

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012

PREPARED BY:

FINANCE DEPARTMENT

PAUL HOYE  
Finance Director

Member GFOA of U.S. and Canada  
Published May 9, 2013

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CITY OF FAIRMONT, MINNESOTA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Letter from City Administrator	7
Letter of Transmittal	9
Principal City Officials	14
Organization Chart	15
GFOA Certificate of Achievement for Excellence in Financial Reporting	16
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	19
Management Discussion and Analysis	23
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	37
Statement of Activities	38
Fund Financial Statements	
Governmental Funds	
Balance Sheet	43
Reconciliation of the Balance Sheet to the Statement of Net Position	44
Statement of Revenues, Expenditures and Changes in Fund Balances	45
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	46
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	47
Proprietary Funds	
Statements of Net Position	48
Statements of Revenues, Expenses and Changes in Net Position	52
Statements of Cash Flows	54
Fiduciary Funds	
Statement of Fiduciary Net Position	58
Notes to the Financial Statements	59
<b>Required Supplementary Information</b>	
Schedule of Funding Progress	95
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	100
Nonmajor Special Revenue Funds	
Combining Balance Sheet	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Aeronautics Fund	108
Lake Restoration Fund	109
Nonmajor Capital Projects Funds	
Combining Balance Sheet	114
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	116
General Fund	
Comparative Balance Sheets	121
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	122

CITY OF FAIRMONT, MINNESOTA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Page No.</u>
<b>Combining and Individual Fund Financial Statements and Schedules - Continued</b>	
Debt Service Funds	
Combining Balance Sheet	131
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	137
Enterprise Funds	
Comparative Statements of Revenues, Expenses and Changes in Net Position	
Public Utilities Commission Fund	146
Storm Sewer Utility Fund	148
Municipal Liquor Fund	149
Parking Lot Fund	150
Internal Service Funds	
Combining Statements of Net Position	154
Combining Statements of Revenues, Expenses and Changes in Net Position	156
Combining Statements of Cash Flows	158
Comparative Statements of Revenues, Expenses and Changes in Net Position	
Central Garage and Equipment Fund	160
Medical Self-Insurance Fund	161
Property, Equipment and Liability Self-Insurance Fund	162
Worker's Compensation Self-Insurance Fund	163
Data Processing Fund	164
Agency Funds	
Combining Balance Sheet	167
Individual Fund Statements of Changes in Assets and Liabilities	168
Discretely Presented Component Unit - Economic Development Authority	
Comparative Balance Sheets	170
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances/Net Position	171
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	172

CITY OF FAIRMONT, MINNESOTA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2012

<b>STATISTICAL SECTION (UNAUDITED)</b>	<b><u>Table No.</u></b>	<b><u>Page No.</u></b>
Financial Trends		
Net Position by Component	1	176
Changes in Net Position	2	178
Governmental Activities Tax Revenues by Source	3	185
Fund Balances of Governmental Funds	4	186
Changes in Fund Balances of Governmental Funds	5	188
General Governmental Tax Revenues by Source	6	190
Revenue Capacity		
Market Value and Estimated Actual Value of Taxable Property	7	191
Property Tax Rates - Direct and Overlapping Governments	8	192
Principal Property Taxpayers	9	194
Property Tax Levies and Collections	10	195
Debt Capacity		
Ratios of Outstanding Debt by Type	11	196
Direct and Overlapping Governmental Activities Debt	12	199
Legal Debt Margin Information	13	200
Pledged-Revenue Coverage	14	202
Demographic and Economic Information		
Demographic and Economic Statistics	15	203
Principal Employers	16	205
Operating Information		
Full-time Equivalent City Government Employees by Function	17	206
Operating Indicators by Function	18	208
Capital Asset Statistics by Function	19	210
Other Information		
Schedule of Insurance in Force	20	213
Public Utilities Commission Information		
Miscellaneous Statistical Facts	21	221
Operating Expenses by Function	22	222
Revenue by Utility	23	224
Kilowatt Hours Generated and Purchased	24	226
Cost Per KWH Generated and Purchased	25	227
Kilowatt Sales	26	229
Large Electric Users - Total Kilowatt Hours Used and Revenue Earned		
Per Year	27	234
Raw Water Finished and Sold	28	236
Cost Per Thousand Gallons of Finished Water	29	239
District Heat Sales	30	240
Cost Per Thousand Pounds of Steam	31	242
Wastewater Inflow and Cost Per Thousand Gallons Treated	32	243
<b>SINGLE AUDIT AND OTHER REQUIRED REPORTS</b>		
Auditor's Report on Legal Compliance		247
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		248
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>		250
Schedule of Expenditures of Federal Awards		252
Notes to Schedule of Expenditures of Federal Awards		253
Schedule of Findings and Questioned Costs		255

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**INTRODUCTORY SECTION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012



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

Phone (507) 238-9461

Fax (507) 238-9469

May 9, 2013

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, 2012.

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

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

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

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

Respectfully submitted,

City of Fairmont

Mike Humpal, CEcD  
City Administrator

MH/sko  
Encls.

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Phone (507) 238-9461

Fax (507) 238-9469

May 9, 2013

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, 2012. 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 funds for Fairmont's Volunteer Fire Department and appropriate Police personnel are administered through their respective relief associations. Both associations are self-governing with their own Boards of Trustees, by-laws, and officers. Financial data for the pension funds are 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 light industry and commerce. The industries are diversified between food processors, plastics, rail equipment, and a variety of other products. The local agricultural economy has been boosted by a major expansion into Fairmont by CHS, Inc. The construction and operation of the soybean crushing facility in Fairmont has significantly increased the value of the local soybean crop. The state's first 100 million gallon ethanol plant has been constructed in Fairmont. This facility will significantly raise corn prices for area farmers and has created 57 new jobs. The City's financial base is currently sound with taxable market values increasing 1.35% in 2012 with the majority of this coming from increased agricultural values. With the retirement of a larger TIF District in 2012 and continued development within the City, we expect to see a slight increase in valuation in 2013. Unemployment rates have remained below average at 5.0% compared to 5.4% for Minnesota and 7.8% nationally. The health care industry in Fairmont is providing significant support for our economy. In addition to the Mayo Health System's continuing expansion, the Center for Specialty Care is thriving and Dulcimer Medical Center continues to grow and add staff.
- Long term financial planning is a very important function of the City. The City has established a general fund balance of 55-65% of expenditures and has consistently been above this limit. This has allowed the City to continue to fund capital expenditures without issuing debt or raising taxes. It has also given the City a cushion for economic changes that are outside its control. The favorable fund balance has also been a positive factor in the City's bond rating.
- The City Council has also developed a new program of eliminating blighted housing within certain areas of the City. Starting in 2008 the City had a goal to budget \$42,500 per year which would clean up five properties a year. Not only will this program help with the aesthetics of the City, it will maintain and increase valuations within the City.

## **MAJOR INITIATIVES**

For the year –

In preparing the 2012 budget, the City concentrated on continuing the efficient delivery of service to the citizens of Fairmont. The City is heavily dependent on State Aid for operations. Because of the financial difficulties the State of Minnesota is facing with their budget, the City continued to experience cuts to Local Government Aid. With the projected deficit that the State of Minnesota is expecting during its next biennium, the City is planning on future local government aid cuts.

Southern MN Municipal Power Agency (SMMPA) is constructing a 25 megawatt electric generation facility at the site formerly owned and utilized by the City of Fairmont for power generation. This project is an investment of over \$30,000,000 by SMMPA. This project will employ 3-4 employees year-round. Demolition began the summer of 2011 with the plant to be operational in the fall of 2013. SMMPA generates and sells reliable wholesale electricity to its eighteen non-profit, municipally-owned member utilities, and develops innovative products and services to help them deliver value to their customers.

Fairmont Area Schools completed construction of a 50,000 square foot addition to the existing Five Lakes Elementary school. This addition will consolidate all students from early childhood through 6<sup>th</sup> grade at one campus. The residents of the school district approved a \$15,000,000 referendum in 2010 to make this project a reality. Fairmont Area Schools has an enrollment of approximately 1,700 students K-12.

The City of Fairmont is constructing a 40,000 square foot new water treatment facility. This improvement has a construction cost of \$28,000,000. The plant will create approximately 100 temporary construction jobs and is scheduled to be in operation in 2013. This improvement will be paid for through user charges and the City's water quality will be improved as a result of the upgrade. The City has received a low interest rate loan (G.O. Water Revenue Bond) from the Public Facility Authority of the State of Minnesota. As part of the school's consolidation mentioned above, the City has demolished a facility vacated by the school district at the site of the new water treatment plant. The existing water treatment plant will be removed and a park along the lake will be left in its place.

The City completed the construction of a new sports complex that consists of 3 lighted softball fields, 1 lighted baseball field, 2 paved parking lots, and a combination restroom/concession building with a total project cost of \$1.9 million.

For the future –

Infrastructure improvement continues to be a community priority. Nearly \$4.1 million of street and bridge improvements and \$750,000 in lake channel improvements are under construction. The City has also applied for a Federal grant for airport runway and apron improvements. The total cost of the project is \$4.8 million with the city's share totaling \$480,000. The City Council held a goal setting session in 2007 to set improvement goals for the next five years. Projects include improvements to the City park and trail systems. The Council also allocated funds to begin a program of eliminating blighted housing within the community. The City continues to explore all avenues that will meet the increasing demand for services while controlling the costs associated with the delivery of those services to its citizens.

### **INTERNAL ACCOUNTING CONTROLS**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- 1) the safeguarding of assets against loss from unauthorized use or disposition, and;
- 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- 1) cost of the control should not exceed the benefits likely to be derived, and;
- 2) evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **FINANCIAL POLICIES**

The City has set a general fund balance requirement in the range of 55-65% of General fund expenditures. The City has consistently been able to maintain fund balances within or above this range and as of December 31, 2012 the General fund balance was 59% of General fund expenditures. Council and staff feel that it is important to maintain these balances which will help the City maintain its Aa2 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, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Fairmont has received a Certificate of Achievement for the last twenty (21) 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,

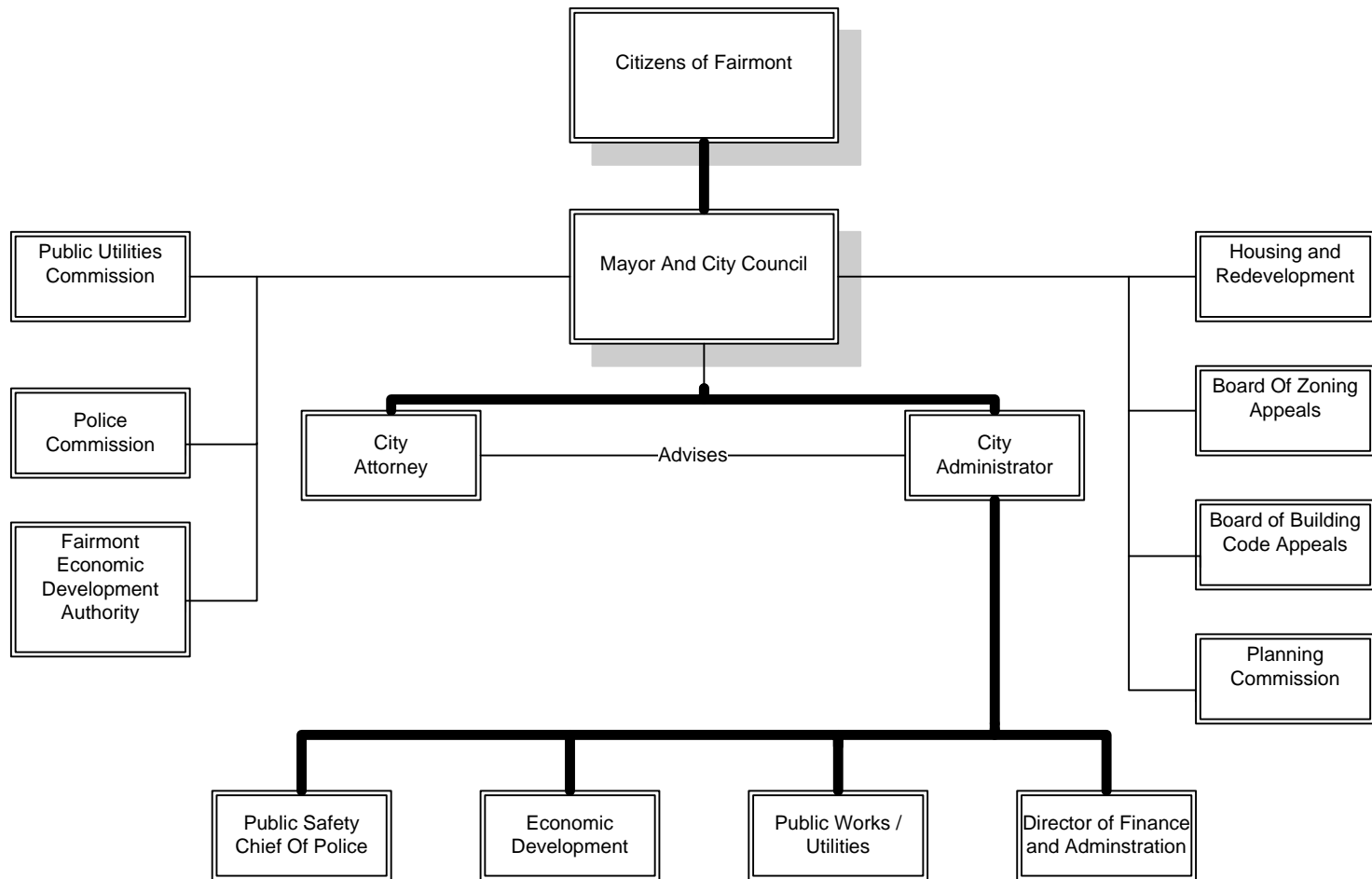
A handwritten signature in blue ink, appearing to read "Paul Hoyer", is positioned above the printed name.

City of Fairmont  
Paul Hoyer  
Finance Director



CITY OF FAIRMONT  
FAIRMONT, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Randy Quiring	12/31/14
Council Members	Andy Lucas	12/31/12
	Joe Kalemeyen	12/31/14
	Harlan Gorath	12/31/14
	Wes Clerc	12/31/12
	Darin Rahm	12/31/14
City Administrator	Michael Humpal	
Finance Director	Paul Hoyer	
City Clerk	Patty Monsen	
Director of Public Works and Public Utilities	Troy Nemmers	
City Attorney	Elizabeth W. Bloomquist	
Chief of Police	Greg Brolsma	



# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Moynell*

President

*Jeffrey R. Enen*

Executive Director



**FINANCIAL SECTION**  
**CITY OF FAIRMONT**  
**FAIRMONT, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## 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, 2012, 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

The City's 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. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated May 3, 2012, we expressed unqualified opinions on the respective proprietary fund financial statements. 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.

### Opinion

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, 2012, 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

### *Change in Accounting Standards*

As described in the Note 7 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 and the Schedule of Funding Progress on page 95 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.

### *Supplementary Information in Relation to the Financial Statements as a Whole and Schedule of Expenditures of Federal Awards*

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 and statistical sections, the accompanying combining and individual fund financial statements and schedules, the Summary Financial Report and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, the Summary Financial Report 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 information is 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 9, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

May 9, 2013  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

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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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$94,464,635 (*net position*). Of this amount, \$19,017,566 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,789,924, compared to an increase of \$7,708,528 in the previous year. The increase in net position is attributed to capital grants and contributions and continued strong performance of the City's enterprise funds specifically the Water, Wastewater, Electric and Municipal Liquor funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,099,463, an increase of \$3,323,360 in comparison with the prior year. This increase is the result of a bond refunding issue that left \$5,635,146 in an escrow account to be used for future debt service. Unassigned fund balance at year end is \$3,040,140. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$4,080), 2) restricted (\$12,491,677), 3) committed (\$242,124), or 4) assigned (\$3,321,442) for the purposes described in Note 3G in the notes to the financial statements.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$3,247,674, or 39.4 percent of total General fund expenditures.
- The City's total debt increased by \$20,400,573, or 72.0 percent during the current fiscal year. The key factor in this increase was the issuance of \$22,706,061 in new long-term debt and the retirement of long-term debt of \$2,305,488.

### Overview of the Financial Statements

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

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

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

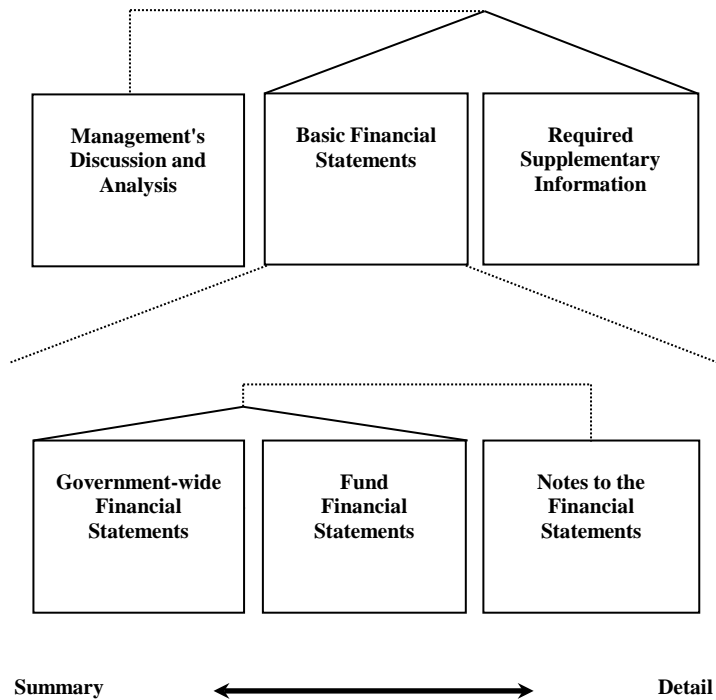


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

The government-wide financial statements can be found starting on page 37 of this report.

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

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

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

The City maintains 41 individual governmental funds, 22 of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Debt Service funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 43 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, waste water, district heat, storm sewer, liquor store and parking lots. The electric, water, waste water and district heat utilities are combined into one fund. The district heat fund was closed in 2011. *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 48 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 58 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 59 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 99 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 \$94,464,635 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (70.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Fairmont's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Current and other assets	\$ 25,069,257	\$ 22,028,694	\$ 3,040,563	\$ 13,538,134	\$ 12,218,953	\$ 1,319,181
Capital assets	47,874,392	45,635,354	2,239,038	61,995,453	43,608,482	18,386,971
Total assets	72,943,649	67,664,048	5,279,601	75,533,587	55,827,435	19,706,152
Long-term liabilities						
outstanding	20,400,996	16,116,041	4,284,955	29,569,019	13,447,799	16,121,220
Other liabilities	1,222,947	1,163,227	59,720	2,819,639	2,089,705	729,934
Total liabilities	21,623,943	17,279,268	4,344,675	32,388,658	15,537,504	16,851,154
Net investment of						
capital assets	33,902,134	31,176,518	2,725,616	33,021,655	30,733,612	2,288,043
Restricted	8,523,280	12,247,802	(3,724,522)	-	-	-
Unrestricted	8,894,292	6,960,460	1,933,832	10,123,274	9,556,319	566,955
Total net position	\$ 51,319,706	\$ 50,384,780	\$ 934,926	\$ 43,144,929	\$ 40,289,931	\$ 2,854,998

An additional portion of the City's net position (9.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (20.1 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 \$934,926. The primary reason for the increase in net position was a result of the increase in capital grants and contributions for the streets and airport reconstruction projects. Key elements of this increase are as follows:

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

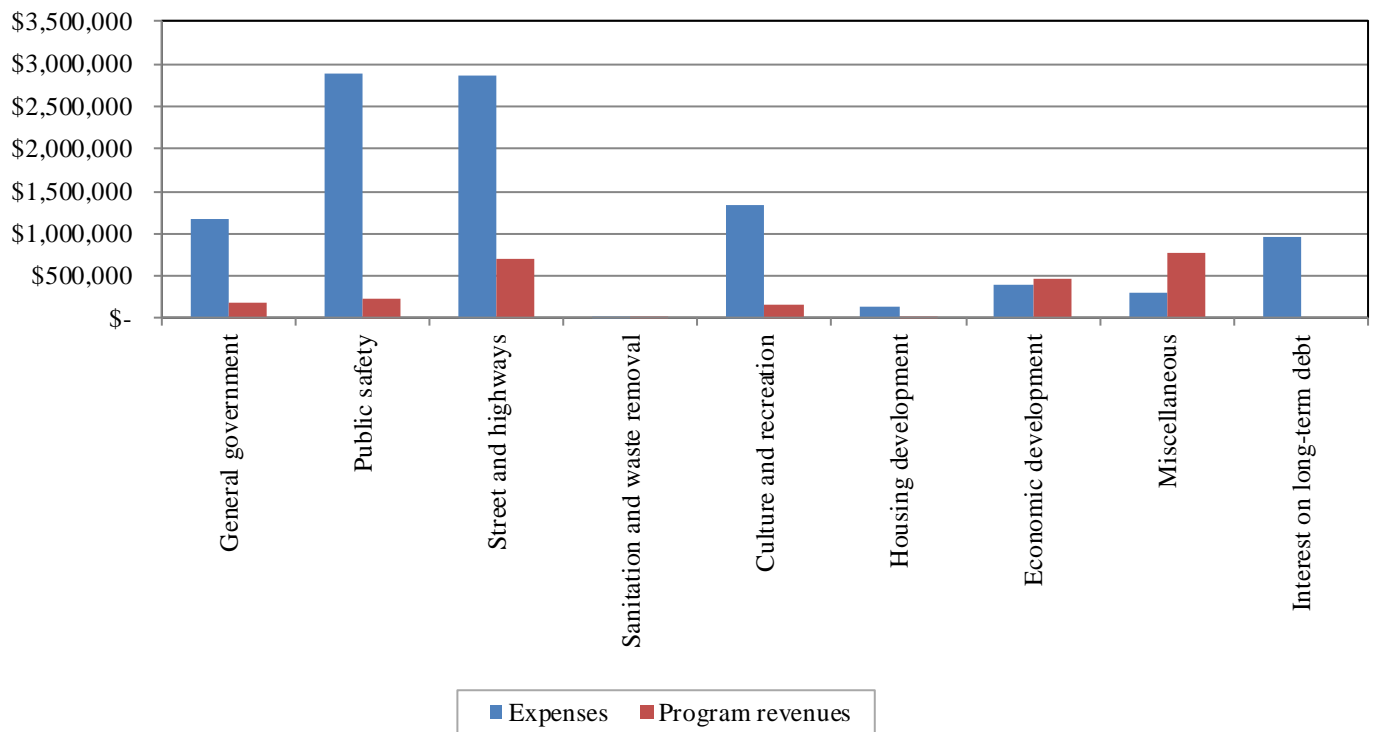
	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 763,607	\$ 709,282	\$ 54,325	\$ 24,152,704	\$ 24,627,240	\$ (474,536)
Operating grants and contributions	527,512	125,964	401,548	-	8,964	(8,964)
Capital grants and contributions	1,250,688	2,280,747	(1,030,059)	801,928	4,000,000	(3,198,072)
General revenues						
Property taxes/tax increments	3,372,646	2,963,375	409,271	-	-	-
Other taxes	34,343	35,392	(1,049)	-	-	-
Grants and contributions not restricted to specific programs	3,822,810	3,795,820	26,990	-	-	-
Unrestricted investment earnings	144,537	148,842	(4,305)	56,972	36,075	20,897
Other	74,501	1,084,180	(1,009,679)	-	-	-
Total revenues	9,990,644	11,143,602	(1,152,958)	25,011,604	28,672,279	(3,660,675)
Expenses						
General government	1,179,100	1,115,019	64,081	-	-	-
Public safety	2,880,151	2,941,828	(61,677)	-	-	-
Streets and highways	2,853,511	3,599,560	(746,049)	-	-	-
Sanitation and waste removal	10,274	7,571	2,703	-	-	-
Culture and recreation	1,324,605	1,301,894	22,711	-	-	-
Housing development	138,287	24,266	114,021	-	-	-
Economic development	384,968	484,564	(99,596)	-	-	-
Miscellaneous	302,744	318,644	(15,900)	-	-	-
Interest on long-term debt	959,710	581,612	378,098	-	-	-
Electric	-	-	-	14,200,187	14,751,216	(551,029)
District heat	-	-	-	-	244,063	(244,063)
Water	-	-	-	1,930,796	1,680,372	250,424
Wastewater	-	-	-	1,811,295	1,837,211	(25,916)
Storm sewer	-	-	-	299,870	366,330	(66,460)
Liquor	-	-	-	2,931,921	2,848,468	83,453
Parking lot	-	-	-	4,905	4,735	170
Total expenses	10,033,350	10,374,958	(341,608)	21,178,974	21,732,395	(553,421)
Change in net position before transfers	(42,706)	768,644	(811,350)	3,832,630	6,939,884	(3,107,254)
Transfers	977,632	923,632	54,000	(977,632)	(923,632)	(54,000)
Change in net position	934,926	1,692,276	(757,350)	2,854,998	6,016,252	(3,161,254)
Net position - January 1 as restated	50,384,780	48,692,504	1,692,276	40,289,931	34,273,679	6,016,252
Net position - December 31	\$ 51,319,706	\$ 50,384,780	\$ 934,926	\$ 43,144,929	\$ 40,289,931	\$ 2,854,998

Property tax levies increased by 4.3 percent during the year. The increase was used for operating costs, capital replacement and set aside for future capital replacement in the General fund.

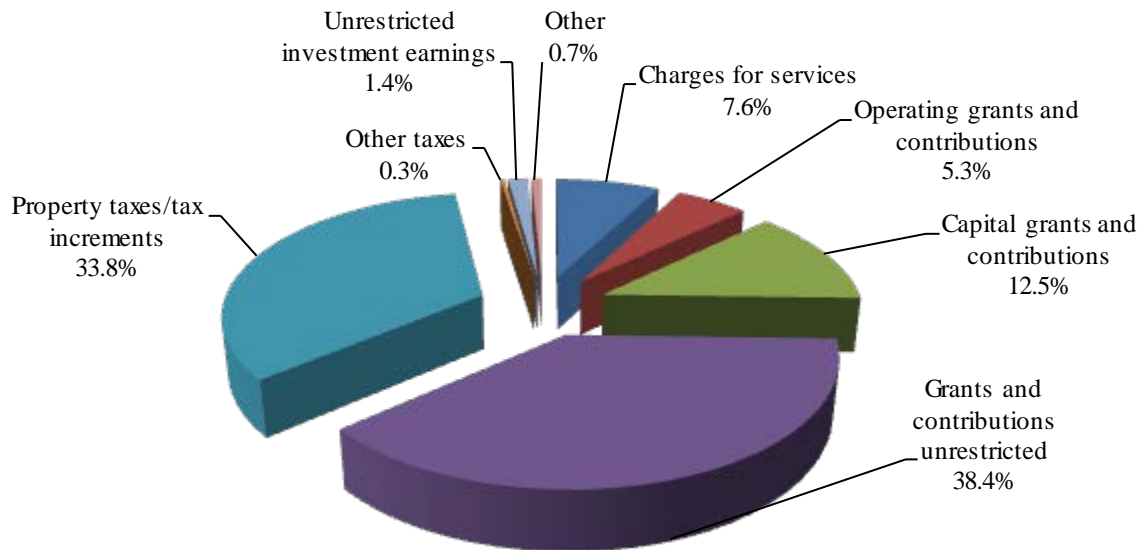


The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues – Governmental Activities



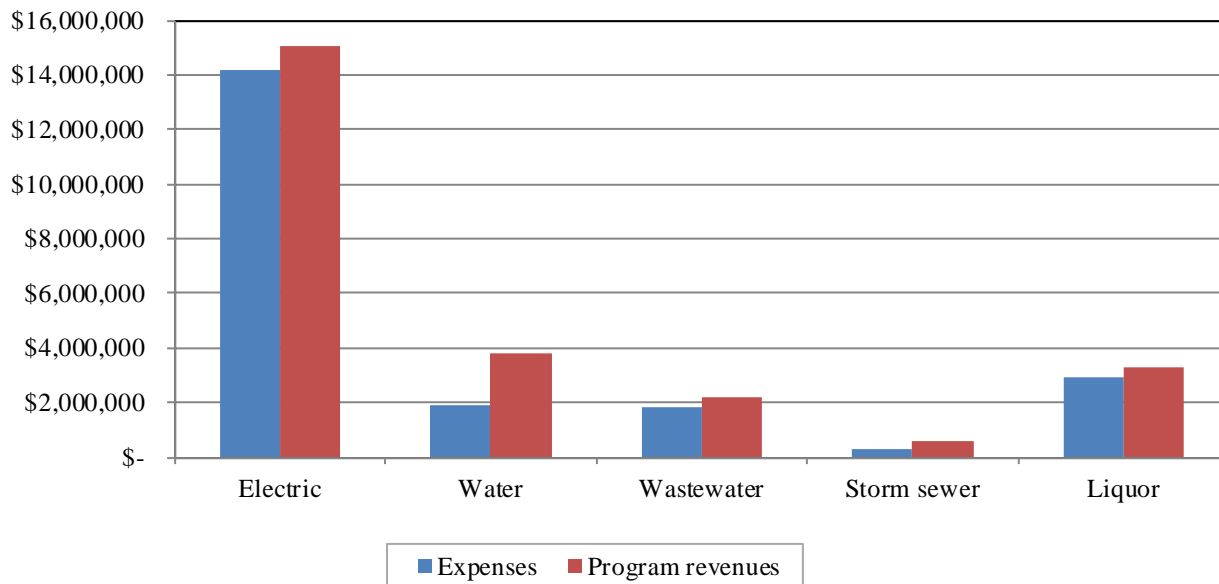
### Revenues by Source



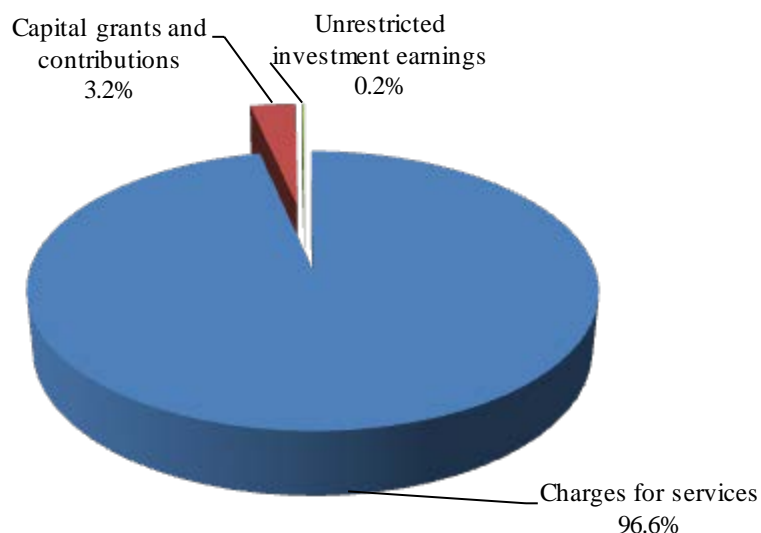
**Business-type activities.** Business-type activities increased the City’s net position by \$2,854,998. Key elements of this increase are as follows:

- PUC operating income of \$2,595,873.
- A capital grant of \$801,928 was received for the water treatment plant.
- Investment earnings increased by \$20,897 from the prior year.

### 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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,099,463, an increase of \$3,323,360 in comparison with the prior year. This increase is the result of a bond refunding issue that left \$5,635,146 in an escrow account to be used for future debt service. Unassigned fund balance at year end is \$3,040,140. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$4,080), 2) restricted (\$12,491,677), 3) committed (\$242,124), or 4) assigned (\$3,321,442) for the purposes described in Note 3F in the fund balance section of each balance sheet.

