PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 15, 2024

NEW ISSUE	**BOOK ENTRY ONLY**
BANK QUALIFIED	**MOODY'S RATING "Aa3"**

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

CITY OF FAIRMONT, MINNESOTA
$9,000,000*
General Obligation Bonds, Series 2024A

Dated Date: Date of Delivery (Estimated to be December 19, 2024)

Interest Due: Each March 1 and September 1 Commencing September 1, 2025

Maturity*	Amount*	Rate	Yield	Price	Maturity*	Amount*	Rate	Yield	Price
3/1/2026	$410,000	_____%	_____%	_____	3/1/2034	$615,000	_____%	_____%	_____
3/1/2027	500,000	_____	_____	_____	3/1/2035	635,000	_____	_____	_____
3/1/2028	515,000	_____	_____	_____	3/1/2036	655,000	_____	_____	_____
3/1/2029	530,000	_____	_____	_____	3/1/2037	680,000	_____	_____	_____
3/1/2030	545,000	_____	_____	_____	3/1/2038	705,000	_____	_____	_____
3/1/2031	560,000	_____	_____	_____	3/1/2039	725,000	_____	_____	_____
3/1/2032	575,000	_____	_____	_____	3/1/2040	755,000	_____	_____	_____
3/1/2033	595,000	_____	_____	_____					

The General Obligation Bonds, Series 2024A (the "Bonds" or the "Issue") are being issued by the City of Fairmont, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 475.58 subdivision 3b, as amended. Proceeds of the Bonds will be used to finance the City's 2024 street improvement and reconstruction projects, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on March 1, 2033 and thereafter are subject to redemption, in whole or in part, on March 1, 2032 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on March 1, commencing March 1, 2026. Interest due with respect to the Bonds is payable semiannually on March 1 and September 1, commencing September 1, 2025. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar be the City of Fairmont, Minnesota.

Proposals: Monday, November 25, 2024 10:30 A.M., Central Time
Award: Monday, November 25, 2024 5:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than $8,887,500 (98.75%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of $180,000, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.

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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE DECEMBER 19, 2024.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Fairmont, Minnesota
$9,000,000 *
General Obligation Bonds, Series 2024A
(Book-Entry Only)

AMOUNT - $9,000,000

ISSUER - City of Fairmont, Minnesota (the "City" or the "Issuer")

AWARD DATE - November 25, 2024

MUNICIPAL ADVISOR - Northland Securities, Inc. (the "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920

TYPE OF ISSUE - General Obligation Bonds, Series 2024A (the "Bonds" or the "Issue")

AUTHORITY, PURPOSE & SECURITY - The General Obligation Bonds, Series 2024A (the "Bonds") are being issued by the City of Fairmont, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 475.58 subdivision 3b, as amended. Proceeds of the Bonds will be used to finance the City's 2024 street improvement and reconstruction projects, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.

DATE OF ISSUE - Date of Delivery (Estimated to be December 19, 2024)

INTEREST PAID - Semiannually on each March 1 and September 1, commencing September 1, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

MATURITIES* -

3/1/2026	$410,000	3/1/2030	$545,000	3/1/2034	$615,000	3/1/2038	$705,000
3/1/2027	500,000	3/1/2031	560,000	3/1/2035	635,000	3/1/2039	725,000
3/1/2028	515,000	3/1/2032	575,000	3/1/2036	655,000	3/1/2040	755,000
3/1/2029	530,000	3/1/2033	595,000	3/1/2037	680,000		

REDEMPTION - The Bonds maturing on March 1, 2033 and thereafter are subject to redemption, in whole or in part, on March 1, 2032 and on any date thereafter at a price of par plus accrued interest. See *Description of the Bonds* herein for additional information.

BOOK-ENTRY - The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.

PAYING AGENT/REGISTRAR - City of Fairmont, Minnesota

TAX DESIGNATIONS - NOT Private Activity Bonds - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

Bank Qualified Tax-Exempt Obligations - The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

LEGAL OPINION - Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel")

BOND RATING - The City received an underlying rating of "Aa3" from Moody's Investors Service ("Moody's"). See *Bond Rating* herein for additional information.

