,093	7,910	-	22,956	2,575	
1,089	754	-	30,643	-	
9,546	27,047	-	281,450	-	
-	-	-	1,261	-	
-	1,240	38	1,278	-	
(18,283)	(31,923)	-	(316,942)	-	
(270)	(355)	-	(2,244)	-	
<u>\$ 275,311</u>	<u>\$ 830,967</u>	<u>\$ 1,756</u>	<u>\$ 5,689,482</u>	<u>\$ (30,649)</u>	
\$ (2,088)	\$ -	\$ -	\$ (2,088)	\$ -	

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, 2020

	Custodial Funds
Assets	
Cash and temporary investments	<u>\$ 1,676</u>
Liabilities	
Accounts payable	<u>1,676</u>
Net Position	
Restricted	
Individuals, organizations and other governments	<u><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
For the Year Ended December 31, 2020

	Custodial Funds
Additions	
Investment earnings	<u>\$ 1,676</u>
Deductions	
Payments to other entities	<u>198,548</u>
Net Increase (Decrease) in Fiduciary Net Position	(196,872)
Net Position, January 1	<u>196,872</u>
Net Position, December 31	<u><u>\$ -</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 156 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 *Street Improvement Capital Reserve fund* accounts for revenues received from the State of Minnesota to help pay costs of improvements on Minnesota State Aid Streets within the City.

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, 2020:

- Governmental agency securities of \$5,555,197 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$11,775,729 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, 2020 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration of Credit Risk* - At year end, the City's investments were made with two brokers. The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Investments for the City, as well as for its component unit, are reported at fair value. Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool in these funds is the same as the fair value of the pool shares.

It is the goal of the City to maximize interest earnings through the use of an ongoing, effective investment program. Therefore, it is the objective of the City to increase the volume of money in attractive high-yielding investments for the maximum period of time.

More than any other consideration, the safeguarding of public funds will be primary. Speculation is never justified. All investments will be properly protected with the required collateral and/or federal insurance. The City will invest only in those investment instruments authorized by statute. Minnesota statutes, chapters 118A.04, 118A.05 and 118A.06 set forth the authorized investments for a municipality.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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 2020. 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, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (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	\$ 117,826	\$ 259,259	\$ 8,382	\$ 385,467

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.

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, 2020:

Fund	Amount
Major	
Capital Projects	
2019 Capital Improvement Program	\$ 322,530
Nonmajor	
Capital Projects	
2021 Capital Improvement Program	53,434

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 \$19,889,332, including \$1,676 reported in fiduciary funds. The bank balance was \$19,501,374. The bank balance was covered by federal depository insurance of \$750,000. Of the remaining balance, \$18,751,374, 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, 2020

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	\$ 113,752		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 to 5 years	3,104,990	\$ 3,104,990	\$ -
Government Agency Securities	AA	1 to 5 years	2,118,290	2,118,290	-
Government Agency Securities	AA-	1 to 5 years	331,917	331,917	-
Negotiable certificates of deposit	N/A	less than 1 year	5,211,231	-	5,211,231
Negotiable certificates of deposit	N/A	1 to 5 years	6,564,498	-	6,564,498
Total Investments			<u>\$ 17,444,678</u>	<u>\$ 5,555,197</u>	<u>\$ 11,775,729</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	\$ 19,398,327	\$ 489,329	\$ 1,676	\$ 19,889,332
Investments	17,444,678	-	-	17,444,678
Cash on Hand	3,123	-	-	3,123
Total Cash and Temporary Investments	<u>\$ 36,846,128</u>	<u>\$ 489,329</u>	<u>\$ 1,676</u>	<u>\$ 37,337,133</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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, 2020 is \$1,106,956.

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, 2020 are \$370,383 of which \$18,798 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 \$351,585 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, 2020 is \$1,972.

C. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	6,679,730	8,079,694	(3,408,636)	11,350,788
Total Capital Assets not Being Depreciated	10,629,208	8,079,694	(3,408,636)	15,300,266
Capital Assets Being Depreciated				
Buildings and structures	9,148,687	-	-	9,148,687
Improvements other than buildings	16,338,311	1,414,067	-	17,752,378
Machinery and equipment	5,353,280	186,401	-	5,539,681
Vehicles	3,105,152	259,483	-	3,364,635
Infrastructure	49,771,177	2,192,717	-	51,963,894
Bridges	4,890,518	-	-	4,890,518
Total Capital Assets Being Depreciated	88,607,125	4,052,668	-	92,659,793
Less Accumulated Depreciation for				
Buildings and structures	(4,247,111)	(197,093)	-	(4,444,204)
Improvements other than buildings	(6,725,448)	(674,957)	-	(7,400,405)
Machinery and equipment	(3,855,474)	(241,824)	-	(4,097,298)
Vehicles	(2,479,528)	(137,288)	-	(2,616,816)
Infrastructure	(21,509,138)	(1,253,043)	-	(22,762,181)
Bridges	(1,548,037)	(122,261)	-	(1,670,298)
Total Accumulated Depreciation	(40,364,736)	(2,626,466)	-	(42,991,202)
Total Capital Assets Being Depreciated, Net	48,242,389	1,426,202	-	49,668,591
Governmental Activities Capital Assets, Net	<u>\$ 58,871,597</u>	<u>\$ 9,505,896</u>	<u>\$ (3,408,636)</u>	<u>\$ 64,968,857</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,718,715	\$ -	\$ -	\$ 1,718,715
Construction in progress	1,351,164	199,923	(1,097,722)	453,365
Total Capital Assets not Being Depreciated	3,069,879	199,923	(1,097,722)	2,172,080
Capital Assets Being Depreciated				
Buildings and structures	42,659,996	29,129	-	42,689,125
Improvements other than buildings	44,718,353	1,479,692	-	46,198,045
Machinery and equipment	11,262,477	404,101	-	11,666,578
Total Capital Assets Being Depreciated	98,640,826	1,912,922	-	100,553,748
Less Accumulated Depreciation for				
Buildings and structures	(8,655,545)	(812,584)	-	(9,468,129)
Improvements other than buildings	(22,161,849)	(1,009,132)	-	(23,170,981)
Machinery and equipment	(6,845,395)	(464,015)	-	(7,309,410)
Total Accumulated Depreciation	(37,662,789)	(2,285,731)	-	(39,948,520)
Total Capital Assets Being Depreciated, Net	60,978,037	(372,809)	-	60,605,228
Business-type Activities Capital Assets, Net	<u>\$ 64,047,916</u>	<u>\$ (172,886)</u>	<u>\$ (1,097,722)</u>	<u>\$ 62,777,308</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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	\$ 76,336
Public safety	187,644
Streets and highways	1,474,681
Culture and recreation	330,174
Housing and economic development	60,580
Airport	485,870
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>11,181</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,626,466</u></u>

Business-type Activities

Electric utility	\$ 455,625
Water utility	964,409
Wastewater utility	627,055
Storm sewer	192,520
Liquor	<u>46,122</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 2,285,731</u></u>

Construction Commitments

The City has active construction projects as of December 31, 2020. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
I-90 Trail Connection	\$ 246,478	\$ 574,326
Airport T-Hangar	871,192	30,975
Pioneer Bridge	205,941	27,542
Hangar Taxilanes and Aprons	352,835	17,436
Lake Avenue	<u>3,366,158</u>	<u>724,083</u>
Total	<u><u>\$ 5,042,604</u></u>	<u><u>\$ 1,374,362</u></u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental	
Capital reserve fund	2019 Capital Improvement Program	\$ 45,854
	Nonmajor governmental	725,611
Internal service		
Medical self-insurance	Public Utilities Commission	
	Water Utility fund	10,052
	Electric Utility fund	13,193
	Storm Sewer Utility	2,395
	General	51,370
Worker's compensation self-insurance	Nonmajor governmental	1,442
	Public Utilities Commission	
	Wastewater Utility fund	6,577
	Municipal Liquor	2,999
	Internal service	
	Central garage and equipment	1,979
Total		<u><u>\$ 861,472</u></u>

The above amounts represent interfund billings that will repaid during the first quarter of 2021.

Due to/from Primary Government/Component Unit

The composition of amounts due from/to primary government/component unit at December 31, 2020 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>\$ 7,428</u></u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2020 is as follows:

Fund	Transfers in					Total
	General	Debt Service	Street Improvement Capital Reserve	2019 Capital Improvement Program	Nonmajor Governmental	
Transfers Out						
General	\$ -	\$ -	\$ -	\$ -	\$ 3,280,000	\$ 3,280,000
Capital Reserve	-	238,326	-	5,232,414	88,713	5,559,453
Nonmajor governmental	9,454	-	52,398	-	917,756	979,608
Water Utility	133,074	-	-	-	-	133,074
Wastewater Utility	89,033	-	-	-	-	89,033
Electric Utility	602,893	-	-	-	-	602,893
Liquore Store	398,876	-	-	-	431,124	830,000
Total Transfers Out	<u>\$ 1,233,330</u>	<u>\$ 238,326</u>	<u>\$ 52,398</u>	<u>\$ 5,232,414</u>	<u>\$ 4,717,593</u>	<u>\$ 11,474,061</u>

The transfer of \$398,876 from the Municipal Liquor fund to the General fund for Margaret St. Trail Extension (\$103,876), Aquatic Park (\$120,000) and Ward Park Boat Landing & Parking Lot (\$175,000).

The transfer of \$431,124 from the Municipal Liquor fund to Nonmajor Governmental funds includes a \$40,000 to the SMEC fund to cover the fund's deficit, a \$50,000 to the Airport Construction fund for the Airport T-Hangar, and \$341,124 to the Street Improvement Capital Reserve Fund for the Ward Park Shelter House and Margaret St. Trail Extension.

The transfer of \$825,000 from the Water Utility (\$133,074), Wastewater Utility (\$89,033) and the Electric Utility (\$602,893) funds to the General fund is payment in lieu of taxes.

The transfer from Nonmajor Governmental funds to the General fund of \$9,454 for administration expense.

Transfer from Nonmajor Governmental funds to the Street Improvement Capital Reserve fund of \$52,398 to close the 2017 Street Improvements fund.

Transfer from nonmajor governmental funds to other nonmajor governmental funds for \$917,756 for the Community Center Study.

Transfer from the Street Improvement Capital Reserve fund to the Debt Service fund of \$238,326 for 2012 G.O. bond payments.

Transfer from the Street Improvement Capital Reserve fund to the 2019 Capital Improvement Program of \$5,232,414 for project costs.

Transfer from the General fund to Nonmajor Governmental funds for \$3,280,000 for fire calls (\$80,000) and to move reserves to the public works building (\$3,200,000).

Transfer from the Street Improvement Capital Reserve fund to Nonmajor Governmental funds of \$88,713 for project costs relating to the 2017 Capital Project

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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	\$ 2,005,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,090,000
G.O. Improvement Bonds of 2015A	2,330,000	2.00 - 3.00	08/20/15	03/01/31	1,670,000
G.O. Improvement Crossover Refunding Bonds of 2016A	2,715,000	1.50 - 2.00	05/01/16	03/01/27	1,925,000
G.O. Improvement Bonds of 2017A	2,950,000	2.00 - 3.00	07/18/17	03/01/33	2,610,000
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>\$ 11,900,000</u>

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
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	930,000	165,890	1,095,890
2026 - 2030	3,555,000	517,452	4,072,452
2031 - 2035	1,845,000	110,025	1,955,025
Total	<u>\$ 11,900,000</u>	<u>\$ 1,720,148</u>	<u>\$ 13,620,148</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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	\$ 3,152,000
G.O. Storm Sewer Crossover Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	210,000
2011 G.O. Revenue Notes (PFA)	28,902,811	2.23	10/11/11	08/20/41	<u>21,752,000</u>
Total G.O. Revenue Bonds					<u>\$ 25,114,000</u>

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
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	914,000	408,688	1,322,688
2026 - 2030	4,882,000	1,728,042	6,610,042
2031 - 2035	5,453,000	1,157,793	6,610,793
2036 - 2040	6,089,000	520,835	6,609,835
2041	956,000	21,357	977,357
Total	<u>\$ 25,114,000</u>	<u>\$ 5,808,140</u>	<u>\$ 30,922,140</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, 2020 are as follows:

	Water Utility	Wastewater Utility	Storm Water Utility
Revenues	\$ 3,828,469	\$ 2,380,822	\$ 589,241
Principal and Interest	1,322,511	822,591	211,375
Percentage of Revenues	34.5%	34.6%	35.9%

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 13,370,000	\$ -	\$ (1,470,000)	\$ 11,900,000	\$ 1,635,000
Bond premiums	213,908	-	(15,788)	198,120	-
Total Bonds Payable	13,583,908	-	(1,485,788)	12,098,120	1,635,000
Sick Leave/Severance Payable	547,782	1,003,579	(1,008,974)	542,387	202,096
 Governmental Activity Long-term Liabilities	<u>\$ 14,131,690</u>	<u>\$ 1,003,579</u>	<u>\$ (2,494,762)</u>	<u>\$ 12,640,507</u>	<u>\$ 1,837,096</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 26,887,000	\$ -	\$ (1,773,000)	\$ 25,114,000	\$ 1,814,000
Bond premiums	10,790	-	(2,088)	8,702	-
Total Bonds Payable	26,897,790	-	(1,775,088)	25,122,702	1,814,000
Sick Leave/Severance Payable	396,099	549,215	(526,259)	419,055	137,149
 Business-type Activity Long-term Liabilities	<u>\$ 27,293,889</u>	<u>\$ 549,215</u>	<u>\$ (2,301,347)</u>	<u>\$ 25,541,757</u>	<u>\$ 1,951,149</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities					
Sick Leave/Severance Payable	<u>\$ 2,905</u>	<u>\$ 8,592</u>	<u>\$ (8,090)</u>	<u>\$ 3,407</u>	<u>\$ 3,407</u>

Conduit Debt Obligations

The City has issued a Housing Facilities Revenue Refunding Note to provide financial assistance to Goldfinch Estates for the acquisition, construction and operation of a 72-unit senior living facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by Goldfinch Estates. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Issued to	Issue Date	Amount Issued	Balance at Year End
Goldfinch Estates - Vista Prairie Communities Project	05/21/15	<u>\$ 5,454,000</u>	<u>\$ 4,439,041</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2020, 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	Capital Reserve	2019 Capital Improvement Program	Other Governmental Funds	Total
Nonspendable for						
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ 3,200	\$ 3,200
Restricted for						
Debt service	\$ -	\$ 2,381,888	\$ -	\$ -	\$ -	\$ 2,381,888
Capital projects	-	-	-	-	2,472,699	2,472,699
Housing and economic development	-	-	-	-	2,137,526	2,137,526
Inclusive playground	-	-	-	-	50,198	50,198
iPaddle Port	-	-	-	-	5,000	5,000
Mini Golf Course	-	-	-	-	1,521	1,521
Total	\$ -	\$ 2,381,888	\$ -	\$ -	\$ 4,666,944	\$ 7,048,832
Committed for						
Police department capital	\$ 10,550	\$ -	\$ -	\$ -	\$ -	\$ 10,550
Bike trail	4,640	-	-	-	-	4,640
LaFrance	4,172	-	-	-	-	4,172
Fire department	75,050	-	-	-	-	75,050
Aeronautics	-	-	-	-	474,476	474,476
Capital projects	-	-	817,790	-	1,630,812	2,448,602
Central college incubator	-	-	-	-	36,295	36,295
Conservation	-	-	-	-	335,878	335,878
Wetland bank	-	-	-	-	113,984	113,984
Micro loans	-	-	-	-	28,311	28,311
Total	\$ 94,412	\$ -	\$ 817,790	\$ -	\$ 2,619,756	\$ 3,531,958
Assigned for						
Budget	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000
Police equipment	36,223	-	-	-	-	36,223
Fire equipment	61,000	-	-	-	-	61,000
Building inspection	11,143	-	-	-	-	11,143
Housing demolition	61,670	-	-	-	-	61,670
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	46,719	-	-	-	-	46,719
Street building	36,237	-	-	-	-	36,237
Park land	191,280	-	-	-	-	191,280
Government building	101,826	-	-	-	-	101,826
Street equipment	120,880	-	-	-	-	120,880
Park trail	376,830	-	-	-	-	376,830
Central college incubator	-	-	-	-	39,125	39,125
Public works building	-	-	-	-	2,734,715	2,734,715
Total	\$ 4,534,775	\$ -	\$ -	\$ -	\$ 2,773,840	\$ 7,308,615
Unassigned	\$ 1,512,473	\$ -	\$ -	\$ (322,530)	\$ (53,434)	\$ 1,136,509

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

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

Public Employees Police and Fire Plan

The Police and Fire Plan, 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 Police and Fire Plan 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.