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 \$4,261,514. As a measure of the General fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance was \$3,247,674, or 39.4 percent of total General fund expenditures, while total fund balance represents 51.7 percent of General fund expenditures.

The fund balance of the City's General fund decreased by \$992,959 during the current fiscal year. Contributing factors to the decrease are unbudgeted park and recreation capital outlay expenditures of \$1,288,792.

The Debt Service fund has a total fund balance of \$10,357,356, 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 \$5,580,050. The increase is attributable to retirement of \$1,465,000 of long-term debt and an issuance of \$5,755,000 of refunding bonds.

**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 \$10,070,307, of which \$7,965,115 was for the Public Utilities Commission fund, \$1,202,114 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$901,247. The total increase in net position for the enterprise funds was \$2,821,117. 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. Actual revenues exceeded budgeted by \$142,471 and actual expenditures exceeded budget by \$1,141,846 in 2012. The primary reasons for the variances are as follows:

- Miscellaneous revenues were over budget by \$107,000.
- General government expenditures were under budget by \$90,349.
- Public works expenditures were under budget by \$34,808.
- Capital outlay expenditures were over budget by \$1,293,986.
- Sale of capital assets for \$42,104.

## 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, 2012, amounts to \$109,869,845 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Several street improvement projects were completed in 2012.
- Construction began on the Lair Road Bridge project.
- Construction continued on the new Water Plant.
- Construction continued on a new sports complex, Winnebago Ball Diamonds.
- Improvements completed at the airport including the reconstruction of runway 2-20 and the apron.
- Began reconstruction of runway 13-31 and the taxiway at the airport.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Completed improvements to the new warehouse for the Electric Distribution department.

Additional information on the City's capital assets can be found in Note 3C starting on page 72 of this report.

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

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,746,542	\$ 202,936	\$ 1,718,715	\$ 1,704,290	\$ 14,425
Buildings and structures	6,012,666	6,153,303	(140,637)	10,027,064	10,136,770	(109,706)
Improvement other than buildings	3,164,412	1,383,867	1,780,545	19,960,057	20,385,378	(425,321)
Machinery and equipment	718,066	664,208	53,858	6,108,655	6,094,515	14,140
Vehicles	523,718	461,637	62,081	-	-	-
Infrastructure	29,585,893	28,109,321	1,476,572	-	-	-
Construction in progress	3,920,159	5,116,476	(1,196,317)	24,180,962	5,287,529	18,893,433
Total	<u>\$ 47,874,392</u>	<u>\$ 45,635,354</u>	<u>\$ 2,239,038</u>	<u>\$ 61,995,453</u>	<u>\$ 43,608,482</u>	<u>\$ 18,386,971</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$48,738,160. Of this amount, \$19,690,000 is special assessment debt, \$28,983,160 is revenue debt and \$65,000 is general obligation 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		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation bonds	\$ 65,000	\$ 125,000	\$ (60,000)	\$ -	\$ -	\$ -
G.O. improvement bonds	19,690,000	15,340,000	4,350,000	-	-	-
G.O. revenue bonds	-	-	-	28,983,160	12,872,587	16,110,573
Total	<u>\$ 19,755,000</u>	<u>\$ 15,465,000</u>	<u>\$ 4,290,000</u>	<u>\$ 28,983,160</u>	<u>\$ 12,872,587</u>	<u>\$ 16,110,573</u>

The City's total debt increased by \$20,400,573 (72.0 percent) during the current fiscal year. The key factor in this increase was the issuance of \$22,706,061 in new long-term debt and the retirement of long-term debt of \$2,305,488.

The City maintains an "AA2" 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 \$16,519,683. The City currently has \$65,000 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 77 of this report.

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

- The unemployment rate for Martin County in March 2013 was 5.9 percent, which is a decrease from 6.2 percent a year ago. The rate is lower than the average of 5.8 percent for the State and lower than the national average rate of 7.6 percent.
- Property valuations within the City remain strong and have not experienced the significant declines that have been occurring across the Country.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

- Property taxes will increase in 2013 by 3.0 percent. The tax increase will provide an additional \$93,620 for operations of our governmental services and to pay the debt service on a new fire truck. The increase will also facilitate the Council's five year plan to upgrade the City's park and trail system and its' plan to address dilapidated housing in some areas of the community. The City's share of property taxes is low when compared to similar sized cities throughout the State.
- Water rate increases will be required in 2012 and 2013. As a requirement of the PFA loan for the Water Plant, the City Council passed an anticipated water rate increase resolution in August 2011 projecting a 10 percent increase in 2012 and a 10 percent increase in 2013 in order to fully fund debt service on the new Water Plant. Because of the \$5,000,000 in grant funds the City received from PFA, these rate increases are a little lower than our original estimates. The City will be reviewing costs associated with the storm water management permit in light of requirements of the Minnesota Pollution Control Agency and future rate increase may be required.

### 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, 2012



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CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental	Business-type		Economic
	Activities	Activities	Total	Development
				Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,849,108	\$ 9,640,287	\$ 23,489,395	\$ 128,263
Investments	25,000	-	25,000	-
Escrowed investments	5,635,146	-	5,635,146	-
Receivables				
Interest	20,073	-	20,073	-
Delinquent taxes	95,362	-	95,362	3,276
Accounts, net of allowance for doubtful accounts	32,874	2,766,695	2,799,569	188
Notes	1,017,473	-	1,017,473	39,301
Special assessments	3,493,299	-	3,493,299	-
Intergovernmental	888,358	-	888,358	819
Due from component unit	7,485	-	7,485	473
Internal balances	(14,001)	14,001	-	-
Inventories	-	782,020	782,020	-
Prepaid items	19,080	1,175	20,255	-
Unamortized maintenance charges	-	333,956	333,956	-
Capital assets				
Nondepreciable	7,869,637	25,899,677	33,769,314	-
Depreciable, net of accumulated depreciation	40,004,755	36,095,776	76,100,531	-
<b>TOTAL ASSETS</b>	<b>72,943,649</b>	<b>75,533,587</b>	<b>148,477,236</b>	<b>172,320</b>
<b>LIABILITIES</b>				
Accounts and contracts payable	810,058	2,325,838	3,135,896	4,355
Due to primary government	-	-	-	7,485
Due to component unit	473	-	473	-
Due to other governments	2,237	84,758	86,995	-
Accrued interest payable	189,754	174,661	364,415	-
Accrued salaries and vacation payable	191,870	126,649	318,519	8,284
Deposits payable	-	106,130	106,130	921
Unearned revenue	28,555	1,603	30,158	-
Noncurrent liabilities				
Due within one year	1,525,158	1,913,712	3,438,870	494
Due in more than one year	18,875,838	27,655,307	46,531,145	13,755
<b>TOTAL LIABILITIES</b>	<b>21,623,943</b>	<b>32,388,658</b>	<b>54,012,601</b>	<b>35,294</b>
<b>NET POSITION</b>				
Net investment in capital assets	33,902,134	33,021,655	66,923,789	-
Restricted for				
Debt service	6,054,005	-	6,054,005	-
State aid street improvements	1,854,331	-	1,854,331	-
Housing and economic development	614,944	-	614,944	-
Unrestricted	8,894,292	10,123,274	19,017,566	137,026
<b>TOTAL NET POSITION</b>	<b>\$ 51,319,706</b>	<b>\$ 43,144,929</b>	<b>\$ 94,464,635</b>	<b>\$ 137,026</b>

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

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 1,179,100	\$ 188,707	\$ -	\$ -
Public safety	2,880,151	220,627	15,423	-
Streets and highways	2,853,511	4,738	29,085	661,679
Sanitation and waste removal	10,274	14,471	-	-
Culture and recreation	1,324,605	154,816	-	-
Housing development	138,287	9,248	-	-
Economic development	384,968	54,036	420,523	-
Airport	302,744	116,964	62,481	589,009
Interest on long-term debt	959,710	-	-	-
Total governmental activities	<u>10,033,350</u>	<u>763,607</u>	<u>527,512</u>	<u>1,250,688</u>
Business-type activities				
Electric	14,200,187	15,074,146	-	-
Water	1,930,796	3,015,814	-	801,928
Wastewater	1,811,295	2,188,663	-	-
Storm sewer	299,870	576,106	-	-
Liquor	2,931,921	3,293,151	-	-
Parking lot	4,905	4,824	-	-
Total business-type activities	<u>21,178,974</u>	<u>24,152,704</u>	<u>-</u>	<u>801,928</u>
Total primary government	<u>\$ 31,212,324</u>	<u>\$ 24,916,311</u>	<u>\$ 527,512</u>	<u>\$ 2,052,616</u>
Component unit				
Economic development	<u>\$ 222,733</u>	<u>\$ 23,731</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Payments from Primary Government				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, January 1 as restated				
Net position, December 31				

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

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Economic Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (990,393)		\$ (990,393)	
(2,644,101)		(2,644,101)	
(2,158,009)		(2,158,009)	
4,197		4,197	
(1,169,789)		(1,169,789)	
(129,039)		(129,039)	
89,591		89,591	
465,710		465,710	
(959,710)		(959,710)	
(7,491,543)		(7,491,543)	
	873,959	873,959	
	1,886,946	1,886,946	
	377,368	377,368	
	276,236	276,236	
	361,230	361,230	
	(81)	(81)	
	3,775,658	3,775,658	
(7,491,543)	3,775,658	(3,715,885)	
			\$ (199,002)
1,885,398	-	1,885,398	100,440
1,152,523	-	1,152,523	-
334,725	-	334,725	-
34,343	-	34,343	-
3,822,810	-	3,822,810	-
144,537	56,972	201,509	1,157
-	-	-	81,000
32,397	-	32,397	-
42,104	-	42,104	26,760
977,632	(977,632)	-	-
8,426,469	(920,660)	7,505,809	209,357
934,926	2,854,998	3,789,924	10,355
50,384,780	40,289,931	90,674,711	126,671
\$ 51,319,706	\$ 43,144,929	\$ 94,464,635	\$ 137,026

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**FUND FINANCIAL STATEMENTS**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF FAIRMONT, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,459,258	\$ 4,868,949	\$ 3,247,673	\$ 12,575,880
Investments	-	-	25,000	25,000
Escrowed investments	-	5,635,146	-	5,635,146
Receivables				
Interest	20,073	-	-	20,073
Delinquent taxes	56,022	37,758	1,582	95,362
Accounts	24,055	-	8,819	32,874
Loans	-	-	1,017,473	1,017,473
Special assessments	19,654	3,473,645	-	3,493,299
Intergovernmental	19,190	37,731	831,437	888,358
Due from other funds	205,000	-	661,420	866,420
Prepaid items	-	-	4,080	4,080
<b>TOTAL ASSETS</b>	<b>\$ 4,803,252</b>	<b>\$ 14,053,229</b>	<b>\$ 5,797,484</b>	<b>\$ 24,653,965</b>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 225,781	\$ 184,470	\$ 306,925	\$ 717,176
Due to other funds	44,261	-	661,719	705,980
Due to other governments	2,237	-	-	2,237
Accrued salaries payable	176,058	-	881	176,939
Unearned revenue	17,725	-	10,830	28,555
<b>TOTAL LIABILITIES</b>	<b>466,062</b>	<b>184,470</b>	<b>980,355</b>	<b>1,630,887</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	56,022	37,758	1,582	95,362
Unavailable revenue - special assessments	19,654	3,473,645	-	3,493,299
Unavailable revenue - loans	-	-	334,954	334,954
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>75,676</b>	<b>3,511,403</b>	<b>336,536</b>	<b>3,923,615</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	4,080	4,080
Restricted	-	10,357,356	2,134,321	12,491,677
Committed	104,777	-	137,347	242,124
Assigned	909,063	-	2,412,379	3,321,442
Unassigned	3,247,674	-	(207,534)	3,040,140
<b>TOTAL FUND BALANCES</b>	<b>4,261,514</b>	<b>10,357,356</b>	<b>4,480,593</b>	<b>19,099,463</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,803,252</b>	<b>\$ 14,053,229</b>	<b>\$ 5,797,484</b>	<b>\$ 24,653,965</b>

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



CITY OF FAIRMONT, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 19,099,463
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	47,806,189
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	(520,669)
Postemployment benefits other than pension obligation	(121,538)
Bonds payable	(19,755,000)
Bond premiums, net of accumulated amortization	(88,940)
Bond discounts, net of accumulated amortization	116,682
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	95,362
Special assessments receivable	3,493,299
Loans receivable	334,954
Governmental funds do not report a liability for accrued interest until due and payable.	(189,754)
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.	1,049,658
Total net position - governmental activities	<u>\$ 51,319,706</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, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,861,438	\$ 1,487,248	\$ 50,089	\$ 3,398,775
Special assessments	-	736,782	-	736,782
Licenses and permits	192,982	-	-	192,982
Intergovernmental	3,789,125	301,435	1,173,322	5,263,882
Charges for services	239,359	-	65,073	304,432
Fines and forfeits	74,671	-	-	74,671
Investment revenue	34,270	49,035	49,101	132,406
Miscellaneous	187,057	-	128,569	315,626
TOTAL REVENUES	6,378,902	2,574,500	1,466,154	10,419,556
EXPENDITURES				
Current				
General government	1,157,782	-	-	1,157,782
Public safety	2,826,749	-	-	2,826,749
Streets and highways	1,490,721	-	-	1,490,721
Sanitation and waste removal	10,274	-	-	10,274
Culture and recreation	1,207,576	-	-	1,207,576
Housing and economic development	-	337,624	235,451	573,075
Miscellaneous	-	-	210,815	210,815
Capital outlay				
General government	42,077	-	-	42,077
Public safety	31,781	-	-	31,781
Streets and highways	156,336	-	1,808,614	1,964,950
Culture and recreation	1,324,292	-	-	1,324,292
Miscellaneous	-	-	633,005	633,005
Debt service				
Principal	-	1,465,000	-	1,465,000
Interest and other	-	851,928	-	851,928
Bond issuance costs	-	94,898	-	94,898
TOTAL EXPENDITURES	8,247,588	2,749,450	2,887,885	13,884,923
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,868,686)	(174,950)	(1,421,731)	(3,465,367)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	42,104	-	-	42,104
Transfers in	833,623	-	2,331,388	3,165,011
Debt issued	-	5,755,000	-	5,755,000
Transfers out	-	-	(2,173,388)	(2,173,388)
TOTAL OTHER FINANCING SOURCES (USES)	875,727	5,755,000	158,000	6,788,727
NET CHANGE IN FUND BALANCES	(992,959)	5,580,050	(1,263,731)	3,323,360
FUND BALANCES, JANUARY 1	5,254,473	4,777,306	5,744,324	15,776,103
FUND BALANCES, DECEMBER 31	\$ 4,261,514	\$ 10,357,356	\$ 4,480,593	\$ 19,099,463

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 (DEFICITS)  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - governmental funds \$ 3,323,360

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

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	3,741,004
Depreciation expense	(1,520,002)

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

Debt issued or incurred	(5,755,000)
Principal repayments	1,465,000
Discounts on bonds issued, net of amortization expense	(11,082)
Premiums on bonds issued, net of amortization expense	6,676

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.

(8,478)

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	8,214
Special assessments	(477,967)
Loan repayments	(10,684)

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	26,239
Post employment benefits other than pension costs	(15,883)

Some expenditures reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Loans made	102,453
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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.

61,076

Change in net position - governmental activities	<u><u>\$ 934,926</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 1,857,714	\$ 1,857,714	\$ 1,861,438	\$ 3,724
Licenses and permits	176,263	176,263	192,982	16,719
Intergovernmental	3,779,722	3,779,722	3,789,125	9,403
Charges for services	202,675	202,675	239,359	36,684
Fines and forfeits	80,000	80,000	74,671	(5,329)
Investment revenue	60,000	60,000	34,270	(25,730)
Miscellaneous	80,057	80,057	187,057	107,000
TOTAL REVENUES	6,236,431	6,236,431	6,378,902	142,471
EXPENDITURES				
Current				
General government	1,248,131	1,248,131	1,157,782	90,349
Public safety	2,828,113	2,828,113	2,826,749	1,364
Streets and highways	1,525,529	1,525,529	1,490,721	34,808
Sanitation	6,850	6,850	10,274	(3,424)
Culture and recreation	1,236,619	1,236,619	1,207,576	29,043
Capital outlay				
General government	70,000	70,000	42,077	27,923
Public safety	60,000	60,000	31,781	28,219
Culture and recreation	95,000	95,000	156,336	(61,336)
Miscellaneous	35,500	35,500	1,324,292	(1,288,792)
TOTAL EXPENDITURES	7,105,742	7,105,742	8,247,588	(1,141,846)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(869,311)	(869,311)	(1,868,686)	(999,375)
OTHER FINANCING SOURCES				
Sale of capital assets	500	500	42,104	41,604
Transfers in	819,632	819,632	833,623	13,991
TOTAL OTHER FINANCING SOURCES	820,132	820,132	875,727	55,595
NET CHANGE IN FUND BALANCES	(49,179)	(49,179)	(992,959)	(943,780)
FUND BALANCES, JANUARY 1	5,254,473	5,254,473	5,254,473	-
FUND BALANCES, DECEMBER 31	\$ 5,205,294	\$ 5,205,294	\$ 4,261,514	\$ (943,780)

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

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Public Utilities Commission		Storm Sewer Utility	
	2012	2011	2012	(Restated) 2011
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,719,124	\$ 6,813,773	\$ 1,204,558	\$ 1,018,204
Receivables				
Accounts, net of allowance for doubtful accounts of \$63,474 and \$65,000	2,662,929	2,636,316	57,024	56,428
Due from other funds	-	-	-	-
Inventories	590,184	515,387	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	10,972,237	9,965,476	1,261,582	1,074,632
NONCURRENT ASSETS				
Unamortized maintenance charges	333,956	384,736	-	-
Capital assets				
Land	617,864	617,864	495,863	495,863
Buildings	13,292,038	13,141,394	-	-
Improvements other than buildings	-	-	8,387,600	8,288,657
Utility plant in service	29,839,609	29,640,925	-	-
Machinery and equipment	10,440,291	10,124,915	-	-
Construction in progress	24,180,962	5,287,529	-	-
Total capital assets	78,370,764	58,812,627	8,883,463	8,784,520
Less accumulated depreciation	(25,509,110)	(24,439,320)	(1,956,340)	(1,788,168)
Total capital assets (net of accumulated depreciation)	52,861,654	34,373,307	6,927,123	6,996,352
TOTAL NONCURRENT ASSETS	53,195,610	34,758,043	6,927,123	6,996,352
TOTAL ASSETS	64,167,847	44,723,519	8,188,705	8,070,984

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

Business-type Activities - Enterprise Funds

609		611				Internal Service Fund
Municipal Liquor		Parking Lot		Totals		
2012	2011	2012	2011	2012	(Restated) 2011	
\$ 714,346	\$ 524,025	\$ 2,259	\$ 2,304	\$ 9,640,287	\$ 8,358,306	\$ 1,273,228
46,785	36,961	(43)	(21)	2,766,695	2,729,684	-
-	-	-	-	-	-	138,036
191,836	249,433	-	-	782,020	764,820	-
1,175	720	-	-	1,175	720	15,000
954,142	811,139	2,216	2,283	13,190,177	11,853,530	1,426,616
-	-	-	-	333,956	384,736	-
229,138	214,713	375,850	375,850	1,718,715	1,704,290	-
1,725,625	1,725,625	-	-	15,017,663	14,867,019	-
-	-	-	-	8,387,600	8,288,657	-
-	-	-	-	29,839,609	29,640,925	-
35,733	35,733	-	-	10,476,024	10,160,648	267,722
-	-	-	-	24,180,962	5,287,529	-
1,990,496	1,976,071	375,850	375,850	89,620,573	69,949,068	267,722
(159,670)	(113,098)	-	-	(27,625,120)	(26,340,586)	(199,519)
1,830,826	1,862,973	375,850	375,850	61,995,453	43,608,482	68,203
1,830,826	1,862,973	375,850	375,850	62,329,409	43,993,218	68,203
2,784,968	2,674,112	378,066	378,133	75,519,586	55,846,748	1,494,819

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
			<b>603</b>	
	Public Utilities Commission		Storm Sewer Utility	(Restated)
	2012	2011	2012	2011
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	\$ 2,318,531	\$ 1,688,480	\$ 651	\$ -
Due to other funds	35,263	35,601	823	-
Due to other governments	84,758	25,355	-	122
Accrued interest payable	158,328	74,172	16,333	17,571
Accrued salaries payable	113,194	99,870	13,744	16,594
Sick leave/severance payable - current portion	157,771	153,425	-	-
Deposits payable	106,130	104,522	-	-
Unearned revenue	-	-	-	-
Bonds payable - current portion	1,579,000	668,118	165,000	165,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,552,975</b>	<b>2,849,543</b>	<b>196,551</b>	<b>199,287</b>
<b>NONCURRENT LIABILITIES</b>				
Sick leave/severance payable, net of current portion	332,180	334,331	459	-
Postemployment benefits other than pension obligation	34,923	27,051	2,049	1,779
Bonds payable, net of current portion	25,734,160	10,369,469	1,521,047	1,687,366
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>26,101,263</b>	<b>10,730,851</b>	<b>1,523,555</b>	<b>1,689,145</b>
<b>TOTAL LIABILITIES</b>	<b>30,654,238</b>	<b>13,580,394</b>	<b>1,720,106</b>	<b>1,888,432</b>
<b>NET POSITION</b>				
Net investment in capital assets	25,548,494	23,335,720	5,266,485	5,171,484
Unrestricted	7,965,115	7,807,405	1,202,114	1,011,068
<b>TOTAL NET POSITION</b>	<b>\$ 33,513,609</b>	<b>\$ 31,143,125</b>	<b>\$ 6,468,599</b>	<b>\$ 6,182,552</b>

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

Business-type Activities - Enterprise Funds

609		611				
Municipal Liquor		Parking Lot		Totals		Internal Service Fund
2012	2011	2012	2011	2012	(Restated) 2011	
\$ 6,271	\$ 15,271	\$ 385	\$ 392	\$ 2,325,838	\$ 1,704,143	\$ 92,882
2,880	2,676	-	-	38,966	38,277	259,510
-	48,553	-	-	84,758	74,030	-
-	-	-	-	174,661	91,743	-
20,553	19,690	-	-	147,491	136,154	46,462
2,396	1,853	-	-	160,167	155,278	-
-	-	-	-	106,130	104,522	-
1,603	1,724	-	-	1,603	1,724	-
-	-	-	-	1,744,000	833,118	-
33,703	89,767	385	392	4,783,614	3,138,989	398,854
12,221	10,909	-	-	344,860	345,240	-
6,971	6,009	-	-	43,943	34,839	-
-	-	-	-	27,255,207	12,056,835	-
19,192	16,918	-	-	27,644,010	12,436,914	-
52,895	106,685	385	392	32,427,624	15,575,903	398,854
1,830,826	1,862,973	375,850	375,850	33,021,655	30,746,027	68,203
901,247	704,454	1,831	1,891	10,070,307	9,524,818	1,027,762
\$ 2,732,073	\$ 2,567,427	\$ 377,681	\$ 377,741	43,091,962	40,270,845	\$ 1,095,965
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				52,967	19,086	
Net position of business-type activities				\$ 43,144,929	\$ 40,289,931	



CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
			<b>603</b>	
	Public Utilities Commission		Storm Sewer Utility	
	2012	2011	2012	(Restated) 2011
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	20,039,037	20,769,651	578,036	575,923
Miscellaneous revenues	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>20,039,037</b>	<b>20,769,651</b>	<b>578,036</b>	<b>575,923</b>
OPERATING EXPENSES				
Production or purchase	11,488,996	11,855,920	-	-
Filtration	957,550	1,007,315	-	-
Treatment	623,509	588,910	-	-
Distribution	1,701,088	1,516,798	-	-
Collection	279,944	284,448	-	-
Administration and other	1,132,547	1,113,372	84,518	93,195
Depreciation	1,259,530	1,204,573	168,172	168,172
<b>TOTAL OPERATING EXPENSES</b>	<b>17,443,164</b>	<b>17,571,336</b>	<b>252,690</b>	<b>261,367</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,595,873</b>	<b>3,198,315</b>	<b>325,346</b>	<b>314,556</b>
NONOPERATING REVENUES (EXPENSES)				
Investment income	68,194	39,655	10,857	22,348
Federal grants	801,928	4,000,000	-	-
State grants	-	8,964	-	-
Miscellaneous income	49,410	13,084	-	-
Gain (loss) on sale of assets	33,974	(569,845)	-	-
Interest expense	(320,763)	(201,326)	(51,475)	(86,838)
Bond discount/premium amortization	-	-	1,319	(18,031)
Payments to Economic Development Authority	(81,000)	(81,000)	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>551,743</b>	<b>3,209,532</b>	<b>(39,299)</b>	<b>(82,521)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>3,147,616</b>	<b>6,407,847</b>	<b>286,047</b>	<b>232,035</b>
<b>TRANSFERS OUT</b>	<b>(777,132)</b>	<b>(777,132)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>2,370,484</b>	<b>5,630,715</b>	<b>286,047</b>	<b>232,035</b>
<b>NET POSITION, JANUARY 1 AS RESTATED</b>	<b>31,143,125</b>	<b>25,512,410</b>	<b>6,182,552</b>	<b>5,950,517</b>
<b>NET POSITION, DECEMBER 31 AS RESTATED</b>	<b>\$ 33,513,609</b>	<b>\$ 31,143,125</b>	<b>\$ 6,468,599</b>	<b>\$ 6,182,552</b>

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

Business-type Activities - Enterprise Funds

<b>609</b>		<b>611</b>				
Municipal Liquor		Parking Lot		Totals		Internal Service Fund
2012	2011	2012	2011	2012	(Restated) 2011	
\$ 3,291,955	\$ 3,170,439	\$ -	\$ -	\$ 3,291,955	\$ 3,170,439	\$ -
(2,486,326)	(2,326,099)	-	-	(2,486,326)	(2,326,099)	-
-	-	4,824	4,228	20,621,897	21,349,802	2,250,816
-	-	-	-	-	-	145,623
<u>805,629</u>	<u>844,340</u>	<u>4,824</u>	<u>4,228</u>	<u>21,427,526</u>	<u>22,194,142</u>	<u>2,396,439</u>
-	-	-	-	11,488,996	11,855,920	-
-	-	-	-	957,550	1,007,315	-
-	-	-	-	623,509	588,910	-
-	-	-	-	1,701,088	1,516,798	-
-	-	-	-	279,944	284,448	-
402,565	477,015	4,905	4,735	1,624,535	1,688,317	2,280,317
46,572	47,097	-	-	1,474,274	1,419,842	17,715
<u>449,137</u>	<u>524,112</u>	<u>4,905</u>	<u>4,735</u>	<u>18,149,896</u>	<u>18,361,550</u>	<u>2,298,032</u>
<u>356,492</u>	<u>320,228</u>	<u>(81)</u>	<u>(507)</u>	<u>3,277,630</u>	<u>3,832,592</u>	<u>98,407</u>
7,458	5,600	21	25	86,530	67,628	12,131
-	-	-	-	801,928	4,000,000	-
-	-	-	-	-	8,964	-
1,196	1,285	-	-	50,606	14,369	-
-	-	-	-	33,974	(569,845)	-
-	-	-	-	(372,238)	(288,164)	-
-	-	-	-	1,319	(18,031)	-
-	-	-	-	(81,000)	(81,000)	-
<u>8,654</u>	<u>6,885</u>	<u>21</u>	<u>25</u>	<u>521,119</u>	<u>3,133,921</u>	<u>12,131</u>
365,146	327,113	(60)	(482)	3,798,749	6,966,513	110,538
(200,500)	(146,500)	-	-	(977,632)	(923,632)	(13,991)
164,646	180,613	(60)	(482)	2,821,117	6,042,881	96,547
<u>2,567,427</u>	<u>2,386,814</u>	<u>377,741</u>	<u>378,223</u>	<u>40,270,845</u>	<u>34,227,964</u>	<u>999,418</u>
<u>\$ 2,732,073</u>	<u>\$ 2,567,427</u>	<u>\$ 377,681</u>	<u>\$ 377,741</u>	<u>\$ 43,091,962</u>	<u>\$ 40,270,845</u>	<u>\$ 1,095,965</u>
Change in net position as shown above				\$ 2,821,117	\$ 6,042,881	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				33,881	(26,629)	
Change in net position of business-type activities				<u>\$ 2,854,998</u>	<u>\$ 6,016,252</u>	

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
			<b>603</b>	
	Public Utilities Commission		Storm Sewer Utility	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 20,063,442	\$ 20,963,950	\$ 577,440	\$ 577,014
Payments to suppliers	(13,571,908)	(13,311,455)	(15,992)	(43,633)
Payments to and on behalf of employees	(2,841,503)	(2,888,093)	(52,831)	(19,012)
Payments for interfund services used	-	-	(17,287)	(13,659)
Other receipts	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>3,650,031</b>	<b>4,764,402</b>	<b>491,330</b>	<b>500,710</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments to City for interfund services	(777,132)	(777,132)	-	-
Payments to Economic Development Authority	(81,000)	(81,000)	-	-
(Increase) in due from other funds	-	-	-	-
Decrease in due from other funds	-	2,266,439	-	-
Increase in due to other funds	-	-	823	122
(Decrease) in due to other funds	(338)	(2,237,650)	-	-
Decrease in due from component unit	-	1,120	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(858,470)</b>	<b>(828,223)</b>	<b>823</b>	<b>122</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(18,836,271)	(4,748,660)	(98,943)	-
Proceeds from sale of capital assets	40,973	-	-	-
Federal aids received	801,928	4,000,000	-	-
State aids received	-	8,964	-	-
Proceeds from issuance of debt	16,944,385	1,536,587	-	-
Principal paid on revenue bond obligations	(668,812)	(647,000)	(165,000)	(1,915,000)
Interest paid on revenue bond obligations	(236,607)	(205,057)	(52,713)	(98,396)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,954,404)</b>	<b>(55,166)</b>	<b>(316,656)</b>	<b>(2,013,396)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	-	1,696,692	-	1,793,290
Interest received	68,194	41,335	10,857	22,348
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>68,194</b>	<b>1,738,027</b>	<b>10,857</b>	<b>1,815,638</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>905,351</b>	<b>5,619,040</b>	<b>186,354</b>	<b>303,074</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>6,813,773</b>	<b>1,194,733</b>	<b>1,018,204</b>	<b>715,130</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 7,719,124</b>	<b>\$ 6,813,773</b>	<b>\$ 1,204,558</b>	<b>\$ 1,018,204</b>