CLOSING - Estimated to be December 19, 2024

PRIMARY CONTACTS - Paul Hoye, Finance Director, City of Fairmont, Minnesota 507-238-9461
Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930

* Preliminary, subject to change.

CITY OF FAIRMONT, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

Name	City Council *Position*	*Term Expires*
Lee Baarts	Mayor	12/31/26
Michele Miller	Council Member	12/31/24
Jay Maynard	Council Member	12/31/26
Britney Kawecki	Council Member	12/31/24
Randy Lubenow	Council Member	12/31/24
Wayne Hasek	Council Member	12/31/24

Primary Contacts

Matt Skaret	City Administrator
Paul Hoye	Finance Director

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

$9,00,000*
GENERAL OBLIGATION BONDS, SERIES 2024A

CITY OF FAIRMONT, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the City's Finance Director, or designee, on Monday, November 25, 2024, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, November 25, 2024 at 5:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:
a) submitted to the office of Northland Securities, Inc.,
b) emailed to PublicSale@northlandsecurities.com
c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Monday, November 25, 2024. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through the City of Fairmont, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be December 19, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 475.58 subdivision 3b, as amended. Proceeds will be used to finance the City's 2024 street improvement and street reconstruction projects and to pay costs associated with issuance of the Bonds. The Bonds are payable from special assessments levied against benefitted properties and ad valorem taxes. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each March 1 and September 1, commencing September 1, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on March 1, inclusive, in each of the years and amounts as follows:

Year	Amount	Year	Amount	Year	Amount
2026	$410,000	2031	$560,000	2036	$655,000
2027	500,000	2032	575,000	2037	680,000
2028	515,000	2033	595,000	2038	705,000
2029	530,000	2034	615,000	2039	725,000
2030	545,000	2035	635,000	2040	755,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Municipal Advisor and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

(1) the close of the fifth (5th) business day after the award date; or
(2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on March 1, 2033 through 2040 are subject to redemption and prepayment at the option of the City on March 1, 2032 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than $8,887,500 (98.75%) and accrued interest on the principal sum of $9,000,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Paul Hoye, Finance Director
100 Downtown Plaza
Fairmont, Minnesota 56031

A good faith deposit (the "Deposit") in the amount of $180,000 in the form of a federal wire transfer (payable to the order of the City) <u>is only required from the apparent winning bidder</u>, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFIED

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: September 23, 2024 BY ORDER OF THE FAIRMONT CITY COUNCIL MINNESOTA

/s/ Paul Hoye
Finance Director

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of ______________________________ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2024A (the "Bonds") of the City of Fairmont, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _______________, 2024.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 19, 2024.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of ________________________________(the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2024A (the "Bonds") of the City of Fairmont, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (________________), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _______________, 2024.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 19, 2024.

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2024A (the "Bonds" or the "Issue") are being issued by the City of Fairmont, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 475.58 subdivision 3b, as amended. Proceeds from issuance of the Bonds will be used to finance the City's 2024 street improvement and reconstruction projects, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from special assessments levied against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Par Amount of Bonds	$ 9,000,000*
Total Sources of Funds:	$ 9,000,000
Uses of Funds	
Deposit to Project Fund	$ 8,810,000
Costs of Issuance/Underwriter's Discount	186,825
Rounding Amount	3,175
Total Uses of Funds:	$ 9,000,000

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

Moody's Investors Service has assigned a rating of "Aa3" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised,

* Preliminary, subject to change.

suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be December 19, 2024), and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually March 1, commencing March 1, 2026. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2025. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on March 1, 2033 and thereafter are subject to redemption, in whole or in part, on March 1, 2032 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Fairmont takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