General Employee Plan Benefits

General Employee Plan 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. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year 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 one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Police and Fire Plan Benefits

Benefits for Police and Fire Plan 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 Police and Fire Plan 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 3.0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 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 2020 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, 2020, 2019 and 2018 were \$385,074, \$386,042 and \$379,487, 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 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019 and 2018 were \$270,021, \$261,618 and \$240,033, 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, 2020, the City reported a liability of \$4,304,738 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. 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 \$132,897. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0718 percent which was a 0.0005 percent decrease from its proportion measured as of June 30, 2019.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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

City's Proportionate Share of the Net Pension Liability	\$ 4,304,738
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>132,897</u>
Total	<u><u>\$ 4,437,635</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$106,260 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$11,566 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, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 44,652	\$ 16,874
Changes in Actuarial Assumptions	2,493	163,127
Net Difference Between Projected and Actual Earnings on Plan Investments	61,774	-
Changes in Proportion	-	63,823
Contributions Paid to PERA Subsequent to the Measurement Date	<u>192,256</u>	<u>-</u>
Total	<u><u>\$ 301,175</u></u>	<u><u>\$ 243,824</u></u>

The \$192,256 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (279,010)
2022	(34,032)
2023	74,133
2024	104,004

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,796,580 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.1363 percent which was a decrease of 0.0040 percent from its proportionate share measured as of June 30, 2019.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$246,239 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$13,020 for the year ended December 31, 2020 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.

At December 31, 2020, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 87,676	\$ 125,719
Changes in Actuarial Assumptions	733,647	1,214,308
Net Difference Between Projected and Actual Earnings on Plan Investments	70,656	-
Changes in Proportion	174,736	132,632
Contributions Paid to PERA Subsequent to the Measurement Date	<u>136,471</u>	<u>-</u>
Total	<u>\$ 1,203,186</u>	<u>\$ 1,472,659</u>

The \$136,471 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (124,072)
2022	(460,938)
2023	122,336
2024	66,773
2025	(10,043)

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 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 disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 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 assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 one percentage point lower or one percentage point higher than the current discount rate:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 6,899,002	\$ 4,304,738	\$ 2,164,679
Police and Fire Fund	350,842	1,796,580	320,415

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

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Fairmont Fire Department (the Department) are covered by a defined benefit plan administered by the Fairmont Fire Department Relief Association (the Association). As of December 31, 2019, the plan covered 30 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$92,847 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2019, 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, 2020 were \$92,847. The City's contributions were equal to the required contributions as set by state statute.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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

D. Pension Costs

At December 31, 2020, the City reported a net pension asset of \$328,111 for the plan. The net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by Vanlwaarden applying an actuarial formula to specific census data certified by the Department. 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, 2019	\$ 1,480,672	\$ 1,432,031	\$ 48,641
Changes for the Year			
Service cost	50,723	-	50,723
Interest	90,747	-	90,747
Differences between expected and actual experience	(149,682)	-	(149,682)
Changes in assumptions	23,541	-	23,541
Contributions - State and local	-	89,593	(89,593)
Contributions - member	-	21,765	(21,765)
Net investment income	-	294,065	(294,065)
Benefit payments	(37,890)	(37,890)	-
Administrative expenses	-	(13,342)	13,342
Total Net Changes	(22,561)	354,191	(376,752)
Ending Balance December 31, 2019	\$ 1,458,111	\$ 1,786,222	\$ (328,111)

For the year ended December 31, 2020, the City recognized pension expense of \$8,382.

At December 31, 2020, 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	\$ -	\$ 214,054
Changes in Actuarial Assumptions	44,194	17,993
Net Difference Between Projected and Actual Earnings on Plan Investments	-	116,661
Contributions to Plan Subsequent to the Measurement Date	92,847	-
Total	\$ 137,041	\$ 348,708

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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

Deferred outflows of resources totaling \$92,847 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, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ (62,781)
2022	(61,046)
2023	(48,046)
2024	(70,002)
2025	(20,522)
Thereafter	(42,117)

E. Actuarial Assumptions

The total pension liability at December 31, 2020, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Discount Rate	5.50%
Inflation Rate	2.50%
Investment Rate of Return	5.50%
20-Year Municipal Bond Yield	2.75%

There were no changes in actuarial assumptions in 2020.

The 5.50 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.

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

Asset Class	Target Allocation	Long-term Expected Nomina Rate of Return
Domestic Equity	40.00 %	4.76 %
International Equity	5.00	5.41
Fixed Income	35.00	2.01
Real Estate and Alternatives	5.00	4.53
Cash and Equivalents	15.00	0.74
Total	<u>100.00 %</u>	

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

F. Discount Rate

The discount rate used to measure the total pension liability was 5.50 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 one percent lower or one percent higher than the current discount rate:

	1 Percent Decrease (4.50%)	Current (5.50%)	1 Percent Increase (6.50%)
Defined Benefit Plan	\$ (281,641)	\$ (328,111)	\$ (371,848)

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, 2020, the following employees were covered by the benefit terms:

Active Plan Members	<u><u>83</u></u>
---------------------	------------------

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 2020, implicit contributions totaled \$9,241.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 6: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$569,122 was measured as of January 1, 2020, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability in the January 1, 2020 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	6.25% as of January 1, 2020 grading to 5.00% over 5 years

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.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at January 1, 2020	\$ 521,619
Changes for the Year:	
Service cost	35,738
Interest	21,006
Benefit payments	(9,241)
Net Changes	47,503
Balances at December 31, 2020	<u>\$ 569,122</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 6: Postemployment Benefits Other Than Pensions (Continued)

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:

<u>1 Percent Decrease (2.8%)</u>	<u>Current (3.8%)</u>	<u>1 Percent Decrease (4.8%)</u>
\$ 569,122	\$ 569,122	\$ 526,632

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:

<u>1 Percent Decrease (5.5% Decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (6.5% Decreasing to 5%)</u>	<u>1 Percent Increase (7.5% Decreasing to 6%)</u>
\$ 569,122	\$ 569,122	\$ 645,192

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 6: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2020, the City recognized expense of \$33,342. At December 31, 2020, 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
Differences Between Expected and Actual Experience	\$ 36,941	\$ -
Changes in Actuarial Assumptions	-	59,588
Contributions to OPEB Subsequent to the Measurement Date	19,627	-
	<u>56,568</u>	<u>59,588</u>
Total	<u>\$ 56,568</u>	<u>\$ 59,588</u>

Deferred outflows of resources totaling \$19,627 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, 2021. 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:	
2021	\$ (3,775)
2022	(3,775)
2023	(3,775)
2024	(3,775)
2025	(3,775)
Thereafter	(3,772)

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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 \$82,298 at December 31, 2020. The claims liability of \$13,613 reported in the fund at December 31, 2020 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 2020, 2019 and 2018 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2020	\$ 15,997	\$ 190,542	\$ (192,926)	\$ 13,613
2019	5,307	210,703	(200,013)	15,997
2018	12,742	197,838	(205,273)	5,307

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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, 2020, was \$783,248 and \$177,949 for the Property, Equipment and Liability and Workers' Compensation Self-insurance funds, respectively. The claims liabilities of \$2,257 reported in the Property, Equipment and Liability and Worker's Compensation funds at December 31, 2020, 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 2020, 2019 and 2018 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2020	\$ 27,763	\$ 23,579	\$ (49,085)	\$ 2,257
2019	-	60,303	(32,540)	27,763
2018	6,451	15,205	(21,656)	-

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.

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

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 2020 was \$3,617,285. This accounted for 37 percent of General fund revenues.

Note 8: Tax Abatements

As of December 31, 2020, 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, 2020

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, 2020 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.			\$ 22,727
Tax Increment Districts (PAYGO)			
TIF District #22	42.272%	\$ 46,382	19,607
TIF District #23	49.454%	17,352	8,581
TIF District #24	46.113%	12,409	5,722
TIF District #25	46.113%	38,930	17,952
TIF District #26	46.165%	24,140	11,144
TIF District #27	48.739%	9,276	4,521
Total			<u>\$ 90,254</u>

City of Fairmont, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 9: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Fairmont, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2020

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
06/30/20	0.0718 %	\$ 4,304,738	\$ 132,897	\$ 4,437,635	\$ 5,123,216	86.6 %	79.0 %
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)
12/31/20	\$ 385,074	\$ 385,074	\$ -	\$ 5,134,315	7.5 %
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, 2020

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

City of Fairmont, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

2016 - No changes noted

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, 2020

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
06/30/20	0.1363 %	\$ 1,796,580	\$ 42,321	\$ 1,838,901	\$ 1,595,810	115.2 %	87.2 %
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)
12/31/20	\$ 270,021	\$ 270,021	\$ -	\$ 1,593,044	17.0 %
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, 2020

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

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, 2020

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

Changes in plan provisions

2020 - No changes noted

2019 - No changes noted

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.

2016 - No changes noted

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, 2020

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

	2020 (Fire Relief Report Date 2019)	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	\$ 50,723	\$ 49,365	\$ 56,261	\$ 53,182	\$ 47,679	\$ 46,403
Interest	90,747	88,426	100,750	112,051	106,331	104,175
Differences between expected and actual experience	(149,682)	-	(77,198)	-	(73,104)	-
Changes of assumptions	23,541	-	26,484	12,042	(42,248)	-
Benefit payments, including refunds of employee contributions	(37,890)	(163,048)	(312,223)	(272,190)	(66,890)	(161,823)
Net Change in Total Pension Liability	(22,561)	(25,257)	(205,926)	(94,915)	(28,232)	(11,245)
Total Pension Liability - January 1	1,480,672	1,505,929	1,711,855	1,806,770	1,835,002	1,846,247
Total Pension Liability (A)	<u>\$ 1,458,111</u>	<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	\$ 89,593	\$ 133,620	\$ 131,968	\$ 127,341	\$ 143,804	\$ 171,691
Contributions - donations and other income	-	3,798	-	-	-	-
Contributions - employee	21,765	24,300	17,420	16,800	15,320	13,760
Net investment income	294,065	(44,856)	149,581	99,916	(24,723)	52,082
Benefit payments, including refunds of employee contributions	(37,890)	(163,048)	(312,223)	(272,190)	(66,890)	(161,823)
Administrative expense	(13,342)	(16,378)	(12,899)	(13,915)	(13,568)	(17,227)
Net Change in Plan Fiduciary Net Position	354,191	(62,564)	(26,153)	(42,048)	53,943	58,483
Plan Fiduciary Net Position - January 1	1,432,031	1,494,595	1,520,748	1,562,796	1,508,853	1,450,370
Plan Fiduciary Net Position (B)	<u>\$ 1,786,222</u>	<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>\$ (328,111)</u>	<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)	122.50%	96.71%	99.25%	88.84%	86.50%	82.23%
Covered Payroll	N/A	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	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, 2020

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/20	\$ - *	\$ - *	\$ -
12/31/19	104,682	111,358	(6,676)
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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 35,738	\$ 34,697	\$ 28,185
Interest	21,006	18,140	17,344
Differences between expected and actual experience	-	49,254	-
Changes in assumptions	-	(79,452)	-
Benefit payments	(9,241)	(31,777)	(24,109)
Net change in total OPEB liability	47,503	(9,138)	21,420
Total OPEB liability - beginning	521,619	530,757	509,337
Total OPEB liability - ending	<u>\$ 569,122</u>	<u>\$ 521,619</u>	<u>\$ 530,757</u>
Covered payroll	\$ 5,837,301	\$ 5,667,283	\$ 5,741,610
City's total OPEB liability as a percentage of covered payroll	9.75 %	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%.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Fairmont, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 1,970,356	\$ 6,597,234	\$ 8,567,590
Receivables			
Delinquent taxes	1,541	1,115	2,656
Accounts	8,407	-	8,407
Notes	1,477,339	-	1,477,339
Special assessments			
Intergovernmental	248,507	1,079,118	1,327,625
Prepaid items	3,200	-	3,200
Land held for resale	-	100,000	100,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 3,709,350</u></u>	<u><u>\$ 7,777,467</u></u>	<u><u>\$ 11,486,817</u></u>
Liabilities			
Accounts and contracts payable	\$ 43,102	\$ 109,230	\$ 152,332
Due to other funds	1,442	725,611	727,053
Due to other governments	346,842	100,000	446,842
Accrued salaries payable	3,408	-	3,408
Unearned revenue	144,220	-	144,220
Total Liabilities	<u>539,014</u>	<u>934,841</u>	<u>1,473,855</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>1,541</u>	<u>1,115</u>	<u>2,656</u>
Fund Balances			
Nonspendable	3,200	-	3,200
Restricted	2,137,526	2,529,418	4,666,944
Committed	988,944	1,630,812	2,619,756
Assigned	39,125	2,734,715	2,773,840
Unassigned	-	(53,434)	(53,434)
Total Fund Balances	<u>3,168,795</u>	<u>6,841,511</u>	<u>10,010,306</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 3,709,350</u></u>	<u><u>\$ 7,777,467</u></u>	<u><u>\$ 11,486,817</u></u>

City of Fairmont, Minnesota
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,326,352	\$ 65,101	\$ 1,391,453
Intergovernmental	230,525	1,112,287	1,342,812
Charges for services	370,129	-	370,129
Investment earnings	47,726	51,980	99,706
Miscellaneous	104,616	13,100	117,716
Total Revenues	<u>2,079,348</u>	<u>1,242,468</u>	<u>3,321,816</u>
Expenditures			
Current			
Streets and highways	-	2,084	2,084
Culture and recreation	38,885	-	38,885
Housing and economic development	405,004	35,296	440,300
Miscellaneous	412,936	-	412,936
Capital outlay			
Streets and highways	-	522,184	522,184
Culture and recreation	-	194,102	194,102
Miscellaneous	186,411	1,292,400	1,478,811
Total Expenditures	<u>1,043,236</u>	<u>2,046,066</u>	<u>3,089,302</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,036,112</u>	<u>(803,598)</u>	<u>232,514</u>
Other Financing Sources (Uses)			
Payments to Component unit	-	-	-
Transfers in	40,000	4,677,593	4,717,593
Transfers out	<u>(927,210)</u>	<u>(52,398)</u>	<u>(979,608)</u>
Total Other Financing Sources (Uses)	<u>(887,210)</u>	<u>4,625,195</u>	<u>3,737,985</u>
Net Change in Fund Balances	148,902	3,821,597	3,970,499
Fund Balances, January 1	<u>3,019,893</u>	<u>3,019,914</u>	<u>6,039,807</u>
Fund Balances, December 31	<u>\$ 3,168,795</u>	<u>\$ 6,841,511</u>	<u>\$ 10,010,306</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.

CARES RLF: This fund is used to make loans to assist with financial burdens put on business due to the COVID-19 outbreak.