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

Business-type Activities - Enterprise Funds

<b>609</b>		<b>611</b>				
Municipal Liquor		Parking Lot		Totals		Internal Service Fund
2012	2011	2012	2011	2012	2011	
\$ 3,282,010	\$ 3,180,652	\$ 4,846	\$ 4,270	\$ 23,927,738	\$ 24,725,886	\$ 2,251,783
(2,580,193)	(2,451,978)	(4,897)	(4,729)	(16,172,990)	(15,811,795)	(410,377)
(239,962)	(239,589)	-	-	(3,134,296)	(3,146,694)	(1,896,887)
(65,467)	(65,039)	(15)	(9)	(82,769)	(78,707)	(46,876)
1,196	1,285	-	-	1,196	1,285	145,623
<u>397,584</u>	<u>425,331</u>	<u>(66)</u>	<u>(468)</u>	<u>4,538,879</u>	<u>5,689,975</u>	<u>43,266</u>
(200,500)	(146,500)	-	-	(977,632)	(923,632)	(13,991)
-	-	-	-	(81,000)	(81,000)	-
-	-	-	-	-	-	(8,398)
-	-	-	-	-	2,266,439	-
204	244	-	-	1,027	366	207,133
-	-	-	-	(338)	(2,237,650)	-
-	-	-	-	-	1,120	1,045
<u>(200,296)</u>	<u>(146,256)</u>	<u>-</u>	<u>-</u>	<u>(1,057,943)</u>	<u>(974,357)</u>	<u>185,789</u>
(14,425)	-	-	-	(18,949,639)	(4,748,660)	(35,751)
-	-	-	-	40,973	-	-
-	-	-	-	801,928	4,000,000	-
-	-	-	-	-	8,964	-
-	-	-	-	16,944,385	1,536,587	-
-	-	-	-	(833,812)	(2,562,000)	-
-	-	-	-	(289,320)	(303,453)	-
<u>(14,425)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,285,485)</u>	<u>(2,068,562)</u>	<u>(35,751)</u>
-	-	-	-	-	3,489,982	-
7,458	5,600	21	25	86,530	69,308	12,131
<u>7,458</u>	<u>5,600</u>	<u>21</u>	<u>25</u>	<u>86,530</u>	<u>3,559,290</u>	<u>12,131</u>
190,321	284,675	(45)	(443)	1,281,981	6,206,346	205,435
<u>524,025</u>	<u>239,350</u>	<u>2,304</u>	<u>2,747</u>	<u>8,358,306</u>	<u>2,151,960</u>	<u>1,067,793</u>
<u>\$ 714,346</u>	<u>\$ 524,025</u>	<u>\$ 2,259</u>	<u>\$ 2,304</u>	<u>\$ 9,640,287</u>	<u>\$ 8,358,306</u>	<u>\$ 1,273,228</u>

CITY OF FAIRMONT, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
			<b>603</b>	
	Public Utilities Commission		Storm Sewer Utility	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,595,873	\$ 3,198,315	\$ 325,346	\$ 314,556
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	49,410	13,084	-	-
Bad debt expense	-	-	-	-
Depreciation	1,259,530	1,204,573	168,172	168,172
(Increase) decrease in assets				
Net accounts receivable	(26,613)	169,639	(596)	1,091
Due from other governments	-	-	-	-
Inventories	(74,797)	73,860	-	-
Prepaid items	-	-	-	-
Unamortized maintenance charges	50,780	50,781	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	(288,554)	171,012	651	-
Due to other governments	59,403	29,762	(122)	-
Accrued wages and sick leave/severance payable	15,519	(165,315)	(2,391)	16,594
Postemployment benefits other than pension obligation	7,872	7,115	270	297
Deposits payable	1,608	11,576	-	-
Unearned revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,650,031</u>	<u>\$ 4,764,402</u>	<u>\$ 491,330</u>	<u>\$ 500,710</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Amortization of bond discount/premium	\$ -	\$ -	\$ -	\$ 18,031
Book value of disposed of assets	6,999	569,845	-	-
Capital assets acquired on account	1,110,192	207,978	-	-

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

Business-type Activities - Enterprise Funds

609			611					
Municipal Liquor		Parking Lot		Totals		Internal Service Fund		
2012	2011	2012	2011	2012	2011			
\$ 356,492	\$ 320,228	\$ (81)	\$ (507)	\$ 3,277,630	\$ 3,832,592	\$ 98,407		
1,196	1,285	-	-	50,606	14,369	-		
-	-	-	-	-	-	-		
46,572	47,097	-	-	1,474,274	1,419,842	17,715		
(9,824)	9,867	22	42	(37,011)	180,639	967		
-	-	-	-	-	-	-		
57,597	9,799	-	-	(17,200)	83,659	-		
(455)	-	-	-	(455)	-	-		
-	-	-	-	50,780	50,781	-		
(9,000)	11,618	(7)	25	(296,910)	182,655	(80,937)		
(48,553)	15,729	-	(28)	10,728	45,463	-		
2,718	8,099	-	-	15,846	(140,622)	7,114		
962	1,263	-	-	9,104	8,675	-		
-	-	-	-	1,608	11,576	-		
(121)	346	-	-	(121)	346	-		
<u>\$ 397,584</u>	<u>\$ 425,331</u>	<u>\$ (66)</u>	<u>\$ (468)</u>	<u>\$ 4,538,879</u>	<u>\$ 5,689,975</u>	<u>\$ 43,266</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,031	\$ -		
-	-	-	-	6,999	569,845	-		
-	-	-	-	1,110,192	207,978	-		

CITY OF FAIRMONT, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 378,565
Due from other funds	<u>1,537</u>
TOTAL ASSETS	<u><u>\$ 380,102</u></u>
LIABILITIES	
Accounts payable	\$ 365,318
Deposits payable	<u>14,784</u>
TOTAL LIABILITIES	<u><u>\$ 380,102</u></u>

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

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. In accordance with GASB Statement No. 14, this entity is properly presented as a discretely presented component unit as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the EDA is presented starting on page 180 of these financial statements.

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

**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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 and fiduciary 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. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unavailable 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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

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 City reports the following major proprietary funds:

The *Public Utilities Commission fund* is used to account for the operation, maintenance, and capital improvements of the municipally owned electric, water, steam heat, and wastewater systems in the City.

The *Storm Sewer Utility fund* is used to account for the operating maintenance and capital improvements of the City's Storm Sewer Utility.

The *Municipal Liquor fund* is used to account for the operation of the municipal off-sale liquor store.

The *Parking Lot fund* is used to account for costs associated with minor maintenance and parking control of the City's off-street parking lots in the downtown area.

Additionally, the government reports the following fund types:

*Internal Service funds* account for data processing, fleet management and insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

*Fiduciary funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Police Relief Trust, Convention and Visitors' Bureau (C.V.B.), Flex Plan, Multi-family Housing and HRA Potter's Addition.

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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**D. Assets, 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. Certain restricted assets are included in cash and cash equivalents.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month end cash and investment balances.

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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***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, 2012 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration of Credit Risk* - At year end, the City's investments were made with two brokers. The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

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

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

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

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

***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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2012. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts in the Public Utilities Commission enterprise fund at December 31, 2012 was \$63,474.

***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.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit has been paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property in the past. The State has eliminated this credit in 2012.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***Inventories and prepaid items/unamortized maintenance charges***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method, except for diesel fuel and coal inventories used in production of steam and electricity, which are on a last-in, first-out (LIFO) method.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or unamortized maintenance charges in both government-wide and fund financial statements.

***Deferred outflows/inflows of resources***

In addition to liabilities, the statement of financial 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, loans and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***Restricted assets***

Certain proceeds of the City's enterprise revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

In accordance with these covenants, debt service and reserve accounts have been established for the retirement of outstanding bonds. Cash, investments and related interest receivable are restricted to the extent necessary to meet these requirements.

Each month, one-twelfth of the subsequent year's principal and interest payments must be appropriated to the debt service account. The debt service account is designed to make all regular interest and principal payments on such outstanding bonds.

***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Land and land improvements	\$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

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

Assets	Years
Buildings and structures	10 - 50
System infrastructure and improvements	10 - 100
Machinery, equipment and vehicles	5 - 33

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2011.

***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.

***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.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***Net position***

Net position represents the difference between assets and liabilities. 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 - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

***Comparative data/reclassifications***

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

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

**A. Budgetary information**

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

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, 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.



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2012, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$7,105,742	\$8,247,588	\$1,141,846
Special revenue			
Aeronautics	209,119	256,578	47,459
Lake Restoration	9,900	10,237	337

These excess expenditures over appropriations were funded by an excess of revenues over budget and available fund balance.

**C. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2012:

<u>Fund</u>	<u>Amount</u>
Capital Projects	
Airport Reconstruction Project	\$ 59,487
Lair Road Bridge	140,769
2012 Capital Improvements	7,278
Debt Service	
Tax Increment District No. 22	8,144
Internal Service	
Central Garage and Equipment	12,663
Medical Self-insurance	15,310

The Capital Projects, Special Revenue and Debt Service funds' deficits will be funded by transfers from other funds.

The Internal Service fund deficits will be funded by future charges to other funds.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**A. Deposits and investments**

*Deposits*

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

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 \$15,793,470, including \$378,565 reported in fiduciary funds. The bank balance was \$13,767,027. The bank balance was covered by federal depository insurance of \$10,303,671. Of the remaining balance, \$3,463,356 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, 2012

**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:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments			
Money Market Mutual Funds	NR	less than 6 months	\$ 4,734
Non-pooled investments:			
Broker Certificates of Deposit	NR	less than 6 months	703,266
Broker Certificates of Deposit	NR	6 to 12 months	10,135,384
Broker Certificates of Deposit	NR	1 to 3 years	2,742,839
Broker Certificates of Deposit	NR	more than 3 years	247,984
Total Broker Certificates of Deposit			13,829,473
Community Capital Fund	NR	less than 6 months	25,000
Total non-pooled investments			13,854,473
Total investments			\$ 13,859,207

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

N/A Indicates not applicable. NR indicates not rated.

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

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

*Cash on hand*

Cash in the possession of the City, consisting of undeposited receipts, petty cash, and change funds totals \$3,692.

*Cash and investments summary*

A reconciliation of cash and investments as shown on the statement of net position for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Agency Funds	Total
Deposits	\$ 15,286,642	\$ 128,263	\$ 378,565	\$ 15,793,470
Investments	13,859,207	-	-	13,859,207
Cash on hand	<u>3,692</u>	<u>-</u>	<u>-</u>	<u>3,692</u>
Total	<u>\$ 29,149,541</u>	<u>\$ 128,263</u>	<u>\$ 378,565</u>	<u>\$ 29,656,369</u>
Cash and cash equivalents	\$ 23,489,395	\$ 128,263	\$ 378,565	\$ 23,996,223
Investments	25,000	-	-	25,000
Escrowed investments	<u>5,635,146</u>	<u>-</u>	<u>-</u>	<u>5,635,146</u>
Total	<u>\$ 29,149,541</u>	<u>\$ 128,263</u>	<u>\$ 378,565</u>	<u>\$ 29,656,369</u>

**B. Notes receivable**

The City has received Federal grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest at 3 percent to 6 percent within twenty years. The balance of these notes at December 31, 2012 is \$682,519.

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, 2012 is \$334,954 of which \$38,776 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 \$296,178 is forgivable after five years from the note date.

Also, the Economic Development Authority (EDA) has made loans to businesses that are to be paid back to the City with interest at 1.5 to 5 percent over 2 to 10 years. The balance of these notes at December 31, 2012 is \$39,301.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**C. Capital assets**

*Primary government*

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,746,542	\$ 202,936	\$ -	\$ 3,949,478
Construction in progress	5,116,476	3,320,004	(4,516,321)	3,920,159
Total capital assets not being depreciated	8,863,018	3,522,940	(4,516,321)	7,869,637
Capital assets being depreciated				
Buildings and structures	8,834,240	56,000	-	8,890,240
Improvements other than buildings	4,641,966	1,898,843	-	6,540,809
Machinery and equipment	4,157,123	186,966	(52,708)	4,291,381
Vehicles	2,764,579	109,792	(39,169)	2,835,202
Infrastructure	39,299,696	2,518,535	-	41,818,231
Bridges	2,378,790	-	-	2,378,790
Total capital assets being depreciated	62,076,394	4,770,136	(91,877)	66,754,653
Less accumulated depreciation for				
Buildings and structures	(2,680,937)	(196,637)	-	(2,877,574)
Improvements other than buildings	(3,258,099)	(118,298)	-	(3,376,397)
Machinery and equipment	(3,492,915)	(133,108)	52,708	(3,573,315)
Vehicles	(2,302,942)	(47,711)	39,169	(2,311,484)
Infrastructure	(12,685,427)	(982,493)	-	(13,667,920)
Bridges	(883,738)	(59,470)	-	(943,208)
Total accumulated depreciation	(25,304,058)	(1,537,717)	91,877	(26,749,898)
Total capital assets being depreciated, net	36,772,336	3,232,419	-	40,004,755
Governmental activities capital assets, net	<u>\$ 45,635,354</u>	<u>\$ 6,755,359</u>	<u>\$ (4,516,321)</u>	<u>\$ 47,874,392</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,704,290	\$ 14,425	\$ -	\$ 1,718,715
Construction in progress	5,287,529	18,955,816	(62,383)	24,180,962
 Total capital assets not being depreciated	 6,991,819	 18,970,241	 (62,383)	 25,899,677
 Capital assets being depreciated				
Buildings and structures	14,867,019	150,644	-	15,017,663
Improvements other than buildings	37,929,582	350,840	(53,213)	38,227,209
Machinery and equipment	10,160,648	467,025	(151,649)	10,476,024
 Total capital assets being depreciated	 62,957,249	 968,509	 (204,862)	 63,720,896
 Less accumulated depreciation for				
Buildings and structures	(4,730,249)	(260,350)	-	(4,990,599)
Improvements other than buildings	(17,544,204)	(769,162)	46,214	(18,267,152)
Machinery and equipment	(4,066,133)	(444,762)	143,526	(4,367,369)
 Total accumulated depreciation	 (26,340,586)	 (1,474,274)	 189,740	 (27,625,120)
 Total capital assets being depreciated, net	 36,616,663	 (505,765)	 (15,122)	 36,095,776
 Business-type activities capital assets, net	 \$ 43,608,482	 \$ 18,464,476	 \$ (77,505)	 \$ 61,995,453

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities**

General government	\$ 57,650
Public safety	64,408
Streets and highways	1,100,075
Culture and recreation	140,818
Housing and economic development	64,795
Airport	92,256
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>17,715</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,537,717</u></u>

**Business-type activities**

Electric utility	\$ 427,794
Water utility	201,195
Wastewater utility	630,541
Storm sewer	168,172
Liquor	<u>46,572</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,474,274</u></u>

**Construction commitments**

The City has active construction projects as of December 31, 2012. The projects include street construction in areas with new commercial developments, widening and construction of existing streets, bridge improvements, ball fields, and airport runway improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Four-Fifths Development Project	\$ 308,244	\$ 26,654
2012 Airport Improvements	157,969	4,233,161
Winnebago Ball Diamonds	1,180,215	7,500
Safe Routes to School	138,279	7,278
Lair Bridge Road	<u>757,813</u>	<u>1,541,085</u>
Total	<u><u>\$ 2,542,520</u></u>	<u><u>\$ 5,815,678</u></u>

The special assessment portion of the commitment for street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**D. Interfund receivables, payables and transfers**

*Due to/from other funds*

The composition of interfund balances at December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service	
	Medical self-insurance	\$ 205,000
Nonmajor governmental	Nonmajor governmental	661,420
Internal service		
Medical self-insurance	Public Utilities Commission	35,263
	Storm Sewer Utility	823
	Municipal Liquor	2,880
	General	34,261
	Nonmajor governmental	299
	Internal service	
	Central garage and equipment	3,961
	Medical self-insurance	325
	Data processing	549
Worker's compensation self-insurance	General	10,000
	Internal service	
	Medical self-insurance	49,675
		<u>49,675</u>
Total		<u>\$ 1,004,456</u>

The majority of the above amounts represent interfund billings that will repaid during the first couple of months of 2013. The General and certain nonmajor governmental funds have loaned certain amounts for project costs and cash flow purposes.



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

***Due to/from primary government/component unit***

The composition of amounts due from/to primary government/component unit at December 31, 2012 is as follows:

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
Medical self-insurance fund	Economic Development Authority	\$ 2,241
Primary government	Component unit	
Amounts related to internal service fund elimination	Amounts related to internal service fund elimination	5,717
Totals		<u>\$ 7,958</u>

***Interfund transfers***

	Transfer in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Fund	
Transfer out:				
Nonmajor governmental	\$ -	\$ -	\$ 2,173,388	\$ 2,173,388
Municipal Liquor	42,500	-	158,000	200,500
Public Utilities				
Commission	777,132	-	-	777,132
Internal Service				
Central Garage and Equipment	13,991	-	-	13,991
Total transfers out	<u>\$ 833,623</u>	<u>\$ -</u>	<u>\$ 2,331,388</u>	<u>\$ 3,165,011</u>

The transfer of \$425,677 from the Municipal State Aid-Streets fund to the Capital Improvements fund is to transfer funds from the state of Minnesota for capital improvements.

The transfer of \$272,754 is to close the 2009, 2010 and 2011 Capital Improvements funds into the Municipal State Aids - Streets fund.

The transfer of \$1,350,000 from the Municipal State Aids - Street fund to the Lair Road Bridge fund is for construction costs.

The transfer of \$104,957 from the Revolving Loan 2 fund to the Revolving Loan fund is to reconcile loan funds to the EDA report.

The transfer of \$20,000 from the State Housing Grant II fund to the State Housing Grant III fund for an interfund reimbursement.

The transfer of \$42,500 from the Liquor Store to the General fund for housing demo.

The transfers of \$50,000 from the Liquor Store fund to the SMEC Restoration fund and \$108,000 to the Aeronautics fund are to cover any operating losses.

The transfer of \$777,132 from the Public Utilities Commission (PUC) fund to the General fund is payment in lieu of taxes.

The transfer of \$13,991 from the Central Garage and Equipment fund to the General fund is to close out the fund.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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 bonds

The following bonds were issued as equipment certificates for the purchase of a fire truck. They will be repaid through ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2008A	\$ 250,000	3.01 %	05/01/08	08/01/13	<u>\$ 65,000</u>

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

Year Ending December 31,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2013	<u>\$ 65,000</u>	<u>\$ 1,963</u>	<u>\$ 66,963</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

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 \$10,549,903 are scheduled to be collected in future years for retirement of these bonds. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2005A	\$ 1,800,000	2.80 - 4.35 %	05/11/05	03/01/14	\$ 1,190,000
G.O. Refunding Bonds of 2005B	1,150,000	3.05 - 4.00	05/11/05	03/01/16	550,000
G.O. Improvement Bonds of 2006A	3,500,000	4.00 - 4.25	07/01/06	02/01/14	2,490,000
G.O. Improvement and Refunding Bonds of 2008A	5,325,000	3.00 - 4.00	06/19/08	03/01/16	3,945,000
G.O. Improvement Bonds of 2009A	3,590,000	2.00 - 4.00	09/16/09	04/01/25	1,560,000
G.O. Improvement Bonds of 2010A	2,615,000	2.00 - 3.50	06/17/10	03/01/26	2,380,000
G.O. Improvement Bonds of 2011A	1,820,000	2.00 - 4.00	09/20/11	09/01/27	1,820,000
G.O. Improvement Crossover Refunding Bonds of 2012A	5,755,000	0.50 - 1.95	03/15/12	03/01/24	<u>5,755,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 19,690,000</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
2013	\$ 1,345,000	\$ 544,494	\$ 1,889,494
2014	4,365,000	1,015,676	5,380,676
2015	1,270,000	341,060	1,611,060
2016	3,825,000	737,410	4,562,410
2017	1,220,000	187,045	1,407,045
2018 - 2022	5,395,000	624,162	6,019,162
2023 - 2027	<u>2,270,000</u>	<u>137,896</u>	<u>2,407,896</u>
Total	<u>\$ 19,690,000</u>	<u>\$ 3,587,743</u>	<u>\$ 23,277,743</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**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	\$ 8,843,000
G.O. Storm Sewer Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	1,670,000
2011 G.O. Revenue Notes (PFA)	28,902,811 *	2.23	10/11/11	08/20/32	<u>18,470,160</u>
Total G.O. Revenue Bonds					<u><u>\$ 28,983,160</u></u>

\* Included undrawn proceeds of \$10,421,839.

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 1,744,000	\$ 419,324	\$ 2,163,324
2014	1,590,000	805,450	2,395,450
2015	1,624,000	772,524	2,396,524
2016	1,653,000	738,511	2,391,511
2017	1,692,000	703,542	2,395,542
2018 - 2022	8,798,000	2,961,300	11,759,300
2023 - 2027	6,319,000	2,134,082	8,453,082
2028 - 2032	<u>5,563,160</u>	<u>1,555,423</u>	<u>7,118,583</u>
Total	<u><u>\$ 28,983,160</u></u>	<u><u>\$ 10,090,156</u></u>	<u><u>\$ 39,073,316</u></u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation					
bonds	\$ 125,000	\$ -	\$ (60,000)	\$ 65,000	\$ 65,000
General obligation special					
assessment bonds	15,340,000	5,755,000	(1,405,000)	19,690,000	1,345,000
Bond premiums	95,616	-	(6,676)	88,940	-
Bond discounts	(127,764)	-	11,082	(116,682)	-
Total bonds payable	15,432,852	5,755,000	(1,460,594)	19,727,258	1,410,000
Sick leave/severance payable	577,534	420,621	(445,955)	552,200	115,158
Postemployment benefits other than pensions obligation	105,655	49,373	(33,490)	121,538	-
Governmental activity long-term liabilities	<u>\$ 16,116,041</u>	<u>\$ 6,224,994</u>	<u>\$ (1,940,039)</u>	<u>\$ 20,400,996</u>	<u>\$ 1,525,158</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation					
revenue bonds	\$ 12,872,587	\$ 16,944,385	\$ (833,812)	\$ 28,983,160	\$ 1,744,000
Bond premiums	27,498	-	(2,089)	25,409	-
Bond discounts	(10,132)	-	770	(9,362)	-
Total bonds payable	12,889,953	16,944,385	(835,131)	28,999,207	1,744,000
Sick leave/severance payable	523,007	233,781	(230,919)	525,869	169,712
Postemployment benefits other than pensions obligation	34,839	28,300	(19,196)	43,943	-
Business-type activity long-term liabilities	<u>\$ 13,447,799</u>	<u>\$ 17,206,466</u>	<u>\$ (1,085,246)</u>	<u>\$ 29,569,019</u>	<u>\$ 1,913,712</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component unit activities</b>					
Sick leave/severance payable	\$ 34,082	\$ 25,273	\$ (49,256)	\$ 10,099	\$ 494
Postemployment benefits other than pensions obligation	3,595	1,725	(1,170)	4,150	-
Component unit activity long-term liabilities	<u>\$ 37,677</u>	<u>\$ 26,998</u>	<u>\$ (50,426)</u>	<u>\$ 14,249</u>	<u>\$ 494</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

Crossover Refunding Bond

On March 21, 2012, the City issued \$5,755,000 of G.O. Improvement Crossover Refunding Bonds, Series 2012A. The proceeds will refund the G.O. Improvement Bonds, Series 2005A on March 1, 2014, the G.O. Improvement Bonds, Series 2006A on February 1, 2014 and the G.O. Improvement Bonds, Series 2008A on March 1, 2016. The bonds were issued with a net interest cost of 1.4951297 percent. It is estimated the City will decrease its aggregate debt service payments by \$416,186 and obtain an economic gain of \$380,592.

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.

<u>Issued to</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Balance at Year End</u>
Goldfinch Estates - Vista Prairie Communities Project	05/01/12	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**F. Components of fund balance**

At December 31, 2012, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for				
Prepaid items	\$ -	\$ -	\$ 4,080	\$ 4,080
Restricted for				
Debt service	\$ -	\$ 10,357,356	\$ -	\$ 10,357,356
Housing and economic development	-	-	2,134,321	2,134,321
Total	\$ -	\$ 10,357,356	\$ 2,134,321	\$ 12,491,677
Committed for				
Community center	\$ 3,036	\$ -	\$ -	\$ 3,036
Library	10,369	-	-	10,369
Animal shelter	5,000	-	-	5,000
Bike trail	1,950	-	-	1,950
LaFrance	4,172	-	-	4,172
Fire department	80,250	-	-	80,250
Housing and economic development	-	-	22,609	22,609
Conservation	-	-	114,738	114,738
Total	\$ 104,777	\$ -	\$ 137,347	\$ 242,124
Assigned for				
Police equipment	\$ 45,755	\$ -	\$ -	\$ 45,755
Fire department truck	25,000	-	-	25,000
Building inspection	11,143	-	-	11,143
Engineer equipment	90,596	-	-	90,596
Park equipment	111,989	-	-	111,989
Police social	10,000	-	-	10,000
Finance equipment	121,297	-	-	121,297
Planning and zoning	20,000	-	-	20,000
Drug enforcement	23,355	-	-	23,355
FAYC	7,567	-	-	7,567
Civil defense	125,000	-	-	125,000
Street building	36,237	-	-	36,237
Park land	86,280	-	-	86,280
Government building	91,576	-	-	91,576
Street equipment	103,268	-	-	103,268
Housing and economic development	-	-	2,412,379	2,412,379
Total	\$ 909,063	\$ -	\$ 2,412,379	\$ 3,321,442
Unassigned	\$ 3,247,674	\$ -	\$ (207,534)	\$ 3,040,140

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**A. Plan description**

All full-time and certain part-time employees of the City of Fairmont are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

**B. Funding policy**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. In 2012, the City of Fairmont was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members and 14.40 percent for PEPFF members. The City's contributions (including the PUC and the EDA) to the GERS for the years ending December 31, 2012, 2011 and 2010 were \$313,505, \$317,246, and \$413,855 respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$172,112, \$167,875, and \$169,855, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS**

**I. FIRE RELIEF ASSOCIATION**

**A. Plan description**

Volunteer fire fighters of the City are members of the Fairmont Fire Fighters Relief Association (the Fire Relief Association). The Fire Relief Association is a single-employer defined benefit pension plan that operates under the provisions of Minnesota statutes, section 69 and 424, as amended. It is governed by a Board of seven officers and trustees elected by the members of the Fire Relief Association for three-year terms. The Mayor and City Clerk of the City are ex officio, nonvoting members of the Board of Trustees.

For financial reporting purposes, the Fire Relief Association's financial statements are not included in the City's financial statements because the Fire Relief Association is not a component unit of the City. The financial statements of the Fire Relief Association may be obtained at 216 East 4<sup>th</sup> Street, Fairmont, Minnesota 56031.

The City's payroll for fire fighters covered by the Fire Relief Association plan for the year ended December 31, 2012 was \$97,756.

**B. Plan benefits**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. A fire fighter who completes at least 20 years as an active member of the Municipal Fire Department (the Fire Department) is entitled, after age 50, to a full service pension upon retirement. The service pension prescribed by the Association's bylaws was a monthly benefit of \$25.00 for each year of service completed by the individual. The bylaws have been amended and all future retirees will receive a lump sum benefit of \$3,800 per year of service.

The bylaws of the Fire Relief 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 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.

A member of the Fire Relief Association who has completed 20 or more years of active service with the Fire Department but has not reached age 50 shall have the right to retire from the Fire Department without forfeiting the right to a service pension. The member shall be entitled to a deferred service pension and upon attaining the age of 50, the Fire Relief Association shall, upon application thereof, pay the member's pension from the date the application is approved.

A member is also entitled to lump sum disability benefits of \$3,800 for each year of service as an active member of the Fire Department in the event the member becomes totally disabled.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS - CONTINUED**

The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling Minnesota statutes. The State aid is recognized as both an increase and decrease in assets and liabilities in the Fire Relief Association agency fund. The State aid for 2012 was \$52,920. The firefighter has no obligation to contribute to this pension plan.

**C. Funding status**

The amount shown as the "accrued liability" is based on the actuarial accrued liability measure as determined using the same actuarial assumptions as for funding purposes. This measure is substituted for the standardized measure required for disclosure purposes under the GASB Statement No. 27.

The assumed interest rate for the actuarial calculations was 5 percent compounded annually.

As calculated by applying the interest assumption to the latest actuarial valuation, the unfunded accrued pension liability was \$806,971 at December 31, 2012. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 142,254
Contributions made	
City (voluntary)	4,000
City (required)	85,334
State aid	52,920
Actuarial valuation date	12/31/12
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed *	Net Pension Obligation
12/31/12	\$ 142,254	100.0 %	\$ -
12/31/11	136,026	100.0	-
12/31/10	67,796	100.0	-

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS - CONTINUED**

Required Supplementary Information							
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Annual Covered Payroll	Unfunded Accrued Liability as of Covered Payroll	Pension Benefit Per Year of Service
12/31/12	\$1,281,067	\$2,088,038	\$ (806,971)	61.4 %	\$ 91,497	882.0 %	\$ 3,800
12/31/11	1,388,790	2,205,831	(817,041)	63.0	95,794	852.9	3,800
12/31/10	1,325,547	2,100,791	(775,244)	63.1	97,362	796.2	3,800

**Note 6: OTHER INFORMATION**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded this City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

During fiscal year 1984, the City established a self-insurance fund for health and dental benefits to account for and finance its uninsured risks of loss. In 2009, the City changed its funding of this plan from a self-funded to a premium based plan through Blue Cross Blue Shield of Minnesota.

All funds of the City participate in the program and make payments to the Medical Self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. This fund has a net liability of (\$15,310) at December 31, 2012. The claims liability of \$30,652 reported in the fund at December 31, 2012 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 2012, 2011 and 2010 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2012	\$ 115,152	\$ 244,487	\$ (328,987)	\$ 30,652
2011	20,801	431,342	(336,991)	115,152
2010	16,579	215,938	(211,716)	20,801

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: OTHER INFORMATION - CONTINUED**

During 1987, the City was unable to obtain worker's compensation and general liability insurance at a cost it considered to be economically justifiable. In 1987, the City joined the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to LMCIT for its workers' compensation and general liability and property insurance coverage. The Agreement for Formation of the LMCIT provides that LMCIT will be self-sustaining through member premiums. Annual claims in excess of \$10,000 per event and \$100,000 in the aggregate are covered through reinsurance.

All funds of the City participate in the program and make payments to the Property, Equipment and Liability and Workers' Compensation Self-insurance funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. Net position at December 31, 2012 was \$559,554 and \$516,562 for the Property, Equipment and Liability and Workers' Compensation Self-insurance funds, respectively. The claims liabilities of \$0 reported in the Property, Equipment and Liability and Worker's Compensation funds at December 31, 2012 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 2012, 2011 and 2010 were:

<u>Year</u>	<u>January 1 Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>December 31 Claims Liability</u>
2012	\$ -	\$ 29,172	\$ (29,172)	\$ -
2011	-	23,308	(23,308)	-
2010	981	36,402	(37,383)	-

**B. Contingent liabilities**

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

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

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

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

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: OTHER INFORMATION - CONTINUED**

**C. Commitments**

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

**D. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2012 was \$3,722,165. This accounted for 58 percent of General fund revenues.

**E. Postemployment benefits other than pensions**

*Plan Description.* The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City’s plan. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2012, the City contributed \$53,856 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Retiree Health Plan.

	Primary Government	Component Unit	Total
Annual required contribution	\$ 80,046	\$ 1,778	\$ 81,824
Interest on net OPEB obligation	6,343	141	6,484
Adjustment to annual required contribution	(8,716)	(194)	(8,910)
Annual OPEB cost	77,673	1,725	79,398
Contributions made	(52,686)	(1,170)	(53,856)
Increase in net OPEB obligation	24,987	555	25,542
Net OPEB obligation - beginning of year	140,494	3,595	144,089
NET OPEB obligation - end of year	\$ 165,481	\$ 4,150	\$ 169,631

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: OTHER INFORMATION - CONTINUED**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

Year Ending	Three Year Trend Information		
	Primary Government		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/12	\$ 77,673	67.8%	\$ 165,481
12/31/11	79,040	69.4%	140,494
12/31/10	87,074	63.3%	109,286

Year Ending	Component Unit		
	Percentage		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/12	\$ 1,725	67.8%	\$ 4,150
12/31/11	1,991	69.4%	3,595
12/31/10	2,072	63.3%	2,825

*Funded status and funding progress.* As of January 1, 2011, the City's actuarial accrued liability for benefits was \$690,112, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$5,142,325, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.4 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Methods and assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 6: OTHER INFORMATION - CONTINUED**

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65 or at the first subsequent year in which the member would qualify for benefits.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and for Females were used.