While the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports in the past five years, a material event notice for the issuance of the City's General Obligation Sewer Revenue Note of 2022A was not posted within ten days of occurrence. The material event notice has now been filed, as required. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _______ (the "Underwriter") at a purchase price of $_______, which is the par amount of the Bonds of $_______ less the Underwriter's discount of $_______, plus the original issue premium of $_________.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of "Aa3" from Moody's Investors Service ("Moody's"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of Moody's and any explanation of the significance of this rating may be obtained only from Moody's. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel") as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the

Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder's tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

CITY OF FAIRMONT, MINNESOTA

GENERAL INFORMATION

Location/Access

Fairmont, the Martin County seat, is located in the south central portion of Minnesota. The City lies approximately 50 miles southwest of Mankato, 105 miles west of Rochester and 120 miles southwest of the Twin Cities metropolitan area. Access is provided via Interstate 90 as well State Highway 15.

Area

8,640 Acres
(13.5 Square Miles)

Population

2000 Census	10,889	2020 Census	10,487
2010 Census	10,666	2024 City Estimate	10,411

Labor Force Data[1]

Comparative average labor force and unemployment rate figures for 2024 (through July) and year-end 2023 are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	July 2024		2023	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
City of Fairmont	5,011	3.2%	4,979	2.8%
Martin County	9,846	3.3	9,785	2.8
Minnesota	3,097,422	3.3	3,099,923	2.8

Income Data[2]

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	City of Fairmont	State of Minnesota	United States
Median Family Income	$83,900	$107,072	$92,646
Per Capita Income	35,114	44,947	41,261

City Government

Fairmont, organized in January 1901, is a Home Rule Charter City governed by a Mayor and five City Council Members. It has a mayor and one council member elected at large for four-year terms and four council members elected by ward for four-year terms. The professional staff is appointed and consists of a city administrator, finance director, economic development coordinator, clerk and city attorney.

The City has the following municipal enterprise services: water utility, wastewater utility, electric utility, storm sewer utility, municipal liquor, and municipal parking lot.

[1] Source: Minnesota Department of Employment and Economic Development.
[2] Source: 2018-2022 American Community Survey, U.S. Census Bureau.

Bargaining Units/Labor Contracts

The labor unions representing certain City employee groups are shown below.

Employee Group	*Union*	*Contract Expiration Date*
Public Works	AFSCME	December 31, 2025
Public Safety	LELS	December 31, 2025
Public Utilities	IBEW	December 31, 2025

Employee Pension Programs

The City employs 250 people, 88 full-time and 162 part-time/seasonal. The pension plan currently covers 101 of the City's employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. 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. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the City to fund current service pension cost as it accrues. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.5% of their annual covered salary in 2023. PEPFF members were required to contribute 11.8% of their annual covered salary in 2023. In 2023, State statute requires the City to contribute the following percentages of annual covered payroll: 7.5% for Coordinated Plan GERF members and 17.7% for PEPFF members. Audited City contributions (including PUC and EDA) to PERF and PEPFF have been as follows:

Year	*Amount*	*Year*	*Amount*
2023	$693,398	2020	$655,095
2022	683,344	2019	647,660
2021	686,952	2018	619,520

Volunteer firefighters of the City are eligible for pension benefits through membership in the Fairmont Fire Fighters Relief Association organized under Minnesota Statutes, Chapters 69, as amended, and administered by a separate board elected by the membership. State aids, investment earnings and City contributions fund the plan.

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 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.

Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit health plan to eligible retirees and their spouses. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report. As of December 31, 2023, there were 85 active plan members and seven retirees or beneficiaries receiving benefits.

Changes in Total OPEB Liability

Balance on January 1, 2023	$745,017
Changes From Prior Year	
Service Cost	31,440
Interest Cost	15,089
Differences Between Expected and Actual Experience	54,391
Changes in Assumptions	(69,245)
Benefit Payments	(44,283)
Net Change	(12,608)
Balance on December 31, 2023	$732,409

Additional information regarding the City's OPEB obligations is provided in the City's Comprehensive Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 12.