State Housing Grant 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, 2020

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2	217 Micro Loan	218 CARES RLF	224 State Housing Grant III	226 State Housing Grant 2011	228 State Housing Grant 2016
Assets									
Cash and temporary investments	\$ 76,210	\$ 113,984	\$ 222,834	\$ 641,156	\$ 19,120	\$ 75,314	\$ 80	\$ -	\$ -
Receivables									
Delinquent taxes	-	-	-	-	-	-	-	-	-
Accounts	200	-	-	-	-	-	-	-	-
Notes	-	-	388,110	633,846	9,191	120,000	9,607	643	315,942
Intergovernmental	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-
Total Assets	\$ 76,410	\$ 113,984	\$ 610,944	\$ 1,275,002	\$ 28,311	\$ 195,314	\$ 9,687	\$ 643	\$ 315,942
Liabilities									
Accounts and contracts payable	\$ 990	\$ -	\$ 278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	346,842	-	-	-	-	-
Accrued wages payable	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	50,313	-	93,907	-	-	-
Total Liabilities	990	-	278	397,155	-	93,907	-	-	-
Deferred Inflows of Resources									
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	-
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	610,666	877,847	-	101,407	9,687	643	315,942
Committed	36,295	113,984	-	-	28,311	-	-	-	-
Assigned	39,125	-	-	-	-	-	-	-	-
Total Fund Balances	75,420	113,984	610,666	877,847	28,311	101,407	9,687	643	315,942
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 76,410	\$ 113,984	\$ 610,944	\$ 1,275,002	\$ 28,311	\$ 195,314	\$ 9,687	\$ 643	\$ 315,942

230	240	250	320	322	324	325	326	327	873	Total
Aeronautics	Lake	Local	Tax	Tax	Tax	Tax	Tax	Tax	Visit	Nonmajor
	Restoration	Option	Increment	Increment	Increment	Increment	Increment	Increment	Fairmont	Special
		Sales Tax	District No. 23	District No. 22	District No. 24	District No. 25	District No. 26	District No. 27		Revenue
\$ 428,464	\$ 358,862	\$ 227	\$ -	\$ -	\$ 6,235	\$ -	\$ 13,198	\$ 5,071	\$ 9,601	\$ 1,970,356
1,541	-	-	-	-	-	-	-	-	-	1,541
585	7,622	-	-	-	-	-	-	-	-	8,407
-	-	-	-	-	-	-	-	-	-	1,477,339
52,867	-	195,640	-	-	-	-	-	-	-	248,507
3,200	-	-	-	-	-	-	-	-	-	3,200
<u>\$ 486,657</u>	<u>\$ 366,484</u>	<u>\$ 195,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,235</u>	<u>\$ -</u>	<u>\$ 13,198</u>	<u>\$ 5,071</u>	<u>\$ 9,601</u>	<u>\$ 3,709,350</u>
\$ 2,590	\$ 30,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8,638	\$ 43,102
1,442	-	-	-	-	-	-	-	-	-	1,442
-	-	-	-	-	-	-	-	-	-	346,842
3,408	-	-	-	-	-	-	-	-	-	3,408
-	-	-	-	-	-	-	-	-	-	144,220
7,440	30,606	-	-	-	-	-	-	-	8,638	539,014
1,541	-	-	-	-	-	-	-	-	-	1,541
3,200	-	-	-	-	-	-	-	-	-	3,200
-	-	195,867	-	-	6,235	-	13,198	5,071	963	2,137,526
474,476	335,878	-	-	-	-	-	-	-	-	988,944
-	-	-	-	-	-	-	-	-	-	39,125
477,676	335,878	195,867	-	-	6,235	-	13,198	5,071	963	3,168,795
<u>\$ 486,657</u>	<u>\$ 366,484</u>	<u>\$ 195,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,235</u>	<u>\$ -</u>	<u>\$ 13,198</u>	<u>\$ 5,071</u>	<u>\$ 9,601</u>	<u>\$ 3,709,350</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, 2020

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan	216 Revolving Loan 2	217 Micro Loan	218 CARES RLF	224 State Housing Grant III	226 State Housing Grant 2011	228 State Housing Grant 2016
Revenues									
Taxes									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-	-	-
Hotel-motel	-	-	-	-	-	-	-	-	-
Tax increment district taxes	-	-	-	-	-	-	-	-	-
Intergovernmental									
Other Federal aids	-	-	-	-	-	120,000	-	-	-
Airport maintenance aid	-	-	-	-	-	-	-	-	-
Other State aids	-	-	-	40,442	-	-	-	-	-
Charges for services									
Rents	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Investment earnings	1,124	1,823	5,394	13,598	337	314	-	-	-
Miscellaneous									
Loan interest	-	-	12,575	8,797	309	-	-	-	-
Other	41,355	37,500	2,250	-	-	-	-	-	-
Total Revenues	42,479	39,323	20,219	62,837	646	120,314	-	-	-
Expenditures									
Current									
Culture and recreation	-	-	-	-	-	-	-	-	-
Housing and economic development	81,483	500	21,095	121	-	9,454	-	1,079	-
Miscellaneous									
Conservation - water resources	-	-	-	-	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-	-	-	-	-
Capital outlay									
Miscellaneous									
Conservation - water resources	-	-	-	-	-	-	-	-	-
Airport operation and maintenance	-	-	-	-	-	-	-	-	-
Total Expenditures	81,483	500	21,095	121	-	9,454	-	1,079	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,004)	38,823	(876)	62,716	646	110,860	-	(1,079)	-
Other Financing Sources (Uses)									
Transfers in	40,000	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(9,453)	-	-	-
Total Other Financing Sources (Uses)	40,000	-	-	-	-	(9,453)	-	-	-
Net Change in Fund Balances	996	38,823	(876)	62,716	646	101,407	-	(1,079)	-
Fund Balances, January 1	74,424	75,161	611,542	815,131	27,665	-	9,687	1,722	315,942
Fund Balances, December 31	\$ 75,420	\$ 113,984	\$ 610,666	\$ 877,847	\$ 28,311	\$ 101,407	\$ 9,687	\$ 643	\$ 315,942

230	240	250	320	322	324	325	326	327	873	Total
Aeronautics	Lake	Local	Tax	Tax	Tax	Tax	Tax	Tax	Visit	Nonmajor
	Restoration	Option	Increment	Increment	Increment	Increment	Increment	Increment	Fairmont	Special
		Sales Tax	District No. 23	District No. 22	District No. 24	District No. 25	District No. 26	District No. 27		Revenue
\$ 75,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,271
-	-	969,829	-	-	-	-	-	-	-	969,829
-	-	-	-	-	-	-	-	-	115,865	115,865
-	-	-	21,034	56,224	12,470	39,121	26,395	10,143	-	165,387
-	-	-	-	-	-	-	-	-	-	120,000
70,083	-	-	-	-	-	-	-	-	-	70,083
-	-	-	-	-	-	-	-	-	-	40,442
133,522	-	-	-	-	-	-	-	-	-	133,522
171,490	65,117	-	-	-	-	-	-	-	-	236,607
7,759	7,639	9,738	-	-	-	-	-	-	-	47,726
-	-	-	-	-	-	-	-	-	-	21,681
1,830	-	-	-	-	-	-	-	-	-	82,935
459,955	72,756	979,567	21,034	56,224	12,470	39,121	26,395	10,143	115,865	2,079,348
-	-	38,885	-	-	-	-	-	-	-	38,885
-	-	-	31,084	56,224	12,316	39,121	25,838	9,832	116,857	405,004
-	15,444	-	-	-	-	-	-	-	-	15,444
397,492	-	-	-	-	-	-	-	-	-	397,492
-	179,785	-	-	-	-	-	-	-	-	179,785
6,626	-	-	-	-	-	-	-	-	-	6,626
404,118	195,229	38,885	31,084	56,224	12,316	39,121	25,838	9,832	116,857	1,043,236
55,837	(122,473)	940,682	(10,050)	-	154	-	557	311	(992)	1,036,112
-	-	-	-	-	-	-	-	-	-	40,000
-	-	(917,757)	-	-	-	-	-	-	-	(927,210)
-	-	(917,757)	-	-	-	-	-	-	-	(887,210)
55,837	(122,473)	22,925	(10,050)	-	154	-	557	311	(992)	148,902
421,839	458,351	172,942	10,050	-	6,081	-	12,641	4,760	1,955	3,019,893
\$ 477,676	\$ 335,878	\$ 195,867	\$ -	\$ -	\$ 6,235	\$ -	\$ 13,198	\$ 5,071	\$ 963	\$ 3,168,795

City of Fairmont, Minnesota
Aeronautics Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020			2019
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Property taxes	\$ 75,000	\$ 75,271	\$ 271	\$ 74,107
Intergovernmental				
State				
Airport maintenance aid	69,408	70,083	675	59,601
Charges for services				
Rents	130,000	133,522	3,522	138,267
Miscellaneous	235,150	171,490	(63,660)	229,955
Investment earnings	6,000	7,759	1,759	11,727
Miscellaneous				
Other	-	1,830	1,830	1,064
Total Revenues	<u>515,558</u>	<u>459,955</u>	<u>(55,603)</u>	<u>514,721</u>
Expenditures				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	132,087	126,050	6,037	122,663
Supplies	195,750	108,795	86,955	171,471
Other services and charges	178,706	162,647	16,059	177,045
Capital outlay				
Miscellaneous				
Airport operation and maintenance	30,000	6,626	23,374	734
Total Expenditures	<u>536,543</u>	<u>404,118</u>	<u>132,425</u>	<u>471,913</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,985)	55,837	76,822	42,808
Other Financing Sources (Uses)				
Transfers in	-	-	-	13,600
Net Change in Fund Balances	(20,985)	55,837	76,822	56,408
Fund Balances, January 1	<u>421,839</u>	<u>421,839</u>	-	<u>365,431</u>
Fund Balances, December 31	<u>\$ 400,854</u>	<u>\$ 477,676</u>	<u>\$ 76,822</u>	<u>\$ 421,839</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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020			2019
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
State	\$ 975,000	\$ -	\$ (975,000)	\$ -
Investment earnings	6,000	7,639	1,639	12,948
Charges for services				
Miscellaneous - restoration	65,000	65,117	117	65,011
Total Revenues	<u>1,046,000</u>	<u>72,756</u>	<u>(973,244)</u>	<u>77,959</u>
Expenditures				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	1,000	899	101	685
Other services and charges	11,095	14,545	(3,450)	9,649
Capital outlay				
Miscellaneous				
Conservation - water resources	1,030,000	179,785	850,215	9,800
Total Expenditures	<u>1,042,095</u>	<u>195,229</u>	<u>846,866</u>	<u>20,134</u>
Net Change in Fund Balances	3,905	(122,473)	(126,378)	57,825
Fund Balances, January 1	<u>458,351</u>	<u>458,351</u>	<u>-</u>	<u>400,526</u>
Fund Balances, December 31	<u>\$ 462,256</u>	<u>\$ 335,878</u>	<u>\$ (126,378)</u>	<u>\$ 458,351</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 future capital project costs.

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.

Public Works Building: This fund is used to account for the construction of the Public Works Building.

Airport Reconstruction Project: This fund is used to account for costs associated with ongoing major repair, replacement and expansion projects at the municipal airport.

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

2021 Capital Improvement Program: This fund is used to account for costs associated with major street replacement projects which began in 2020.

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.

City of Fairmont, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2020

	405	410	420	430	440
	Capital Reserve	Fire Truck Replacement	Housing	Community Center	Public Works Building
Assets					
Cash and temporary investments	\$ 342,128	\$ 566,481	\$ 397,190	\$ 2,472,699	\$ 2,760,523
Receivables					
Delinquent taxes	-	1,115	-	-	-
Special assessments					
Intergovernmental	-	434	-	-	-
Land held for resale	-	-	100,000	-	-
Total Assets	\$ 342,128	\$ 568,030	\$ 497,190	\$ 2,472,699	\$ 2,760,523
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ 25,808
Due to other funds	-	-	-	-	-
Due to other governments	-	-	100,000	-	-
Total Liabilities	-	-	100,000	-	25,808
Deferred Inflows of Resources					
Unavailable revenue - property taxes	-	1,115	-	-	-
Fund Balances					
Restricted	-	-	-	2,472,699	-
Committed	342,128	566,915	397,190	-	-
Assigned	-	-	-	-	2,734,715
Unassigned	-	-	-	-	-
Total Fund Balances	342,128	566,915	397,190	2,472,699	2,734,715
Total Liabilities and Fund Balances	\$ 342,128	\$ 568,030	\$ 497,190	\$ 2,472,699	\$ 2,760,523

450 Airport Reconstruction Project	477 2017 Capital Improvement Program	481 2021 Capital Improvement Program	877 Inclusive Playground	879 iPaddle Port	881 Mini Golf Course	Total Nonmajor Capital Projects
\$ -	\$ -	\$ -	\$ 51,692	\$ 5,000	\$ 1,521	\$ 6,597,234
-	-	-	-	-	-	1,115
1,078,684	-	-	-	-	-	1,079,118
-	-	-	-	-	-	100,000
<u>\$ 1,078,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,692</u>	<u>\$ 5,000</u>	<u>\$ 1,521</u>	<u>\$ 7,777,467</u>
\$ 81,928	\$ -	\$ -	\$ 1,494	\$ -	\$ -	\$ 109,230
672,177	-	53,434	-	-	-	725,611
-	-	-	-	-	-	100,000
<u>754,105</u>	<u>-</u>	<u>53,434</u>	<u>1,494</u>	<u>-</u>	<u>-</u>	<u>934,841</u>
-	-	-	-	-	-	1,115
-	-	-	50,198	5,000	1,521	2,529,418
324,579	-	-	-	-	-	1,630,812
-	-	-	-	-	-	2,734,715
-	-	(53,434)	-	-	-	(53,434)
<u>324,579</u>	<u>-</u>	<u>(53,434)</u>	<u>50,198</u>	<u>5,000</u>	<u>1,521</u>	<u>6,841,511</u>
<u>\$ 1,078,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,692</u>	<u>\$ 5,000</u>	<u>\$ 1,521</u>	<u>\$ 7,777,467</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, 2020

	405	410	420	430	440
	Capital Reserve	Fire Truck Replacement	Housing	Community Center	Public Works Building
Revenues					
Taxes					
Property taxes	\$ -	\$ 65,101	\$ -	\$ -	\$ -
Intergovernmental					
Federal					
Airport reconstruction grant	-	-	-	-	-
State					
Airport reconstruction grant	-	-	-	-	-
Investment earnings	1,004	8,510	7,738	28,808	4,170
Miscellaneous					
Contributions	-	-	-	-	-
Total Revenues	<u>1,004</u>	<u>73,611</u>	<u>7,738</u>	<u>28,808</u>	<u>4,170</u>
Expenditures					
Current					
Streets and highways	-	-	-	-	2,084
Housing and economic development	-	-	35,296	-	-
Capital outlay					
Streets and highways	-	-	-	-	467,371
Culture and recreation	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Debt service					
Interest and other	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>35,296</u>	<u>-</u>	<u>469,455</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>1,004</u>	<u>73,611</u>	<u>(27,558)</u>	<u>28,808</u>	<u>(465,285)</u>
Other Financing Sources (Uses)					
Transfers in	341,124	80,000	-	917,756	3,200,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>341,124</u>	<u>80,000</u>	<u>-</u>	<u>917,756</u>	<u>3,200,000</u>
Net Change in Fund Balances	342,128	153,611	(27,558)	946,564	2,734,715
Fund Balances, January 1, as Restated (Note 9)	<u>-</u>	<u>413,304</u>	<u>424,748</u>	<u>1,526,135</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 342,128</u>	<u>\$ 566,915</u>	<u>\$ 397,190</u>	<u>\$ 2,472,699</u>	<u>\$ 2,734,715</u>

450 Airport Reconstruction Project	477 2017 Capital Improvement Program	481 2021 Capital Improvement Program	877 Inclusive Playground	879 iPaddle Port	881 Mini Golf Course	Total Nonmajor Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,101
913,118	-	-	-	-	-	913,118
199,169	-	-	-	-	-	199,169
1,750	-	-	-	-	-	51,980
-	-	-	2,000	-	11,100	13,100
<u>1,114,037</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>11,100</u>	<u>1,242,468</u>
-	-	-	-	-	-	2,084
-	-	-	-	-	-	35,296
-	1,379	53,434	-	-	-	522,184
-	-	-	149,726	-	44,376	194,102
1,292,400	-	-	-	-	-	1,292,400
-	-	-	-	-	-	-
<u>1,292,400</u>	<u>1,379</u>	<u>53,434</u>	<u>149,726</u>	<u>-</u>	<u>44,376</u>	<u>2,046,066</u>
(178,363)	(1,379)	(53,434)	(147,726)	-	(33,276)	(803,598)
50,000	88,713	-	-	-	-	4,677,593
-	(52,398)	-	-	-	-	(52,398)
<u>50,000</u>	<u>36,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,625,195</u>
(128,363)	34,936	(53,434)	(147,726)	-	(33,276)	3,821,597
452,942	(34,936)	-	197,924	5,000	34,797	3,019,914
<u>\$ 324,579</u>	<u>\$ -</u>	<u>\$ (53,434)</u>	<u>\$ 50,198</u>	<u>\$ 5,000</u>	<u>\$ 1,521</u>	<u>\$ 6,841,511</u>