*Turnover* - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.0 percent initially, reduced to an ultimate rate of 5.0 percent after eight years, was used.

*Health insurance premiums* - 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 4.5 percent was used based on an intermediate growth scenario.

*Actuarial method* - Projected Unit Credit with 30-year amortization of the unfunded liability.

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to be 3.0 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2012 was 30 years.

CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 7: ACCOUNTING CHANGE**

Governmental Accounting Standard Board (GASB) Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” will improve financial reporting by the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the City’s net position. GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*” will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City implemented these standards for the fiscal year end December 31, 2012. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1 and Note 3.

The City enters into transactions that result in the consumption or acquisition of net asset in one period that are applicable to future periods. These consumptions or acquisitions are *deferred outflows of resources* and *deferred inflows of resources* and are distinguished from assets and liabilities. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The Statement of Net Position (renamed from the Statement of Net Assets) is presented in a format that shows *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*.

The implementation of GASB Statements No. 63 and 65 resulted in the reclassification of certain funds and restatement of the City’s financial statements. This statement had the following effect on the financial statements as they were previously reported:

Fund	December 31, 2011		
	Net Position December 31, 2010 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2011 as Restated
Governmental activities	\$ 48,866,079	\$ (173,575)	\$ 48,692,504
Business-type activities	\$ 34,289,907	\$ (16,228)	\$ 34,273,679
Business-type activities			
Water Utility	\$ 7,102,930	\$ -	\$ 7,102,930
Wastewater Treatment	10,429,856	-	10,429,856
Electric Utility	8,687,851	-	8,687,851
District Heat	(708,227)	-	(708,227)
Storm Sewer	5,966,745	(16,228)	5,950,517
Liquor	2,386,814	-	2,386,814
Parking Lot	378,223	-	378,223
Total business-type activities	\$ 34,244,192	\$ (16,228)	\$ 34,227,964

(1) Write off of unamortized bond issuance cost balances at December 31, 2010.



CITY OF FAIRMONT, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 7: ACCOUNTING CHANGE - CONTINUED**

Fund	December 31, 2012		
	Net Position December 31, 2011 as Previously Reported	Prior Period Restatement (2)	Net Position January 1, 2012 as Restated
Governmental activities	<u>\$ 50,584,287</u>	<u>\$ (199,507)</u>	<u>\$ 50,384,780</u>
Business-type activities	<u>\$ 40,305,014</u>	<u>\$ (15,083)</u>	<u>\$ 40,289,931</u>
Business-type activities			
Water Utility	\$ 12,119,509	\$ -	\$ 12,119,509
Wastewater Treatment	10,681,081	-	10,681,081
Electric Utility	8,342,535	-	8,342,535
Storm Sewer	6,197,635	(15,083)	6,182,552
Liquor	2,567,427	-	2,567,427
Parking Lot	<u>377,741</u>	<u>-</u>	<u>377,741</u>
Total business-type activities	<u>\$ 40,285,928</u>	<u>\$ (15,083)</u>	<u>\$ 40,270,845</u>

- (2) Write off of any bond issuance cost activity for the year ended December 31, 2011 plus unamortized bond issuance costs at December 31, 2010.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF FAIRMONT, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2012

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

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

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

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF FAIRMONT, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,112,746	\$ 1,134,927	\$ 3,247,673
Investments	25,000	-	25,000
Receivables			
Delinquent taxes	1,582	-	1,582
Accounts	8,819	-	8,819
Loans	1,017,473	-	1,017,473
Intergovernmental	22,818	808,619	831,437
Due from other funds	-	661,420	661,420
Prepaid items	4,080	-	4,080
	<u>4,080</u>	<u>-</u>	<u>4,080</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,192,518</u></u>	<u><u>\$ 2,604,966</u></u>	<u><u>\$ 5,797,484</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 10,176	\$ 296,749	\$ 306,925
Due to other funds	299	661,420	661,719
Accrued wages payable	881	-	881
Unearned revenue	10,830	-	10,830
	<u>10,830</u>	<u>-</u>	<u>10,830</u>
<b>TOTAL LIABILITIES</b>	<u>22,186</u>	<u>958,169</u>	<u>980,355</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	1,582	-	1,582
Unavailable revenue - loans	334,954	-	334,954
	<u>334,954</u>	<u>-</u>	<u>334,954</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>336,536</u>	<u>-</u>	<u>336,536</u>
<b>FUND BALANCES</b>			
Nonspendable	4,080	-	4,080
Restricted	279,990	1,854,331	2,134,321
Committed	137,347	-	137,347
Assigned	2,412,379	-	2,412,379
Unassigned	-	(207,534)	(207,534)
	<u>-</u>	<u>(207,534)</u>	<u>(207,534)</u>
<b>TOTAL FUND BALANCES</b>	<u>2,833,796</u>	<u>1,646,797</u>	<u>4,480,593</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 3,192,518</u></u>	<u><u>\$ 2,604,966</u></u>	<u><u>\$ 5,797,484</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, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 50,089	\$ -	\$ 50,089
Intergovernmental	181,569	991,753	1,173,322
Investment revenue	19,609	29,492	49,101
Miscellaneous	128,569	-	128,569
TOTAL REVENUES	444,909	1,021,245	1,466,154
EXPENDITURES			
Current			
Housing and economic development	235,451	-	235,451
Miscellaneous	210,815	-	210,815
Capital outlay			
Streets and highways	-	1,808,614	1,808,614
Miscellaneous	56,000	577,005	633,005
TOTAL EXPENDITURES	502,266	2,385,619	2,887,885
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(57,357)	(1,364,374)	(1,421,731)
OTHER FINANCING SOURCES (USES)			
Transfers in	282,957	2,048,431	2,331,388
Transfers out	(124,957)	(2,048,431)	(2,173,388)
TOTAL OTHER FINANCING SOURCES (USES)	158,000	-	158,000
NET CHANGE IN FUND BALANCES	100,643	(1,364,374)	(1,263,731)
FUND BALANCES, JANUARY 1	2,733,153	3,011,171	5,744,324
FUND BALANCES, DECEMBER 31	\$ 2,833,796	\$ 1,646,797	\$ 4,480,593

## **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.

**State Housing Grant I, II, III and 2011:** These funds account for Small Cities Development Program Federal Grants used to improve housing for low income citizens within the City.

**Aeronautics:** This fund accounts for the administrative and maintenance costs of operating the Fairmont municipal airport.

**Lake Restoration:** This fund accounts for the City's on going lake dredging program.

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CITY OF FAIRMONT, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>212</b> Central College Incubator	<b>214</b> Wetland Bank	<b>215</b> Revolving Loan
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,438	\$ 66,225	\$ 197,349
Investments	-	-	-
Receivables			
Delinquent taxes	-	-	-
Accounts	804	-	-
Loans	-	-	436,932
Intergovernmental	-	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 26,242</u></u>	<u><u>\$ 66,225</u></u>	<u><u>\$ 634,281</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 3,633	\$ -	\$ 333
Due to other funds	-	-	-
Accrued wages payable	-	-	-
Unearned revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<u>3,633</u>	<u>-</u>	<u>333</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - loans	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	253,069
Committed	22,609	-	-
Assigned	-	66,225	380,879
<b>TOTAL FUND BALANCES</b>	<u>22,609</u>	<u>66,225</u>	<u>633,948</u>
<b>TOTAL LIABILITIES, DEFERRD INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 26,242</u></u>	<u><u>\$ 66,225</u></u>	<u><u>\$ 634,281</u></u>

<b>216</b>	<b>220</b>	<b>222</b>	<b>224</b>	<b>226</b>	<b>230</b>	<b>240</b>	Total
Revolving Loan 2	State Housing Grant I	State Housing Grant II	State Housing Grant III	State Housing Grant 2011	Aeronautics	Lake Restoration	Nonmajor Special Revenue
\$ 488,827 25,000	\$ - -	\$ 2,497 -	\$ 2,980 -	\$ 24,570 -	\$ 10,515 -	\$ 1,294,345 -	\$ 2,112,746 25,000
-	-	-	-	-	1,582	-	1,582
-	-	-	-	-	-	8,015	8,819
245,587	5,091	39,969	183,501	106,393	-	-	1,017,473
-	-	-	-	-	22,818	-	22,818
-	-	-	-	-	4,080	-	4,080
<u>\$ 759,414</u>	<u>\$ 5,091</u>	<u>\$ 42,466</u>	<u>\$ 186,481</u>	<u>\$ 130,963</u>	<u>\$ 38,995</u>	<u>\$ 1,302,360</u>	<u>\$ 3,192,518</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,675	\$ 535	\$ 10,176
-	-	-	-	-	299	-	299
-	-	-	-	-	881	-	881
-	-	-	-	-	10,830	-	10,830
-	-	-	-	-	17,685	535	22,186
-	-	-	-	-	1,582	-	1,582
-	5,091	39,969	183,501	106,393	-	-	334,954
-	5,091	39,969	183,501	106,393	1,582	-	336,536
-	-	-	-	-	4,080	-	4,080
-	-	2,497	-	24,424	-	-	279,990
-	-	-	-	-	-	114,738	137,347
759,414	-	-	2,980	146	15,648	1,187,087	2,412,379
759,414	-	2,497	2,980	24,570	19,728	1,301,825	2,833,796
<u>\$ 759,414</u>	<u>\$ 5,091</u>	<u>\$ 42,466</u>	<u>\$ 186,481</u>	<u>\$ 130,963</u>	<u>\$ 38,995</u>	<u>\$ 1,302,360</u>	<u>\$ 3,192,518</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, 2012

	<b>212</b> Central College Incubator	<b>214</b> Wetland Bank	<b>215</b> Revolving Loan
REVENUES			
Taxes			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal			
SCDP grant	-	-	-
State			
Airport maintenance aid	-	-	-
Charges for services			
Miscellaneous	-	-	-
Investment revenue (expense)	115	661	829
Miscellaneous			
Rents	-	-	-
Loan payments	-	-	17,395
Other	37,101	-	2,250
	<u>37,216</u>	<u>661</u>	<u>20,474</u>
TOTAL REVENUES	<u>37,216</u>	<u>661</u>	<u>20,474</u>
EXPENDITURES			
Current			
Housing and economic development	94,655	269	2,175
Miscellaneous			
Conservation - water resources	-	-	-
Airport operation and maintenance	-	-	-
Capital outlay			
Miscellaneous			
Airport operation and maintenance	-	-	-
	<u>94,655</u>	<u>269</u>	<u>2,175</u>
TOTAL EXPENDITURES	<u>94,655</u>	<u>269</u>	<u>2,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(57,439)</u>	<u>392</u>	<u>18,299</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	-	104,957
Transfers out	-	-	-
	<u>50,000</u>	<u>-</u>	<u>104,957</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>-</u>	<u>104,957</u>
NET CHANGE IN FUND BALANCES	(7,439)	392	123,256
FUND BALANCES, JANUARY 1	<u>30,048</u>	<u>65,833</u>	<u>510,692</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 22,609</u></u>	<u><u>\$ 66,225</u></u>	<u><u>\$ 633,948</u></u>



<b>216</b> Revolving Loan 2	<b>220</b> State Housing Grant I	<b>222</b> State Housing Grant II	<b>224</b> State Housing Grant III	<b>226</b> State Housing Grant 2011	<b>230</b> Aeronautics	<b>240</b> Lake Restoration	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,089	\$ -	\$ 50,089
-	-	-	-	119,088	-	-	119,088
-	-	-	-	-	62,481	-	62,481
-	-	-	-	-	-	65,073	65,073
5,536	-	26	31	146	(311)	12,576	19,609
-	-	-	-	-	51,891	-	51,891
8,125	-	9,904	1,903	-	-	-	37,327
-	-	-	-	-	-	-	39,351
13,661	-	9,930	1,934	119,234	164,150	77,649	444,909
259	-	5,082	38,347	94,664	-	-	235,451
-	-	-	-	-	-	10,237	10,237
-	-	-	-	-	200,578	-	200,578
-	-	-	-	-	56,000	-	56,000
259	-	5,082	38,347	94,664	256,578	10,237	502,266
13,402	-	4,848	(36,413)	24,570	(92,428)	67,412	(57,357)
-	-	-	20,000	-	108,000	-	282,957
(104,957)	-	(20,000)	-	-	-	-	(124,957)
(104,957)	-	(20,000)	20,000	-	108,000	-	158,000
(91,555)	-	(15,152)	(16,413)	24,570	15,572	67,412	100,643
850,969	-	17,649	19,393	-	4,156	1,234,413	2,733,153
<u>\$ 759,414</u>	<u>\$ -</u>	<u>\$ 2,497</u>	<u>\$ 2,980</u>	<u>\$ 24,570</u>	<u>\$ 19,728</u>	<u>\$ 1,301,825</u>	<u>\$ 2,833,796</u>

CITY OF FAIRMONT, MINNESOTA  
AERONAUTICS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 50,000	\$ 50,089	\$ 89	\$ 44,940
Intergovernmental				
State				
Property tax credits	-	-	-	598
Airport maintenance aid	60,000	62,481	2,481	61,424
Investment revenue (expense)	(5,000)	(311)	4,689	(1,229)
Miscellaneous				
Rents	54,621	51,891	(2,730)	33,569
TOTAL REVENUES	159,621	164,150	4,529	139,302
EXPENDITURES				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	24,508	24,906	(398)	8,764
Supplies	12,150	7,580	4,570	15,294
Other services and charges	122,461	168,092	(45,631)	152,132
Capital outlay				
Miscellaneous				
Airport operation and maintenance	50,000	56,000	(6,000)	-
TOTAL EXPENDITURES	209,119	256,578	(47,459)	176,190
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(49,498)	(92,428)	(42,930)	(36,888)
OTHER FINANCING SOURCES				
Transfers in	-	108,000	108,000	267,475
NET CHANGE IN FUND BALANCES	(49,498)	15,572	65,070	230,587
FUND BALANCES, JANUARY 1	4,156	4,156	-	(226,431)
FUND BALANCES, DECEMBER 31	\$ (45,342)	\$ 19,728	\$ 65,070	\$ 4,156

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment revenue	\$ 15,000	\$ 12,576	\$ (2,424)	\$ 12,123
Charges for services				
Miscellaneous - restoration	65,000	65,073	73	65,158
Miscellaneous				
Rents	8,400	-	(8,400)	-
TOTAL REVENUES	88,400	77,649	(10,751)	77,281
EXPENDITURES				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	-	1,347	(1,347)	1,690
Other services and charges	9,900	8,890	1,010	9,153
TOTAL EXPENDITURES	9,900	10,237	(337)	10,843
NET CHANGE IN FUND BALANCES	78,500	67,412	(11,088)	66,438
FUND BALANCES, JANUARY 1	1,234,413	1,234,413	-	1,167,975
FUND BALANCES, DECEMBER 31	<u>\$ 1,312,913</u>	<u>\$ 1,301,825</u>	<u>\$ (11,088)</u>	<u>\$ 1,234,413</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.

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

**Lair Road Bridge:** This fund is used to account for costs associated with the Lair Bridge project which began in 2010.

**Municipal State Aid - Streets:** This fund is used to account for revenues received from the State of Minnesota to help pay costs of improvements on Minnesota State Aid Streets within the City.

**2009 Capital Improvements:** This fund is used to account for costs associated with major street replacement projects which began in 2009.

**2010 Capital Improvements:** This fund is used to account for costs associated with major street replacement projects which began in 2010.

**2011 Capital Improvements:** This fund is used to account for costs associated with major street replacement projects which began in 2011.

**2012 Capital Improvements:** This fund is used to account for costs associated with major street replacement projects which began in 2012.

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CITY OF FAIRMONT, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>450</b> Airport Reconstruction Project	<b>410</b> Lair Road Bridge	<b>402</b> Municipal State Aid - Streets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 59,898	\$ 56,359	\$ 992,016
Receivables			
Intergovernmental	607,724	-	200,895
Due from other funds	-	-	661,420
	<u>-</u>	<u>-</u>	<u>661,420</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 667,622</u></u>	<u><u>\$ 56,359</u></u>	<u><u>\$ 1,854,331</u></u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 65,689	\$ 197,128	\$ -
Due to other funds	661,420	-	-
	<u>661,420</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>727,109</u>	<u>197,128</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted		-	1,854,331
Unassigned	(59,487)	(140,769)	-
	<u>(59,487)</u>	<u>(140,769)</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>(59,487)</u>	<u>(140,769)</u>	<u>1,854,331</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 667,622</u></u>	<u><u>\$ 56,359</u></u>	<u><u>\$ 1,854,331</u></u>



<b>469</b> 2009 Capital Improvements	<b>470</b> 2010 Capital Improvements	<b>471</b> 2011 Capital Improvements	<b>472</b> 2012 Capital Improvements	Total Nonmajor Capital Projects
\$ 26,654	\$ -	\$ -	\$ -	\$ 1,134,927
-	-	-	-	808,619
-	-	-	-	661,420
<u>\$ 26,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,604,966</u>
\$ 26,654	\$ -	\$ -	\$ 7,278	\$ 296,749
-	-	-	-	661,420
<u>26,654</u>	<u>-</u>	<u>-</u>	<u>7,278</u>	<u>958,169</u>
-	-	-	-	1,854,331
-	-	-	(7,278)	(207,534)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,278)</u>	<u>1,646,797</u>
<u>\$ 26,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,604,966</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, 2012

	<b>450</b> Airport Reconstruction Project	<b>410</b> Lair Road Bridge	<b>402</b> Municipal State Aid - Streets
REVENUES			
Intergovernmental			
Federal			
Airport reconstruction grant	\$ 589,009	\$ -	\$ -
State			
Street construction aid	-	-	402,744
Investment revenue (expense)	(1,124)	(2,827)	31,103
	<u>587,885</u>	<u>(2,827)</u>	<u>433,847</u>
TOTAL REVENUES			
EXPENDITURES			
Capital outlay			
Streets and highways	-	1,353,781	-
Miscellaneous	577,005	-	-
	<u>577,005</u>	<u>1,353,781</u>	<u>-</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,880</u>	<u>(1,356,608)</u>	<u>433,847</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,350,000	190,364
Transfers out	-	-	(1,858,067)
	<u>-</u>	<u>1,350,000</u>	<u>(1,667,703)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	10,880	(6,608)	(1,233,856)
FUND BALANCES, JANUARY 1	<u>(70,367)</u>	<u>(134,161)</u>	<u>3,088,187</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ (59,487)</u></u>	<u><u>\$ (140,769)</u></u>	<u><u>\$ 1,854,331</u></u>

<b>469</b> 2009 Capital Improvements	<b>470</b> 2010 Capital Improvements	<b>471</b> 2011 Capital Improvements	<b>472</b> 2012 Capital Improvements	Total Nonmajor Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ 589,009
-	-	-	-	402,744
<u>1,502</u>	<u>680</u>	<u>158</u>	<u>-</u>	<u>29,492</u>
<u>1,502</u>	<u>680</u>	<u>158</u>	<u>-</u>	<u>1,021,245</u>
10,430	609	10,839	432,955	1,808,614
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,005</u>
<u>10,430</u>	<u>609</u>	<u>10,839</u>	<u>432,955</u>	<u>2,385,619</u>
<u>(8,928)</u>	<u>71</u>	<u>(10,681)</u>	<u>(432,955)</u>	<u>(1,364,374)</u>
-	-	82,390	425,677	2,048,431
<u>(135,554)</u>	<u>(54,810)</u>	<u>-</u>	<u>-</u>	<u>(2,048,431)</u>
<u>(135,554)</u>	<u>(54,810)</u>	<u>82,390</u>	<u>425,677</u>	<u>-</u>
(144,482)	(54,739)	71,709	(7,278)	(1,364,374)
<u>144,482</u>	<u>54,739</u>	<u>(71,709)</u>	<u>-</u>	<u>3,011,171</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,278)</u>	<u>\$ 1,646,797</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,459,258	\$ 5,538,408
Receivables		
Interest	20,073	28,551
Delinquent taxes	56,022	49,850
Special assessments	19,654	-
Accounts	24,055	47,794
Intergovernmental	19,190	25,904
Due from other funds	<u>205,000</u>	<u>-</u>
 TOTAL ASSETS	 <u><u>\$ 4,803,252</u></u>	 <u><u>\$ 5,690,507</u></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 225,781	\$ 150,067
Due to other funds	44,261	40,496
Due to other governments	2,237	7,203
Accrued wages payable	176,058	163,318
Unearned revenue	<u>17,725</u>	<u>25,100</u>
 TOTAL LIABILITIES	 <u>466,062</u>	 <u>386,184</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	56,022	49,850
Unavailable revenue - special assessments	<u>19,654</u>	<u>-</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>75,676</u>	 <u>49,850</u>
<b>FUND BALANCES</b>		
Committed	104,777	40,387
Assigned	909,063	1,757,373
Unassigned	<u>3,247,674</u>	<u>3,456,713</u>
 TOTAL FUND BALANCES	 <u>4,261,514</u>	 <u>5,254,473</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 4,803,252</u></u>	 <u><u>\$ 5,690,507</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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 1,822,714	\$ 1,822,714	\$ 1,827,095	\$ 4,381	\$ 1,530,305
Franchise taxes	35,000	35,000	34,343	(657)	35,392
Total taxes	1,857,714	1,857,714	1,861,438	3,724	1,565,697
Licenses and permits					
Business	34,963	34,963	32,908	(2,055)	34,894
Nonbusiness	141,300	141,300	160,074	18,774	129,265
Total licenses and permits	176,263	176,263	192,982	16,719	164,159
Intergovernmental					
Federal					
Other Federal aids	-	-	6,504	6,504	7,284
State					
Local government aid	3,722,165	3,722,165	3,722,165	-	3,722,165
Property tax credits	-	-	780	780	21,069
Street maintenance aid	29,085	29,085	29,085	-	29,730
Other State aids	28,472	28,472	30,591	2,119	49,198
Total State	3,779,722	3,779,722	3,782,621	2,899	3,822,162
Total intergovernmental	3,779,722	3,779,722	3,789,125	9,403	3,829,446
Charges for services					
General government	7,000	7,000	10,462	3,462	11,249
Public safety	36,500	36,500	59,610	23,110	66,029
Sanitation	12,000	12,000	14,471	2,471	12,850
Culture and recreation	147,175	147,175	154,816	7,641	138,197
Total charges for services	202,675	202,675	239,359	36,684	228,325
Fines and forfeits					
Court fines	80,000	80,000	74,671	(5,329)	72,617
Investment revenue	60,000	60,000	34,270	(25,730)	48,006
Miscellaneous					
Rents	22,350	22,350	35,013	12,663	48,613
Contributions and donations	-	-	78,193	78,193	17,383
Other	57,707	57,707	73,851	16,144	52,648
Total miscellaneous	80,057	80,057	187,057	107,000	118,644
TOTAL REVENUES	6,236,431	6,236,431	6,378,902	142,471	6,026,894



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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 41,658	\$ 41,658	\$ 17,932	\$ 23,726	\$ 19,935
Supplies	2,500	2,500	1,788	712	405
Other services and charges	5,000	5,000	7,432	(2,432)	140,400
Total Mayor and Council	49,158	49,158	27,152	22,006	160,740
City Administrator					
Personal services	138,067	138,067	101,708	36,359	141,298
Supplies	3,750	3,750	2,647	1,103	2,636
Other services and charges	13,840	13,840	15,792	(1,952)	14,160
Total city administrator	155,657	155,657	120,147	35,510	158,094
Elections					
Personal services	22,739	22,739	25,363	(2,624)	599
Supplies	2,000	2,000	2,342	(342)	266
Other services and charges	2,000	2,000	210	1,790	11
Total elections	26,739	26,739	27,915	(1,176)	876
Recording and reporting					
Personal services	83,570	83,570	83,958	(388)	92,720
Supplies	3,300	3,300	2,376	924	2,447
Other services and charges	4,100	4,100	4,140	(40)	2,768
Total recording and reporting	90,970	90,970	90,474	496	97,935
Local access channel					
Personal services	1,996	1,996	1,873	123	1,087
Supplies	2,000	2,000	50	1,950	-
Other services and charges	5,885	5,885	5,675	210	5,761
Total local access channel	9,881	9,881	7,598	2,283	6,848
Accounting					
Personal services	163,113	163,113	163,040	73	159,979
Supplies	2,000	2,000	4,125	(2,125)	4,672
Other services and charges	96,294	96,294	92,295	3,999	75,169
Total accounting	261,407	261,407	259,460	1,947	239,820
City attorney					
Personal services	171,591	171,591	166,672	4,919	166,239
Supplies	3,000	3,000	2,504	496	1,478
Other services and charges	10,722	10,722	7,994	2,728	9,704
Total city attorney	185,313	185,313	177,170	8,143	177,421

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
General government - Continued					
Planning and zoning					
Personal services	\$ 66,723	\$ 66,723	\$ 66,940	\$ (217)	\$ 23,926
Supplies	1,800	1,800	839	961	1,062
Other services and charges	4,020	4,020	2,968	1,052	3,145
Total planning and zoning	72,543	72,543	70,747	1,796	28,133
General government building					
Personal services	61,719	61,719	47,015	14,704	48,100
Supplies	8,700	8,700	15,398	(6,698)	50,234
Other services and charges	59,685	59,685	51,921	7,764	55,641
Total general government building	130,104	130,104	114,334	15,770	153,975
Library building					
Supplies	6,300	6,300	30,797	(24,497)	8,431
Other services and charges	54,476	54,476	53,972	504	53,325
Total library building	60,776	60,776	84,769	(23,993)	61,756
Other general government					
Other services and charges	205,583	205,583	178,016	27,567	-
Total general government	1,248,131	1,248,131	1,157,782	90,349	1,085,598
Public safety					
Police					
Administration					
Personal services	365,880	365,880	372,677	(6,797)	379,715
Supplies	5,000	5,000	2,363	2,637	7,520
Other services and charges	21,840	21,840	14,059	7,781	14,535
Total administration	392,720	392,720	389,099	3,621	401,770
Crime control					
Personal services	1,419,141	1,419,141	1,440,218	(21,077)	1,445,095
Supplies	84,600	84,600	119,585	(34,985)	60,985
Other services and charges	215,794	215,794	214,223	1,571	217,055
Total crime control	1,719,535	1,719,535	1,774,026	(54,491)	1,723,135
Training					
Personal services	52,534	52,534	25,201	27,333	36,947
Supplies	2,000	2,000	-	2,000	670
Other services and charges	19,160	19,160	12,920	6,240	17,327
Total training	73,694	73,694	38,121	35,573	54,944

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

EXPENDITURES - CONTINUED	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current - Continued					
Public safety - Continued					
Police					
D.A.R.E. program					
Supplies	\$ 5,340	\$ 5,340	\$ 699	\$ 4,641	\$ 2,169
Crossing guards					
Personal services	-	-	159	(159)	(935)
Other services and charges	3,000	3,000	20	2,980	-
Total crossing guards	3,000	3,000	179	2,821	(935)
Drug task force					
Other services and charges	-	-	1,602	(1,602)	1,098
Total police	2,194,289	2,194,289	2,203,726	(9,437)	2,182,181
Fire					
Fire fighting					
Personal services	174,586	174,586	166,480	8,106	177,716
Supplies	57,500	57,500	38,657	18,843	63,062
Other services and charges	47,900	47,900	77,697	(29,797)	48,658
Total fire fighting	279,986	279,986	282,834	(2,848)	289,436
Training					
Personal services	40,279	40,279	37,533	2,746	33,520
Supplies	8,000	8,000	2,900	5,100	2,200
Other services and charges	7,200	7,200	10,991	(3,791)	12,116
Total training	55,479	55,479	51,424	4,055	47,836
Total fire	335,465	335,465	334,258	1,207	337,272
Inspection					
Building inspection					
Personal services	136,886	136,886	135,475	1,411	181,145
Supplies	7,100	7,100	4,069	3,031	3,985
Other services and charges	10,700	10,700	12,100	(1,400)	9,332
Total building inspection	154,686	154,686	151,644	3,042	194,462
Fire inspection					
Personal services	19,761	19,761	19,306	455	4,514
Supplies	900	900	702	198	612
Other services and charges	1,225	1,225	485	740	1,248
Total fire inspection	21,886	21,886	20,493	1,393	6,374
Total inspection	176,572	176,572	172,137	4,435	200,836
Civil defense					
Personal services	-	-	-	-	676
Supplies	3,800	3,800	135	3,665	1,297
Other services and charges	4,420	4,420	1,776	2,644	1,758
Total civil defense	8,220	8,220	1,911	6,309	3,731

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety - Continued					
Animal control					
Personal services	\$ 74,843	\$ 74,843	\$ 76,938	\$ (2,095)	\$ 74,450
Supplies	10,425	10,425	11,218	(793)	12,870
Other services and charges	28,299	28,299	26,561	1,738	26,218
Total animal control	113,567	113,567	114,717	(1,150)	113,538
Total public safety	2,828,113	2,828,113	2,826,749	1,364	2,837,558
Streets and highways					
Paved streets					
Personal services	346,569	346,569	342,132	4,437	556,305
Supplies	144,250	144,250	191,229	(46,979)	185,408
Other services and charges	50,410	50,410	38,268	12,142	37,596
Total paved streets	541,229	541,229	571,629	(30,400)	779,309
Ice and snow removal					
Personal services	198,453	198,453	155,661	42,792	133,601
Supplies	35,500	35,500	17,129	18,371	44,991
Other services and charges	7,250	7,250	21,802	(14,552)	4,673
Total ice and snow removal	241,203	241,203	194,592	46,611	183,265
Road and bridge equipment					
Personal services	30,511	30,511	31,131	(620)	18,966
Supplies	77,000	77,000	19,718	57,282	50,333
Other services and charges	35,700	35,700	130,370	(94,670)	60,231
Total road and bridge equipment	143,211	143,211	181,219	(38,008)	129,530
Street lighting					
Other services and charges	225,550	225,550	220,678	4,872	231,622
Engineering					
Personal services	323,036	323,036	280,506	42,530	253,477
Supplies	17,700	17,700	8,317	9,383	8,282
Other services and charges	33,600	33,600	33,780	(180)	28,674
Total engineering	374,336	374,336	322,603	51,733	290,433
Total streets and highways	1,525,529	1,525,529	1,490,721	34,808	1,614,159
Sanitation and waste removal					
Weed control					
Other services and charges	6,850	6,850	10,274	(3,424)	7,571
Culture and recreation					
Parks					
Personal services	606,209	606,209	552,259	53,950	487,334
Supplies	79,950	79,950	74,515	5,435	78,322
Other services and charges	144,400	144,400	130,977	13,423	118,734
Total parks	830,559	830,559	757,751	72,808	684,390
Recreation - ball diamonds					
Personal services	25,000	25,000	16,490	8,510	-
Recreation - ice rinks (outdoor)					
Other services and charges	30,700	30,700	69,066	(38,366)	42,396