Estimated Cash/Investment Balances as of June 30, 2024 (unaudited)

Fund Name	
General Fund	$6,418,891
Economic Development	457,071
Central College Incubator	62,670
Wetland Bank	84,667
Loan Funds	1,009,658
Aeronautics	571,580
Lake Restoration	365,389
Local Option Sales Tax	505,589
Debt Service	1,219,436
Capital Improvements	8,310,982
Enterprise Funds	17,174,927
Internal Service Funds	1,040,068
Trust & Agency Funds	70,993
Total Estimated Cash/Investment Balances	$37,291,921

General Fund Budget Summary

	2023 Budget	2023 Actual	2024 Budget
Revenues:			
Property Taxes	$3,854,798	$3,734,796	$4,091,235
Franchise Taxes	40,000	40,372	40,000
Licenses and Permits	226,800	229,103	222,300
Intergovernmental Revenue	4,045,327	5,591,233	4,506,547
Charges for Services	691,946	720,999	708,405
Fines and Forfeits	49,500	37,692	44,500
Miscellaneous	164,086	490,421	149,269
Transfers In	825,000	825,000	825,000
Total Revenues	$9,897,457	$11,669,616	$10,587,256
Expenditures:			
General Government	$1,696,346	$1,620,956	$1,806,440
Public Safety	4,037,540	3,848,299	4,277,155
Public Works	1,985,304	2,025,358	2,250,394
Health and Sanitation	250,933	171,927	259,319
Culture and Recreation	1,818,834	1,744,582	1,888,948
Transfers Out	748,500	304,550	105,000
Total Expenditures	$10,537,457	$9,715,672	$10,587,256
Revenues Over (Under) Expenditures	(640,000)	1,953,944	0
Beginning Fund Balance (January 1)	$7,466,493	$7,466,493	$9,420,437
Ending Fund Balance (December 31)	$6,826,493	$9,420,437	$9,420,437

Residential Development

There are approximately 3,881 single-family units and 1,060 multifamily units located within the City.

Industrial Park(s)

The City of Fairmont has an industrial park with seven enterprises: Avery Weigh Tronix, Dustin Weiderhoeft, K & W Electric, Kahler Automation, Hancor Inc., MRCI, and Kenway Engineering.

Commercial/Industrial Development

Building construction and commercial/industrial development completed within the past three years has been as follows.

Name	*Product/Service*	*Description*
Midwest Shop Condos	Storage/Shop Space	Five condo units
ADS	Drainage Tile	Production Addition and yard storage

Building Permits

Building permits issued for the past five years and a portion of this year have been as follows:

Year	*Commercial/ Industrial Number of Permits*	*Residential New Construction Number of Permits*	*Total Number of Permits*	*Total Permit Valuation*
2024 (as of 7/24)	28	68	96	$8,889,545
2023	54	86	140	13,620,840
2022	58	84	142	16,590,499
2021	72	78	150	25,647,015
2020	67	99	166	17,797,401
2019	71	88	159	30,471,513

Banking/Financial Institutions[1]

The following banking/financial institutions are located within the City of Fairmont: Bank Midwest, First Farmers & Merchants National Bank, Profinium Financial, Inc., State Bank of Fairmont, U.S. Bank National Association, and Citizens Community Federal National Association.

Education

The City is served by Independent School District No. 2752, Fairmont.

Major/Leading Employers

The following are some of the major/leading employers in the City:

Employer	*Product/Service*	*Number of Employees*[2]
Fairmont Foods of MN	Food Production	325
Weigh-Tronix	Manufacturing	305
Fairmont Mayo Health System-Clinic & Hospital	Health Care	300
REM Heartland-Intermediate Care Facility	Health Care	295
ISD 2752, Fairmont	K-12 Education	255
City of Fairmont	Government	250
Hy-Vee	Grocery	203
Preferred Capital Management	Agriculture	200
Torgerson Properties	Hospitality	195
Wal-Mart	Retail	191
Lakeview Methodist Health Care Facility	Health Care	160

[1] Source: Federal Deposit Insurance Corporation (FDIC) website.

[2] Sources: City and Data Axle Reference Solutions. Includes full-time, part-time and seasonal employees.