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The General Fund

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

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City of Fairmont, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	\$ 6,288,089	\$ 8,134,567
Receivables		
Interest	70,845	74,866
Delinquent taxes	73,703	72,455
Accounts	94,754	97,423
Special assessments	6,125	4,038
Intergovernmental	246,335	47,377
Prepaid items	-	190
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 6,779,851</u></u>	<u><u>\$ 8,430,916</u></u>
Liabilities		
Accounts and contracts payable	\$ 265,748	\$ 137,992
Due to other funds	51,370	40,948
Due to other governments	50,107	48,086
Accrued salaries payable	182,822	159,513
Unearned revenue	8,316	20,413
Total Liabilities	<u>558,363</u>	<u>406,952</u>
Deferred Inflows of Resources		
Unavailable revenue - property taxes	73,703	72,455
Unavailable revenue - special assessments	6,125	4,038
Total Deferred Inflows of Resources	<u>79,828</u>	<u>76,493</u>
Fund Balances		
Nonspendable	-	190
Committed	94,412	80,912
Assigned	4,534,775	6,817,619
Unassigned	1,512,473	1,048,750
Total Fund Balances	<u>6,141,660</u>	<u>7,947,471</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 6,779,851</u></u>	<u><u>\$ 8,430,916</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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Actual Amounts	Variance with Final Budget	2019
	Budgeted Amounts				Actual
	Original	Final			Amounts
Revenues					
Taxes					
Property taxes	\$ 3,898,485	\$ 3,898,485	\$ 3,902,592	\$ 4,107	\$ 3,314,384
Franchise taxes	40,000	40,000	40,975	975	41,438
Total taxes	3,938,485	3,938,485	3,943,567	5,082	3,355,822
Special assessments	-	-	1,434	1,434	1,348
Licenses and permits					
Business	42,300	42,300	45,434	3,134	41,376
Nonbusiness	139,300	139,300	289,554	150,254	159,070
Total licenses and permits	181,600	181,600	334,988	153,388	200,446
Intergovernmental					
Federal					
CARES	-	-	550,267	550,267	-
Other Federal aids	-	-	306,010	306,010	-
Total Federal	-	-	856,277	856,277	-
State					
Local government aid	3,609,776	3,609,776	3,615,669	5,893	3,463,457
Property tax credits	-	-	1,616	1,616	1,692
Street maintenance aid	30,015	30,015	-	(30,015)	30,015
Police aid	227,309	227,309	272,634	45,325	255,655
Other State aids	506,672	506,672	5,918	(500,754)	41,909
Total State	4,373,772	4,373,772	3,895,837	(477,935)	3,792,728
County					
Other County aids	-	-	-	-	5,590
Total intergovernmental	4,373,772	4,373,772	4,752,114	378,342	3,798,318
Charges for services					
General government	11,200	11,200	9,578	(1,622)	12,243
Public safety	180,000	180,000	216,614	36,614	184,711
Streets and highways	7,500	7,500	5,696	(1,804)	3,777
Sanitation	151,117	151,117	143,764	(7,353)	132,938
Culture and recreation	187,500	187,500	94,832	(92,668)	180,912
Total charges for services	537,317	537,317	470,484	(66,833)	514,581
Fines and forfeits					
Court fines	55,000	55,000	42,131	(12,869)	59,930
Investment earnings	60,015	60,015	51,701	(8,314)	224,613
Miscellaneous					
Rents	41,000	41,000	41,100	100	42,009
Contributions and donations	10,000	10,000	13,650	3,650	5,740
Other	98,478	98,478	117,300	18,822	112,637
Total miscellaneous	149,478	149,478	172,050	22,572	160,386
Total Revenues	9,295,667	9,295,667	9,768,469	472,802	8,315,444

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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 84,323	\$ 84,323	\$ 83,945	\$ 378	\$ 74,329
Supplies	2,200	2,200	1,850	350	4,523
Other services and charges	6,350	6,350	4,771	1,579	8,199
Total mayor and council	<u>92,873</u>	<u>92,873</u>	<u>90,566</u>	<u>2,307</u>	<u>87,051</u>
City administrator					
Personal services	146,771	146,771	226,097	(79,326)	122,880
Supplies	2,600	2,600	1,974	626	941
Other services and charges	22,760	22,760	45,854	(23,094)	22,649
Total city administrator	<u>172,131</u>	<u>172,131</u>	<u>273,925</u>	<u>(101,794)</u>	<u>146,470</u>
Elections					
Personal services	28,936	28,936	29,553	(617)	12,182
Supplies	4,000	4,000	8,210	(4,210)	92
Other services and charges	600	600	339	261	55
Total elections	<u>33,536</u>	<u>33,536</u>	<u>38,102</u>	<u>(4,566)</u>	<u>12,329</u>
Recording and reporting					
Personal services	63,588	63,588	63,553	35	60,915
Supplies	3,300	3,300	4,161	(861)	6,234
Other services and charges	4,800	4,800	3,150	1,650	3,572
Total recording and reporting	<u>71,688</u>	<u>71,688</u>	<u>70,864</u>	<u>824</u>	<u>70,721</u>
Local access channel					
Personal services	1,808	1,808	1,910	(102)	1,844
Supplies	1,000	1,000	2,088	(1,088)	18
Other services and charges	8,700	8,700	16,335	(7,635)	9,905
Total local access channel	<u>11,508</u>	<u>11,508</u>	<u>20,333</u>	<u>(8,825)</u>	<u>11,767</u>
Accounting					
Personal services	253,606	253,606	243,136	10,470	247,698
Supplies	4,000	4,000	3,229	771	1,412
Other services and charges	127,926	127,926	92,546	35,380	98,793
Total accounting	<u>385,532</u>	<u>385,532</u>	<u>338,911</u>	<u>46,621</u>	<u>347,903</u>
City attorney					
Personal services	-	-	46,218	(46,218)	179,106
Supplies	-	-	558	(558)	854
Other services and charges	156,456	156,456	118,962	37,494	156,298
Total city attorney	<u>156,456</u>	<u>156,456</u>	<u>165,738</u>	<u>(9,282)</u>	<u>336,258</u>

City of Fairmont, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

Expenditures (Continued)	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current (continued)					
General government (continued)					
Planning and zoning					
Personal services	\$ 189,984	\$ 189,984	\$ 151,365	\$ 38,619	\$ 129,145
Supplies	3,500	3,500	1,290	2,210	2,739
Other services and charges	5,800	5,800	4,037	1,763	15,768
Total planning and zoning	199,284	199,284	156,692	42,592	147,652
General government building					
Personal services	78,732	78,732	72,872	5,860	71,798
Supplies	5,000	5,000	5,512	(512)	2,064
Other services and charges	64,500	64,500	69,537	(5,037)	59,801
Total general government building	148,232	148,232	147,921	311	133,663
Library building					
Supplies	4,500	4,500	1,626	2,874	2,541
Other services and changes	86,560	86,560	110,142	(23,582)	67,004
Total library building	91,060	91,060	111,768	(20,708)	69,545
Other general government					
Supplies	250	250	337	(87)	400
Other services and changes	280,955	280,955	230,291	50,664	251,469
Total other general government	281,205	281,205	230,628	50,577	251,869
Total general government	1,643,505	1,643,505	1,645,448	(1,943)	1,615,228
Public safety					
Police					
Administration					
Personal services	468,769	468,769	493,333	(24,564)	466,497
Supplies	4,750	4,750	357	4,393	552
Other services and charges	20,670	20,670	13,911	6,759	14,643
Total administration	494,189	494,189	507,601	(13,412)	481,692
Crime control					
Personal services	1,911,112	1,911,112	1,848,261	62,851	1,934,129
Supplies	76,250	76,250	32,946	43,304	48,174
Other services and charges	298,550	298,550	240,176	58,374	263,745
Total crime control	2,285,912	2,285,912	2,121,383	164,529	2,246,048

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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	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	\$ 425	\$ 2,075	\$ -
Crossing guards					
Personal services	15	15	737	(722)	(1,239)
Other services and charges	3,000	3,000	37	2,963	-
Total crossing guards	3,015	3,015	774	2,241	(1,239)
Drug task force					
Other services and charges	25,200	25,200	21,350	3,850	35,864
Total police	2,810,816	2,810,816	2,651,533	159,283	2,762,365
Fire					
Fire fighting					
Personal services	262,636	262,636	235,089	27,547	202,462
Supplies	37,000	37,000	4,692	32,308	6,492
Other services and charges	107,425	107,425	119,375	(11,950)	114,257
Total fire fighting	407,061	407,061	359,156	47,905	323,211
Training					
Personal services	-	-	-	-	32,156
Other services and charges	-	-	-	-	221
Total training	-	-	-	-	32,377
Total fire	407,061	407,061	359,156	47,905	355,588
Inspection					
Building inspection					
Personal services	233,769	233,769	223,224	10,545	216,121
Supplies	5,800	5,800	2,629	3,171	3,357
Other services and charges	31,800	31,800	9,628	22,172	9,957
Total building inspection	271,369	271,369	235,481	35,888	229,435
Total inspection	271,369	271,369	235,481	35,888	229,435
Civil defense					
Supplies	600	600	1,538	(938)	1,075
Other services and charges	2,515	2,515	11	2,504	11
Total civil defense	3,115	3,115	1,549	1,566	1,086

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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Animal control					
Personal services	\$ 102,763	\$ 102,763	\$ 96,859	\$ 5,904	\$ 95,541
Supplies	11,225	11,225	8,239	2,986	10,788
Other services and charges	34,334	34,334	34,992	(658)	39,078
Total animal control	<u>148,322</u>	<u>148,322</u>	<u>140,090</u>	<u>8,232</u>	<u>145,407</u>
Total public safety	<u>3,640,683</u>	<u>3,640,683</u>	<u>3,387,809</u>	<u>252,874</u>	<u>3,493,881</u>
Streets and highways					
Paved streets					
Personal services	499,272	499,272	490,756	8,516	487,041
Supplies	177,450	177,450	179,939	(2,489)	232,194
Other services and charges	54,220	54,220	42,435	11,785	51,678
Total paved streets	<u>730,942</u>	<u>730,942</u>	<u>713,130</u>	<u>17,812</u>	<u>770,913</u>
Ice and snow removal					
Personal services	226,259	226,259	222,313	3,946	220,920
Supplies	49,500	49,500	42,631	6,869	63,931
Other services and charges	23,450	23,450	20,823	2,627	40,011
Total ice and snow removal	<u>299,209</u>	<u>299,209</u>	<u>285,767</u>	<u>13,442</u>	<u>324,862</u>
Road and bridge equipment					
Personal services	45,252	45,252	44,463	789	44,185
Supplies	25,000	25,000	16,908	8,092	6,276
Other services and charges	130,750	130,750	149,798	(19,048)	131,901
Total road and bridge equipment	<u>201,002</u>	<u>201,002</u>	<u>211,169</u>	<u>(10,167)</u>	<u>182,362</u>
Street lighting					
Other services and charges	<u>88,600</u>	<u>88,600</u>	<u>74,266</u>	<u>14,334</u>	<u>64,941</u>
Engineering					
Personal services	318,701	318,701	323,668	(4,967)	322,314
Supplies	10,500	10,500	4,765	5,735	3,752
Other services and charges	45,960	45,960	42,291	3,669	44,185
Total engineering	<u>375,161</u>	<u>375,161</u>	<u>370,724</u>	<u>4,437</u>	<u>370,251</u>
Total streets and highways	<u>1,694,914</u>	<u>1,694,914</u>	<u>1,655,056</u>	<u>39,858</u>	<u>1,713,329</u>
Sanitation and waste removal					
Weed control					
Supplies	-	-	497	(497)	-
Other services and charges	10,450	10,450	12,907	(2,457)	10,010
Total weed control	<u>10,450</u>	<u>10,450</u>	<u>13,404</u>	<u>(2,954)</u>	<u>10,010</u>
Garbage collection					
Personal services	36,617	36,617	34,695	1,922	35,008
Supplies	12,000	12,000	1,402	10,598	1,964
Other services and charges	79,750	79,750	167,395	(87,645)	134,193
Total garbage collection	<u>128,367</u>	<u>128,367</u>	<u>203,492</u>	<u>(75,125)</u>	<u>171,165</u>
Total sanitation and waste removal	<u>138,817</u>	<u>138,817</u>	<u>216,896</u>	<u>(78,079)</u>	<u>181,175</u>
Culture and recreation					
Parks					
Personal services	792,700	792,700	724,741	67,959	723,860
Supplies	82,700	82,700	72,402	10,298	73,877
Other services and charges	266,450	266,450	239,733	26,717	267,662
Total parks	<u>1,141,850</u>	<u>1,141,850</u>	<u>1,036,876</u>	<u>104,974</u>	<u>1,065,399</u>

City of Fairmont, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020			2019
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Expenditures (Continued)				
Current (continued)				
Culture and recreation (continued)				
Recreation - aquatic park				
Personal services	\$ 273,414	\$ 273,414	\$ 219,906	\$ 268,400
Supplies	56,500	56,500	38,358	51,116
Other services and charges	90,254	90,254	62,875	81,918
Total recreation - aquatic park	<u>420,168</u>	<u>420,168</u>	<u>321,139</u>	<u>401,434</u>
Total culture and recreation	<u>1,562,018</u>	<u>1,562,018</u>	<u>1,358,015</u>	<u>1,466,833</u>
Total current	<u>8,679,937</u>	<u>8,679,937</u>	<u>8,263,224</u>	<u>8,470,446</u>
Capital outlay				
General government	91,500	91,500	51,850	-
Public safety	537,500	537,500	128,202	69,944
Streets and highways	237,000	237,000	209,090	10,581
Culture and recreation	<u>1,429,550</u>	<u>1,429,550</u>	<u>888,893</u>	<u>510,677</u>
Total capital outlay	<u>2,295,550</u>	<u>2,295,550</u>	<u>1,278,035</u>	<u>591,202</u>
Total Expenditures	<u>10,975,487</u>	<u>10,975,487</u>	<u>9,541,259</u>	<u>9,061,648</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,679,820)</u>	<u>(1,679,820)</u>	<u>227,210</u>	<u>(746,204)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	13,649	-
Transfers in	2,004,550	2,004,550	1,233,330	1,073,750
Transfers out	<u>(2,380,000)</u>	<u>(2,380,000)</u>	<u>(3,280,000)</u>	<u>(243,600)</u>
Total Other Financing Sources (Uses)	<u>(375,450)</u>	<u>(375,450)</u>	<u>(2,033,021)</u>	<u>830,150</u>
Net Change in Fund Balances	<u>(2,055,270)</u>	<u>(2,055,270)</u>	<u>(1,805,811)</u>	<u>83,946</u>
Fund Balances, January 1	<u>7,947,471</u>	<u>7,947,471</u>	<u>7,947,471</u>	<u>7,863,525</u>
Fund Balances, December 31	<u>\$ 5,892,201</u>	<u>\$ 5,892,201</u>	<u>\$ 6,141,660</u>	<u>\$ 7,947,471</u>

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Debt Service Funds

Debt Service funds are created to account for the payment of interest and principal on long-term, general obligation debt other than that payable from debt issued for and serviced primarily by a governmental enterprise.

City of Fairmont, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2020

	372 2012 Refunding Bonds	373 2013 Improvement Bonds	375 2015 Improvement Bonds
Assets			
Cash and temporary investments	\$ 242,296	\$ 191,799	\$ 295,015
Receivables			
Delinquent taxes	8,412	1,991	2,690
Special assessments			
Delinquent	6,812	2,646	2,569
Noncurrent	482,569	84,988	183,099
Intergovernmental	3,144	912	1,476
Total Assets	\$ 743,233	\$ 282,336	\$ 484,849
Deferred Inflows of Resources			
Unavailable revenue - property taxes	\$ 8,412	\$ 1,991	\$ 2,690
Unavailable revenue - special assessments	489,381	87,634	185,668
Total Deferred Inflows of Resources	497,793	89,625	188,358
Fund Balances			
Restricted	245,440	192,711	296,491
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 743,233	\$ 282,336	\$ 484,849

376 2016 Refunding Bonds	377 2017 Improvement Bonds	379 2019 Improvement Bonds	Totals
\$ 722,616	\$ 496,513	\$ 414,039	\$ 2,362,278
6,015	2,664	1,836	23,608
542	960	1,382	14,911
238,024	360,086	825,450	2,174,216
2,702	1,482	9,894	19,610
<u>\$ 969,899</u>	<u>\$ 861,705</u>	<u>\$ 1,252,601</u>	<u>\$ 4,594,623</u>
\$ 6,015	\$ 2,664	\$ 1,836	\$ 23,608
238,566	361,046	826,832	2,189,127
<u>244,581</u>	<u>363,710</u>	<u>828,668</u>	<u>2,212,735</u>
<u>725,318</u>	<u>497,995</u>	<u>423,933</u>	<u>2,381,888</u>
<u>\$ 969,899</u>	<u>\$ 861,705</u>	<u>\$ 1,252,601</u>	<u>\$ 4,594,623</u>

City of Fairmont, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2020

	372 2012 Refunding Bonds	373 2013 Improvement Bonds	375 2015 Improvement Bonds
Revenues			
Taxes			
Property taxes	\$ 314,199	\$ 99,031	\$ 145,052
Special assessments	107,434	29,167	37,078
Investment earnings	(79)	2,747	4,286
Total Revenues	<u>421,554</u>	<u>130,945</u>	<u>186,416</u>
Expenditures			
Debt service			
Principal	730,000	110,000	175,000
Interest and other	40,684	36,375	42,581
Total Expenditures	<u>770,684</u>	<u>146,375</u>	<u>217,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(349,130)</u>	<u>(15,430)</u>	<u>(31,165)</u>
Other Financing Sources (Uses)			
Transfers in	<u>238,326</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(110,804)	(15,430)	(31,165)
Fund Balances, January 1	<u>356,244</u>	<u>208,141</u>	<u>327,656</u>
Fund Balances, December 31	<u><u>\$ 245,440</u></u>	<u><u>\$ 192,711</u></u>	<u><u>\$ 296,491</u></u>