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, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation - Continued					
Recreation - garbage collection					
Personal services	\$ 28,141	\$ 28,141	\$ 26,109	\$ 2,032	\$ 16,408
Supplies	3,900	3,900	3,898	2	4,042
Other services and charges	8,600	8,600	6,405	2,195	7,664
Total recreation - garbage collection	40,641	40,641	36,412	4,229	28,114
Recreation - aquatic park					
Personal services	179,515	179,515	195,745	(16,230)	246,174
Supplies	60,000	60,000	53,484	6,516	51,120
Other services and charges	70,204	70,204	78,628	(8,424)	82,695
Total recreation - aquatic park	309,719	309,719	327,857	(18,138)	379,989
Total culture and recreation	1,236,619	1,236,619	1,207,576	29,043	1,134,889
Total current	6,845,242	6,845,242	6,693,102	152,140	6,679,775
Capital outlay					
General government	70,000	70,000	42,077	27,923	58,625
Public safety	60,000	60,000	31,781	28,219	5,500
Streets and highways	95,000	95,000	156,336	(61,336)	16,802
Culture and recreation	35,500	35,500	1,324,292	(1,288,792)	647,456
Total capital outlay	260,500	260,500	1,554,486	(1,293,986)	728,383
TOTAL EXPENDITURES	7,105,742	7,105,742	8,247,588	(1,141,846)	7,408,158
DEFICIENCY OF REVENUES					
UNDER EXPENDITURES	(869,311)	(869,311)	(1,868,686)	(999,375)	(1,381,264)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	500	500	42,104	41,604	957,136
Transfers in	819,632	819,632	833,623	13,991	794,648
Transfers out	-	-	-	-	(5,148)
TOTAL OTHER FINANCING SOURCES (USES)	820,132	820,132	875,727	55,595	1,746,636
NET CHANGE IN FUND BALANCES	(49,179)	(49,179)	(992,959)	(943,780)	365,372
FUND BALANCES, JANUARY 1	5,254,473	5,254,473	5,254,473	-	4,889,101
FUND BALANCES, DECEMBER 31	\$ 5,205,294	\$ 5,205,294	\$ 4,261,514	\$ (943,780)	\$ 5,254,473

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## **DEBT SERVICE FUNDS**

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

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CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	<b>323</b>	<b>334</b> 2002 G. O. Tax Increment	<b>343</b> 1991 Improvement
	Special Assessment	Refunding Bonds	Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,919,551	\$ -	\$ -
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	5,578	-	-
Special assessments			
Delinquent	20,897	-	-
Noncurrent	565,128	-	-
Intergovernmental	2,792	-	-
Due from other funds	8,144	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,522,090</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>          -</u>	<u>          -</u>	<u>          -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	5,578	-	-
Unavailable revenue - special assessments	586,025	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>591,603</u>	<u>          -</u>	<u>          -</u>
<b>FUND BALANCES</b>			
Restricted	1,930,487	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF     RESOURCES AND FUND BALANCES</b>	<u><u>\$ 2,522,090</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	<b>344</b>	<b>347</b>	<b>349</b>
	2002B Refunding Bonds	1997 Special Assessments	2005B Refunding Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 137,664
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	-	-	3,145
Special assessments			
Delinquent	-	-	2,137
Noncurrent	-	-	28,319
Intergovernmental	-	-	1,343
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 172,608</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	-	-	3,145
Unavailable revenue - special assessments	-	-	30,456
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>33,601</u>
<b>FUND BALANCES</b>			
Restricted	-	-	139,007
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 172,608</u></u>

360	361	363	364	365	366	367
2000 Special Assessments	2001 Special Assessments	2003 Special Assessments	2004 Special Assessments	2005 Improvement Bonds	2006A Improvement Bonds	2007 Special Assessments
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2012  
With Comparative Totals for December 31, 2011

	368	369	305
	2008 Special Assessments	2009 Special Assessments	Fire Truck Debt
ASSETS			
Cash and cash equivalents	\$ -	\$ 573,926	\$ 3,510
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	-	1,596	1,857
Special assessments			
Delinquent	-	459,368	-
Noncurrent	-	17,562	-
Intergovernmental	-	2,393	536
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1,054,845</u>	<u>\$ 5,903</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	-	1,596	1,857
Unavailable revenue - special assessments	-	476,930	-
	<u>-</u>	<u>478,526</u>	<u>1,857</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>478,526</u>	<u>1,857</u>
FUND BALANCES			
Restricted	-	576,319	4,046
	<u>-</u>	<u>576,319</u>	<u>4,046</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 1,054,845</u>	<u>\$ 5,903</u>

355 2003 Refunding Bonds	317 Cenex Harvest States Development Notes	370 2010A Refunding Bonds	371 2011 Improvement Bonds	322 Tax Increment District No. 22	372 2012 Refunding Bonds	Totals	
						2012	2011
\$ -	\$ 172,625	\$ 754,451	\$ 342,771	\$ -	\$ 964,451	\$ 4,868,949	\$ 4,919,718
-	-	-	-	-	5,635,146	5,635,146	-
-	-	4,997	1,698	-	18,887	37,758	35,850
-	-	7,247	295,278	-	1,826,353	2,611,280	900,865
-	-	182,959	14,263	-	54,134	862,365	3,070,401
-	-	3,640	1,315	17,313	8,399	37,731	28,046
-	-	-	-	-	-	8,144	-
<u>\$ -</u>	<u>\$ 172,625</u>	<u>\$ 953,294</u>	<u>\$ 655,325</u>	<u>\$ 17,313</u>	<u>\$ 8,507,370</u>	<u>\$ 14,061,373</u>	<u>\$ 8,954,880</u>
\$ -	\$ 167,157	\$ -	\$ -	\$ 17,313	\$ -	\$ 184,470	\$ 170,458
-	-	-	-	8,144	-	8,144	-
-	167,157	-	-	25,457	-	192,614	170,458
-	-	4,997	1,698	-	18,887	37,758	35,850
-	-	190,206	309,541	-	1,880,487	3,473,645	3,971,266
-	-	195,203	311,239	-	1,899,374	3,511,403	4,007,116
-	5,468	758,091	344,086	(8,144)	6,607,996	10,357,356	4,777,306
<u>\$ -</u>	<u>\$ 172,625</u>	<u>\$ 953,294</u>	<u>\$ 655,325</u>	<u>\$ 17,313</u>	<u>\$ 8,507,370</u>	<u>\$ 14,061,373</u>	<u>\$ 8,954,880</u>

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CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CONTINUED ON FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	<b>323</b>	<b>334</b> 2002 G. O. Tax Increment	<b>343</b> 1991 Improvement
	Special Assessment	Refunding Bonds	Bonds
REVENUES			
Taxes			
Property taxes	\$ 1,669	\$ -	\$ 84
Tax increment district taxes	-	-	-
Special assessments	59,095	-	489
Intergovernmental	-	-	-
Investment revenue (expense)	6,021	-	1,393
	<u>66,785</u>	<u>-</u>	<u>1,966</u>
TOTAL REVENUES			
	<u>66,785</u>	<u>-</u>	<u>1,966</u>
EXPENDITURES			
Current			
Housing and economic development	-	3,311	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES			
	<u>-</u>	<u>3,311</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>66,785</u>	<u>(3,311)</u>	<u>1,966</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,727,544	3,311	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Discount on bonds issued	-	-	-
Transfers out	(52,256)	-	(185,580)
	<u>1,675,288</u>	<u>3,311</u>	<u>(185,580)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>1,675,288</u>	<u>3,311</u>	<u>(185,580)</u>
NET CHANGE IN FUND BALANCES	1,742,073	-	(183,614)
FUND BALANCES, JANUARY 1	188,414	-	183,614
	<u>188,414</u>	<u>-</u>	<u>183,614</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,930,487</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	<b>344</b>	<b>347</b>	<b>349</b>
	2002B Refunding Bonds	1997 Special Assessments	2005B Refunding Bonds
REVENUES			
Taxes			
Property taxes	\$ 129	\$ -	\$ 95,294
Tax increment district taxes	-	-	-
Special assessments	44	7,014	16,651
Intergovernmental	-	-	-
Investment revenue (expense)	1,914	1,059	938
	<u>2,087</u>	<u>8,073</u>	<u>112,883</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Housing and economic development	-	-	-
Debt service			
Principal	-	-	130,000
Interest	-	-	23,540
Bond issuance costs	-	-	-
	<u>-</u>	<u>-</u>	<u>153,540</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,087</u>	<u>8,073</u>	<u>(40,657)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Discount on bonds issued	-	-	-
Transfers out	(254,273)	(145,441)	-
	<u>(254,273)</u>	<u>(145,441)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(252,186)	(137,368)	(40,657)
FUND BALANCES, JANUARY 1	<u>252,186</u>	<u>137,368</u>	<u>179,664</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,007</u>



<b>360</b>	<b>361</b>	<b>363</b>	<b>364</b>	<b>365</b>	<b>366</b>	<b>367</b>
2000 Special Assessments	2001 Special Assessments	2003 Special Assessments	2004 Special Assessments	2005 Improvement Bonds	2006A Improvement Bonds	2007 Special Assessments
\$ -	\$ -	\$ -	\$ -	\$ 59,280	\$ 59,448	\$ -
-	-	-	-	-	-	-
1,339	10,979	8,793	12,664	23,621	68,184	27,629
-	-	-	-	-	-	-
626	1,586	3,764	511	1,490	3,851	3,479
1,965	12,565	12,557	13,175	84,391	131,483	31,108
-	-	-	-	-	-	-
-	-	-	-	110,000	220,000	-
-	-	-	-	50,640	106,766	-
-	-	-	-	-	-	-
-	-	-	-	160,640	326,766	-
1,965	12,565	12,557	13,175	(76,249)	(195,283)	31,108
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(83,998)	(218,061)	(506,045)	(75,554)	(195,597)	(495,690)	(476,653)
(83,998)	(218,061)	(506,045)	(75,554)	(195,597)	(495,690)	(476,653)
(82,033)	(205,496)	(493,488)	(62,379)	(271,846)	(690,973)	(445,545)
82,033	205,496	493,488	62,379	271,846	690,973	445,545
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF FAIRMONT, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	368	369	305
	2008 Special Assessments	2009 Special Assessments	Fire Truck Debt
REVENUES			
Taxes			
Property taxes	\$ 219,855	\$ 63,908	\$ 67,113
Tax increment district taxes	-	-	-
Special assessments	91,286	74,172	-
Intergovernmental	-	-	-
Investment revenue (expense)	(1,776)	3,428	43
	<u>309,365</u>	<u>141,508</u>	<u>67,156</u>
TOTAL REVENUES			
	<u>309,365</u>	<u>141,508</u>	<u>67,156</u>
EXPENDITURES			
Current			
Housing and economic development	-	-	-
Debt service			
Principal	420,000	100,000	60,000
Interest	154,713	54,275	3,841
Bond issuance costs	-	-	-
	<u>574,713</u>	<u>154,275</u>	<u>63,841</u>
TOTAL EXPENDITURES			
	<u>574,713</u>	<u>154,275</u>	<u>63,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(265,348)</u>	<u>(12,767)</u>	<u>3,315</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	232,642	218,061	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Discount on bonds issued	-	-	-
Transfers out	-	-	-
	<u>232,642</u>	<u>218,061</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>232,642</u>	<u>218,061</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(32,706)	205,294	3,315
FUND BALANCES, JANUARY 1	<u>32,706</u>	<u>371,025</u>	<u>731</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ 576,319</u>	<u>\$ 4,046</u>

<b>355</b>	<b>317</b>	<b>370</b>	<b>371</b>	<b>322</b>	<b>372</b>	<b>Totals</b>	
2003 Refunding Bonds	Cenex Harvest States Development Notes	2010A Refunding Bonds	2011 Improvement Bonds	Tax Increment District No. 22	2012 Refunding Bonds	2012	2011
\$ 2,618	\$ -	\$ 191,272	\$ 93,707	\$ -	\$ 298,146	\$ 1,152,523	\$ 1,025,257
-	334,725	-	-	-	-	334,725	341,402
810	-	52,435	68,928	-	212,649	736,782	795,914
-	-	-	-	301,435	-	301,435	12,933
(35)	-	6,339	2,544	-	11,860	49,035	45,542
<u>3,393</u>	<u>334,725</u>	<u>250,046</u>	<u>165,179</u>	<u>301,435</u>	<u>522,655</u>	<u>2,574,500</u>	<u>2,221,048</u>
-	334,313	-	-	-	-	337,624	349,214
190,000	-	235,000	-	-	-	1,465,000	2,735,000
2,850	-	64,063	56,363	301,471	33,406	851,928	548,909
-	-	-	-	-	94,898	94,898	45,200
<u>192,850</u>	<u>334,313</u>	<u>299,063</u>	<u>56,363</u>	<u>301,471</u>	<u>128,304</u>	<u>2,749,450</u>	<u>3,678,323</u>
<u>(189,457)</u>	<u>412</u>	<u>(49,017)</u>	<u>108,816</u>	<u>(36)</u>	<u>394,351</u>	<u>(174,950)</u>	<u>(1,457,275)</u>
52,256	4,797	-	-	-	691,287	2,929,898	343,662
-	-	-	-	-	5,755,000	5,755,000	81,245
-	-	-	-	-	-	-	51,840
-	-	-	-	-	-	-	(25,513)
-	-	-	-	(8,108)	(232,642)	(2,929,898)	(377,128)
<u>52,256</u>	<u>4,797</u>	<u>-</u>	<u>-</u>	<u>(8,108)</u>	<u>6,213,645</u>	<u>5,755,000</u>	<u>74,106</u>
(137,201)	5,209	(49,017)	108,816	(8,144)	6,607,996	5,580,050	(1,383,169)
<u>137,201</u>	<u>259</u>	<u>807,108</u>	<u>235,270</u>	<u>-</u>	<u>-</u>	<u>4,777,306</u>	<u>6,160,475</u>
<u>\$ -</u>	<u>\$ 5,468</u>	<u>\$ 758,091</u>	<u>\$ 344,086</u>	<u>\$ (8,144)</u>	<u>\$ 6,607,996</u>	<u>\$ 10,357,356</u>	<u>\$ 4,777,306</u>

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## ENTERPRISE FUNDS

Enterprise funds are established to account for the financing for self supporting activities of governmental units which render services on a user charge basis to the general public.

**Public Utilities Commission:** This fund is used to account for the operation, maintenance, and capital improvements of the municipally owned electric, water, steam heat, and wastewater systems in the City.

**Storm Sewer Utility:** This fund is used to account for the operation, maintenance, and capital improvements of the City's storm sewer utility.

**Municipal Liquor:** This fund is used to account for the operation of the municipal off-sale liquor store.

**Parking Lot:** This fund is used to account for costs associated with minor maintenance and parking control of the City's off-street parking lots in the downtown area.

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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Electric Department	\$ 14,856,538	\$ 15,601,619
Water Department	3,023,394	2,838,809
District Heat Department	-	82,626
Wastewater Treatment Department	2,159,105	2,246,597
	<u>20,039,037</u>	<u>20,769,651</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Electric Department		
Production or purchase	11,488,996	11,793,263
Distribution	1,251,599	1,234,196
Administration and other	825,695	781,856
Depreciation	427,794	428,528
	<u>13,994,084</u>	<u>14,237,843</u>
Total Electric Department		
Water Department		
Filtration	957,550	1,007,315
Distribution	449,489	282,000
Administration and other	155,395	160,696
Depreciation	201,195	166,741
	<u>1,763,629</u>	<u>1,616,752</u>
Total Water Department		
District Heat Department		
Production	-	62,657
Distribution	-	602
	<u>-</u>	<u>63,259</u>
Total District Heat Department		
Wastewater Treatment Department		
Treatment	623,509	588,910
Collection	279,944	284,448
Administration and other	151,457	170,820
Depreciation	630,541	609,304
	<u>1,685,451</u>	<u>1,653,482</u>
Total Wastewater Treatment Department		
TOTAL OPERATING EXPENSES	<u>17,443,164</u>	<u>17,571,336</u>
OPERATING INCOME	<u>2,595,873</u>	<u>3,198,315</u>



CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 68,194	\$ 39,655
Federal grants	801,928	4,000,000
State grants	-	8,964
Miscellaneous income	49,410	13,084
Net gain (loss) on sale of assets	33,974	(569,845)
Interest expense	(320,763)	(201,326)
Payments to Economic Development Authority	(81,000)	(81,000)
	<u>551,743</u>	<u>3,209,532</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
	<u>551,743</u>	<u>3,209,532</u>
INCOME BEFORE TRANSFERS	<u>3,147,616</u>	<u>6,407,847</u>
TRANSFERS IN (OUT)		
Lake Restoration fund	-	869,599
District Heat Utility fund	(130)	(869,599)
Water Utility fund	9,816	909
Wastewater Utility fund	(9,686)	(1,020)
Electric Utility fund	-	111
General fund	(777,132)	(777,132)
	<u>(777,132)</u>	<u>(777,132)</u>
TOTAL TRANSFERS OUT		
	<u>(777,132)</u>	<u>(777,132)</u>
CHANGE IN NET POSITION	2,370,484	5,630,715
NET POSITION, JANUARY 1	<u>30,858,818</u>	<u>25,228,103</u>
NET POSITION, DECEMBER 31	<u>\$ 33,229,302</u>	<u>\$ 30,858,818</u>

CITY OF FAIRMONT, MINNESOTA  
STORM SEWER UTILITY FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	(Restated) 2011
OPERATING REVENUES		
Charges for services	\$ 578,036	\$ 575,923
OPERATING EXPENSES		
Storm sewer maintenance		
Personal services	-	16,191
Supplies	1,971	653
Other services and charges	128	1,332
Depreciation	168,172	168,172
Storm sewer and street cleaning		
Personal services	64,346	46,959
Supplies	9,898	26,033
Other services and charges	8,175	2,027
TOTAL OPERATING EXPENSES	252,690	261,367
OPERATING INCOME	325,346	314,556
NONOPERATING REVENUE (EXPENSES)		
Investment income	10,857	22,348
Interest expense	(51,475)	(86,838)
Bond discount/premium amortization	1,319	(18,031)
TOTAL NONOPERATING REVENUES (EXPENSES)	(39,299)	(82,521)
CHANGE IN NET POSITION	286,047	232,035
NET POSITION, JANUARY 1 AS RESTATED	6,182,552	5,950,517
NET POSITION, DECEMBER 31 AS RESTATED	\$ 6,468,599	\$ 6,182,552

CITY OF FAIRMONT, MINNESOTA  
MUNICIPAL LIQUOR FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		2011	
	Amount	Percent	Amount	Percent
OPERATING REVENUES				
Sales	\$ 3,291,955	100.0 %	\$ 3,170,439	100.0 %
Cost of sales	(2,486,326)	(75.5)	(2,326,099)	(73.4)
GROSS PROFIT	805,629	24.5	844,340	26.6
OPERATING EXPENSES				
Off-sale liquor				
Personal services	212,789	6.5	216,830	6.8
Employee benefits	69,665	2.1	72,724	2.3
Supplies	8,769	0.3	9,942	0.3
Professional fees	10,731	0.3	11,864	0.4
Communications	3,820	0.1	3,845	0.1
Transportation	547	-	572	-
Advertising	3,578	0.1	2,342	0.1
Insurance	26,655	0.8	24,436	0.8
Utilities	28,935	0.9	34,006	1.1
Repairs and maintenance	(1,257)	-	60,564	1.9
Depreciation	46,572	1.4	47,097	1.5
Miscellaneous	38,333	1.2	39,890	1.3
TOTAL OPERATING EXPENSES	449,137	13.7	524,112	16.6
OPERATING INCOME	356,492	10.8	320,228	10.0
NONOPERATING REVENUES				
Investment income	7,458	0.2	5,600	0.2
Miscellaneous income	1,196	-	1,285	-
TOTAL NONOPERATING REVENUES	8,654	0.2	6,885	0.2
INCOME BEFORE TRANSFERS	365,146	11.0	327,113	10.2
TRANSFERS OUT	(200,500)	(6.1)	(146,500)	(4.6)
CHANGE IN NET POSITION	164,646	4.9 %	180,613	5.6 %
NET POSITION, JANUARY 1	2,567,427		2,386,814	
NET POSITION, DECEMBER 31	\$ 2,732,073		\$ 2,567,427	

CITY OF FAIRMONT, MINNESOTA  
PARKING LOT FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Meter revenue	<u>\$ 4,824</u>	<u>\$ 4,228</u>
OPERATING EXPENSES		
Off street parking		
Supplies	394	230
Other services and charges	<u>4,511</u>	<u>4,505</u>
TOTAL OPERATING EXPENSES	<u>4,905</u>	<u>4,735</u>
OPERATING LOSS	(81)	(507)
NONOPERATING REVENUES		
Investment income	<u>21</u>	<u>25</u>
CHANGE IN NET POSITION	(60)	(482)
NET POSITION, JANUARY 1	<u>377,741</u>	<u>378,223</u>
NET POSITION, DECEMBER 31	<u><u>\$ 377,681</u></u>	<u><u>\$ 377,741</u></u>

## INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND 2011

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,594	\$ 2,414	\$ 192,467	\$ 8,415
Receivables				
Accounts	-	-	-	-
Due from other funds	-	-	78,361	70,927
Due from component unit	-	-	352	1,239
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	<u>5,594</u>	<u>2,414</u>	<u>271,180</u>	<u>80,581</u>
CAPITAL ASSETS				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
NET CAPITAL ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>5,594</u>	<u>2,414</u>	<u>271,180</u>	<u>80,581</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	671	207	31,490	115,950
Due to other funds	3,961	1,963	255,000	50,000
Accrued wages payable	13,625	9,686	-	-
TOTAL LIABILITIES	<u>18,257</u>	<u>11,856</u>	<u>286,490</u>	<u>165,950</u>
NET POSITION				
Net investment in capital assets	-	-	-	-
Unrestricted	(12,663)	(9,442)	(15,310)	(85,369)
TOTAL NET POSITION	<u>\$ (12,663)</u>	<u>\$ (9,442)</u>	<u>\$ (15,310)</u>	<u>\$ (85,369)</u>



<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
\$ 544,554	\$ 531,520	\$ 515,962	\$ 501,769	\$ 14,651	\$ 23,675	\$ 1,273,228	\$ 1,067,793
-	-	-	967	-	-	-	967
-	-	59,675	58,711	-	-	138,036	129,638
-	-	-	158	-	-	352	1,397
15,000	15,000	-	-	-	-	15,000	15,000
559,554	546,520	575,637	561,605	14,651	23,675	1,426,616	1,214,795
-	-	-	-	267,722	257,870	267,722	257,870
-	-	-	-	(199,519)	(207,703)	(199,519)	(207,703)
-	-	-	-	68,203	50,167	68,203	50,167
559,554	546,520	575,637	561,605	82,854	73,842	1,494,819	1,264,962
-	-	59,075	57,210	1,646	452	92,882	173,819
-	-	-	-	549	414	259,510	52,377
-	-	-	-	32,837	29,662	46,462	39,348
-	-	59,075	57,210	35,032	30,528	398,854	265,544
-	-	-	-	68,203	50,167	68,203	50,167
559,554	546,520	516,562	504,395	(20,381)	(6,853)	1,027,762	949,251
<u>\$ 559,554</u>	<u>\$ 546,520</u>	<u>\$ 516,562</u>	<u>\$ 504,395</u>	<u>\$ 47,822</u>	<u>\$ 43,314</u>	<u>\$ 1,095,965</u>	<u>\$ 999,418</u>

CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<b>701</b>		<b>703</b>	
	Central Garage and Equipment		Medical Self-insurance	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for services	\$ 193,005	\$ 51,661	\$ 1,394,979	\$ 1,514,893
Miscellaneous revenues	67	-	108,549	697
TOTAL OPERATING REVENUES	193,072	51,661	1,503,528	1,515,590
OPERATING EXPENSES				
Administration and other	182,321	57,144	1,434,460	1,595,575
Depreciation	-	-	-	-
TOTAL OPERATING EXPENSES	182,321	57,144	1,434,460	1,595,575
OPERATING INCOME (LOSS)	10,751	(5,483)	69,068	(79,985)
NONOPERATING REVENUES				
Investment income	19	15	991	1,346
INCOME (LOSS) BEFORE TRANSFERS	10,770	(5,468)	70,059	(78,639)
TRANSFERS OUT	(13,991)	-	-	-
CHANGE IN NET POSITION	(3,221)	(5,468)	70,059	(78,639)
NET POSITION, JANUARY 1	(9,442)	(3,974)	(85,369)	(6,730)
NET POSITION, DECEMBER 31	<u>\$ (12,663)</u>	<u>\$ (9,442)</u>	<u>\$ (15,310)</u>	<u>\$ (85,369)</u>

<b>704</b>		<b>705</b>		<b>710</b>			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
\$ 300,845	\$ 331,342	\$ 200,913	\$ 202,499	\$ 161,074	\$ 124,204	\$ 2,250,816	\$ 2,224,599
-	-	37,007	28,632	-	-	145,623	29,329
300,845	331,342	237,920	231,131	161,074	124,204	2,396,439	2,253,928
293,365	282,206	231,090	241,408	139,081	159,980	2,280,317	2,336,313
-	-	-	-	17,715	10,527	17,715	10,527
293,365	282,206	231,090	241,408	156,796	170,507	2,298,032	2,346,840
7,480	49,136	6,830	(10,277)	4,278	(46,303)	98,407	(92,912)
5,554	4,727	5,337	7,105	230	258	12,131	13,451
13,034	53,863	12,167	(3,172)	4,508	(46,045)	110,538	(79,461)
-	-	-	(250,000)	-	-	(13,991)	(250,000)
13,034	53,863	12,167	(253,172)	4,508	(46,045)	96,547	(329,461)
546,520	492,657	504,395	757,567	43,314	89,359	999,418	1,328,879
<u>\$ 559,554</u>	<u>\$ 546,520</u>	<u>\$ 516,562</u>	<u>\$ 504,395</u>	<u>\$ 47,822</u>	<u>\$ 43,314</u>	<u>\$ 1,095,965</u>	<u>\$ 999,418</u>

CITY OF FAIRMONT, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 193,005	\$ 51,661	\$ 1,394,979	\$ 1,514,893
Payments to suppliers	(9,688)	(20,842)	(27,859)	(43,856)
Payments to and on behalf of employees	(130,298)	(23,075)	(1,491,061)	(1,457,374)
Payments for interfund services used	(37,932)	(9,496)	-	-
Other receipts	67	-	108,549	697
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>15,154</b>	<b>(1,752)</b>	<b>(15,392)</b>	<b>14,360</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
(Increase) in due from other funds	-	-	(7,434)	-
Decrease in due from other funds	-	-	-	138,179
Decrease in due from component unit	-	-	887	229
Increase in due to other funds	1,998	-	205,000	-
(Decrease) in due to other funds	-	(8,608)	-	(247,465)
Transfers in/(out) to other funds	(13,991)	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(11,993)</b>	<b>(8,608)</b>	<b>198,453</b>	<b>(109,057)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	19	15	991	1,346
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,180</b>	<b>(10,345)</b>	<b>184,052</b>	<b>(93,351)</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>2,414</b>	<b>12,759</b>	<b>8,415</b>	<b>101,766</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 5,594</b>	<b>\$ 2,414</b>	<b>\$ 192,467</b>	<b>\$ 8,415</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 10,751	\$ (5,483)	\$ 69,068	\$ (79,985)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in assets				
Net accounts receivable	-	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	464	(5,893)	(84,460)	94,345
Accrued wages payable	3,939	9,624	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 15,154</b>	<b>\$ (1,752)</b>	<b>\$ (15,392)</b>	<b>\$ 14,360</b>

<b>704</b> Property, Equipment and Liability Self-insurance		<b>705</b> Worker's Compensation Self-insurance		<b>710</b> Data Processing		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
\$ 300,845	\$ 331,342	\$ 201,880	\$ 201,532	\$ 161,074	\$ 124,254	\$ 2,251,783	\$ 2,223,682
(293,365)	(282,206)	(36,926)	(47,405)	(42,539)	(43,827)	(410,377)	(438,136)
-	-	(192,299)	(184,620)	(83,229)	(81,300)	(1,896,887)	(1,746,369)
-	-	-	-	(8,944)	(10,356)	(46,876)	(19,852)
-	-	37,007	28,632	-	-	145,623	29,329
7,480	49,136	9,662	(1,861)	26,362	(11,229)	43,266	48,654
-	-	(964)	(49,279)	-	-	(8,398)	(49,279)
-	-	-	-	-	-	-	138,179
-	-	158	(111)	-	-	1,045	118
-	-	-	-	135	48	207,133	48
-	-	-	-	-	-	-	(256,073)
-	-	-	(250,000)	-	-	(13,991)	(250,000)
-	-	(806)	(299,390)	135	48	185,789	(417,007)
-	-	-	-	(35,751)	-	(35,751)	-
5,554	4,727	5,337	7,105	230	258	12,131	13,451
13,034	53,863	14,193	(294,146)	(9,024)	(10,923)	205,435	(354,902)
531,520	477,657	501,769	795,915	23,675	34,598	1,067,793	1,422,695
<u>\$ 544,554</u>	<u>\$ 531,520</u>	<u>\$ 515,962</u>	<u>\$ 501,769</u>	<u>\$ 14,651</u>	<u>\$ 23,675</u>	<u>\$ 1,273,228</u>	<u>\$ 1,067,793</u>
\$ 7,480	\$ 49,136	\$ 6,830	\$ (10,277)	\$ 4,278	\$ (46,303)	\$ 98,407	\$ (92,912)
-	-	-	-	17,715	10,527	17,715	10,527
-	-	967	(967)	-	50	967	(917)
-	-	1,865	9,383	1,194	(1,432)	(80,937)	96,403
-	-	-	-	3,175	25,929	7,114	35,553
<u>\$ 7,480</u>	<u>\$ 49,136</u>	<u>\$ 9,662</u>	<u>\$ (1,861)</u>	<u>\$ 26,362</u>	<u>\$ (11,229)</u>	<u>\$ 43,266</u>	<u>\$ 48,654</u>

CITY OF FAIRMONT, MINNESOTA  
CENTRAL GARAGE AND EQUIPMENT FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 193,005	\$ 51,661
Miscellaneous revenues	<u>67</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>193,072</u>	<u>51,661</u>
OPERATING EXPENSES		
Administration and other		
Central garage		
Personal services	171,366	41,189
Supplies	7,910	11,979
Other services and charges	<u>3,045</u>	<u>3,976</u>
TOTAL OPERATING EXPENSES	<u>182,321</u>	<u>57,144</u>
OPERATING INCOME (LOSS)	10,751	(5,483)
NONOPERATING REVENUES		
Investment income	<u>19</u>	<u>15</u>
INCOME (LOSS) BEFORE TRANSFERS	10,770	(5,468)
TRANSFERS OUT	<u>(13,991)</u>	<u>-</u>
CHANGE IN NET POSITION	(3,221)	(5,468)
NET POSITION, JANUARY 1	<u>(9,442)</u>	<u>(3,974)</u>
NET POSITION, DECEMBER 31	<u><u>\$ (12,663)</u></u>	<u><u>\$ (9,442)</u></u>

CITY OF FAIRMONT, MINNESOTA  
MEDICAL SELF-INSURANCE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 1,394,979	\$ 1,514,893
Miscellaneous revenues	<u>108,549</u>	<u>697</u>
 TOTAL OPERATING REVENUES	 <u>1,503,528</u>	 <u>1,515,590</u>
OPERATING EXPENSES		
Administration and other		
Medical insurance		
Other services and charges	27,859	43,856
Insurance premiums paid	1,162,114	1,120,377
Insurance claims paid	<u>244,487</u>	<u>431,342</u>
 TOTAL OPERATING EXPENSES	 <u>1,434,460</u>	 <u>1,595,575</u>
OPERATING INCOME (LOSS)	69,068	(79,985)
NONOPERATING REVENUES		
Investment income	<u>991</u>	<u>1,346</u>
CHANGE IN NET POSITION	70,059	(78,639)
NET POSITION, JANUARY 1	<u>(85,369)</u>	<u>(6,730)</u>
NET POSITION, DECEMBER 31	<u><u>\$ (15,310)</u></u>	<u><u>\$ (85,369)</u></u>

CITY OF FAIRMONT, MINNESOTA  
PROPERTY, EQUIPMENT AND LIABILITY SELF-INSURANCE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	<u>\$ 300,845</u>	<u>\$ 331,342</u>
OPERATING EXPENSES		
Administration and other		
Property and liability insurance		
Insurance premiums paid	231,693	243,148
Insurance claims paid	29,172	23,308
Other services and charges	<u>32,500</u>	<u>15,750</u>
TOTAL OPERATING EXPENSES	<u>293,365</u>	<u>282,206</u>
OPERATING INCOME	7,480	49,136
NONOPERATING REVENUES		
Investment income	<u>5,554</u>	<u>4,727</u>
CHANGE IN NET POSITION	13,034	53,863
NET POSITION, JANUARY 1	<u>546,520</u>	<u>492,657</u>
NET POSITION, DECEMBER 31	<u><u>\$ 559,554</u></u>	<u><u>\$ 546,520</u></u>



CITY OF FAIRMONT, MINNESOTA  
 WORKER'S COMPENSATION SELF-INSURANCE FUND  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 200,913	\$ 202,499
Miscellaneous revenues	<u>37,007</u>	<u>28,632</u>
TOTAL OPERATING REVENUES	<u>237,920</u>	<u>231,131</u>
OPERATING EXPENSES		
Administration and other		
Supplies	240	770
Other services and charges	36,686	46,635
Worker's compensation insurance		
Insurance premiums paid	<u>194,164</u>	<u>194,003</u>
TOTAL OPERATING EXPENSES	<u>231,090</u>	<u>241,408</u>
OPERATING INCOME (LOSS)	6,830	(10,277)
NONOPERATING REVENUES		
Investment income	<u>5,337</u>	<u>7,105</u>
INCOME (LOSS) BEFORE TRANSFERS	12,167	(3,172)
TRANSFERS OUT	<u>-</u>	<u>(250,000)</u>
CHANGE IN NET POSITION	12,167	(253,172)
NET POSITION, JANUARY 1	<u>504,395</u>	<u>757,567</u>
NET POSITION, DECEMBER 31	<u><u>\$ 516,562</u></u>	<u><u>\$ 504,395</u></u>

CITY OF FAIRMONT, MINNESOTA  
DATA PROCESSING FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	<u>\$ 161,074</u>	<u>\$ 124,204</u>
OPERATING EXPENSES		
Administration and other		
Data processing		
Personal services	94,610	116,988
Supplies	13,148	14,427
Other services and charges	31,323	28,565
Depreciation	<u>17,715</u>	<u>10,527</u>
TOTAL OPERATING EXPENSES	<u>156,796</u>	<u>170,507</u>
OPERATING INCOME (LOSS)	4,278	(46,303)
NONOPERATING REVENUES		
Investment income	<u>230</u>	<u>258</u>
CHANGE IN NET POSITION	4,508	(46,045)
NET POSITION, JANUARY 1	<u>43,314</u>	<u>89,359</u>
NET POSITION, DECEMBER 31	<u><u>\$ 47,822</u></u>	<u><u>\$ 43,314</u></u>

## AGENCY FUNDS

Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units.