Largest Taxpayers[1]

Following are ten of the largest taxpayers within the City:

Name	*Classification*	*2023/2024 Tax Capacity*	*Percent of Total Tax Capacity ($12,280,719)*[2]
CHS Inc	Industrial	$ 593,943	4.84%
Green Plains Fairmont LLC	Industrial	346,064	2.82
Fairmont Clinic-Mayo Health	Commercial	165,336	1.35
Southern MN Municipal Power	Utility	162,764	1.33
Goldfinch Estates GEAC LLC	Multi-Unit Housing	163,485	1.33
Wal-Mart Real Estate Business Trust	Commercial	132,536	1.08
Fairmont Foods, Inc.	Industrial	115,912	0.94
Profinium Financial Inc	Commercial	112,020	0.91
Bank Midwest	Commercial	109,048	0.89
Weigh-Tronix Acquisition Corp.	Industrial	96,120	0.78
		$ 1,997,228	16.27%

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[1] As reported by Martin County.

[2] Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at $76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $30,400 at $76,000 of market value. For a homestead valued between $76,000 and $413,800, the exclusion is $30,400 minus nine percent of the valuation over $76,000. For a homestead valued at $413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

"Economic market value" and "indicated market value" reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the "full value" of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per $100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies "to pay the costs of the principal and interest on bonded indebtedness" and "to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota" are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

		Class Rate Schedule		
Class	*Type of Property*	*2021/ 2022*	*2022/ 2023*	*2023/ 2024*
1a	Residential Homestead: First $500,000	1.00%	1.00%	1.00%
	Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational-under 250 days and includes homestead			
	First $600,000	.50	.50	.50
	$600,001-2,300,000	1.00	1.00	1.00
	Over $2,300,000†	1.25	1.25	1.25
2a	Agricultural Homestead – House, Garage, One Acre:			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First $1,880,000			
	Over $1,880,000			
	First $1,890,000	0.50	0.50	
	Over $1,890,000	1.00	1.00	
	First $2,150,000			0.50
	Over $2,150,000			1.00
	Agricultural Homestead Land[1]	1.00	1.00	1.00
2a	Non-Homestead Agricultural Productive Land*	1.00	1.00	1.00
2b	Non-Homestead Rural Vacant Land[2]	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility			
	First $150,000†	1.50	1.50	1.50
	Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†			
	(Resort): First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†			
	Non-Commercial (Cabin): First $500,000*	1.00	1.00	1.00
	Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing			
	First $100,000		.75	.75
	Over $100,000		.25	.25
	First $174,000	.75		
	Over $174,000	.25		

† Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

1 Homestead remainder & non-homestead; includes structures.

2 Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF FAIRMONT, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	Estimated Market Value 2023/2024	*Net Tax Capacity 2023/2024*
Real Property	$ 1,061,513,300	$ 12,134,742
Personal Property	4,502,900	145,977
Less Tax Increment Deduction	- - -	(99,613)
Total Adjusted Valuation	$ 1,066,016,200	$ 12,181,106

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity Before Tax Increments*	*Tax Capacity After Tax Increments*
2023/2024	$1,118,535,818	95.65%	$1,066,016,200	$1,000,699,586	$12,280,719	$12,181,106
2022/2023	1,057,641,906	93.57	985,522,900	920,307,330	11,335,547	11,200,580
2021/2022	970,771,746	88.05	853,345,900	782,350,400	9,917,348	9,760,004
2020/2021	863,159,728	96.18	827,886,800	755,951,400	9,667,169	9,502,230
2019/2020	894,043,957	87.44	781,293,400	708,821,400	9,045,354	8,896,865

Breakdown of Valuations

2023/2024 Tax Capacity, Real and Personal Property (before tax increment adjustment):

Residential Homestead	$ 5,493,672	44.73%
Agricultural	484,235	3.94
Commercial & Industrial	4,285,950	34.90
Public Utility	156,737	1.28
Railroad	68,132	0.56
Residential Non-Homestead	1,588,971	12.94
Seasonal/Recreational	57,045	0.46
Personal Property	145,977	1.19
Totals:	$ 12,280,719	100.00%