376 2016 Refunding Bonds	377 2017 Improvement Bonds	379 2019 Improvement Bonds	Totals
\$ 276,254	\$ 192,748	\$ 143,668	\$ 1,170,952
67,408	43,496	191,242	475,825
10,738	7,613	4,509	29,814
<u>354,400</u>	<u>243,857</u>	<u>339,419</u>	<u>1,676,591</u>
285,000	170,000	-	1,470,000
39,360	67,488	96,417	322,905
<u>324,360</u>	<u>237,488</u>	<u>96,417</u>	<u>1,792,905</u>
30,040	6,369	243,002	(116,314)
-	-	-	238,326
30,040	6,369	243,002	122,012
<u>695,278</u>	<u>491,626</u>	<u>180,931</u>	<u>2,259,876</u>
<u>\$ 725,318</u>	<u>\$ 497,995</u>	<u>\$ 423,933</u>	<u>\$ 2,381,888</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, 2020

	701	703	704	705	710	
	Central Garage and Equipment	Medical Self-insurance	Property, Equipment and Liability Self-insurance	Worker's Compensation Self-insurance	Data Processing	Totals
Assets						
Current Assets						
Cash and temporary investments	\$ 14,690	\$ 26,697	\$ 785,505	\$ 247,045	\$ 12,218	\$ 1,086,155
Receivables						
Accounts	-	-	-	199	-	199
Due from other funds	-	77,010	-	12,997	-	90,007
Prepaid items	-	-	-	-	27,499	27,499
Total Current Assets	14,690	103,707	785,505	260,241	39,717	1,203,860
Capital Assets						
Machinery and equipment	61,261	-	-	-	229,934	291,195
Less accumulated depreciation	(9,986)	-	-	-	(217,565)	(227,551)
Net Capital Assets	51,275	-	-	-	12,369	63,644
Total Assets	65,965	103,707	785,505	260,241	52,086	1,267,504
Liabilities						
Current Liabilities						
Accounts and contracts payable	768	21,409	2,257	82,292	2,039	108,765
Due to other funds	1,979	-	-	-	-	1,979
Sick leave/severance payable - current portion	4,925	-	-	-	-	4,925
Accrued salaries payable	6,717	-	-	-	-	6,717
Total Current Liabilities	14,389	21,409	2,257	82,292	2,039	122,386
Noncurrent Liabilities						
Sick leave/severance payable, net of current portion	14,986	-	-	-	-	14,986
Total Liabilities	29,375	21,409	2,257	82,292	2,039	137,372
Net Position						
Investment in capital assets	51,275	-	-	-	12,369	63,644
Unrestricted	(14,685)	82,298	783,248	177,949	37,678	1,066,488
Total Net Position	\$ 36,590	\$ 82,298	\$ 783,248	\$ 177,949	\$ 50,047	\$ 1,130,132

City of Fairmont, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

	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	\$ 234,480	\$ 1,815,999	\$ 352,843	\$ 315,657	\$ 164,402	\$ 2,883,381
Miscellaneous revenues	-	854	-	5,848	-	6,702
Total Operating Revenues	<u>234,480</u>	<u>1,816,853</u>	<u>352,843</u>	<u>321,505</u>	<u>164,402</u>	<u>2,890,083</u>
Operating Expenses						
Administration and other						
Personal services	197,420	-	-	-	-	197,420
Supplies	28,952	-	-	-	6,774	35,726
Other services and charges	6,263	101,398	6,000	45,672	129,008	288,341
Insurance premiums paid	-	1,543,607	295,991	369,602	-	2,209,200
Insurance claims paid	-	190,542	23,579	-	-	214,121
Depreciation	4,988	-	-	-	6,193	11,181
Total Operating Expenses	<u>237,623</u>	<u>1,835,547</u>	<u>325,570</u>	<u>415,274</u>	<u>141,975</u>	<u>2,955,989</u>
Operating Income (Loss)	(3,143)	(18,694)	27,273	(93,769)	22,427	(65,906)
Nonoperating Revenues (Expenses)						
Investment income	<u>308</u>	<u>254</u>	<u>13,969</u>	<u>4,685</u>	<u>233</u>	<u>19,449</u>
Change in Net Position	(2,835)	(18,440)	41,242	(89,084)	22,660	(46,457)
Net Position - January 1	<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>
Net Position - December 31	<u>\$ 36,590</u>	<u>\$ 82,298</u>	<u>\$ 783,248</u>	<u>\$ 177,949</u>	<u>\$ 50,047</u>	<u>\$ 1,130,132</u>

City of Fairmont, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2020

	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	\$ 234,480	\$ 1,816,574	\$ 353,843	\$ 316,033	\$ 164,402	\$ 2,885,332
Payments to suppliers	(33,523)	(101,398)	(351,076)	(45,672)	(164,082)	(695,751)
Payments to and on behalf of employees	(153,058)	(1,731,625)	-	(299,560)	-	(2,184,243)
Payments for interfund services used	(41,404)	-	-	-	(1,285)	(42,689)
Other receipts	-	854	-	5,848	-	6,702
Net Cash Provided (Used) by Operating Activities	<u>6,495</u>	<u>(15,595)</u>	<u>2,767</u>	<u>(23,351)</u>	<u>(965)</u>	<u>(30,649)</u>
Cash Flows from Noncapital and Related Financing Activities						
Increase in due from other funds	-	(18,846)	-	(1,322)	-	(20,168)
Increase in due to other funds	544	-	-	-	-	544
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>544</u>	<u>(18,846)</u>	<u>-</u>	<u>(1,322)</u>	<u>-</u>	<u>(19,624)</u>
Cash Flows from Capital And Related Financing Activities						
Acquisition of capital assets	<u>(11,413)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,413)</u>
Cash Flows from Investing Activities						
Interest received	<u>308</u>	<u>254</u>	<u>13,969</u>	<u>4,685</u>	<u>233</u>	<u>19,449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,066)</u>	<u>(34,187)</u>	<u>16,736</u>	<u>(19,988)</u>	<u>(732)</u>	<u>(42,237)</u>
Cash and Cash Equivalents, January 1	<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>
Cash and Cash Equivalents, December 31	<u>\$ 14,690</u>	<u>\$ 26,697</u>	<u>\$ 785,505</u>	<u>\$ 247,045</u>	<u>\$ 12,218</u>	<u>\$ 1,086,155</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ (3,143)	\$ (18,694)	\$ 27,273	\$ (93,769)	\$ 22,427	\$ (65,906)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	4,988	-	-	-	6,193	11,181
(Increase) decrease in assets						
Net accounts receivable	-	575	1,000	376	-	1,951
Prepaid expenses	-	-	-	-	(26,314)	(26,314)
Increase (decrease) in liabilities						
Accounts and contracts payable	135	2,524	(25,506)	70,042	(3,271)	43,924
Accrued salaries payable	1,940	-	-	-	-	1,940
Sick leave/severance payable	2,575	-	-	-	-	2,575
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,495</u>	<u>\$ (15,595)</u>	<u>\$ 2,767</u>	<u>\$ (23,351)</u>	<u>\$ (965)</u>	<u>\$ (30,649)</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, 2020

	871 Multi-Family Housing Fund	872 HRA Potter's Addition Fund	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 526	\$ 1,150	\$ 1,676
Liabilities			
Accounts payable	526	1,150	1,676
Net Position			
Restricted			
Individuals, organizations and other governments	\$ -	\$ -	\$ -

City of Fairmont, Minnesota
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
December 31, 2020

	871 Multi-Family Housing Fund	872 HRA Potter's Addition Fund	Total
Additions			
Investment earnings	\$ 526	\$ 1,150	\$ 1,676
Deductions			
Payments to other entities	<u>62,322</u>	<u>136,226</u>	<u>198,548</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>(61,796)</u>	<u>(135,076)</u>	<u>(196,872)</u>
Net Position, January 1, as Restated	<u>61,796</u>	<u>135,076</u>	<u>196,872</u>
Net Position, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Fairmont, Minnesota
Discretely Presented Component Unit
Economic Development Authority
Comparative Balance Sheets/Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	\$ 489,329	\$ 425,210
Receivables		
Delinquent taxes	2,097	2,306
Accounts	1,200	1,609
Notes	1,972	4,214
Intergovernmental	760	699
	<u>760</u>	<u>699</u>
Total Assets	<u>\$ 495,358</u>	<u>\$ 434,038</u>
Liabilities		
Accounts and contracts payable	\$ 11,863	\$ 7,501
Accrued wages payable	4,793	3,752
Total Liabilities	<u>16,656</u>	<u>11,253</u>
Deferred Inflows of Resources		
Unavailable revenue - property taxes	<u>2,097</u>	<u>2,306</u>
Fund Balances		
Assigned for		
Economic development	<u>476,605</u>	<u>420,479</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 495,358</u>	<u>\$ 434,038</u>
Amounts reported for governmental activities in the statement of net position are different because		
Total Fund Balances - Governmental Funds As Shown Above	\$ 476,605	\$ 420,479
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(3,407)	(2,905)
Postemployment benefits other than pension obligation	(8,871)	(7,980)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	2,097	2,306
Governmental funds do not report long-term amounts related to other postemployment benefits.		
Deferred outflows of postemployment benefits	882	801
Deferred inflows of postemployment benefits	(929)	(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>(7,428)</u>	<u>(7,030)</u>
Total Net Position - Governmental Activities	<u>\$ 458,949</u>	<u>\$ 404,607</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, 2020 and 2019

	2020	2019
Revenues		
Taxes	\$ 100,388	\$ 98,822
Intergovernmental	226,265	-
Payments from City	109,454	108,249
Investment earnings	8,041	11,910
Miscellaneous	47,122	37,994
Total Revenues	<u>491,270</u>	<u>256,975</u>
Expenditures		
Current		
Housing and economic development	435,144	235,385
Debt service		
Payments to City for debt service	-	7,355
Total Expenditures	<u>435,144</u>	<u>242,740</u>
Net Change in Fund Balances	56,126	14,235
Fund Balances, January 1	<u>420,479</u>	<u>406,244</u>
Fund Balances, December 31	<u>\$ 476,605</u>	<u>\$ 420,479</u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds as shown above	\$ 56,126	\$ 14,235
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	(209)	5
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	(502)	(445)
Post employment benefits other than pension costs	(675)	(832)
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>(398)</u>	<u>(1,910)</u>
Change in Net Position - Governmental Activities	<u>\$ 54,342</u>	<u>\$ 11,053</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, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes	\$ 6,506,028	\$ 5,861,225	11.00 %
Special assessments	499,423	472,874	5.61
Licenses and permits	334,988	200,446	67.12
Intergovernmental	9,346,207	4,562,311	104.86
Charges for services	840,613	947,814	(11.31)
Fines and forfeits	42,131	59,930	(29.70)
Investment earnings	245,522	492,652	(50.16)
Miscellaneous	289,901	534,151	(45.73)
Payments from Component Unit for debt service	-	7,355	(100.00)
Total Revenues	<u>\$ 18,104,813</u>	<u>\$ 13,138,758</u>	37.80 %
Per Capita	<u>\$ 1,758</u>	<u>\$ 1,275</u>	37.90 %
Expenditures			
Current			
General government	\$ 1,645,448	\$ 1,615,228	1.87 %
Public safety	3,387,809	3,493,881	(3.04)
Streets and highways	1,657,140	1,713,818	(3.31)
Sanitation and waste removal	216,896	181,175	19.72
Culture and recreation	1,396,900	1,444,480	(3.29)
Housing and economic development	440,300	418,073	5.32
Miscellaneous	412,936	481,550	(14.25)
Capital outlay			
General government	51,850	-	100.00
Public safety	128,202	69,944	83.29
Streets and highways	6,122,272	3,153,687	94.13
Culture and recreation	1,082,995	959,214	12.90
Miscellaneous	1,478,811	441,505	234.95
Debt service			
Principal	1,470,000	1,465,000	0.34
Interest and other charges	333,672	251,071	32.90
Bond issuance costs	-	60,246	(100.00)
Total Expenditures	<u>\$ 19,825,231</u>	<u>\$ 15,748,872</u>	25.88 %
Per Capita	<u>\$ 1,925</u>	<u>\$ 1,528</u>	25.98 %
Total Long-term Indebtedness	\$ 11,900,000	\$ 13,370,000	(10.99) %
Per Capita	1,155	1,297	(10.93)
General Fund Balance - December 31	\$ 6,141,660	\$ 7,947,471	(22.72) %
Per Capita	596	771	(22.66)

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

STATISTICAL SECTION (UNAUDITED)

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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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				
	2020	2019	2018	2017	2016
Governmental Activities					
Net investment in capital assets	\$ 52,870,737	\$ 45,287,689	44,638,223	\$ 43,687,451	\$ 42,677,369
Restricted	9,169,911	11,341,318	10,334,955	9,971,329	9,958,778
Unrestricted	8,528,250	7,709,809	5,821,059	4,619,117	3,969,515
Total Governmental Activities Net Position	<u>70,568,898</u>	<u>64,338,816</u>	<u>60,794,237</u>	<u>58,277,897</u>	<u>56,605,662</u>
Business-type Activities					
Net investment in capital assets	37,663,308	37,160,916	36,725,415	35,673,883	34,422,093
Unrestricted	15,633,914	14,848,110	13,378,042	13,113,654	13,095,940
Total Business-type Activities Net Position	<u>53,297,222</u>	<u>52,009,026</u>	<u>50,103,457</u>	<u>48,787,537</u>	<u>47,518,033</u>
Primary government					
Net investment in capital assets	90,534,045	82,448,605	81,363,638	79,361,334	77,099,462
Restricted	9,169,911	11,341,318	10,334,955	9,971,329	9,958,778
Unrestricted	24,162,164	22,557,919	19,199,101	17,732,771	17,065,455
Total Primary Government Net Position	<u>\$ 123,866,120</u>	<u>\$ 116,347,842</u>	<u>\$ 110,897,694</u>	<u>\$ 107,065,434</u>	<u>\$ 104,123,695</u>

Table 1

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

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Expenses					
Governmental Activities					
General government	\$ 1,679,698	\$ 1,750,444	\$ 1,538,761	\$ 1,389,155	\$ 1,315,890
Public safety	3,539,488	3,782,782	3,490,270	3,598,787	3,806,893
Public works/streets	3,081,028	3,373,265	3,036,945	2,988,471	2,787,405
Sanitation and waste removal	216,896	181,175	138,077	148,959	138,831
Culture and recreation	1,737,963	1,819,283	1,762,810	1,758,014	1,643,560
Housing development	222,704	260,887	94,458	143,337	127,407
Economic development	269,155	229,239	207,984	243,958	234,923
Miscellaneous	885,655	995,295	1,009,453	918,959	910,637
Interest on long-term debt	302,302	322,878	266,725	313,947	323,637
Total Governmental Activities Expenses	<u>11,934,889</u>	<u>12,715,248</u>	<u>11,545,483</u>	<u>11,503,587</u>	<u>11,289,183</u>
Business-type Activities					
Electric	13,764,261	14,081,962	14,995,845	14,731,070	14,297,048
District heat	-	-	-	-	-
Water	3,680,766	3,571,287	3,600,037	3,541,198	3,547,150
Wastewater	2,058,940	2,049,917	1,812,529	1,876,476	1,745,686
Storm sewer	508,968	489,681	461,741	482,469	437,661
Liquor	3,915,279	3,285,606	3,210,279	3,181,621	3,134,956
Parking lot	5,482	4,911	7,389	8,180	6,432
Total Business-type Activities Expenses	<u>23,933,696</u>	<u>23,483,364</u>	<u>24,087,820</u>	<u>23,821,014</u>	<u>23,168,933</u>
Total Primary Government Expenses	<u>\$35,868,585</u>	<u>\$36,198,612</u>	<u>\$35,633,303</u>	<u>\$35,324,601</u>	<u>\$34,458,116</u>