**Police Relief Trust:** This fund is used to account for the State aids that the City receives and benefit costs for the Police Relief Association.

**C.V.B. Tax Agency:** This fund is used to account for taxes collected by the City on lodging facilities. Ninety-five percent of the taxes collected are transferred to the local Convention and Visitors Bureau.

**Flex Plan:** This fund is used to account for deposits to and withdrawals from the City employee cafeteria plan.

**Multi-Family Housing:** This fund is used to account for rents received and expenditures made related to the Burton Lane rental property.

**HRA Potter's Addition:** This fund is used to account for the rents and expenses of the 16 unit rental recently constructed by the HRA.

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CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2012

	<b>860</b>	<b>873</b>	<b>706</b>	<b>871</b>	<b>872</b>	
	Police	C.V.B.	Flex	Multi-	HRA	
	Relief Trust	Tax	Plan	Family	Potter's	Total
		Agency		Housing	Addition	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 135,395	\$ 9,667	\$ 11,735	\$ 74,008	\$ 147,760	\$ 378,565
Due from other funds	-	-	1,537	-	-	1,537
<b>TOTAL ASSETS</b>	<u><u>\$ 135,395</u></u>	<u><u>\$ 9,667</u></u>	<u><u>\$ 13,272</u></u>	<u><u>\$ 74,008</u></u>	<u><u>\$ 147,760</u></u>	<u><u>\$ 380,102</u></u>
<b>LIABILITIES</b>						
Accounts payable	\$ 135,395	\$ 9,667	\$ 13,272	\$ 69,351	\$ 137,633	\$ 365,318
Deposits payable	-	-	-	4,657	10,127	14,784
<b>TOTAL LIABILITIES</b>	<u><u>\$ 135,395</u></u>	<u><u>\$ 9,667</u></u>	<u><u>\$ 13,272</u></u>	<u><u>\$ 74,008</u></u>	<u><u>\$ 147,760</u></u>	<u><u>\$ 380,102</u></u>

CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>POLICE RELIEF TRUST FUND (860)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 90,252	\$ 149,060	\$ 103,917	\$ 135,395
Investments	<u>7,173,657</u>	<u>9,801</u>	<u>7,183,458</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,263,909</u></u>	<u><u>\$ 158,861</u></u>	<u><u>\$ 7,287,375</u></u>	<u><u>\$ 135,395</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u><u>\$ 7,263,909</u></u>	<u><u>\$ 281,553</u></u>	<u><u>\$ 7,410,067</u></u>	<u><u>\$ 135,395</u></u>
<b>C. V. B. TAX AGENCY FUND (873)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,196	\$ 149,770	\$ 149,299	\$ 9,667
Accounts receivable	<u>548</u>	<u>-</u>	<u>548</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,744</u></u>	<u><u>\$ 149,770</u></u>	<u><u>\$ 149,847</u></u>	<u><u>\$ 9,667</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u><u>\$ 9,744</u></u>	<u><u>\$ 142,490</u></u>	<u><u>\$ 142,567</u></u>	<u><u>\$ 9,667</u></u>
<b>FLEX PLAN FUND (706)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,821	\$ 82,856	\$ 78,942	\$ 11,735
Due from other funds	<u>1,882</u>	<u>43,610</u>	<u>43,955</u>	<u>1,537</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,703</u></u>	<u><u>\$ 126,466</u></u>	<u><u>\$ 122,897</u></u>	<u><u>\$ 13,272</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u><u>\$ 9,703</u></u>	<u><u>\$ 88,801</u></u>	<u><u>\$ 85,232</u></u>	<u><u>\$ 13,272</u></u>
<b>MULTI-FAMILY HOUSING FUND (871)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 52,425	\$ 65,141	\$ 43,558	\$ 74,008
Accounts receivable	<u>-</u>	<u>53,600</u>	<u>53,600</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 52,425</u></u>	<u><u>\$ 118,741</u></u>	<u><u>\$ 97,158</u></u>	<u><u>\$ 74,008</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 47,768	\$ 85,357	\$ 63,774	\$ 69,351
Deposits payable	<u>4,657</u>	<u>645</u>	<u>645</u>	<u>4,657</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 52,425</u></u>	<u><u>\$ 86,002</u></u>	<u><u>\$ 64,419</u></u>	<u><u>\$ 74,008</u></u>

CITY OF FAIRMONT, MINNESOTA  
 AGENCY FUNDS  
 INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>HRA POTTER'S ADDITION FUND (872)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 119,066	\$ 136,290	\$ 107,596	\$ 147,760
Accounts receivable	(20)	133,300	133,280	-
<b>TOTAL ASSETS</b>	<u>\$ 119,046</u>	<u>\$ 269,590</u>	<u>\$ 240,876</u>	<u>\$ 147,760</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 108,969	\$ 136,260	\$ 107,596	\$ 137,633
Deposits payable	10,077	700	650	10,127
<b>TOTAL LIABILITIES</b>	<u>\$ 119,046</u>	<u>\$ 136,960</u>	<u>\$ 108,246</u>	<u>\$ 147,760</u>
<b>TOTALS - ALL FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 278,760	\$ 583,117	\$ 483,312	\$ 378,565
Investments	7,173,657	9,801	7,183,458	-
Accounts receivable	528	186,900	187,428	-
Due from other funds	1,882	43,610	43,955	1,537
<b>TOTAL ASSETS</b>	<u>\$ 7,454,827</u>	<u>\$ 823,428</u>	<u>\$ 7,898,153</u>	<u>\$ 380,102</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,440,093	\$ 734,461	\$ 7,809,236	\$ 365,318
Deposits payable	14,734	1,345	1,295	14,784
<b>TOTAL LIABILITIES</b>	<u>\$ 7,454,827</u>	<u>\$ 735,806</u>	<u>\$ 7,810,531</u>	<u>\$ 380,102</u>

CITY OF FAIRMONT, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and temporary investments	\$ 128,263	\$ 150,746
Receivables		
Delinquent taxes	3,276	3,108
Accounts	188	118
Loans	39,301	28,112
Due from other governments	819	1,269
<b>TOTAL ASSETS</b>	<u><u>\$ 171,847</u></u>	<u><u>\$ 183,353</u></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 5,276	\$ 2,719
Due to primary government	352	1,442
Accrued wages payable	8,284	6,594
<b>TOTAL LIABILITIES</b>	<u>13,912</u>	<u>10,755</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - taxes	<u>3,276</u>	<u>3,108</u>
<b>FUND BALANCES</b>		
Assigned for		
Economic development	<u>154,659</u>	<u>169,490</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 171,847</u></u>	<u><u>\$ 168,522</u></u>
Total fund balances - governmental funds as shown above	\$ 154,659	\$ 169,490
Amounts reported for governmental activities in the statement of net position are different because		
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Sick leave/severance payable	(10,099)	(34,082)
Postemployment benefits other than pension obligation	(4,150)	(3,595)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable	3,276	3,108
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>(6,660)</u>	<u>(8,250)</u>
Total net position - governmental activities	<u><u>\$ 137,026</u></u>	<u><u>\$ 126,671</u></u>



CITY OF FAIRMONT, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUES		
Taxes	\$ 100,272	\$ 89,941
Intergovernmental	-	1,196
Payments from City	81,000	81,000
Investment revenue	1,157	1,709
Miscellaneous	50,491	5,494
	<hr/>	<hr/>
TOTAL REVENUES	232,920	179,340
EXPENDITURES		
Current		
Housing and economic development	247,751	195,858
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(14,831)	(16,518)
FUND BALANCES, JANUARY 1	169,490	186,008
	<hr/>	<hr/>
FUND BALANCES, DECEMBER 31	\$ 154,659	\$ 169,490
	<hr/>	<hr/>
Net change in fund balances - governmental funds as shown above	\$ (14,831)	\$ (16,518)
Amounts reported for governmental activities in the statement of activities are different because		
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	168	674
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	23,983	36
Post employment benefits other than pension costs	(555)	(770)
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.		
	1,590	(1,812)
	<hr/>	<hr/>
Change in net position - governmental activities	\$ 10,355	\$ (18,390)
	<hr/>	<hr/>

CITY OF FAIRMONT, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total 2012	Total 2011	Percent Increase (Decrease)	
<b>REVENUES</b>				
Taxes	\$ 3,398,775	\$ 2,977,296	14.16	%
Special assessments	736,782	795,914	(7.43)	
Licenses and permits	192,982	164,159	17.56	
Intergovernmental	5,263,882	5,466,554	(3.71)	
Charges for services	304,432	293,483	3.73	
Fines and forfeits	74,671	72,617	2.83	
Investment earnings	132,406	135,391	(2.20)	
Miscellaneous	315,626	326,767	(3.41)	
<b>TOTAL REVENUES</b>	<b>\$ 10,419,556</b>	<b>\$ 10,232,181</b>	1.83	%
Per Capita	\$ 980	\$ 959	2.17	%
<b>EXPENDITURES</b>				
Current				
General government	\$ 1,157,782	\$ 1,085,598	6.65	%
Public safety	2,826,749	2,837,558	(0.38)	
Streets and highways	1,490,721	1,614,159	(7.65)	
Sanitation and waste removal	10,274	7,571	35.70	
Culture and recreation	1,207,576	1,134,889	6.40	
Housing and economic development	573,075	502,151	14.12	
Miscellaneous	210,815	187,033	12.72	
Capital outlay				
General government	42,077	58,625	(28.23)	
Public safety	31,781	5,500	477.84	
Streets and highways	1,964,950	2,017,482	(2.60)	
Culture and recreation	1,324,292	647,456	104.54	
Miscellaneous	633,005	685,982	(7.72)	
Debt service				
Principal	1,465,000	2,735,000	(46.44)	
Interest and other charges	851,928	503,709	69.13	
Bond issuance costs	94,898	45,200	100.00	
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,884,923</b>	<b>\$ 14,067,913</b>	(1.30)	%
Per Capita	\$ 1,306	\$ 1,319	(0.98)	%
<b>Total Long-term Indebtedness</b>	<b>\$ 19,755,000</b>	<b>\$ 15,465,000</b>	27.74	%
Per Capita	1,858	1,450	28.16	
<b>General Fund Balance - December 31</b>	<b>\$ 4,261,514</b>	<b>\$ 5,254,473</b>	(18.90)	%
Per Capita	401	493	(18.63)	

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



# STATISTICAL SECTION (UNAUDITED)

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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CITY OF FAIRMONT, MINNESOTA  
NET POSITION BY COMPONENT  
2003 - 2012  
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental activities					
Net investment in capital assets	\$33,902,134	\$31,176,518	\$31,067,381	\$29,608,919	\$29,466,796
Restricted	8,523,280	12,247,802	11,329,052	8,777,860	8,742,535
Unrestricted	8,894,292	6,960,460	6,469,646	8,413,308	9,094,484
Total governmental activities net position	<u>51,319,706</u>	<u>50,384,780</u>	<u>48,866,079</u>	<u>46,800,087</u>	<u>47,303,815</u>
Business-type activities					
Net investment in capital assets	33,021,655	30,733,612	28,564,935	27,473,728	25,963,034
Restricted	-	-	-	230,583	188,920
Unrestricted	10,123,274	9,556,319	5,724,972	5,575,435	6,451,241
Total business-type activities net position	<u>43,144,929</u>	<u>40,289,931</u>	<u>34,289,907</u>	<u>33,279,746</u>	<u>32,603,195</u>
Primary government					
Net investment in capital assets	66,923,789	61,910,130	59,632,316	57,082,647	55,429,830
Restricted	8,523,280	12,247,802	11,329,052	9,008,443	8,931,455
Unrestricted	19,017,566	16,516,779	12,194,618	13,988,743	15,545,725
Total primary government net position	<u>\$94,464,635</u>	<u>\$90,674,711</u>	<u>\$83,155,986</u>	<u>\$80,079,833</u>	<u>\$79,907,010</u>

Table 1

Fiscal Year				
2007	2006	2005	2004	2003
\$30,163,926	\$28,694,891	\$28,582,193	\$24,415,757	\$20,861,337
7,109,482	6,749,627	5,460,174	7,476,772	9,343,627
7,824,533	9,112,251	8,592,101	9,084,536	9,793,745
45,097,941	44,556,769	42,634,468	40,977,065	39,998,709
25,102,399	24,242,515	22,903,273	22,591,639	22,179,107
188,770	192,065	194,670	194,077	178,453
7,054,255	8,194,097	9,270,730	10,941,441	11,343,134
32,345,424	32,628,677	32,368,673	33,727,157	33,700,694
55,266,325	52,937,406	51,485,466	47,007,396	43,040,444
7,298,252	6,941,692	5,654,844	7,670,849	9,522,080
14,878,788	17,306,348	17,862,831	20,025,977	21,136,879
<u>\$77,443,365</u>	<u>\$77,185,446</u>	<u>\$75,003,141</u>	<u>\$74,704,222</u>	<u>\$73,699,403</u>



CITY OF FAIRMONT, MINNESOTA  
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
2003 - 2012  
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
EXPENSES					
Governmental activities					
General government	\$ 1,179,100	\$ 1,115,019	\$ 1,092,840	\$ 1,194,126	\$ 1,060,319
Public safety	2,880,151	2,941,828	2,887,905	3,126,827	3,197,366
Public works/streets	2,853,511	3,599,560	2,927,285	3,166,150	2,880,160
Sanitation and waste removal	10,274	7,571	14,899	6,870	7,007
Culture and recreation	1,324,605	1,301,894	1,341,726	1,424,713	1,455,094
Housing development	138,287	24,266	282,849	172,673	50,661
Economic development	384,968	492,664	412,234	480,767	487,790
Miscellaneous	302,744	318,644	325,526	543,557	346,929
Interest on long-term debt	959,710	547,580	579,300	604,535	502,413
Total governmental activities expenses	<u>10,033,350</u>	<u>10,349,026</u>	<u>9,864,564</u>	<u>10,720,218</u>	<u>9,987,739</u>
Business-type activities					
Electric	14,200,187	14,751,216	14,472,796	13,773,937	14,015,988
District heat	-	244,063	363,596	345,237	389,609
Water	1,930,796	1,680,372	1,867,238	1,889,420	1,718,635
Wastewater	1,811,295	1,837,211	1,788,281	1,776,424	1,770,331
Storm sewer	299,870	366,330	356,087	347,372	354,246
Liquor	2,931,921	2,848,468	2,671,313	2,494,940	2,397,033
Parking lot	4,905	4,735	4,456	4,529	4,170
Total business-type activities expenses	<u>21,178,974</u>	<u>21,732,395</u>	<u>21,523,767</u>	<u>20,631,859</u>	<u>20,650,012</u>
Total primary government expenses	<u>\$31,212,324</u>	<u>\$32,081,421</u>	<u>\$31,388,331</u>	<u>\$31,352,077</u>	<u>\$30,637,751</u>

Table 2

Fiscal Year				
2007	2006	2005	2004	2003
\$ 1,006,428	\$ 994,539	\$ 882,737	\$ 859,426	\$ 818,308
2,954,994	2,804,377	2,643,503	2,638,148	2,520,659
3,172,692	3,033,253	2,914,384	2,364,502	1,912,453
1,424	3,388	4,690	4,497	2,925
1,326,143	1,324,626	1,259,579	1,086,833	1,164,530
11,281	4,502	19,233	163,652	231,932
583,879	588,693	655,414	267,186	(18,551)
371,100	390,795	304,118	287,064	257,832
538,319	516,123	504,135	556,612	617,910
<u>9,966,260</u>	<u>9,660,296</u>	<u>9,187,793</u>	<u>8,227,920</u>	<u>7,507,998</u>
14,099,206	12,842,254	11,590,391	11,166,219	11,549,128
330,122	588,710	628,433	530,207	532,144
1,591,493	1,457,492	1,339,832	1,255,130	1,167,480
1,696,362	1,234,535	931,160	785,031	782,140
369,270	355,847	392,884	349,222	323,356
2,219,043	2,064,655	2,017,624	1,924,021	1,976,385
4,243	4,142	3,745	3,977	4,044
<u>20,309,739</u>	<u>18,547,635</u>	<u>16,904,069</u>	<u>16,013,807</u>	<u>16,334,677</u>
<u>\$30,275,999</u>	<u>\$28,207,931</u>	<u>\$26,091,862</u>	<u>\$24,241,727</u>	<u>\$23,842,675</u>

CITY OF FAIRMONT, MINNESOTA  
CHANGES IN NET POSITION - CONTINUED  
2003 - 2012  
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>PROGRAM REVENUES</b>					
Governmental activities					
Charges for services					
General government	\$ 188,707	\$ 213,341	\$ 168,661	\$ 199,666	\$ 210,471
Public safety	220,627	192,848	225,456	253,974	266,785
Public works/streets	4,738	1,511	750	12,356	5,135
Sanitation and waste removal	14,471	12,850	16,112	13,159	12,351
Culture and recreation	154,816	138,197	155,301	131,581	156,581
Housing development	9,248	7,453	11,651	2,720	1,282
Economic development	54,036	44,355	38,919	56,104	64,752
Miscellaneous	116,964	98,727	111,911	64,452	61,189
Operating grants and contributions	527,512	125,964	276,326	240,165	138,964
Capital grants and contributions	1,250,688	2,280,747	2,909,384	816,843	3,031,112
Total governmental activities program revenues	2,541,807	3,115,993	3,914,471	1,791,020	3,948,622
Business-type activities					
Charges for services					
Electric	15,074,146	15,649,347	14,782,836	14,263,137	13,840,140
District heat	-	82,626	129,919	144,589	170,136
Water	3,015,814	2,863,396	2,425,175	2,142,344	1,817,612
Wastewater	2,188,663	2,280,406	2,270,558	2,131,641	2,121,385
Storm sewer	576,106	575,513	577,995	570,837	534,682
Liquor	3,293,151	3,171,724	3,151,913	2,862,973	2,773,689
Parking	4,824	4,228	4,798	4,619	4,760
Operating grants and contributions	-	8,964	-	-	-
Capital grants and contributions	801,928	4,000,000	-	-	-
Total business-type activities program revenues	24,954,632	28,636,204	23,343,194	22,120,140	21,262,404
Total primary government program revenues	\$27,496,439	\$31,752,197	\$27,257,665	\$23,911,160	\$25,211,026

Table 2 (Continued)

Fiscal Year				
2007	2006	2005	2004	2003
\$ 167,619	\$ 163,751	\$ 190,426	\$ 180,112	\$ 162,624
351,482	325,685	323,454	237,163	180,366
(100)	7,020	4,496	1,786	2,549
8,693	11,695	8,810	8,310	11,248
168,027	187,881	197,958	159,469	212,012
1,872	1,303	4,264	1,440	14,722
73,424	72,116	64,686	44,630	34,676
59,544	52,756	46,913	45,546	40,257
252,957	112,729	149,957	540,977	551,074
<u>1,328,467</u>	<u>3,333,692</u>	<u>1,341,687</u>	<u>1,213,394</u>	<u>1,746,115</u>
 2,411,985	 4,268,628	 2,332,651	 2,432,827	 2,955,643
  13,599,866	  12,843,502	  11,756,841	  11,169,858	  11,604,347
211,636	359,384	377,918	383,564	433,756
1,690,094	1,487,589	1,328,702	1,337,572	1,274,337
2,080,509	1,684,915	1,585,714	1,593,005	1,465,979
533,656	506,346	505,923	503,829	501,450
2,595,689	2,355,085	2,355,551	2,201,736	2,183,621
4,300	4,442	4,700	3,888	4,169
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,369,183</u>
 20,715,750	 19,241,263	 17,915,349	 17,193,452	 20,836,842
<u>\$23,127,735</u>	<u>\$23,509,891</u>	<u>\$20,248,000</u>	<u>\$19,626,279</u>	<u>\$23,792,485</u>

CITY OF FAIRMONT, MINNESOTA  
CHANGES IN NET POSITION - CONTINUED  
2003 - 2012  
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>PROGRAM REVENUES - CONTINUED</b>					
Net (expense)/revenue					
Governmental activities	\$ (7,491,543)	\$ (7,233,033)	\$ (5,950,093)	\$ (8,929,198)	\$ (6,039,117)
Business-type activities	3,775,658	6,903,809	1,819,427	1,488,281	612,392
Total primary government net expense	<u>\$ 3,715,885</u>	<u>\$ 329,224</u>	<u>\$ 4,130,666</u>	<u>\$ 7,440,917</u>	<u>\$ 5,426,725</u>
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION</b>					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 1,885,398	\$ 1,596,716	\$ 1,473,465	\$ 1,384,997	\$ 1,294,022
Property taxes, levied for debt service	1,152,523	1,025,257	1,013,775	1,019,496	960,718
Tax increments	334,725	341,402	563,453	618,379	535,153
Franchise taxes	34,343	35,392	35,749	35,119	34,966
Grants and contributions not restricted to specific programs	3,822,810	3,795,820	3,863,130	4,228,418	4,062,298
Unrestricted investment earnings	144,537	148,842	156,145	182,804	372,450
Other revenues	32,397	109,528	10,497	68,704	38,373
Gain on sale of capital assets	42,104	974,652	6,423	767	23,202
Transfers	977,632	923,632	890,561	885,601	905,600
Total governmental activities	<u>8,426,469</u>	<u>8,951,241</u>	<u>8,013,198</u>	<u>8,424,285</u>	<u>8,226,782</u>
Business-type activities					
Unrestricted investment earnings	56,972	36,075	81,295	73,871	266,672
Gain on sale of capital assets	-	-	-	-	-
Transfers	(977,632)	(923,632)	(890,561)	(885,601)	(905,600)
Total business-type activities	<u>(920,660)</u>	<u>(887,557)</u>	<u>(809,266)</u>	<u>(811,730)</u>	<u>(638,928)</u>
Total primary government	<u>\$ 7,505,809</u>	<u>\$ 8,063,684</u>	<u>\$ 7,203,932</u>	<u>\$ 7,612,555</u>	<u>\$ 7,587,854</u>
<b>CHANGES IN NET POSITION</b>					
Governmental activities	\$ 934,926	\$ 1,718,208	\$ 2,063,105	\$ (504,913)	\$ 2,187,665
Business-type activities	2,854,998	6,016,252	1,010,161	676,551	(26,536)
Total primary government	<u>\$ 3,789,924</u>	<u>\$ 7,734,460</u>	<u>\$ 3,073,266</u>	<u>\$ 171,638</u>	<u>\$ 2,161,129</u>

Table 2 (Continued)

Fiscal Year				
2007	2006	2005	2004	2003
\$ (7,554,275)	\$ (5,391,668)	\$ (6,855,142)	\$ (5,795,093)	\$ (4,552,355)
406,011	693,628	1,011,280	1,179,645	4,502,165
<u>\$ 7,148,264</u>	<u>\$ 4,698,040</u>	<u>\$ 5,843,862</u>	<u>\$ 4,615,448</u>	<u>\$ 50,190</u>
\$ 928,986	\$ 644,696	\$ 519,168	\$ 419,540	\$ 365,755
948,981	922,207	914,888	900,322	916,223
517,057	476,193	485,440	451,811	204,230
31,684	30,406	30,551	30,193	29,389
4,105,271	3,894,734	3,708,475	3,545,432	3,513,875
424,745	507,842	200,235	126,858	163,922
89,469	94,688	43,077	20,904	29,051
8,552	11,202	2,835	9,972	8,902
1,040,702	743,001	2,600,341	1,194,958	808,515
<u>8,095,447</u>	<u>7,324,969</u>	<u>8,505,010</u>	<u>6,699,990</u>	<u>6,039,862</u>
351,438	298,377	220,577	115,235	176,805
-	-	-	-	7,238
<u>(1,040,702)</u>	<u>(743,001)</u>	<u>(2,600,341)</u>	<u>(1,194,958)</u>	<u>(808,515)</u>
<u>(689,264)</u>	<u>(444,624)</u>	<u>(2,379,764)</u>	<u>(1,079,723)</u>	<u>(624,472)</u>
<u>\$ 7,406,183</u>	<u>\$ 6,880,345</u>	<u>\$ 6,125,246</u>	<u>\$ 5,620,267</u>	<u>\$ 5,415,390</u>
\$ 541,172	\$ 1,933,301	\$ 1,649,868	\$ 904,897	\$ 1,487,507
<u>(283,253)</u>	<u>249,004</u>	<u>(1,368,484)</u>	<u>99,922</u>	<u>3,877,693</u>
<u>\$ 257,919</u>	<u>\$ 2,182,305</u>	<u>\$ 281,384</u>	<u>\$ 1,004,819</u>	<u>\$ 5,365,200</u>

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CITY OF FAIRMONT, MINNESOTA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
2003 - 2012  
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service			
2012	\$ 1,885,398	\$ 1,152,523	\$ 334,725	\$ 34,343	\$ 3,406,989
2011	1,596,716	1,025,257	341,402	35,392	2,998,767
2010	1,473,465	1,013,775	563,453	35,749	3,086,442
2009	1,384,997	1,019,496	618,379	35,119	3,057,991
2008	1,294,022	960,718	535,153	34,966	2,824,859
2007	928,986	948,981	517,057	31,684	2,426,708
2006	644,696	922,207	476,193	30,406	2,073,502
2005	519,168	914,888	485,440	30,551	1,950,047
2004	419,540	900,322	451,811	30,193	1,801,866
2003	365,755	916,223	204,230	29,389	1,515,597



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

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Restricted (Reserved 2003 - 2010)	\$ 7,221	\$ 1,535	\$ 1,088	\$ 305	\$ 674
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2003 - 2010)	<u>4,189,811</u>	<u>4,265,117</u>	<u>4,187,799</u>	<u>3,907,756</u>	<u>4,382,179</u>
Total General fund	<u><u>\$ 4,197,032</u></u>	<u><u>\$ 4,266,652</u></u>	<u><u>\$ 4,188,887</u></u>	<u><u>\$ 3,908,061</u></u>	<u><u>\$ 4,382,853</u></u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2003 - 2010)	7,624,496	5,790,496	5,964,262	6,536,169	5,663,487
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2003 - 2010)	<u>2,023,400</u>	<u>1,100,238</u>	<u>1,644,460</u>	<u>2,511,771</u>	<u>902,816</u>
Total all other governmental funds	<u><u>\$ 9,647,896</u></u>	<u><u>\$ 6,890,734</u></u>	<u><u>\$ 7,608,722</u></u>	<u><u>\$ 9,047,940</u></u>	<u><u>\$ 6,566,303</u></u>

Table 4

Fiscal Year				
2008	2009	2010	2011	2012
\$ 660	\$ 2,300	\$ -	\$ -	\$ -
-	-	40,387	40,387	104,777
-	-	1,757,373	1,757,373	909,063
4,430,488	4,744,998	3,091,341	3,456,713	3,247,674
<u>\$ 4,431,148</u>	<u>\$ 4,747,298</u>	<u>\$ 4,889,101</u>	<u>\$ 5,254,473</u>	<u>\$ 4,261,514</u>
\$ -	\$ -	\$ -	\$ 4,000	\$ 4,080
6,084,586	6,368,794	7,530,799	8,178,777	12,491,677
-	-	-	89,950	137,347
-	-	-	2,525,140	2,412,379
2,609,474	2,248,030	3,242,524	(276,237)	(207,534)
<u>\$ 8,694,060</u>	<u>\$ 8,616,824</u>	<u>\$10,773,323</u>	<u>\$10,521,630</u>	<u>\$14,837,949</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
REVENUES					
Taxes	\$ 1,517,098	\$ 1,800,789	\$ 1,948,345	\$ 2,068,198	\$ 2,402,159
Special assessments	722,359	727,311	726,309	762,723	883,363
Intergovernmental revenue	5,185,430	4,525,790	4,425,303	5,703,021	4,838,805
Licenses and permits	187,889	236,563	219,471	285,907	305,566
Charges for services	256,938	218,428	371,824	290,390	263,051
Fines and forfeits	64,881	77,341	77,302	66,097	72,315
Interest	162,500	117,420	177,396	460,553	374,172
Other revenues	1,217,978	292,632	357,585	411,508	449,753
TOTAL REVENUES	9,315,073	7,996,274	8,303,535	10,048,397	9,589,184
EXPENDITURES					
General government	792,207	849,768	831,359	933,372	919,007
Public safety	2,428,669	2,592,809	2,533,499	2,627,231	2,768,860
Public works	1,083,911	1,097,422	1,221,539	1,208,480	1,237,171
Culture and recreation	1,000,968	1,157,701	1,103,259	1,101,949	1,092,247
Housing and economic development	79,662	155,928	607,135	426,497	470,839
Public transportation	137,394	138,674	165,500	232,903	179,355
Capital outlay	3,184,439	2,115,818	3,653,447	4,595,167	2,687,112
Debt service					
Principal	2,555,000	3,185,000	1,230,000	1,440,000	2,745,000
Interest and fees	694,175	585,654	494,373	508,009	537,140
TOTAL EXPENDITURES	11,956,425	11,878,774	11,840,111	13,073,608	12,636,731
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,641,352)	(3,882,500)	(3,536,576)	(3,025,211)	(3,047,547)
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	-
Transfers in	2,321,506	3,258,805	5,914,161	1,360,040	1,946,802
Transfers out	(1,584,991)	(2,063,847)	(3,323,820)	(628,039)	(906,100)
Refunding bonds issued	3,120,000	-	1,150,000	-	-
Bonds issued	-	-	1,800,000	3,500,000	-
Premium/discount on bonds issued	(18,720)	-	(53,542)	(48,398)	-
Payments to refunded bond escrow agent	-	-	(1,310,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,837,795	1,194,958	4,176,799	4,183,603	1,040,702
NET CHANGE IN FUND BALANCES	\$ 1,196,443	\$ (2,687,542)	\$ 640,223	\$ 1,158,392	\$ (2,006,845)
Debt service as a percentage of noncapital expenditures	33%	37%	19%	21%	30%