[1] Property valuations, tax rates, and tax levies and collections are provided by Martin County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

Tax Capacity Rates

Tax capacity rates for a City resident within , for the past five-assessable/collection years have been as follows:

Levy Year/ Collection Year	*2019/2020 Tax Capacity Rates*	*2020/21 Tax Capacity Rates*	*2021/22 Tax Capacity Rates*	*2022/23 Tax Capacity Rates*	*2023/24 Tax Capacity Rates*
Martin County	41.667%	39.896%	41.224%	38.075%	30.804%
City of Fairmont	61.041	61.047	62.666	59.112	58.126
ISD No. 2752, Fairmont	24.853	23.583	23.205	21.711	18.168
Multi-County HRA	0.221	0.210	0.192	0.172	0.137
Totals:	127.782%	124.736%	127.287%	119.070%	107.235%

Market Value Rates:	*2019/2020*	*2020/2021*	*2021/2022*	*2022/2023*	*2023/2024*
ISD No. 2752 (Fairmont)	0.17718%	0.14693%	0.18554%	0.17568%	0.179907%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 12/29/23	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2023/2024	$6,861,784	In Process of Collection			
2022/2023	6,484,286	$6,374,547	98.31%	$6,459,297	99.61%
2021/2022	5,963,596	5,820,733	97.60	5,942,595	99.65
2020/2021	5,630,659	5,518,497	98.01	5,614,912	99.72
2019/2020	5,281,020	5,215,488	98.76	5,272,338	99.84

[1] 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Martin County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit[1] [2]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of November 2, 2024:

2023/2024 Estimated Market Value	$ 1,066,016,200
Multiplied by 3%	x .03
Statutory Debt Limit	$ 31,980,486

Less outstanding debt applicable to debt limit:

$6,935,000 G.O. Capital Improvement Plan Bonds, Series 2021B	$ 6,390,000
$9,000,000 General Obligation Bonds, Series 2024A (portion of this Issue)	6,015,000
Total Debt applicable to debt limit:	$ 12,405,000
Legal debt margin	$ 19,575,486

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

[2] Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

CITY OF FAIRMONT, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of November 2, 2024, Plus a Portion of This Issue)

		Portion of This Issue			
Purpose:	**G.O. Capital Improvement Plan Bonds, Series 2021B**	**G.O. Bonds, Series 2024A**			
Dated:	06/01/21	12/19/24			
Original Amount:	$6,935,000	$6,015,000			
Maturity:	1-Mar	1-Mar	**TOTAL**	**TOTAL**	
Interest Rates:	1.10-3.00%		**PRINCIPAL:**	**PRIN & INT:**	
2024	$0	$0	$0	$0	2024
2025	180,000	0	180,000	452,356	2025
2026	190,000	275,000	465,000	773,939	2026
2027	195,000	335,000	530,000	824,403	2027
2028	200,000	345,000	545,000	823,788	2028
2029	205,000	355,000	560,000	824,685	2029
2030	205,000	365,000	570,000	822,079	2030
2031	210,000	375,000	585,000	823,815	2031
2032	210,000	385,000	595,000	819,788	2032
2033	215,000	395,000	610,000	819,931	2033
2034	215,000	410,000	625,000	819,145	2034
2035	220,000	425,000	645,000	822,153	2035
2036	225,000	435,000	660,000	818,970	2036
2037	225,000	455,000	680,000	819,340	2037
2038	230,000	470,000	700,000	818,254	2038
2039	235,000	485,000	720,000	816,293	2039
2040	240,000	505,000	745,000	818,349	2040
2041	245,000	0	245,000	304,156	2041
2042	250,000	0	250,000	304,206	2042
2043	255,000	0	255,000	304,156	2043
2044	260,000	0	260,000	304,006	2044
2045	265,000	0	265,000	303,756	2045
2046	270,000	0	270,000	303,406	2046
2047	275,000	0	275,000	302,784	2047
2048	285,000	0	285,000	306,834	2048
2049	290,000	0	290,000	305,725	2049
2050	295,000	0	295,000	304,509	2050
2051	300,000	0	300,000	303,188	2051
	$6,390,000	$6,015,000 (1)	$12,405,000	$16,064,013	

NOTE: 37% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $9,000,000 General Obligation Bonds, Series 2024A, dated December 19, 2024, consisting of $2,985,000 backed by special assessments and $6,015,000 backed by ad valorem taxes.