Table 2

Fiscal Year				
2015	2014	2013	2012	2011
\$ 1,216,566	\$ 1,143,844	\$ 1,232,309	\$ 1,181,084	\$ 1,123,699
2,717,662	3,035,606	3,210,448	2,880,151	2,941,828
3,128,949	2,566,565	3,286,029	2,853,511	3,599,560
100,740	132,693	95,337	46,686	35,685
1,584,291	1,520,715	1,362,430	1,286,209	1,265,100
120,042	173,290	76,316	439,722	32,366
148,400	55,579	157,187	387,642	492,852
728,443	760,332	573,647	302,744	318,644
477,400	446,355	674,359	658,275	539,480
10,222,493	9,834,979	10,668,062	10,036,024	10,349,214
13,285,756	13,617,700	13,983,971	14,199,539	14,751,216
-	-	-	-	244,063
3,279,741	2,489,640	2,675,602	1,931,755	1,680,372
1,818,529	1,811,386	1,932,731	1,810,984	1,837,211
453,463	421,155	367,738	299,870	366,330
3,035,247	2,950,980	2,898,764	2,931,921	2,848,468
5,252	4,663	4,830	4,905	4,735
21,877,988	21,295,524	21,863,636	21,178,974	21,732,395
<u>\$32,100,481</u>	<u>\$31,130,503</u>	<u>\$32,531,698</u>	<u>\$31,214,998</u>	<u>\$32,081,609</u>

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 182,358	\$ 252,598	\$ 239,759	\$ 200,395	\$ 206,187
Public safety	509,698	350,116	309,577	351,871	229,177
Public works/streets	1,971	1,522	13,302	13,080	7,995
Sanitation and waste removal	143,764	132,938	137,360	161,680	162,841
Culture and recreation	94,547	180,093	171,529	184,505	188,734
Housing development	9,106	9,018	22,226	17,786	9,044
Economic development	93,680	65,413	65,454	66,613	65,973
Miscellaneous	371,959	434,297	470,217	471,129	491,669
Operating grants and contributions	1,390,641	384,501	613,636	340,258	413,384
Capital grants and contributions	3,218,377	2,173,779	1,216,811	2,200,736	890,243
Total Governmental Activities					
Program Revenues	6,016,101	3,984,275	3,259,871	4,008,053	2,665,247
Business-type Activities					
Charges for services					
Electric	15,104,950	15,956,156	16,405,873	15,866,026	15,375,663
District heat	-	-	-	-	-
Water	3,850,371	3,549,845	3,521,529	3,494,693	3,502,969
Wastewater	2,381,915	2,291,403	2,305,792	2,334,393	2,389,450
Storm sewer	589,732	587,415	581,475	582,584	581,011
Liquor	4,632,806	3,859,070	3,809,557	3,685,869	3,684,982
Parking	7,200	6,480	6,480	6,749	5,708
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	11,002	1,460	44,417	10,227
Total Business-type Activities					
Program Revenues	26,566,974	26,261,371	26,632,166	26,014,731	25,550,010
Total Primary Government Program Revenues	<u>\$32,583,075</u>	<u>\$30,245,646</u>	<u>\$29,892,037</u>	<u>\$30,022,784</u>	<u>\$28,215,257</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,918,788)	\$ (8,730,973)	\$ (8,285,612)	\$ (7,495,534)	\$ (8,623,936)
Business-type Activities	<u>2,633,278</u>	<u>2,778,007</u>	<u>2,544,346</u>	<u>2,193,717</u>	<u>2,381,077</u>
Total Primary Government Net (Expense) Revenue	<u>\$ (3,285,510)</u>	<u>\$ (5,952,966)</u>	<u>\$ (5,741,266)</u>	<u>\$ (5,301,817)</u>	<u>\$ (6,242,859)</u>

Table 2 (Continued)

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

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

	Fiscal Year				
	2020	2019	2018	2017	2016
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 4,041,498	\$ 3,397,379	\$ 3,295,022	\$ 2,912,776	\$ 2,556,358
Property taxes, levied for debt service	1,171,872	1,167,838	1,124,959	1,003,754	1,074,582
Tax increments	165,387	169,900	139,090	92,094	74,173
Sales tax	969,829	927,291	740,471	175,477	-
Hotel-motel tax	115,865	173,068	-	-	-
Franchise taxes	40,975	41,438	41,480	40,696	39,526
Grants and contributions not restricted to specific programs	3,630,935	3,492,561	3,614,236	3,469,459	3,646,550
Unrestricted investment earnings (loss)	264,971	526,019	158,834	182,987	138,795
Other revenues	78,889	36,008	15,278	9,459	13,141
Gain on sale of capital assets	13,649	82,500	199,334	193,935	28,684
Transfers	1,655,000	1,338,000	1,385,000	1,087,132	1,149,633
Total Governmental Activities	<u>12,148,870</u>	<u>11,352,002</u>	<u>10,713,704</u>	<u>9,167,769</u>	<u>8,721,442</u>
Business-type Activities					
Unrestricted investment earnings	309,918	465,562	255,218	162,919	139,307
Transfers	(1,655,000)	(1,338,000)	(1,385,000)	(1,087,132)	(1,149,633)
Total Business-type Activities	<u>(1,345,082)</u>	<u>(872,438)</u>	<u>(1,129,782)</u>	<u>(924,213)</u>	<u>(1,010,326)</u>
Total Primary Government	<u>\$10,803,788</u>	<u>\$10,479,564</u>	<u>\$ 9,583,922</u>	<u>\$ 8,243,556</u>	<u>\$ 7,711,116</u>
Changes in Net Position					
Governmental Activities	\$ 6,230,082	\$ 2,621,029	\$ 2,428,092	\$ 1,672,235	\$ 97,506
Business-type Activities	<u>1,288,196</u>	<u>1,905,569</u>	<u>1,414,564</u>	<u>1,269,504</u>	<u>1,370,751</u>
Total Primary Government	<u>\$ 7,518,278</u>	<u>\$ 4,526,598</u>	<u>\$ 3,842,656</u>	<u>\$ 2,941,739</u>	<u>\$ 1,468,257</u>

Table 2 (Continued)

Fiscal Year				
2015	2014	2013	2012	2011
\$ 2,297,072	\$ 2,153,651	\$ 1,975,108	\$ 1,885,398	\$ 1,596,716
1,025,796	1,094,331	1,153,660	1,152,523	1,025,257
67,165	27,020	-	334,725	341,402
-	-	-	-	-
-	-	-	-	-
38,294	36,927	36,205	34,343	35,392
3,691,778	3,789,473	3,918,992	3,822,810	3,795,820
94,493	170,917	(14,237)	144,501	148,810
567,451	33,139	17,052	32,397	7,615
38,485	69,662	3,241	42,104	957,136
1,565,689	964,632	1,128,562	977,632	941,148
<u>9,386,223</u>	<u>8,339,752</u>	<u>8,218,583</u>	<u>8,426,433</u>	<u>8,849,296</u>
97,213	89,997	53,461	86,530	53,591
<u>(1,565,689)</u>	<u>(964,632)</u>	<u>(1,128,562)</u>	<u>(977,632)</u>	<u>(941,148)</u>
<u>(1,468,476)</u>	<u>(874,635)</u>	<u>(1,075,101)</u>	<u>(891,102)</u>	<u>(887,557)</u>
<u>\$ 7,917,747</u>	<u>\$ 7,465,117</u>	<u>\$ 7,143,482</u>	<u>\$ 7,535,331</u>	<u>\$ 7,961,739</u>
\$ 1,775,528	\$ 2,074,566	\$ 5,069,913	\$ 1,070,321	\$ 1,718,208
1,148,276	2,517,206	1,803,119	2,854,998	6,016,252
<u>\$ 2,923,804</u>	<u>\$ 4,591,772</u>	<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>	<u>\$ 7,734,460</u>

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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					
2020	\$4,041,498	\$1,171,872	\$ 165,387	\$ 969,829	\$ 115,865	\$ 40,975	\$6,505,426
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

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

	Fiscal Year				
	2020	2019	2018	2017	2016
General Fund					
Nonspendable	\$ -	\$ 190	\$ -	\$ -	\$ 787
Committed	94,412	80,912	79,222	29,122	151,622
Assigned	4,534,775	6,817,619	3,807,630	3,279,918	2,739,131
Unassigned	<u>1,512,473</u>	<u>1,048,750</u>	<u>3,976,673</u>	<u>3,940,674</u>	<u>4,100,400</u>
Total General Fund	<u>\$ 6,141,660</u>	<u>\$ 7,947,471</u>	<u>\$ 7,863,525</u>	<u>\$ 7,249,714</u>	<u>\$ 6,991,940</u>
All Other Governmental Funds					
Nonspendable	\$ 3,200	\$ 3,200	\$ -	\$ -	\$ -
Restricted	7,048,832	7,589,109	8,264,773	8,618,602	10,818,055
Committed	3,437,546	3,596,589	1,179,486	940,810	1,110,270
Assigned	2,773,840	140,827	502,064	497,183	364,986
Unassigned	<u>(375,964)</u>	<u>(196,313)</u>	<u>(177,718)</u>	<u>(125,281)</u>	<u>(764,003)</u>
Total All Other Governmental Funds	<u>\$ 12,887,454</u>	<u>\$ 11,133,412</u>	<u>\$ 9,768,605</u>	<u>\$ 9,931,314</u>	<u>\$ 11,529,308</u>

Table 4

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

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenues					
Taxes	\$ 6,506,028	\$ 5,861,225	\$ 5,332,614	\$ 4,207,083	\$ 3,768,410
Special assessments	499,423	472,874	401,223	721,283	459,825
Intergovernmental revenue	9,346,207	4,562,311	5,249,736	5,115,057	4,831,630
Licenses and permits	334,988	200,446	161,590	171,720	155,757
Charges for services	840,613	947,814	993,274	913,191	830,732
Fines and forfeits	42,131	59,930	56,420	55,221	55,554
Interest	245,522	492,652	140,360	170,377	127,993
Other revenues	289,901	541,506	511,051	504,388	411,293
Total Revenues	18,104,813	13,138,758	12,846,268	11,858,320	10,641,194
Expenditures					
General government	1,645,448	1,615,228	1,438,470	1,240,887	1,133,899
Public safety	3,387,809	3,493,881	3,460,352	3,247,776	3,079,878
Public works	1,874,036	1,955,239	1,802,074	1,636,273	1,577,725
Culture and recreation	1,396,900	1,444,480	1,413,771	1,377,943	1,319,819
Housing and economic development	440,300	418,073	241,698	319,018	283,659
Public transportation	412,936	481,550	543,120	456,424	460,580
Capital outlay	8,864,130	4,624,350	2,177,252	5,012,448	3,058,970
Debt service					
Principal	1,470,000	1,465,000	2,430,000	3,730,000	3,780,000
Interest and fees	333,672	251,071	302,763	333,112	390,173
Total Expenditures	19,825,231	15,748,872	13,809,500	17,353,881	15,084,703
Deficiency of Revenues					
Under Expenditures	(1,720,418)	(2,610,114)	(963,232)	(5,495,561)	(4,443,509)
Other Financing Sources (Uses)					
Payments to Component unit	-	-	-	-	-
Proceeds from sale of capital assets	13,649	-	29,334	43,435	28,684
Transfers in	11,474,061	5,067,480	2,832,281	4,520,394	1,734,065
Transfers out	(9,819,061)	(3,729,480)	(1,447,281)	(3,433,262)	(584,432)
Bonds issued	-	2,600,000	-	2,950,000	2,715,000
Premium (discount) on bonds issued	-	119,809	-	74,774	67,525
Total Other Financing Sources (Uses)	1,668,649	4,057,809	1,414,334	4,155,341	3,960,842
Net Change in Fund Balances	\$ (51,769)	\$ 1,447,695	\$ 451,102	\$ (1,340,220)	\$ (482,667)
Debt service as a percentage of noncapital expenditures	16%	15%	23%	32%	34%

Table 5

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

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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
2020	\$ 5,495,224	\$ -	\$ 969,829	\$ 40,975	\$ 6,506,028
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

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		
2020	(1)	\$ 489,007,400	\$ 223,193,100	\$ 37,022,200	\$ 6,728,700
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

Source: Martin County Assessors' Office

(1) 2012 - 2020 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
\$ 755,951,400	61.047	\$ 827,886,800	91.31 %
708,821,400	61.041	759,629,000	93.31
685,546,500	55.687	732,710,900	93.56
659,085,400	55.747	716,148,600	92.03
641,163,200	50.505	689,312,500	93.01
613,823,600	48.739	692,285,200	88.67
617,249,100	46.165	647,810,000	95.28
572,312,350	48.381	629,089,800	90.97
552,687,900	48.349	670,211,836	82.46
543,164,353	49.454	675,914,203	80.36

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
2020	48.760	12.287	61.047	38.994	0.902	39.896
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

Source: Martin County Assessors' Office.

Table 8

Overlapping Rates				Total Direct and Overlapping Rates
School District				
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total School Tax Capacity Rate	Special Districts	
9.201	14.382	23.583	0.376	124.902
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

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

Taxpayer	Type of Business	2020		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Cenex Harvest States	Soybean Crushing	\$ 24,534,300	1	3.2 %
Green Plains Fairmont LLC	Ethanol Manufacturing	19,820,200	2	2.6
Wal-Mart	Retail	9,944,600	3	1.3
SMMPA	Utilities	7,916,200	4	1.1
Mayo Health Systems- Fairmont	Medical Facility	7,884,700	5	1.0
Goldfinch Estates	Assisted Living	10,696,200	6	1.4
Bank Midwest	Banking	5,779,900	7	0.8
Minnesota Energy Resources	Utilities	5,298,000	8	0.7
Weigh-Tronix, Inc.	Scale Manufacturing	5,305,000	9	0.7
Fairmont Foods	Food Processing	4,957,800	10	0.7
Five Lakes Center	Shopping Center	-		-
Hawkeye Foodservice	Distribution	-		-
Holiday Inn	Hotel	-		-
Total		<u>\$ 102,136,900</u>		<u>13.5 %</u>

Source: Martin County Assessors' Office.

Table 9

2011		
Taxable Market Value	Rank	Percentage of Total Taxable Market Value
\$ 14,859,900	2	2.6 %
24,476,700	1	3.9
10,882,300	3	1.9
-		-
5,494,500	5	0.9
7,965,000	4	-
-		1.3
-		-
3,601,500	7	0.6
3,017,200	9	0.5
4,200,000	6	0.7
3,112,300	8	0.6
3,000,000	10	0.5
<u>\$ 80,609,400</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
2020	\$ 5,305,980	\$ 5,238,975	98.7 %	\$ -	\$ 5,238,975	98.7 %
2019	4,712,867	4,642,968	98.5	57,495	4,700,463	99.7
2018	4,537,870	4,485,200	98.8	44,102	4,529,302	99.8
2017	4,049,030	4,000,995	98.8	42,137	4,043,132	99.9
2016	3,714,706	3,680,130	99.1	30,531	3,710,661	99.9
2015	3,410,035	3,372,606	98.9	36,658	3,409,264	100.0
2014	3,310,714	3,264,224	98.6	46,062	3,310,286	100.0
2013	3,214,285	3,156,697	98.2	57,228	3,213,925	100.0
2012	3,120,665	3,064,821	98.2	54,907	3,119,728	100.0
2011	2,992,245	2,936,191	98.1	55,222	2,991,413	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	
2020	\$ -	\$ 12,098,120	\$ -	\$ 218,702	\$ 24,904,000	\$ 37,220,822
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

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>
1.46 %	12.12 %	\$ 3,614
1.79	12.71	3,928
1.68	12.78	3,967
2.07	15.14	4,360
2.26	15.78	4,565
2.40	17.51	4,804
2.39	18.19	4,830
3.21	20.38	5,313
2.96	18.41	4,595
2.30	10.69	2,668

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City of Fairmont, Minnesota
Direct and Overlapping Governmental Activities Debt
December 31, 2020

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Fairmont	\$ 12,098,120	100.00 %	\$ 12,098,120
Total direct debt	<u>12,098,120</u>		<u>12,098,120</u>
Martin County	21,764,000	16.75	3,645,470
Independent School District No. 2752	31,665,000	48.01	15,202,367
Total overlapping debt	<u>53,429,000</u>		<u>18,847,837</u>
Total direct and overlapping debt	<u>\$ 65,527,120</u>		<u>\$ 30,945,957</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

	2020	2019	2018	2017	2016
Debt Limit	\$ 22,678,542	\$ 21,264,642	\$ 20,566,395	\$ 19,772,562	\$ 19,234,896
Total net debt applicable to limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 22,678,542</u>	<u>\$ 21,264,642</u>	<u>\$ 20,566,395</u>	<u>\$ 19,772,562</u>	<u>\$ 19,234,896</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 2020

Market value	\$ 755,951,400
Debt limit (3% of total assessed value)	<u>22,678,542</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>\$ 22,678,542</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 18,414,708	\$ 18,517,473	\$ 17,169,371	\$ 16,580,637	\$ 16,294,931
<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>125,000</u>
<u>\$ 18,414,708</u>	<u>\$ 18,517,473</u>	<u>\$ 17,169,371</u>	<u>\$ 16,515,637</u>	<u>\$ 16,169,931</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>0.4</u>	<u>0.8</u>

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

Table 14

		Utility Revenue Bonds						
		Direct	Net Revenue					
		Gross	Operating	Available for	Debt Service Requirements ⁽⁵⁾			
Year		Revenue	Expenses ⁽⁴⁾	Debt Service	Principal	Interest	Total	Coverage
2020	(1)	\$6,926,047	\$3,870,609	\$3,055,438	\$1,773,000	\$ 583,477	\$2,356,477	1.30
2019	(1)	6,628,823	3,712,314	2,916,509	1,742,000	621,081	2,363,081	1.23
2018	(1)	6,538,779	3,467,187	3,071,592	1,701,000	657,039	2,358,039	1.30
2017	(1)	6,508,636	3,440,195	3,068,441	1,667,000	692,037	2,359,037	1.30
2016	(1)	6,559,574	3,294,576	3,264,998	1,629,495	726,279	2,355,774	1.39
2015	(2)	6,330,329	3,112,875	3,217,454	1,624,000	756,333	2,380,333	1.35
2014	(2)	6,452,780	2,992,864	3,459,916	1,590,000	765,525	2,355,525	1.47
2013	(2)	6,498,498	2,937,352	3,561,146	1,744,000	609,695	2,353,695	1.51
2012	(2)	5,823,490	2,701,862	3,121,628	833,812	289,320	1,123,132	2.78
2011	(2)	2,876,421	1,137,876	1,738,545	647,000	303,453	950,453	1.83

Source: City of Fairmont Financial Records.