Table 5

Fiscal Year				
2008	2009	2010	2011	2012
\$ 2,790,577	\$ 3,027,035	\$ 3,071,934	\$ 2,977,296	\$ 3,398,775
822,304	961,413	1,209,484	795,914	736,782
5,024,945	4,576,936	6,356,499	5,466,554	5,263,882
191,497	259,405	209,472	164,159	192,982
294,254	194,932	246,652	293,483	304,432
101,767	90,530	79,054	72,617	74,671
320,276	160,308	138,235	135,391	132,406
514,536	314,345	294,939	326,767	315,626
10,060,156	9,584,904	11,606,269	10,232,181	10,419,556
986,375	979,188	1,019,439	1,085,598	1,157,782
2,980,583	2,816,119	2,742,200	2,837,558	2,826,749
1,406,628	1,472,077	1,549,746	1,621,730	1,500,995
1,226,788	1,151,695	1,199,478	1,134,889	1,207,576
480,122	650,853	707,778	502,151	573,075
166,621	183,804	186,214	187,033	210,815
3,987,549	2,583,866	2,965,921	3,415,045	3,996,105
1,625,000	1,535,000	1,840,000	2,735,000	1,465,000
490,739	629,690	590,692	594,109	946,826
13,350,405	12,002,292	12,801,468	14,113,113	13,884,923
(3,290,249)	(2,417,388)	(1,195,199)	(3,880,932)	(3,465,367)
-	2,617	2,423	957,136	42,104
4,707,116	1,200,490	1,126,742	1,674,392	3,165,011
(3,801,516)	(314,889)	(236,181)	(483,244)	(2,173,388)
-	-	-	-	-
5,575,000	1,755,000	2,615,000	1,820,000	5,755,000
10,701	13,084	(14,484)	26,327	-
(1,025,000)	-	-	-	-
5,466,301	2,656,302	3,493,500	3,994,611	6,788,727
\$ 2,176,052	\$ 238,914	\$ 2,298,301	\$ 113,679	\$ 3,323,360
21%	22%	24%	29%	24%

CITY OF FAIRMONT, MINNESOTA  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increment Tax	Franchise Tax	Total
2003	\$ 1,314,340	\$ 173,369	\$ 29,389	\$ 1,517,098
2004	1,377,604	392,992	30,193	1,800,789
2005	1,432,354	485,440	30,551	1,948,345
2006	1,561,597	476,195	30,406	2,068,198
2007	1,874,850	495,625	31,684	2,402,159
2008	2,243,558	512,053	34,966	2,790,577
2009	2,396,672	595,244	35,119	3,027,035
2010	2,472,023	564,162	35,749	3,071,934
2011	2,600,502	341,402	35,392	2,977,296
2012	3,029,707	334,725	34,343	3,398,775

CITY OF FAIRMONT, MINNESOTA  
MARKET VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Table 7

Fiscal Year Ended December 31,	Real and Personal Property		Agricultural Property	Other	Total Taxable Market Value	Total Direct Tax Rate	Indicated Market Value	Assessed Value (1) as a Percentage of Actual Value
	Residential Property	Commercial Property						
2003	\$294,259,900	\$77,008,000	\$11,073,300	\$ 2,800,400	\$385,141,600	38.172	\$418,013,747	92.14 %
2004	314,476,700	89,830,300	11,470,500	2,885,300	418,662,800	37.887	456,855,854	91.64
2005	331,900,200	91,607,220	12,106,300	3,277,300	438,891,020	37.296	487,882,781	89.96
2006	340,834,820	95,797,060	13,314,718	3,606,600	453,553,198	38.570	516,333,077	87.84
2007	398,836,187	103,352,140	15,537,691	3,980,033	521,706,051	39.789	561,668,253	92.89
2008	432,654,773	121,011,160	16,087,582	2,965,633	572,719,148	42.021	592,616,000	96.64
2009	429,003,100	171,694,300	21,590,900	3,896,600	626,184,900	39.481	675,914,203	92.64
2010	424,819,600	167,521,200	24,328,100	4,262,700	620,931,600	42.272	670,211,836	92.65
2011 (1)	372,248,320	142,268,133	25,308,200	3,339,700	543,164,353	49.454	586,933,920	92.54
2012 (1)	351,585,800	165,135,200	30,989,100	4,977,800	552,687,900	48.349	629,089,800	87.86

Source: Martin County Assessors' Office

(1) Total Market Value after HMVE

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(1)	Total County Tax Capacity Rate
2003	12.291	25.881	38.172	45.447		45.447
2004	13.336	24.551	37.887	44.871		44.871
2005	14.545	22.751	37.296	45.693		45.693
2006	16.932	21.638	38.570	44.674		44.674
2007	20.684	19.105	39.789	43.453	0.889	44.342
2008	24.923	17.098	42.021	41.856	2.020	43.876
2009	24.265	15.216	39.481	40.995	1.041	42.036
2010	26.970	15.302	42.272	36.051	0.890	36.941
2011	32.286	17.168	49.454	37.231	0.937	38.168
2012	32.006	16.343	48.349	33.826	0.786	34.612

Source: Martin County Assessors' Office.

(1) Detail breakdown not available before 2007.

Table 8

Overlapping Rates				Total Direct and Overlapping Rates
School District				
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total School Tax Capacity Rate	Special Districts	
31.493		31.493	0.273	115.385
18.860		18.860	0.263	101.881
18.459		18.459	0.250	101.698
18.472		18.472	0.608	102.324
11.893	6.584	18.477	0.563	103.171
11.883	5.885	17.768	0.520	104.185
12.055	12.331	24.386	0.489	106.392
12.232	19.719	31.951	0.449	111.613
8.959	24.927	33.886	0.480	121.988
10.173	19.978	30.151	0.423	113.535



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

Table 9

Taxpayer	Type of Business	2012			2003		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value	Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Buffalo Lake Energy	Ethanol Manufacturing	\$24,305,300	1	4.4 %			
Cenex Harvest States	Soybean Crushing	15,179,700	2	2.7			
Wal-Mart	Retail	11,123,300	3	2.0			
Goldfinch Estates	Assisted Living	7,974,600	4	1.4			
Mayo Health Systems-Fairmont	Medical Facility	5,400,600	5	1.0	\$ 4,634,000	1	1.2 %
Weigh-Tronix, Inc	Scale Manufacturing	3,698,800	6	0.7	3,644,900	3	0.9
US Foods, Inc.	Food Distribution	3,200,000	7	0.6	-		-
Holiday Inn	Hotel	3,003,700	8	0.5	1,926,400	10	0.5
Welchland Investments, LLC	Professional Services	2,859,200	9	0.5	-		-
Village Coop	Senior Cooperative Living	2,816,600	10	0.5	-		-
Five Lakes Center	Shopping Center	-		-	4,200,000	2	
Fairmont Foods	Frozen Gourmet Food			-	2,775,700	4	0.7
Fairmont Partners LP	Discount Retail Store	-		-	2,722,700	5	0.7
Peoples Natural Gas	Utilities	-		-	2,379,500	6	
Shopko	Retail	-		-	2,207,700	7	0.6
Victoria State Crossing	Professional Services	-		-	2,093,100	8	0.5
Harsco Corp	Industrial	-		-	2,004,600	9	0.5
Total		<u>\$79,561,800</u>		<u>14.4 %</u>	<u>\$28,588,600</u>		<u>5.7 %</u>

Source: Martin County Assessors' Office.

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
2003	\$ 1,594,245	\$ 1,581,708	99.2 %	12,295	\$ 1,594,003	100.0 %
2004	1,669,245	1,654,917	99.1	14,098	1,669,015	100.0
2005	1,771,045	1,753,625	99.0	17,044	1,770,669	100.0
2006	1,926,500	1,907,580	99.0	18,383	1,925,963	100.0
2007	2,226,200	2,203,042	99.0	21,321	2,224,363	99.9
2008	2,622,200	2,590,697	98.8	28,082	2,618,779	99.9
2009	2,760,620	2,727,817	98.8	25,443	2,753,260	99.7
2010	2,857,242	2,816,532	98.6	29,102	2,845,634	99.6
2011	2,992,245	2,936,191	98.1	38,871	2,975,062	99.4
2012	3,120,665	3,064,821	98.2	-	3,064,821	98.2

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	
2003		\$14,820,000	\$ 1,100,000	\$ 3,280,000		\$19,200,000
2004		11,755,000	980,000	3,120,000	\$13,762,095	29,617,095
2005		12,990,000	855,000	2,930,000	12,442,149	29,217,149
2006		14,485,000	720,000	2,735,000	12,607,494	30,547,494
2007		11,885,000	575,000	2,540,000	12,023,000	27,023,000
2008	\$ 250,000	14,720,000	415,000	2,345,000	11,409,000	29,139,000
2009	215,000	15,145,000	245,000	3,980,000	10,784,000	30,369,000
2010	175,000	15,145,000	245,000	3,750,000	10,148,000	29,463,000
2011	125,000	15,340,000	-	1,835,000	11,037,586	28,337,586
2012	65,000	19,690,000	-	1,670,000	27,313,160	48,738,160

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

Table 11

<u>Percentage of General Bonded Debt to Property Value</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
3.55 %	9.55 %	\$ 1,781
2.57	14.77	2,756
2.66	14.60	2,723
2.81	15.27	2,850
2.12	13.57	2,531
2.53	14.61	2,727
2.27	15.23	2,842
2.29	11.06	2,762
2.63	10.72	2,676
3.14	18.44	4,603

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CITY OF FAIRMONT, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2012

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Fairmont	<u>\$19,755,000</u>	100.00 %	<u>\$19,755,000</u>
Total direct debt	<u>19,755,000</u>		<u>19,755,000</u>
Martin County	2,881,000	15.60	449,436
Independent School District No. 2752	<u>39,560,000</u>	46.35	<u>18,336,060</u>
Total overlapping debt	<u>42,441,000</u>		<u>18,785,496</u>
Total direct and overlapping debt	<u><u>\$62,196,000</u></u>		<u><u>\$38,540,496</u></u>

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

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

CITY OF FAIRMONT, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 7,702,400	\$ 8,373,256	\$ 8,767,820	\$ 9,071,064	\$10,434,121
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 7,702,400</u>	<u>\$ 8,373,256</u>	<u>\$ 8,767,820</u>	<u>\$ 9,071,064</u>	<u>\$10,434,121</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$17,181,574	\$18,785,547	\$18,627,948	\$16,294,931	\$ 16,580,637
<u>250,000</u>	<u>215,000</u>	<u>175,000</u>	<u>125,000</u>	<u>65,000</u>
<u><u>\$16,931,574</u></u>	<u><u>\$18,570,547</u></u>	<u><u>\$18,452,948</u></u>	<u><u>\$16,169,931</u></u>	<u><u>\$ 16,515,637</u></u>
<u><u>1.5</u></u>	<u><u>1.1</u></u>	<u><u>0.9</u></u>	<u><u>0.8</u></u>	<u><u>0.4</u></u>

**Legal Debt Margin Calculation for Fiscal Year 2012**

Market value	\$ 552,687,900
Debt limit (3% of total assessed value)	<u>16,580,637</u>
Debt applicable to limit	
General obligation bonds	65,000
Less Amount set aside for repayment of general obligation debt	<u>(4,046)</u>
Total net debt applicable to limit	<u>60,954</u>
Legal debt margin	<u><u>\$ 16,519,683</u></u>



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

Table 14

		Utility Revenue Bonds						
Year		Gross Revenue	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(1)</sup>			Coverage
					Principal	Interest	Total	
2003	(4)	\$ 503,540	\$ 47,180	\$ 456,360	\$ 155,000	\$ 147,863	\$ 302,863	1.51
2004	(4)	516,871	63,178	453,693	155,000	141,743	296,743	1.53
2005	(4)	525,852	105,385	420,467	160,000	134,781	294,781	1.43
2006	(3)	2,234,621	870,853	1,363,768	190,000	345,814	535,814	2.55
2007	(3)	2,658,700	951,204	1,707,496	816,095	338,045	1,154,140	1.48
2008	(3)	2,690,791	1,026,457	1,664,334	799,252	319,844	1,119,096	1.49
2009	(3)	2,719,903	1,009,389	1,710,514	809,000	300,550	1,109,550	1.54
2010	(3)	2,881,620	993,506	1,888,114	866,000	334,329	1,200,329	1.57
2011	(3)	2,876,421	1,137,876	1,738,545	647,000	303,453	950,453	1.83
2012	(3)	2,777,556	1,139,428	1,638,128	833,812	289,320	1,123,132	1.46

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 investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) 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.

(2) Does not include depreciation.

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

(4) Includes Storm Water only (no other utilities had debt).

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 &amp; C)</u>	<u>School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
2003	10,778	\$ 18,658	\$201,095,924	41.3	1,790	4.4 %
2004	10,747	18,658	200,517,526	41.3	1,814	4.7
2005	10,729	18,658	200,181,682	41.3	1,750	4.6
2006	10,720	18,658	200,013,760	41.3	1,796	4.2
2007	10,675	18,658	199,174,150	41.3	1,727	4.9
2008	10,686	18,658	199,379,388	41.3	1,685	6.0
2009	10,686	18,658	199,379,388	41.3	1,678	7.2
2010	10,666	24,965	266,276,690	47.6	1,686	6.5
2011	10,589	24,965	264,354,385	47.6	1,726	5.2
2012	10,589	24,965	264,354,385	47.6	1,694	5.0

(A) Source: State Demographer

(B) Source: United States Census Bureau

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

(D) Source: ISD #2752

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

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

Table 16

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	625	1	5.87 %	600	1	5.72 %
Weigh-Tronix Scale Manufacturing	400	2	3.76	400	2	3.30
Fairmont Foods of Minnesota	350	3	3.29	250	3	2.20
Torgerson Properties	275	4	2.58	-		-
ISD 2752	240	5	2.26	242	4	2.13
Lakeview Health Care Facility	215	6	2.02	215	5	1.89
Hy-Vee	200	7	1.88	-		-
REM Heartland	200	8	1.88	200	6	1.76
Wal-Mart	195	9	1.83	-		-
3M	180	10	1.69	165	8	1.45
Aerospace Systems	-		-	180	7	1.58
SMC-Highway Construction	-		-	150	9	1.32
Fairmont Surgical Center	-		-	120	10	1.06
Total	<u>2,880</u>		<u>27.06 %</u>	<u>2,522</u>		<u>22.41 %</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				
	2003	2004	2005	2006	2007
General government	14	14	14	14	14
Public safety					
Police					
Officers	18	18	18	18	18
Civilians	2	2	2	2	2
Streets and highways					
Engineering	4	4	4	4	4
Maintenance	10	10	10	10	10
Culture and recreation					
Parks	8	8	8	9	8
Housing and economic development	2	2	2	2	2
Water	10	10	10	10	10
Sewer	6	6	6	6	6
Electric	28	28	28	28	26
Liquor Store	4	4	4	4	3
Total	106	106	106	107	103

Source: City of Fairmont Records

Table 17

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

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

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Adult arrests	(1)	1,627	1,280	1,357	1,337
Juvenile arrests	(1)	188	141	150	153
Fire					
Number of fire calls answered	100	110	101	69	111
Number of rescue calls answered	26	30	30	14	50
Highways and streets					
Street resurfacing (miles)	22	16	23	18	9
Culture and recreation					
Attendance at water park	40,105	40,153	34,683	32,532	27,000
Water					
Annual water consumption (thousands of gallons)	161,129	487,471	508,669	516,765	536,442
Wastewater					
Annual treatment flows (thousands of gallons)	403,340	476,220	582,090	676,750	654,970
Electric					
Annual KWH electricity sold (thousands of kwh)	158,927	146,052	151,264	148,178	154,797

Sources: Various government departments.

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

(1) Prior years data not available

Table 18

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



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

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public Safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	18	18	18
Part-time paid police	4	4	3	4	5
Civilian employees	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	32	32	32	32	32
Hydrants	518	518	530		554
I.S.O. Rating	5	5	5	5	5
Public Works					
Street division					
Miles of street	73	73	73	73	74
Percent of paved streets	92%	94%	94%	96%	96%
Signalized intersections	8	9	9	9	10
Parks division					
Neighborhood parks	18	18	19	19	19
Area in acres	340	340	380	380	380
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	-	-	-	-	-
Softball diamonds	3	3	3	3	3
Swimming areas	2	2	2	2	2
Tennis courts	2	2	2	2	2
Volleyball courts	2	2	2	2	2
Utilities					
Municipal water					
Consumers	4,540	4,561	4,570	4,591	4,595
Average daily consumption	1,415,219	1,484,499	1,526,792	1,571,569	1,627,440
Maximum production capacity	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Storage capacity	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Miles of water main	79	79	79	82	83
Municipal wastewater treatment					
Average daily treatment	1,105,041	1,304,712	1,594,767	1,854,109	1,663,014
Maximum design capacity	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Miles of sanitary sewer	73	73	73	74	80
Storm Drains					
Miles of storm sewer	39	39	39	41	41
Holding ponds	6	7	7	8	8
Parking system					
Off-street parking					
Off street lots	6	6	7	7	7
Employees					
Supervisors	15	15	15	15	12
Union employees	81	81	81	82	73
Other employees	20	20	20	20	18
Total employees	106	106	106	107	103

Source: City of Fairmont Records

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

Table 19

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

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CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer  
Policy Number  
Date of Coverage

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

Policy Information

# PROPERTY INSURANCE

Building and Contents

All Risk (Per Company Form)  
Replacement Cost/Agreed Amount (90%)  
Replacement Cost/Agreed Amount

\$ 10,000	Deductible - Each Occurrence *
\$ 87,475,649	Blanket Limit

(Schedule on File with Company)

Extra Expense

All Risk (Per Company Form)  
40%-80%-100% Limitation

\$ 10,000	Deductible - Each Occurrence *
\$ 5,000,000	Limit - Per Occurrence

Valuable Papers

All Risk (Per Company Form)

\$ 10,000	Deductible - Each Occurrence *
\$ 500,000	Limit - Per Location

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# INLAND MARINE POLICY

All Risk (Per Company Form)  
100% Coinsurance  
Actual Cash Value

\$ 10,000	Deductible - Each Occurrence *
\$ 2,716,653	Total Limit

\* Subject to General Annual Aggregate: \$100,000  
# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# GENERAL LIABILITIES

\$ 1,500,000	Bodily Injury and Property Damage - Combined Single Limit "Claims Made" form
\$ 2,000,000	Products/Completed Operations Aggregate Limit
\$ 1,500,000	Per Loss Occurrence/Aggregate - Employee Benefits Liability
\$ 10,000	Deductible - Bodily Injury and Property Damage - Each Occurrence*
\$ 1,000	Medical Payments - Each Person Limit
\$ 10,000	- Aggregate Occurrence Limit
Includes:	Premises/Operations Products/Completed Operations Blanket Contractual Personal Injury - Including Law Enforcement Personnel Broad Form Property Damage Fire Legal Liability (\$50,000) Employees as Additional Insured Punitive Damages Extended Bodily Injury Independent Contractors Incidental Medical Malpractice Nonowned Watercraft (Up to 26') Fellow Employee Exclusion – Deleted Limited Pollution Coverage Only

\* Subject to General Annual Aggregate: \$100,000

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# GENERAL LIABILITIES - Continued

Excludes:

Prior Acts (Retro Date: 12-01-87)

Specified Accident(s), Products, Work, or  
Location(s) - Refer to Policy Endorsement ESA (12-86)

Airport Liability  
Utility Supply Failure  
Nursing Home Liability  
Liquor Legal Liability

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# AUTOMOBILE

\$ 1,500,000 Bodily Injury and Property Damage  
- Combined Single Limit

\$ 40,000 Personal Injury Protection

\$ 200,000 Uninsured and Underinsured Motorist

Garagekeepers Legal Liability

Comprehensive  
Collision

\$ 500 Deductible - Each Occurrence \*

Total Number of Vehicles - Liability: 110

Total Number of Vehicles – Physical Damage: 70

Includes: Hired and Nonowned Automobile Liability

Fellow Employee Exclusion - Deleted

\* Subject to General Annual Aggregate: \$100,000

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# AUTOMOBILE - Continued

"All Lines" Deductible/General Aggregate

The following coverages, as written with the League of Minnesota Cities Insurance Trust, are subject to an All Lines Deductible and Annual General Aggregate:

Property (Building, Contents and Extra Expense)  
Inland Marine (Contractors Equipment, Miscellaneous Equipment, Valuable Papers)  
Comprehensive General Liability  
Automobile

\$ 500 Deductible - Each Occurrence

If the Annual Aggregate is exceeded, then a \$1,000 deductible (per occurrence) shall apply.

Legal defense costs, loss adjustment expenses and claims costs are all considered "damage" and are subject to the deductibles specified.

Refer to policy from ME030 (11/86) for additional terms and conditions.

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# ERRORS AND OMISSIONS LIABILITY

"Claims Made" Form

\$ 1,000,000 Limit - Each Loss/Aggregate  
\$ 10,000 Deductible - Any One Claim

L.M.C.I.T.  
LLC 2497  
01-01-12/1-1-13

LIQUOR LIABILITY

Limits:

\$ 1,000,000 Bodily Injury – Each Person  
\$ 1,000,000 Bodily Injury – Each Common Cause  
\$ 1,000,000 Property Damage – Each Common Cause  
\$ 1,000,000 Loss of Means of Support – Each Common Cause  
\$ 1,000,000 Aggregate

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
CMC33721  
01-01-12/1-1-13

# CRIME POLICY

1. Broad Form Money and Securities

\$ 10,000	Deductible
\$ 250,000	Limit

2. Depositors' Forgery

\$ 10,000	Deductible
\$ 250,000	Limit

3. Bond Coverage

Faithful Performance Blanket Position Bond

\$ 1,000	Deductible
\$ 500,000	Blanket Limit

L.M.C.I.T.  
0200052127  
10-01-12/10-01-13

# WORKERS' COMPENSATION

Statutory Limit

Employer's Liability

\$ 1,500,000	Bodily Injury by Accident
\$ 1,500,000	Bodily Injury by Disease - Policy Limit
\$ 1,500,000	Bodily Injury by Disease - Any One Employee

# Includes both City of Fairmont and Public Utilities Commission



CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer  
Policy Number  
Date of Coverage

Policy Information

L.M.C.I.T.  
0200052127  
10-1-12/10-1-13

# WORKERS' COMPENSATION - Continued

<u>Classification</u>	<u>Payroll</u>	<u>Rate</u>
Street and Road Construction	\$ 520,000	7.89
Waterworks	690,000	4.03
Electric and Steam Plant	750,000	3.64
Sewage Disposal Plant	370,000	3.45
Fire Fighters (Volunteer) (population)	12,866	106.59
Police	1,250,000	3.45
Off Sale Liquor Store	215,000	2.06
City Shop and Yard	100,000	3.59
Clerical	990,000	0.80
Building Maintenance and Repair	100,000	4.60
Parks	500,000	3.65
Municipal Employees	575,000	0.58
Elected or Appointed Officials	18,200	0.25
Animal Control	55,000	2.05
Total Premium	\$209,037	
Experience Modification	<u>1.01</u>	
Standard Premium	211,127	
Deductible Credit 0%	-	
Premium Discount	<u>22,249</u>	
Net Deposit Premium	<u>\$188,878</u>	

# Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 20

Insurer Policy Number <u>Date of Coverage</u>	<u>Policy Information</u>
Travelers, C/O Brown & Brown M5J-BME1-8752M536-TIL-11 1-1-12/1-1-13	# <u>PUBLIC UTILITIES BOILER/PROPERTY/EQUIPMENT BREAKDOWN</u>  Coverage - Power Plant, 10 <sup>th</sup> Street Substation and East Chain Substation  \$ 50,000,000                      Limit of Liability  \$    250,000                      Expediting Expense 250,000                      Water Damage Limitation 250,000                      Refrigerant Contamination Limitation 250,000                      Hazardous Substance Limitation  \$      50,000                      Deductible – Power Plant and 2 Substations  \$      10,000                      Deductible – All Other Locations  \$    250,000                      Deductible – Bus Duct from Distribution on XFMR to Power Plant
L.M.C.I.T. CMC33721 01-01-12/1-1-13	<u>AIRPORT LIABILITY</u>  \$1,500,000                      Each Occurrence  Excludes Products, Completed Operations and Hangarkeepers
L.M.C.I.T. OML 8129 01-01-12/1-1-13	<u>OPEN MEETING LAW</u>  \$50,000                      Defense Cost per Lawsuit per Official \$50,000                      Aggregate Term per Official  Each Products and Completed Operations
L.M.C.I.T. MEL7330 01-01-12/1-1-13	<u>EXCESS LIABILITY</u>  \$1,000,000                      Aggregate Limit

# Includes both City of Fairmont and Public Utilities Commission

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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
MISCELLANEOUS STATISTICAL FACTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE 21

WATER SYSTEM

Source	Budd Lake
Number of Connections - Residential	3,942
- Commercial	486
- Industrial	1
Daily Average Consumption (Gallons)	1,272,199
System Capacity (Gallons)	5,400,000
Miles of Water Mains in Service	82
Number of Fire Hydrants	556
Wells	1

SEWER SYSTEM

Discharge	Center Creek
Number of Connections - Residential	3,942
- Commercial	450
- Industrial	1
Miles of Sanitary Sewer	74
Number of Lift Stations	30
Daily Average Treatment (Gallons)	1,109,123
Maximum Capacity of Treatment Plant (Gallons)	11,500,000

ELECTRIC SYSTEM

Generating Capacity	-
Number of Connections - Residential	5,033
- Commercial	814
- Industrial	12
Miles of Transmission Lines	5
Square Miles of Service Area	48
Number of Substations	3

STORM SEWERS

Miles of Storm Sewers	41
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CITY OF FAIRMONT, MINNESOTA  
PUBLIC UTILITIES COMMISSION  
OPERATING EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS

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

Table 22

2007	2006	2005	2004	2003
\$12,023,808	\$10,847,733	\$ 9,690,725	\$ 9,344,317	\$ 9,687,640
833,174	806,975	780,716	789,315	676,447
-	-	-	-	78,186
1,030,065	1,037,615	1,048,363	1,030,547	1,073,905
13,887,047	12,692,323	11,519,804	11,164,179	11,516,178
948,844	851,656	801,286	771,370	681,213
370,711	331,522	294,012	287,918	307,542
250,072	249,915	240,202	213,118	168,425
1,569,627	1,433,093	1,335,500	1,272,406	1,157,180
298,515	510,224	548,359	418,479	443,486
2,844	34,384	46,459	81,918	57,912
28,460	41,242	31,227	30,919	30,743
329,819	585,850	626,045	531,316	532,141
530,013	501,320	343,793	330,129	310,243
267,312	248,060	269,299	250,746	244,241
676,959	254,427	246,667	211,559	228,598
1,474,284	1,003,807	859,759	792,434	783,082
<u>\$17,260,777</u>	<u>\$15,715,073</u>	<u>\$14,341,108</u>	<u>\$13,760,335</u>	<u>\$13,988,581</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Electric Department	\$14,856,538	\$15,601,619	\$14,724,031	\$14,270,358	\$13,775,629
Water Department	3,023,394	2,838,809	2,413,865	2,037,674	1,810,191
District Heat Department	-	82,626	129,919	144,589	170,136
Wastewater Department	<u>2,159,105</u>	<u>2,246,597</u>	<u>2,250,191</u>	<u>2,143,140</u>	<u>2,121,165</u>
Total	<u><u>\$20,039,037</u></u>	<u><u>\$20,769,651</u></u>	<u><u>\$19,518,006</u></u>	<u><u>\$18,595,761</u></u>	<u><u>\$17,877,121</u></u>

Table 23

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$13,465,436	\$12,776,569	\$11,717,846	\$11,110,567	\$11,561,533
1,679,360	1,475,229	1,321,156	1,328,534	1,261,077
211,636	359,280	377,396	383,288	433,519
<u>2,080,260</u>	<u>1,683,571</u>	<u>1,584,965</u>	<u>1,592,448</u>	<u>1,465,150</u>
<u><u>\$17,436,692</u></u>	<u><u>\$16,294,649</u></u>	<u><u>\$15,001,363</u></u>	<u><u>\$14,414,837</u></u>	<u><u>\$14,721,279</u></u>



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

Table 24

Year	Gross Generation	Purchased KWH	Purchased From	Total KWH	* Sales KWH	Own Use	Peak Demand
2012	-	158,852,096	SMMPA/WAPA	158,852,096	151,973,053	-	31,652
2011	133,000	161,848,504	SMMPA/WAPA	161,981,504	155,661,326	1,500	32,059
2010	2,943,000	160,021,257	SMMPA/WAPA	162,964,257	153,605,131	37,500	31,450
2009	761,000	154,409,696	SMMPA/WAPA	155,170,696	147,794,464	10,500	28,091
2008	717,000	163,462,422	SMMPA/WAPA	164,179,422	158,023,616	15,000	31,149
2007	3,969,000	160,039,155	SMMPA/WAPA	164,008,155	154,796,516	159,500	31,248
2006	4,984,000	149,669,523	SMMPA/WAPA	154,653,523	148,178,027	227,000	27,513
2005	4,715,000	149,987,907	SMMPA/WAPA	154,702,907	151,264,308	224,000	28,953
2004	2,299,000	149,551,134	SMMPA/WAPA	151,850,134	146,051,653	102,500	29,336
2003	5,722,000	156,300,012	SMMPA	162,022,012	158,926,725	132,500	32,215