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

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

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

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

(4) Does not include depreciation.

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

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

Table 15

<u>Fiscal Year</u>	<u>Population (A)</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income (B)</u>	<u>Median Age (B & C)</u>	<u>School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
2020	10,299	\$ 29,814	\$ 307,054,386	44.0	1,630	3.9 %
2019	10,307	30,900	318,486,300	44.0	1,694	3.4
2018	10,332	31,042	320,725,944	44.5	1,711	3.6
2017	10,353	28,797	298,135,341	45.9	1,681	3.5
2016	10,421	28,930	301,479,530	46.0	1,696	3.9
2015	10,464	27,443	287,163,552	45.8	1,695	4.5
2014	10,494	26,550	278,615,700	45.5	1,696	4.1
2013	10,521	26,065	274,229,865	46.4	1,699	4.4
2012	10,631	24,965	265,402,915	46.0	1,694	5.0
2011	10,666	24,965	266,276,690	45.5	1,726	5.2

(A) Source: State Demographer

(B) Source: United States Census Bureau

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

(D) Source: ISD #2752

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

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

Table 16

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Foods of Minnesota	325	1	3.40 %	272	6	2.39 %
Weigh-Tronix Scale Manufacturing	305	2	3.20	331	2	2.91
Fairmont Mayo Health Systems	300	3	3.10	680	1	5.98
ISD 2752	300	4	3.10	325	3	2.86
REM Heartland	250	5	2.60	275	4	2.42
Hy-Vee	240	6	2.50	180	9	1.58
Torgerson Properties	218	7	2.30	273	5	2.40
Preferred Capital Management	194	8	2.00	-		
Wal-Mart	191	9	2.00	195	8	1.71
Lakeview Health Care Facility	167	10	1.70	256	7	2.25
MRCI	-		-	155	10	1.36
Total	<u>2,490</u>		<u>25.90 %</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				
	2020	2019	2018	2017	2016
General Government	11	11	11	11	10
Public Safety					
Police					
Officers	18	18	18	18	15
Civilians	2	2	2	2	2
Streets and Highways					
Engineering	4	4	4	4	4
Maintenance	11	11	11	10	10
Culture and Recreation					
Parks	10	10	10	10	10
Housing and Economic Development	3	3	4	4	4
Water	11	11	11	12	12
Sewer	5	5	5	5	5
Electric	10	9	11	11	11
Liquor Store	3	3	3	3	3
Airport	1	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>89</u>	<u>88</u>	<u>91</u>	<u>91</u>	<u>87</u>

Source: City of Fairmont Records

Table 17

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

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

Function	Fiscal Year				
	2020	2019	2018	2017	2016
Police					
Adult arrests	755	1,269	1,320	1,086	916
Juvenile arrests	61	128	86	89	69
Fire					
Number of fire calls answered	87	102	95	104	103
Number of rescue calls answered	35	35	36	40	34
Highways and Streets					
Street resurfacing (miles)	1	5	1	4	1
Culture and Recreation					
Attendance at water park	11,898	20,747	21,691	21,852	25,585
Water					
Annual water consumption (thousands of gallons)	348,032	345,631	359,856	371,690	375,715
Wastewater					
Annual treatment flows (thousands of gallons)	558,330	758,520	778,920	586,820	673,240
Electric					
Annual KWH electricity sold (thousands of kwh)	141,697	144,833	150,728	146,088	147,048

Sources: Various government departments.

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

Table 18

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

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

Function	Fiscal Year				
	2020	2019	2018	2017	2016
Public Safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	18	18	14
Part-time paid police	2	2	2	2	2
Civilian employees	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	29	28	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	97	9700%	96%	96%
Signalized intersections	9	10	10	10	10
Roundabouts	1	-	-	-	-
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	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	5	2	2	2
Utilities					
Municipal water					
Consumers	4,449	4,435	4,433	4,430	4,435
Average daily consumption	1,231,170	1,217,150	1,238,544	1,220,239	1,265,344
Maximum production capacity	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
Storage capacity	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Miles of water main	84	84	84	84	84
Municipal wastewater treatment					
Average daily treatment	1,523,333	2,070,833	2,131,667	1,608,333	1,836,667
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	81
Storm drains					
Miles of storm sewer	56	56	41	41	41
Holding ponds	13	13	9	9	9
Parking System					
Off-street parking					
Off street lots	7	7	7	7	7
Employees					
Supervisors	10	10	10	10	10
Union employees	61	62	63	64	61
Other employees	18	16	18	17	16
Total Employees	89	88	91	91	87

Source: City of Fairmont Records

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

Table 19

Fiscal Year				
2015	2014	2013	2012	2011
1	1	1	1	1
15	15	16	17	17
3	3	3	3	3
2	2	2	2	2
1	1	1	1	1
32	32	32	32	32
556	556	556	556	556
5	5	5	5	5
74	74	74	74	74
96%	96%	96%	96%	96%
10	10	10	10	10
-	-	-	-	-
29	26	26	26	26
560	540	540	540	540
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
1	1	1	1	-
3	3	3	3	5
-	-	-	-	-
1	1	1	1	1
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
4,423	4,410	4,426	4,429	4,442
1,238,628	970,665	1,134,577	1,272,199	1,413,036
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
1,342,500	1,301,468	1,282,658	1,109,123	1,799,452
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	10	11
59	58	57	58	59
17	17	17	17	19
86	85	84	85	89

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

	2020	2019	2018	2017	2016
Electric Department/Fund					
Production	\$11,045,034	\$11,362,565	\$11,988,898	\$11,830,111	\$11,652,003
Distribution	1,211,160	1,140,552	1,321,749	1,319,652	1,309,186
Administration and depreciation	1,419,231	1,486,329	1,578,789	1,434,720	1,250,177
Total Electric Department/Fund	<u>13,675,425</u>	<u>13,989,446</u>	<u>14,889,436</u>	<u>14,584,483</u>	<u>14,211,366</u>
Water Department/Fund					
Filtration	1,090,886	1,190,152	1,192,070	1,338,340	1,339,214
Distribution	652,320	560,545	548,746	296,577	301,137
Administration and depreciation	1,420,613	1,282,493	1,305,123	1,323,799	1,335,355
Total Water Department/Fund	<u>3,163,819</u>	<u>3,033,190</u>	<u>3,045,939</u>	<u>2,958,716</u>	<u>2,975,706</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	753,613	772,346	586,482	615,313	491,159
Collection	317,671	308,481	270,740	296,213	296,240
Administration and depreciation	920,281	877,645	853,625	841,832	830,211
Total Wastewater Department/Fund	<u>1,991,565</u>	<u>1,958,472</u>	<u>1,710,847</u>	<u>1,753,358</u>	<u>1,617,610</u>
Total	<u>\$18,830,809</u>	<u>\$18,981,108</u>	<u>\$19,646,222</u>	<u>\$19,296,557</u>	<u>\$18,804,682</u>

Table 20

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Electric Department/Fund	\$ 15,096,642	\$ 15,547,859	\$ 16,384,952	\$ 15,845,241	\$ 15,338,091
Water Department/Fund	3,828,469	3,538,073	3,513,185	3,488,744	3,497,629
District Heat Department/Fund	-	-	-	-	-
Wastewater Department/Fund	<u>2,380,822</u>	<u>2,290,534</u>	<u>2,303,196</u>	<u>2,334,068</u>	<u>2,387,483</u>
Total	<u><u>\$ 21,305,933</u></u>	<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>

Table 21

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 14,561,648	\$ 14,713,001	\$ 14,639,236	\$ 14,856,538	\$ 15,601,619
3,329,141	3,273,006	3,332,167	3,023,394	2,838,809
-	-	-	-	82,626
<u>2,349,903</u>	<u>2,599,354</u>	<u>2,542,395</u>	<u>2,159,105</u>	<u>2,246,597</u>
<u><u>\$ 20,240,692</u></u>	<u><u>\$ 20,585,361</u></u>	<u><u>\$ 20,513,798</u></u>	<u><u>\$ 20,039,037</u></u>	<u><u>\$ 20,769,651</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
2020	-	146,680,532	SMMPA/WAPA	146,680,532	141,696,687	-	30,753
2019	-	149,293,261	SMMPA/WAPA	149,293,261	150,728,230	-	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

* 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
2020	\$ 11,045,034 0.07530	\$1,211,160 0.00826	\$ 963,606 0.00657	\$ 455,625 0.00311	\$ 13,675,425 0.09324	\$146,680,532 141,696,687	\$ 0.09651
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	149,293,261 150,728,230	0.09281
2018	11,988,898 0.07776	1,321,749 0.00857	1,165,401 0.00679	413,388 0.00252	14,889,436 0.09564	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 0.00474	428,528 0.00260	14,237,843 0.08639	164,791,504 155,661,326	0.09147

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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
2020						
Residential Light	28,676,595	\$ 3,251,767	\$ 0.113394	20.2 %	21.9 %	3,816
Commercial Service	19,972,644	2,155,867	0.107941	14.1	14.5	764
General Service	14,585,391	1,407,595	0.096507	10.3	9.5	42
Industrial Sales	52,632,897	4,760,160	0.090441	37.1	32.0	13
All Electric	8,384,124	605,805	0.072256	5.9	4.1	8
Rural Electric	3,601,322	401,797	0.111569	2.5	2.7	223
Filter Plant	1,388,800	92,355	0.066500	1.0	0.6	1
Street Lighting	499,104	37,433	0.075000	0.4	0.3	8
Flat Rate Security Lights	46,541	10,705	0.230012	-	0.1	143
Residential Heat	9,473,827	988,090	0.104297	6.7	6.7	905
Wastewater Plant	1,365,648	90,816	0.066500	1.0	0.6	1
Seasonal Heat Rate	1,069,794	82,849	0.077444	0.8	0.6	25
Energy Cost Adjustment	-	943,511	-	-	6.4	-
Total Sales	<u>141,696,687</u>	<u>\$ 14,828,750</u>	<u>\$ 0.104651</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,949</u>
2019						
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>

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
2018						
Residential Light	29,310,618	\$ 3,316,840	\$ 0.113162	19.4 %	20.9 %	3,786
Commercial Service	22,791,640	2,438,585	0.106995	15.1	15.3	755
General Service	16,497,971	1,626,728	0.098602	10.9	10.2	42
Industrial Sales	53,960,562	4,883,075	0.090493	35.9	30.8	12
All Electric	8,782,597	770,695	0.087753	5.8	4.8	8
Rural Electric	4,021,451	446,534	0.111038	2.7	2.8	227
Filter Plant	1,398,400	92,994	0.066500	0.9	0.6	1
Street Lighting	1,568,877	117,666	0.075000	1.0	0.7	6
Flat Rate Security Lights	75,982	10,739	0.141336	0.1	0.1	146
Residential Heat	9,613,644	1,003,001	0.104331	6.4	6.3	910
Wastewater Plant	1,422,302	94,576	0.066495	0.9	0.6	1
Seasonal Heat Rate	1,284,186	99,419	0.077418	0.9	0.6	22
Energy Cost Adjustment	-	1,004,451	-	-	6.3	-
Total Sales	<u>150,728,230</u>	<u>\$ 15,905,303</u>	<u>\$ 0.105523</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,916</u>
2017						
Residential Light	27,178,487	\$ 3,089,916	\$ 0.113690	18.6 %	20.1 %	3,790
Commercial Service	21,667,094	2,313,203	0.106761	14.8	15.0	758
General Service	16,148,841	1,615,370	0.100030	11.1	10.5	42
Industrial Sales	54,949,723	4,944,410	0.089981	37.7	32.1	12
All Electric	8,082,443	718,901	0.088946	5.5	4.7	8
Rural Electric	3,681,432	408,733	0.111026	2.5	2.7	227
Filter Plant	1,370,000	91,105	0.066500	0.9	0.6	1
Street Lighting	1,556,513	116,739	0.075000	1.1	0.8	6
Flat Rate Security Lights	126,972	10,058	0.079214	0.1	0.1	146
Residential Heat	8,980,862	929,531	0.103501	6.1	6.0	907
Wastewater Plant	1,350,010	85,786	0.063545	0.9	0.6	1
Seasonal Heat Rate	995,198	74,407	0.074766	0.7	0.5	26
Energy Cost Adjustment	-	972,114	-	-	6.3	-
Total Sales	<u>146,087,575</u>	<u>\$ 15,370,273</u>	<u>\$ 0.105213</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,924</u>

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

Table 24 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2016						
Residential Light	28,364,575	\$ 3,214,306	\$ 0.113321	19.3 %	21.5 %	3,787
Commercial Service	20,939,951	2,249,471	0.107425	14.2	15.1	757
General Service	17,154,277	1,711,015	0.099743	11.7	11.5	42
Industrial Sales	53,320,399	4,767,863	0.089419	36.1	32.0	12
All Electric	8,675,268	765,268	0.088213	5.9	5.1	8
Rural Electric	3,910,260	431,242	0.110285	2.7	2.9	228
Filter Plant	1,423,200	94,643	0.066500	1.0	0.6	1
Street Lighting	1,600,001	120,000	0.075000	1.1	0.8	6
Flat Rate Security Lights	127,656	11,463	0.089796	0.1	0.1	141
Residential Heat	9,201,702	959,942	0.104322	6.3	6.4	895
Wastewater Plant	1,287,238	85,601	0.066500	0.9	0.6	1
SMMPA Expansion Rate	1,044,043	77,500	0.074231	0.7	0.5	27
Energy Cost Adjustment	-	430,775	-	-	2.9	-
Total Sales	<u>147,048,570</u>	<u>\$ 14,919,089</u>	<u>\$ 0.101457</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,905</u>
2015						
Residential Light	27,532,940	\$ 3,132,345	\$ 0.113767	19.3 %	22.2 %	3,849
Commercial Service	20,172,539	2,180,659	0.108100	14.2	15.5	753
General Service	17,502,445	1,765,020	0.100844	12.3	12.5	43
Industrial Sales	50,448,638	4,503,510	0.089269	35.4	31.9	12
All Electric	8,595,082	759,629	0.088379	6.0	5.4	8
Rural Electric	3,749,447	417,365	0.111314	2.6	3.0	226
Filter Plant	1,391,200	92,515	0.066500	1.0	0.7	1
Street Lighting	1,634,671	122,601	0.075000	1.1	0.9	6
Flat Rate Security Lights	126,678	10,545	0.083243	0.1	0.1	-
Residential Heat	8,938,461	934,426	0.104540	6.3	6.6	901
Wastewater Plant	1,401,166	93,178	0.066500	1.0	0.7	1
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>

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

Table 24 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2014						
Residential Light	28,653,260	\$ 2,418,394	\$ 0.084402	19.4 %	17.0 %	3,879
Commercial Service	21,184,995	1,656,657	0.078200	14.4	11.6	747
General Service	18,549,910	1,286,853	0.069372	12.6	9.0	43
Industrial Sales	50,409,061	3,068,222	0.060866	34.3	21.5	12
All Electric	9,039,097	556,328	0.061547	6.1	3.9	8
Rural Electric	3,914,295	323,984	0.082769	2.7	2.3	225
Filter Plant	1,437,200	54,614	0.038000	1.0	0.4	1
Street Lighting	1,791,188	134,339	0.075000	1.2	0.9	6
Flat Rate Security Lights	128,637	10,320	0.080226	0.1	0.1	-
Residential Heat	9,293,874	698,258	0.075131	6.3	4.9	888
Wastewater Plant	1,535,800	58,360	0.038000	1.0	0.4	1
SMMPA Expansion Rate	1,384,533	62,782	0.045345	0.9	0.4	22
Energy Cost Adjustment	-	3,933,326	-	-	27.6	-
Total Sales	<u>147,321,850</u>	<u>\$ 14,262,437</u>	<u>\$ 0.096811</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,832</u>
2013						
Residential Light	29,755,931	\$ 2,500,922	\$ 0.082990	20.1 %	17.5 %	3,909
Commercial Service	22,067,984	1,728,734	0.080720	14.9	12.1	761
General Service	19,989,428	1,354,742	0.068547	13.5	9.5	43
Industrial Sales	49,455,710	3,141,624	0.057382	33.3	22.0	12
All Electric	9,054,123	549,234	0.065368	6.1	3.9	8
Rural Electric	3,946,018	319,756	0.090291	2.7	2.2	224
Filter Plant	1,212,440	46,073	0.031222	0.8	0.3	1
Street Lighting	1,751,086	131,332	0.074315	1.2	0.9	6
Flat Rate Security Lights	125,846	10,519	0.079735	0.1	0.1	-
Residential Heat	8,600,482	687,168	0.079094	5.8	4.8	867
Wastewater Plant	1,325,800	50,380	0.040343	0.9	0.4	1
SMMPA Expansion Rate	902,272	41,182	0.063024	0.6	0.3	24
Energy Cost Adjustment	-	3,703,983	-	-	26.0	-
Total Sales	<u>148,187,120</u>	<u>\$ 14,265,649</u>	<u>\$ 0.096268</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,856</u>

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

Table 24 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2012						
Residential Light	30,135,119	\$ 2,585,797	\$ 0.085807	19.8 %	17.9 %	4,002
Commercial Service	21,416,365	1,681,089	0.078496	14.1	11.6	741
General Service	19,763,554	1,366,118	0.069123	13.0	9.5	47
Industrial Sales	54,749,354	3,291,661	0.060122	36.1	23.0	12
All Electric	8,402,183	524,619	0.062438	5.5	3.6	8
Rural Electric	3,541,412	294,972	0.083292	2.3	2.0	225
Filter Plant	1,475,640	56,074	0.038000	1.0	0.4	1
Street Lighting	1,767,241	132,543	0.075000	1.2	0.9	6
Flat Rate Security Lights	131,924	10,427	0.079038	0.1	0.1	-
Residential Heat	8,688,023	652,925	0.075152	5.7	4.5	798
Wastewater Plant	1,248,800	47,454	0.038000	0.8	0.3	1
SMMPA Expansion Rate	653,438	30,192	0.046205	0.4	0.2	26
Energy Cost Adjustment	-	3,758,736	-	-	26.0	-
Total Sales	<u>151,973,053</u>	<u>\$ 14,432,607</u>	<u>\$ 0.094968</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>
2011						
Residential Light	31,317,844	\$ 2,588,036	\$ 0.082638	20.1 %	17.7 %	4,002
Commercial Service	21,389,157	1,669,914	0.078073	13.7	11.4	741
General Service	19,416,287	1,334,831	0.068748	12.5	9.1	47
Industrial Sales	56,005,474	3,371,816	0.060205	36.0	23.1	12
All Electric	9,281,304	562,505	0.060606	6.0	3.8	8
Rural Electric	3,625,936	300,942	0.082997	2.3	2.1	225
Filter Plant	1,647,720	62,613	0.038000	1.1	0.4	1
Street Lighting	1,902,419	141,340	0.074295	1.2	1.0	6
Flat Rate Security Lights	136,259	10,456	0.076736	0.1	0.1	-
Residential Heat	8,694,687	652,295	0.075022	5.6	4.5	798
Wastewater Plant	1,270,200	48,268	0.038000	0.8	0.3	1
SMMPA Expansion Rate	974,039	45,552	0.046766	0.6	0.3	26
Energy Cost Adjustment	-	3,823,925	-	-	26.2	-
Total Sales	<u>155,661,326</u>	<u>\$ 14,612,493</u>	<u>\$ 0.093874</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

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

	2020	2019	2018	2017	2016
Industrial/Commercial Users					
Fairmont Foods 1 & 2	17,873,323	17,836,756	18,089,301	17,322,061	16,131,520
	\$1,667,048	\$1,697,329	\$1,695,401	\$1,630,297	\$1,440,743
3M Minnesota Mining and Manufacturing	7,091,111	7,410,947	8,254,355	8,787,746	9,002,036
	\$ 691,536	\$ 715,857	\$ 778,448	\$ 825,014	\$ 798,762
Harsco Track Technology	518,400	480,000	447,600	456,000	486,300
	\$ 61,315	\$ 55,111	\$ 50,090	\$ 50,748	\$ 50,089
Hancor	8,356,000	6,939,000	5,780,000	6,569,000	5,490,000
	\$ 780,181	\$ 671,093	\$ 578,682	\$ 648,024	\$ 534,868
Weigh-Tronix	4,148,523	5,025,564	5,421,726	5,373,396	5,655,123
	\$ 439,942	\$ 508,736	\$ 550,597	\$ 544,844	\$ 549,562
Fareway Foods	1,181,904	1,189,792	1,243,206	1,211,071	1,279,500
	\$ 78,803	\$ 109,971	\$ 115,007	\$ 113,631	\$ 144,365
Bomgars/Shopko	566,500	650,500	889,250	925,500	986,250
	\$ 60,141	\$ 65,981	\$ 93,224	\$ 95,098	\$ 100,484
Holiday Inn	1,289,750	1,526,500	1,472,250	1,351,500	1,425,750
	\$ 129,242	\$ 150,514	\$ 146,828	\$ 135,959	\$ 135,194
Five Lakes Center	683,680	752,120	832,680	801,360	917,255
	\$ 45,584	\$ 80,286	\$ 87,720	\$ 84,918	\$ 92,316
Hy-Vee Foods	2,580,800	2,687,600	2,736,800	2,744,800	2,810,400
	\$ 239,858	\$ 248,140	\$ 253,234	\$ 251,410	\$ 247,622
Americold/Cloverleaf/Fairmont Refrigerated Services	5,046,840	5,338,800	5,665,680	5,841,720	5,881,320
	\$ 457,704	\$ 483,978	\$ 509,622	\$ 526,569	\$ 496,713
Wal-Mart Stores	2,515,600	2,736,400	3,370,000	3,604,400	3,431,200
	\$ 251,392	\$ 274,293	\$ 322,079	\$ 338,028	\$ 304,944
Fairmont Hospital Mayo	5,939,760	6,001,047	6,107,877	5,634,855	6,276,600
	\$ 394,268	\$ 458,907	\$ 557,391	\$ 529,624	\$ 552,693
I.S.D. No. 2752	1,437,600	1,689,600	1,833,600	1,973,800	2,023,200
	\$ 208,806	\$ 239,758	\$ 257,019	\$ 266,275	\$ 262,645
Wastewater Treatment Plant	1,365,648	1,404,052	1,422,302	1,350,010	1,287,238
	\$ 90,816	\$ 93,502	\$ 94,576	\$ 85,786	\$ 85,601
Water Treatment Plant	1,388,800	1,382,000	1,398,400	1,370,000	1,423,200
	\$ 92,355	\$ 91,903	\$ 92,994	\$ 91,105	\$ 94,643

Table 25

2015	2014	2013	2012	2011
14,158,043	13,051,618	2,464,831	14,315,307	15,975,378
\$1,210,805	\$1,107,336	\$1,042,803	\$1,180,918	\$1,317,813
8,211,144	7,825,221	7,591,649	7,712,425	7,361,865
\$ 701,501	\$ 651,696	\$ 619,290	\$ 631,048	\$ 604,175
518,400	517,200	552,000	571,200	1,136,400
\$ 50,927	\$ 51,381	\$ 54,207	\$ 56,457	\$ 122,519
6,089,000	6,670,000	7,509,000	8,627,000	7,840,000
\$ 567,118	\$ 601,875	\$ 666,009	\$ 723,634	\$ 661,645
5,418,081	5,597,822	5,734,080	6,392,412	6,501,321
\$ 518,706	\$ 523,817	\$ 530,950	\$ 575,467	\$ 589,774
1,339,479	1,378,376	1,484,452	1,398,829	1,309,292
\$ 117,101	\$ 119,403	\$ 124,463	\$ 119,854	\$ 115,007
1,123,000	1,218,750	1,414,500	1,451,000	1,287,750
\$ 108,445	\$ 109,459	\$ 122,882	\$ 123,958	\$ 113,221
1,443,250	1,565,250	1,633,500	1,552,500	1,759,000
\$ 134,459	\$ 141,662	\$ 143,720	\$ 139,323	\$ 154,431
1,044,880	1,129,560	1,092,200	945,860	776,400
\$ 103,581	\$ 105,865	\$ 103,406	\$ 88,258	\$ 90,337
2,756,800	2,666,800	2,698,800	2,605,120	2,657,440
\$ 234,366	\$ 224,510	\$ 222,689	\$ 221,566	\$ 211,168
5,660,120	6,055,200	6,139,800	6,127,560	6,030,720
\$ 460,842	\$ 485,452	\$ 480,003	\$ 474,287	\$ 465,861
3,110,800	3,234,800	3,296,000	3,449,200	3,506,800
\$ 264,077	\$ 266,997	\$ 270,157	\$ 283,831	\$ 285,919
6,192,900	3,487,368	6,375,600	6,314,400	6,735,600
\$ 537,020	\$ 399,776	\$ 527,157	\$ 516,892	\$ 557,202
1,980,000	3,487,368	3,585,720	3,427,680	3,211,200
\$ 247,891	\$ 399,776	\$ 400,658	\$ 384,529	\$ 346,486
1,401,166	1,437,200	1,325,800	1,248,800	1,270,200
\$ 93,178	\$ 99,569	\$ 89,004	\$ 83,835	\$ 79,786
1,391,200	1,535,800	1,212,440	1,475,640	1,647,730
\$ 92,515	\$ 93,366	\$ 76,158	\$ 92,691	\$ 103,500

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>2020</u>					
Net Raw Water	465,095,871	100.0 %			
Used in Production	<u>22,623,364</u>	<u>4.9</u>			
Net Finished Water	442,472,507	95.1			
Loss in Distribution System (including hydrant)	<u>94,439,760</u>	<u>20.3</u>			
 Total Sales	 <u>348,032,747</u>	 <u>74.8</u>	 \$3,428,772	 \$ 9.851866	 4,449
<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

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>2015</u>					
Net Raw Water	442,895,764	100.0 %			
Used in Production	<u>8,100,838</u>	<u>1.8</u>			
Net Finished Water	434,794,926	98.2			
Loss in Distribution System (including hydrant)	<u>67,667,767</u>	<u>15.3</u>			
 Total Sales	<u>367,127,159</u>	<u>82.9</u>	\$2,942,896	\$ 8.016013	4,423
<u>2014</u>					
Net Raw Water	430,038,323	100.0			
Used in Production	<u>9,156,992</u>	<u>2.1</u>			
Net Finished Water	420,881,331	97.9			
Loss in Distribution System (including hydrant)	<u>66,588,469</u>	<u>15.5</u>			
 Total Sales	<u>354,292,862</u>	<u>82.4</u>	2,893,977	8.168319	4,410
<u>2013</u>					
Net Raw Water	526,958,224	100.0			
Used in Production	<u>58,852,312</u>	<u>11.2</u>			
Net Finished Water	468,105,912	88.8			
Loss in Distribution System (including hydrant)	<u>53,985,299</u>	<u>10.2</u>			
 Total Sales	<u>414,120,613</u>	<u>78.6</u>	2,995,348	7.233033	4,426
<u>2012</u>					
Net Raw Water	485,011,000	100.0			
Used in Production	<u>20,658,344</u>	<u>4.3</u>			
Net Finished Water	464,352,656	95.7			
Loss in Distribution System (including hydrant)	<u>34,019,079</u>	<u>7.0</u>			
 Total Sales	<u>430,333,577</u>	<u>88.7</u>	2,699,242	6.272441	4,429
<u>2011</u>					
Net Raw Water	589,167,636	100.0			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (including hydrant)	<u>60,617,941</u>	<u>10.3</u>			
 Total Sales	<u>455,140,379</u>	<u>77.2</u>	2,536,752	5.573560	4,442

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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
2020	\$ 1,090,886 2.4654	\$ 652,320 1.4743	\$ 456,204 1.0310	\$ 964,409 2.1796	\$3,163,819 7.1503	\$ 442,472,507 348,032,747	\$ 9.0906
2019	1,190,152 2.8450	560,545 1.3400	349,964 0.8366	932,529 2.2292	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

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

Table 28

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2020</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<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	-	-	-	-	

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

Table 28 (Continued)

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2015</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District					
Heat Department	-	-	-	-	
<u>2014</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District					
Heat Department	-	-	-	-	
<u>2013</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District					
Heat Department	-	-	-	-	
<u>2012</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District					
Heat Department	-	-	-	-	
<u>2011</u>					
Steam billed to customers	3,989,000	72.0	62,639	15.7029	6
Metered warehouse use	270,000	4.9	-	-	
Metered Power Plant use	870,000	15.7	-	-	
Loss	408,000	7.4	-	-	
Fuel cost adder	-	-	19,987	3.6097	
Total steam metered to District					
Heat Department	5,537,000	100.0	82,626	14.9225	

City of Fairmont, Minnesota
Public Utilities Commission
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
2020	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	-
2019	- -	- -	- -	- -	- -	- -	-
2018	- -	- -	- -	- -	- -	- -	-
2017	- -	- -	- -	- -	- -	- -	-
2016	- -	- -	- -	- -	- -	- -	-
2015	- -	- -	- -	- -	- -	- -	-
2014	- -	- -	- -	- -	- -	- -	-
2013	- -	- -	- -	- -	- -	- -	-
2012	- -	- -	- -	- -	- -	- -	-
2011	62,657 11.3161	602 0.1087	- -	- -	63,259 11.4248	5,537,000 5,129,000	12.3336

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
2020	558,330	\$ 753,613 1	\$ 317,671 1	\$ 293,226 1	\$ 627,055 1	\$ 1,991,565 4	1,090,000 11,250,000
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

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SINGLE AUDIT AND
OTHER REQUIRED REPORTS

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2021.

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 7, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2021.

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) as a basis for designing 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.

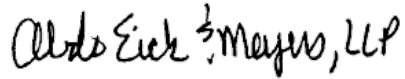
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 7, 2021

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, 2020. 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, 2020.

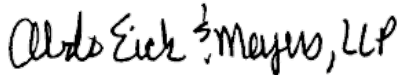
Report on Internal Control Over Compliance

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

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

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

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 7, 2021

City of Fairmont, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Commerce		Economic Adjustment Assistance	11.307		\$ 632,039	
U.S. Department of Commerce		Economic Adjustment Assistance	11.307C		<u>120,000</u>	
		Total Economic Development Cluster				\$ 752,039
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	1029945	<u>197,183</u>	
		Total Highway Planning and Construction Cluster				197,183
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety	20.600	P079216402	2,477	
U.S. Department of Transportation	Minnesota Department of Transportation	National Priority Safety Program	20.616	P079216405C/ P079216405B	<u>157</u>	
		Total Highway Safety Cluster				2,634
U.S. Department of the Interior	Minnesota Department of Natural Resources	Outdoor Recreation Acquisition, Development and Planning	15.916		86,358	
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	TMNFAA00291415	973,138	
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	P079216AL164	626	
U.S. Department of Treasury	Minnesota Department of Revenue	Coronavirus Relief Fund	21.019C		776,532	
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036		<u>19,210</u>	
		Total Other Programs				<u>1,855,864</u>
						<u>\$ 2,807,720</u>
		Balance of RLF loans outstanding at year end				\$ 388,110
		Cash and investment balances in the RLF at year end				222,834
		Administrative expenses paid out of RLF income during the year				21,095
		Subtotal				<u>632,039</u>
		Federal share of the RLF				<u>100%</u>
		Total Expenditures				<u>\$ 632,039</u>

City of Fairmont, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

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, 2020. 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, 2020, 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, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Airport Improvement Project	20.106
Coronavirus Relief Fund	21.019C
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.