\* 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 25

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
2012	\$ 11,488,996 0.07233	\$ 1,251,599 0.00788	\$ 825,695 0.00520	\$ 427,794 0.00269	\$ 13,994,084 0.08810	158,852,096 151,973,053	\$ 0.09208
2011	11,793,263 0.07281	1,234,196 0.00762	781,856 0.00483	428,528 0.00265	14,237,843 0.08791	161,981,504 155,661,326	0.09147
2010	11,907,333 0.07307	1,212,690 0.00744	748,128 0.00459	471,309 0.00289	14,339,460 0.08799	162,964,257 153,605,131	0.09335
2009	11,457,408 0.07384	1,071,154 0.00690	599,429 0.00386	466,924 0.00301	13,594,915 0.08761	155,170,696 147,794,464	0.09199
2008	11,856,255 0.07222	998,186 0.00608	580,545 0.00354	433,335 0.00264	13,868,321 0.08448	164,179,422 158,023,616	0.08776
2007	12,023,808 0.07331	833,174 0.00508	566,781 0.00346	463,284 0.00282	13,887,047 0.08467	164,008,155 154,796,516	0.08971
2006	10,847,733 0.07014	806,975 0.00522	499,163 0.00323	538,452 0.00348	12,692,323 0.08207	154,653,523 148,178,027	0.08566
2005	9,690,725 0.06264	780,716 0.00505	514,987 0.00333	533,376 0.00345	11,519,804 0.07447	154,702,907 151,264,308	0.07616
2004	9,344,317 0.06154	789,315 0.00520	489,855 0.00323	540,692 0.00356	11,164,179 0.07353	151,850,134 146,051,653	0.07644
2003	9,687,640 0.05979	754,633 0.00466	546,963 0.00338	526,942 0.00325	11,516,178 0.07108	162,022,012 158,926,725	0.07246

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

Table 26

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	22.9	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
Seasonal Heat Rate	653,438	30,192	0.046205	0.4	0.2	26
Energy Cost Adjustment	-	3,758,736	-	-	26.1	-
Total Sales	<u>151,973,053</u>	<u>\$ 14,432,607</u>	<u>\$ 0.094968</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

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

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

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2010						
Residential Light	31,894,419	\$ 2,702,082	\$ 0.084720	20.8 %	19.7 %	4,171
Commercial Service	21,998,943	1,728,919	0.078591	14.3	12.6	745
General Service	18,805,492	1,328,236	0.070630	12.2	9.7	46
Industrial Sales	53,529,617	3,239,643	0.060521	34.8	23.6	12
All Electric	9,201,420	579,854	0.063018	6.0	4.1	8
Rural Electric	3,967,369	328,252	0.082738	2.6	2.4	225
Filter Plant	1,637,640	62,230	0.038000	1.1	0.5	1
Street Lighting	1,822,396	136,680	0.075000	1.2	1.0	6
Flat Rate Security Lights	131,245	10,402	0.079256	0.1	0.1	-
Residential Heat	8,317,835	628,600	0.075573	5.4	4.6	702
Wastewater Plant	1,239,000	47,082	0.038000	0.8	0.3	1
Seasonal Heat Rate	1,059,755	46,254	0.043646	0.7	0.3	26
Energy Cost Adjustment	-	2,895,457	-	-	21.1	-
Total Sales	<u>153,605,131</u>	<u>\$ 13,733,691</u>	<u>\$ 0.089409</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,943</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2009						
Residential Light	29,548,251	\$ 2,496,269	\$ 0.084481	20.0 %	19.5 %	4,171
Commercial Service	21,147,548	1,657,512	0.078378	14.3	13.0	796
General Service	17,205,668	1,259,603	0.073209	11.6	9.8	50
Industrial Sales	53,365,590	3,230,462	0.060535	36.1	25.2	13
All Electric	8,825,880	535,174	0.060637	6.0	4.2	9
Rural Electric	3,855,337	319,832	0.082958	2.6	2.5	229
Filter Plant	1,768,320	67,196	0.038000	1.2	0.5	1
Street Lighting	1,890,163	141,762	0.075000	1.3	1.1	6
Flat Rate Security Lights	136,287	10,942	0.080286	0.1	0.1	-
Residential Heat	7,579,424	570,356	0.075251	5.1	4.5	781
Wastewater Plant	1,286,800	48,898	0.038000	0.9	0.4	1
Seasonal Heat Rate	1,185,196	51,063	0.043084	0.8	0.4	28
Energy Cost Adjustment	-	2,402,147	-	-	18.8	-
Total Sales	<u>147,794,464</u>	<u>\$ 12,791,216</u>	<u>\$ 0.086547</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,085</u>

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

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2008						
Residential Light	31,820,797	\$ 2,674,982	\$ 0.084064	20.1 %	22.3 %	4,207
Commercial Service	22,364,623	1,712,882	0.076589	14.2	14.3	802
General Service	18,926,148	1,338,894	0.070743	12.0	11.2	50
Industrial Sales	58,212,755	3,463,267	0.059493	36.7	28.8	13
All Electric	9,575,900	570,879	0.059616	6.1	4.8	9
Rural Electric	3,770,514	312,842	0.082971	2.4	2.6	228
Filter Plant	1,834,560	69,713	0.038000	1.2	0.6	1
Street Lighting	1,865,340	139,901	0.075000	1.2	1.2	6
Flat Rate Security Lights	134,568	11,168	0.082991	0.1	0.1	-
Residential Heat	7,057,854	554,944	0.078628	4.5	4.6	747
Wastewater Plant	1,297,400	49,301	0.038000	0.8	0.4	1
SMMPA Expansion Rate	1,163,157	50,134	0.043102	0.7	0.4	28
Energy Cost Adjustment	-	1,037,185	-	-	8.7	-
Total Sales	<u>158,023,616</u>	<u>\$ 11,986,092</u>	<u>\$ 0.075850</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,092</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2007						
Residential Light	33,458,734	\$ 2,807,089	\$ 0.083897	21.6 %	25.5 %	4,281
Commercial Service	22,462,159	1,758,912	0.078306	14.5	16.0	797
General Service	18,978,372	1,357,619	0.071535	12.3	12.3	49
Industrial Sales	54,844,841	3,313,269	0.060412	35.4	30.2	13
All Electric	9,788,360	589,448	0.060219	6.3	5.4	9
Rural Electric	3,606,573	304,985	0.084564	2.3	2.8	226
Filter Plant	1,825,560	69,371	0.038000	1.2	0.6	1
Street Lighting	1,325,551	99,416	0.075000	0.9	0.9	6
Flat Rate Security Lights	135,339	11,186	0.082652	0.1	0.1	-
Residential Heat	6,533,766	492,211	0.075333	4.2	4.5	665
Wastewater Plant	1,278,400	48,579	0.038000	0.8	0.4	1
SMMPA Expansion Rate	558,861	24,195	0.043293	0.4	0.2	-
Energy Cost Adjustment	-	119,430	-	-	1.1	-
Total Sales	<u>154,796,516</u>	<u>\$ 10,995,710</u>	<u>\$ 0.071033</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,048</u>

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

Table 26 (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
2006						
Residential Light	33,184,134	\$ 2,786,577	\$ 0.083973	22.4 %	27.8 %	4,342
Commercial Service	21,067,349	1,627,201	0.077238	14.2	16.2	804
General Service	17,372,644	1,294,206	0.074497	11.7	12.9	49
Industrial Sales	53,316,665	3,312,434	0.062128	36.0	33.2	15
All Electric	9,194,840	557,731	0.060657	6.2	5.6	9
Rural Electric	3,720,476	309,215	0.083112	2.5	3.1	226
Filter Plant	1,892,520	71,916	0.038000	1.3	0.7	1
Street Lighting	1,301,875	97,641	0.075000	0.9	1.0	6
Flat Rate Security Lights	132,448	11,299	0.085309	0.1	0.1	-
Residential Heat	5,778,897	436,919	0.075606	3.9	4.4	624
Wastewater Plant	1,169,400	44,437	0.038000	0.8	0.4	1
SMMPA Expansion Rate	46,779	2,047	0.043759	-	-	12
Energy Cost Adjustment	-	(537,645)	-	-	(5.4)	-
Total Sales	<u>148,178,027</u>	<u>\$ 10,013,978</u>	<u>\$ 0.067581</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,089</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2005						
Residential Light	34,276,987	\$ 2,873,713	\$ 0.083838	22.7 %	31.5 %	4,357
Commercial Service	21,111,842	1,573,272	0.074521	14.0	17.3	801
General Service	17,915,700	1,385,329	0.077325	11.8	15.2	51
Industrial Sales	49,848,714	3,123,624	0.062662	32.9	34.2	15
All Electric	9,490,960	569,712	0.060027	6.3	6.2	8
Rural Electric	3,691,045	307,145	0.083214	2.4	3.4	226
Filter Plant	1,650,960	62,736	0.038000	1.1	0.7	1
Street Lighting	1,312,488	98,437	0.075000	0.9	1.1	6
Flat Rate Security Lights	132,966	11,380	0.085586	0.1	0.1	-
Residential Heat	5,316,644	402,326	0.075673	3.5	4.4	571
Wastewater Plant	1,103,280	41,925	0.038000	0.7	0.5	1
SMMPA Expansion Rate	5,412,722	198,647	-	3.6	2.2	-
Energy Cost Adjustment	-	(1,531,721)	-	-	(16.8)	-
Total Sales	<u>151,264,308</u>	<u>\$ 9,116,525</u>	<u>\$ 0.060269</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,037</u>

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

Table 26 (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
2004						
Residential Light	31,464,241	\$ 2,657,424	\$ 0.084459	21.5 %	30.2 %	4,381
Commercial Service	19,436,082	1,501,056	0.077230	13.3	17.1	799
General Service	16,682,976	1,277,085	0.076550	11.4	14.5	53
Industrial Sales	49,961,822	3,158,456	0.063217	34.3	35.9	15
All Electric	9,535,080	566,511	0.059413	6.5	6.4	8
Rural Electric	3,591,256	299,093	0.083284	2.5	3.4	226
Filter Plant	1,525,320	57,962	0.038000	1.0	0.7	1
Street Lighting	1,288,970	96,673	0.075000	0.9	1.1	6
Flat Rate Security Lights	131,068	11,209	0.085520	0.1	0.1	-
Residential Heat	4,578,493	347,439	0.075885	3.1	4.0	538
Wastewater Plant	1,326,600	50,411	0.038000	0.9	0.6	1
SMMPA Expansion Rate	6,529,745	238,573	0.036536	4.5	2.7	1
Energy Cost Adjustment	-	(1,467,483)	-	-	(16.7)	-
Total Sales	<u>146,051,653</u>	<u>\$ 8,794,409</u>	<u>\$ 0.060214</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,029</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2003						
Residential Light	33,361,236	\$ 2,805,503	\$ 0.084095	21.0 %	29.8 %	4,416
Commercial Service	20,860,495	1,591,258	0.076281	13.1	16.9	801
General Service	17,032,248	1,291,117	0.075804	10.7	13.7	52
Industrial Sales	59,262,880	3,635,756	0.061350	37.3	38.7	15
All Electric	9,023,200	547,267	0.060651	5.7	5.8	8
Rural Electric	3,695,938	307,080	0.083086	2.3	3.3	228
Filter Plant	1,437,840	54,638	0.038000	0.9	0.6	1
Street Lighting	1,300,643	97,548	0.075000	0.8	1.0	6
Flat Rate Security Lights	131,955	11,218	0.085014	0.1	0.1	-
Residential Heat	4,700,156	355,504	0.075637	3.0	3.8	497
Wastewater Plant	1,268,400	48,199	0.038000	0.8	0.5	1
SMMPA Expansion Rate	6,851,734	251,459	0.036700	4.3	2.7	1
Energy Cost Adjustment	-	(1,590,618)	-	-	(16.9)	1
Total Sales	<u>158,926,725</u>	<u>\$ 9,405,929</u>	<u>\$ 0.059184</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,027</u>



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

	2012	2011	2010	2009	2008
Industrial/Commercial Users					
Tyco Plastics (formerly Armin Plastics)	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Fairmont Foods	14,315,307	15,975,378	14,405,962	15,229,904	16,305,260
	\$ 1,180,918	\$ 1,317,813	\$ 1,114,623	\$ 1,130,627	\$ 1,032,066
Minnesota Mining and Manufacturing	7,712,425	7,361,865	7,172,204	6,743,792	7,023,623
	\$ 631,048	\$ 604,175	\$ 547,629	\$ 498,185	\$ 448,190
Harsco Track Technology	571,200	1,136,400	1,742,400	1,935,600	1,990,800
	\$ 56,457	\$ 122,519	\$ 177,622	\$ 184,883	\$ 173,609
Hancor	8,627,000	7,840,000	7,092,000	6,536,000	6,944,000
	\$ 723,634	\$ 661,645	\$ 566,223	\$ 519,326	\$ 477,075
Weigh-Tronix	6,392,412	6,501,321	6,501,551	6,111,050	7,540,040
	\$ 575,467	\$ 589,774	\$ 551,984	\$ 511,612	\$ 526,424
Fareway Foods	1,398,829	1,309,292	1,142,880	-	-
	\$ 119,854	\$ 115,007	\$ 89,704	\$ -	\$ -
Shopko	1,451,000	1,287,750	1,280,250	1,246,000	1,419,000
	\$ 123,958	\$ 113,221	\$ 105,200	\$ 98,515	\$ 94,750
Holiday Inn	1,552,500	1,759,000	1,674,250	1,610,500	1,803,000
	\$ 139,323	\$ 154,431	\$ 138,570	\$ 127,840	\$ 121,897
Fairmall Shopping Center	945,860	776,400	789,640	760,940	905,540
	\$ 88,258	\$ 90,337	\$ 71,990	\$ 69,330	\$ 71,467
Hy-Vee Foods	2,605,120	2,657,440	2,525,920	2,670,880	2,649,280
	\$ 221,566	\$ 211,168	\$ 189,363	\$ 192,183	\$ 161,366
Fairmont Refrigerated Services	6,127,560	6,030,720	5,872,680	6,031,080	6,042,600
	\$ 474,287	\$ 465,861	\$ 424,233	\$ 414,539	\$ 358,950
Kmart	-	-	-	129,984	1,114,752
	\$ -	\$ -	\$ -	\$ 11,927	\$ 84,373
Wal-Mart Stores	3,449,200	3,506,800	3,476,800	3,461,200	3,676,400
	\$ 283,831	\$ 285,919	\$ 268,115	\$ 255,977	\$ 232,011
Fairmont Hospital	6,314,400	6,735,600	6,806,700	6,521,400	6,997,500
	\$ 516,892	\$ 557,202	\$ 540,320	\$ 485,053	\$ 444,303
I.S.D. No. 2752	3,427,680	3,211,200	2,558,880	2,312,000	2,367,120
	\$ 384,529	\$ 346,486	\$ 240,995	\$ 209,171	\$ 190,684
Wastewater Treatment Plant	1,248,800	1,270,200	1,239,000	1,286,800	1,297,400
	\$ 83,835	\$ 79,786	\$ 70,727	\$ 69,939	\$ 57,887
Water Treatment Plant	1,475,640	1,647,730	1,637,640	1,768,320	1,834,560
	\$ 92,691	\$ 103,500	\$ 93,483	\$ 96,110	\$ 81,854

TABLE 27

2007	2006	2005	2004	2003
-	-	-	1,422,000	10,774,000
\$ -	\$ -	\$ -	\$ 130,194	\$ 494,217
16,582,991	15,601,780	17,802,000	16,711,200	14,390,400
\$ 945,836	\$ 843,067	\$ 813,975	\$ 741,899	\$ 639,360
4,696,660	4,180,645	5,709,715	7,713,600	8,025,600
\$ 301,849	\$ 256,485	\$ 283,599	\$ 358,050	\$ 377,267
2,187,600	2,823,600	3,142,800	2,808,000	2,344,800
\$ 171,938	\$ 188,840	\$ 179,866	\$ 166,722	\$ 157,233
6,014,920	5,823,360	5,058,240	4,980,480	4,759,680
\$ 400,844	\$ 394,952	\$ 333,374	\$ 320,203	\$ 309,326
7,607,048	7,158,260	6,989,431	6,945,300	6,579,900
\$ 487,991	\$ 436,365	\$ 378,929	\$ 378,129	\$ 362,682
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
1,407,000	1,428,000	1,373,000	1,263,750	1,207,500
\$ 89,319	\$ 84,316	\$ 68,831	\$ 65,798	\$ 65,188
1,739,750	1,642,000	1,697,750	1,616,000	1,664,250
\$ 109,607	\$ 99,697	\$ 90,391	\$ 86,591	\$ 88,729
990,760	1,069,700	1,058,660	1,066,440	1,241,460
\$ 72,912	\$ 70,974	\$ 65,020	\$ 67,505	\$ 75,326
2,862,720	2,869,440	2,814,560	2,735,040	2,892,160
\$ 157,690	\$ 147,512	\$ 123,548	\$ 120,493	\$ 127,231
6,460,920	6,207,840	4,662,000	4,078,800	4,506,120
\$ 349,012	\$ 325,735	\$ 204,225	\$ 179,214	\$ 199,310
1,640,832	1,788,480	1,877,952	1,867,776	1,912,320
\$ 104,679	\$ 101,591	\$ 92,511	\$ 91,482	\$ 95,819
1,945,200	-	-	-	-
\$ 113,010	\$ -	\$ -	\$ -	\$ -
7,279,200	6,711,300	7,075,800	7,232,400	6,588,000
\$ 423,944	\$ 362,057	\$ 331,803	\$ 334,837	\$ 313,937
2,384,800	2,372,760	2,403,080	2,411,120	2,445,560
\$ 179,895	\$ 168,889	\$ 152,874	\$ 155,144	\$ 155,224
1,278,400	1,169,400	1,269,280	1,326,600	1,268,400
\$ 49,573	\$ 40,168	\$ 37,349	\$ 36,374	\$ 34,820
1,825,560	1,892,520	1,650,960	1,525,320	1,437,840
\$ 70,790	\$ 65,006	\$ 45,297	\$ 41,823	\$ 39,472

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

TABLE 28

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2012</u>					
Net Raw Water	485,011,000	100.0 %			
Used in Production	<u>20,658,344</u>	<u>4.3</u>			
Net Finished Water	464,352,656	95.7			
Loss in Distribution System (including hydrant)	<u>34,019,079</u>	<u>7.0</u>			
 Total Sales	<u>430,333,577</u>	<u>88.7</u>	\$ 2,699,242	\$ 6.272441	4,429
 <u>2011</u>					
Net Raw Water	589,167,636	100.0			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (including hydrant)	<u>60,617,941</u>	<u>10.3</u>			
 Total Sales	<u>455,140,379</u>	<u>77.2</u>	2,536,752	5.573560	4,442
 <u>2010</u>					
Net Raw Water	591,918,009	100.0			
Used in Production	<u>61,373,009</u>	<u>10.4</u>			
Net Finished Water	530,545,000	89.6			
Loss in Distribution System (including hydrant)	<u>65,137,047</u>	<u>11.0</u>			
 Total Sales	<u>465,407,953</u>	<u>78.6</u>	2,114,745	4.543852	4,443
 <u>2009</u>					
Net Raw Water	590,695,431	100.0			
Used in Production	<u>26,341,431</u>	<u>4.5</u>			
Net Finished Water	564,354,000	95.5			
Loss in Distribution System (including hydrant)	<u>82,518,126</u>	<u>14.0</u>			
 Total Sales	<u>481,835,874</u>	<u>81.5</u>	1,732,391	3.595396	4,599
 <u>2008</u>					
Net Raw Water	640,175,884	100.0			
Used in Production	<u>43,689,884</u>	<u>6.8</u>			
Net Finished Water	596,486,000	93.2			
Loss in Distribution System (including hydrant)	<u>74,210,862</u>	<u>11.6</u>			
 Total Sales	<u>522,275,138</u>	<u>81.6</u>	1,541,024	2.950598	4,598

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

TABLE 28

	<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>2007</u>					
Net Raw Water	665,162,504	100.0 %			
Used in Production	<u>71,147,004</u>	<u>10.7</u>			
Net Finished Water	594,015,500	89.3			
Loss in Distribution System (including hydrant)	<u>57,573,431</u>	<u>8.7</u>			
Total Sales	<u>536,442,069</u>	<u>80.6</u>	\$ 1,409,026	\$ 2.626614	4,595
<u>2006</u>					
Net Raw Water	626,125,629	100.0			
Used in Production	<u>52,469,929</u>	<u>8.4</u>			
Net Finished Water	573,655,700	91.6			
Loss in Distribution System (including hydrant)	<u>56,890,894</u>	<u>9.1</u>			
Total Sales	<u>516,764,806</u>	<u>82.5</u>	1,202,107	2.326217	4,591
<u>2005</u>					
Net Raw Water	605,252,957	100.0			
Used in Production	<u>47,973,957</u>	<u>7.9</u>			
Net Finished Water	557,279,000	92.1			
Loss in Distribution System (including hydrant)	<u>48,609,898</u>	<u>8.0</u>			
Total Sales	<u>508,669,102</u>	<u>84.1</u>	1,065,472	2.094627	4,570
<u>2004</u>					
Net Raw Water	581,095,974	100.0			
Used in Production	<u>39,253,974</u>	<u>6.8</u>			
Net Finished Water	541,842,000	93.2			
Loss in Distribution System (including hydrant)	<u>54,370,857</u>	<u>9.4</u>			
Total Sales	<u>487,471,143</u>	<u>83.8</u>	1,064,645	2.184016	4,561
<u>2003</u>					
Net Raw Water	545,593,685	100.0			
Used in Production	<u>29,038,685</u>	<u>5.3</u>			
Net Finished Water	516,555,000	94.7			
Loss in Distribution System (including hydrant)	<u>55,425,502</u>	<u>10.2</u>			
Total Sales	<u>461,129,498</u>	<u>84.5</u>	1,019,307	2.210457	4,540

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

TABLE 29

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
2012	\$ 957,550 2.0621	\$ 449,489 0.9680	\$ 155,395 0.3346	\$ 201,195 0.4333	\$ 1,763,629 3.7980	464,352,656 430,333,577	\$ 4.0983
2011	1,007,315 1.9531	282,000 0.5468	160,696 0.3116	166,741 0.3233	1,616,752 3.1348	515,758,320 455,140,379	3.5522
2010	1,128,507 2.1271	432,482 0.8152	84,363 0.1590	202,474 0.3816	1,847,826 3.4829	530,545,000 465,407,953	3.9703
2009	1,164,881 2.0641	437,103 0.7745	63,725 0.1129	200,297 0.3549	1,866,006 3.3064	564,354,000 481,835,874	3.8727
2008	1,039,526 1.7428	401,887 0.6738	59,338 0.0995	199,669 0.3347	1,700,420 2.8508	596,486,000 522,275,138	3.2558
2007	948,844 1.5973	370,711 0.6241	55,660 0.0937	194,412 0.3273	1,569,627 2.6424	594,015,500 536,442,069	2.9260
2006	851,656 1.4846	331,522 0.5779	53,883 0.0939	196,032 0.3417	1,433,093 2.4981	573,655,700 516,764,806	2.7732
2005	801,286 1.4379	294,012 0.5276	52,332 0.0939	187,870 0.3371	1,335,500 2.3965	557,279,000 508,669,102	2.6255
2004	771,370 1.4236	287,918 0.5314	45,762 0.0845	167,356 0.3089	1,272,406 2.3484	541,842,000 487,471,143	2.6102
2003	681,213 1.3188	307,542 0.5954	58,244 0.1128	110,181 0.2133	1,157,180 2.2403	516,555,000 461,129,498	2.5094

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

TABLE 30

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2012</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2011</u>					
Steam billed to customers	3,989,000	72.0	62,639	15.7029	6
Metered warehouse use	270,000	4.9	-	-	
Metered Power Plant use	870,000	15.7	-	-	
Loss	408,000	7.4	-	-	
Fuel cost adder	-	-	19,987	3.6097	
Total steam metered to District Heat Department	5,537,000	100.0	82,626	14.9225	
<u>2010</u>					
Steam billed to customers	6,443,000	75.6	81,706	12.6814	6
Metered warehouse use	337,000	4.0	2,252	6.6825	
Metered Power Plant use	1,492,000	17.5	11,190	7.5000	
Loss	249,000	2.9	-	-	
Fuel cost adder	-	-	33,350	3.9139	
Total steam metered to District Heat Department	8,521,000	100.0	128,498	15.0802	
<u>2009</u>					
Steam billed to customers	7,483,000	49.8	86,055	11.5001	7
Metered warehouse use	433,000	2.9	4,990	11.5242	
Metered Power Plant use	1,484,000	9.9	17,146	11.5539	
Loss	5,612,000	37.4	-	-	
Fuel cost adder	-	-	37,712	2.5121	
Total steam metered to District Heat Department	15,012,000	100.0	145,903	9.7191	
<u>2008</u>					
Steam billed to customers	7,521,000	78.7	86,501	11.5013	7
Metered warehouse use	439,000	4.6	5,049	11.5011	
Metered Power Plant use	1,384,000	14.5	15,926	11.5072	
Loss	215,000	2.2	-	-	
Fuel cost adder	-	-	62,630	6.5519	
Total steam metered to District Heat Department	9,559,000	100.0	170,106	17.7954	

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

TABLE 30

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2007</u>					
Steam billed to customers	9,362,000	48.3 %	\$ 108,345	\$ 11.5728	71
Metered warehouse use	407,000	2.1	4,681	11.5012	
Metered Power Plant use	1,518,000	7.8	17,497	11.5264	
Loss	8,091,000	41.8	-	-	
Fuel cost adder	-	-	88,176	4.5503	
Total steam metered to District Heat Department	19,378,000	100.0	218,699	11.2859	
<u>2006</u>					
Steam billed to customers	16,306,000	41.1	191,304	11.7321	87
Metered warehouse use	357,000	0.9	4,166	11.6695	
Metered Power Plant use	2,276,000	5.7	26,284	11.5483	
Loss	20,696,000	52.3	-	-	
Fuel cost adder	-	-	139,487	3.5193	
Total steam metered to District Heat Department	39,635,000	100.0	361,241	9.1142	
<u>2005</u>					
Steam billed to customers	19,148,000	46.9	222,399	11.6147	104
Metered warehouse use	254,000	0.6	2,991	11.7756	
Metered Power Plant use	1,820,000	4.5	21,120	11.6044	
Loss	19,590,000	48.0	-	-	
Fuel cost adder	-	-	140,858	3.4514	
Total steam metered to District Heat Department	40,812,000	100.0	387,368	9.4915	
<u>2004</u>					
Steam billed to customers	20,242,000	42.1	237,565	11.7362	110
Metered warehouse use	247,000	0.5	2,921	11.8259	
Metered Power Plant use	1,856,000	3.9	21,604	11.6401	
Loss	25,739,000	53.5	-	-	
Fuel cost adder	-	-	109,669	2.2808	
Total steam metered to District Heat Department	48,084,000	100.0	371,759	7.7314	
<u>2003</u>					
Steam billed to customers	24,827,000	45.7	289,833	11.6741	124
Metered warehouse use	229,000	0.4	2,694	11.7642	
Metered Power Plant use	2,386,000	4.4	27,739	11.6257	
Loss	26,933,000	49.5	-	-	
Fuel cost adder	-	-	120,197	2.2105	
Total steam metered to District Heat Department	54,375,000	100.0	440,463	8.1005	



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

TABLE 31

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
2012	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	-
2011	62,657 11.3161	602 0.1087	- -	- -	63,259 11.4248	5,537,000 5,129,000	12.3336
2010	116,599 13.6837	794 0.0932	- -	246,203 28.8937	363,596 42.6706	8,521,000 8,272,000	43.9550
2009	122,270 8.1448	654 0.0436	- -	222,305 14.8085	345,229 22.9969	15,012,000 9,400,000	36.7265
2008	164,148 17.1721	6,909 0.7228	- -	218,556 22.8639	389,613 40.7588	9,559,000 9,344,000	41.6966
2007	298,515 15.4048	2,844 0.1468	50 0.0026	28,410 1.4661	329,819 17.0203	19,378,000 11,287,000	29.2211
2006	510,224 12.8731	34,384 0.8675	12,554 0.3167	28,688 0.7238	585,850 14.7811	39,635,000 18,939,000	30.9335
2005	548,359 13.4362	46,459 1.1384	13,294 0.3257	17,933 0.4394	626,045 15.3397	40,812,000 21,222,000	29.4998
2004	418,479 8.7031	81,918 1.7036	12,671 0.2635	18,248 0.3795	531,316 11.0497	48,084,000 22,345,000	23.7778
2003	443,486 8.1561	57,912 1.0650	13,522 0.2487	17,221 0.3167	532,141 9.7865	54,375,000 27,442,000	19.3915

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

TABLE 32

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
2012	404,830	\$ 623,509 1.5402	\$ 279,944 0.6915	\$ 151,457 0.3741	\$ 630,541 1.5575	\$ 1,685,451 4.1633	840,000 3,010,000
2011	656,800	588,910 0.8966	284,448 0.4331	170,820 0.2601	609,304 0.9277	1,653,482 2.5175	990,000 6,380,000
2010	741,060	587,921 0.7934	271,987 0.3670	88,233 0.1191	621,179 0.8382	1,569,320 2.1177	1,280,000 7,310,000
2009	536,740	584,674 1.0893	293,973 0.5477	71,296 0.1328	619,184 1.1536	1,569,127 2.9234	1,040,000 2,300,000
2008	526,650	617,598 1.1727	260,666 0.4950	62,800 0.1192	613,657 1.1652	1,554,721 2.9521	1,100,000 7,450,000
2007	654,970	530,013 0.8092	267,312 0.4081	61,112 0.0933	615,847 0.9403	1,474,284 2.2509	1,150,000 15,770,000
2006	676,750	501,320 0.7408	248,060 0.3665	51,114 0.0755	203,313 0.3004	1,003,807 1.4832	1,050,000 8,540,000
2005	582,090	343,793 0.5906	269,299 0.4626	47,442 0.0815	199,225 0.3423	859,759 1.4770	900,000 8,020,000
2004	476,220	330,129 0.6932	250,746 0.5265	38,548 0.0809	173,011 0.3633	792,434 1.6639	864,000 1,800,000
2003	403,340	310,243 0.7692	244,241 0.6055	48,680 0.1207	179,918 0.4461	783,082 1.9415	889,000 2,870,000

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**SINGLE AUDIT AND  
OTHER REQUIRED REPORTS**

CITY OF FAIRMONT  
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Fairmont, Minnesota

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, 2012, 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 9, 2013.

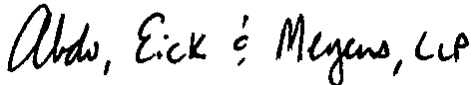
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

May 9, 2013  
Mankato, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants



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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

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 aggregate discretely presented component units, 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, 2012, 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 9, 2013.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

We also noted certain matters that we reported to management of the City in a separate letter dated May 9, 2013.

### **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.

May 9, 2013  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants





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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

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 Circular A-133 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, 2012. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2012.



## 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 OMB Circular A-133, 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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

May 9, 2013  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Federal Awarding Agency</u>	<u>Pass-through Entity</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Amount Expended</u>
U.S. Department of Housing and Urban Development	Minnesota Department of Employment and Economic Development	Community Development Block Grants	14.228	\$ 420,523
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	589,009
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety	20.600	6,157
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.600	3,186
U.S. Department of Transportation	Minnesota Department of Transportation	Occupant Protection Incentive Grants	20.602	4,000
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>17,746,313</u>
	Total expended			<u><u>\$ 18,769,188</u></u>

CITY OF FAIRMONT, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of City of Fairmont, Minnesota, (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**2. Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for the major program and modified accrual basis of accounting for nonmajor programs, which is described in Note 1B to the City's financial statements.

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CITY OF FAIRMONT, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**A. Summary of Auditor's Results**

**Financial Statements**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Fairmont, Minnesota (the City).
2. No deficiencies were noted relating to the audit of the financial statements is reported in the 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 *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.

**Federal Awards**

1. No deficiencies were noted relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133.
2. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
3. No material weaknesses relative to the major federal awards programs were noted for the City.
4. The programs tested as major programs included:

Capitalization Grants for Drinking Water State Revolving Funds

CFDA

66.468

5. The threshold for distinguishing between Types A and B programs was \$563,076.
6. The City did not qualify as a low-risk auditee.

**B. Findings - Financial Statement Audit**

None noted.

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None noted.