CITY OF FAIRMONT, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of November 2, 2024, Plus a Portion of This Issue)

Purpose:	**G.O. Improvement Bonds, Series 2015A**	**G.O. Crossover Refunding Bonds Series 2016A**	**G.O. Improvement Bonds, Series 2017A**	**G.O. Improvement Bonds, Series 2019A**	
Dated:	08/15/15	05/01/16	07/18/17	06/06/19	
Original Amount:	$2,120,000	$2,715,000	$2,950,000	$2,600,000	
Maturity:	1-Mar	1-Mar	1-Mar	1-Mar	
Interest Rates:	2.00-3.00%	1.50-2.00%	2.00-3.00%	3.00%	
2024	$0	$0	$0	$0	2024
2025	145,000	320,000	190,000	155,000	2025
2026	145,000	250,000	195,000	160,000	2026
2027	150,000	135,000	200,000	165,000	2027
2028	155,000	0	205,000	170,000	2028
2029	160,000	0	210,000	175,000	2029
2030	160,000	0	215,000	185,000	2030
2031	165,000	0	220,000	190,000	2031
2032	0	0	225,000	195,000	2032
2033	0	0	235,000	200,000	2033
2034	0	0	0	205,000	2034
2035	0	0	0	210,000	2035
2036	0	0	0	0	2036
2037	0	0	0	0	2037
2038	0	0	0	0	2038
2039	0	0	0	0	2039
2040	0	0	0	0	2040
	$1,080,000	$705,000	$1,895,000	$2,010,000	
	(1)	(2)			

CONTINUED

		Portion of This Issue		
Purpose:	**G.O. Improvement and Refunding Bonds, Series 2021A**	**G.O. Bonds, Series 2024A**		
Dated:	06/01/21	01/19/24		
Original Amount:	$3,280,000	$2,985,000		
Maturity:	1-Mar	1-Mar	**TOTAL**	**TOTAL**
Interest Rates:	1.15-3.00%		**PRINCIPAL:**	**PRIN & INT:**

2024	$0	$0	$0	$0	2024
2025	250,000	0	1,060,000	1,334,902	2025
2026	260,000	135,000	1,145,000	1,415,784	2026
2027	270,000	165,000	1,085,000	1,287,152	2027
2028	275,000	170,000	975,000	1,188,355	2028
2029	280,000	175,000	1,000,000	1,184,639	2029
2030	160,000	180,000	900,000	1,058,040	2030
2031	165,000	185,000	925,000	1,058,808	2031
2032	165,000	190,000	775,000	886,235	2032
2033	170,000	200,000	805,000	895,185	2033
2034	170,000	205,000	580,000	651,724	2034
2035	175,000	210,000	595,000	651,063	2035
2036	175,000	220,000	395,000	437,800	2036
2037	180,000	225,000	405,000	436,994	2037
2038	0	235,000	235,000	257,240	2038
2039	0	240,000	240,000	253,630	2039
2040	0	250,000	250,000	254,625	2040
	$2,695,000	$2,985,000	$11,370,000	$13,252,175	
	(3)	(4)			

NOTE: 78% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $2,330,000 General Obligation Bonds, Series 2015A, dated August 15, 2015, consisting of $2,120,000 backed by special assessments and $210,000 backed by water and sewer utility net revenues.

(2) These bonds refunded, on March 1, 2018, the General Obligation Bonds, Series 2009A. The bonds also refunded, on March 1, 2017, General Obligation Bonds, Series 2010A. In addition, the bonds crossover refunded, on March 1, 2017, the General Obligation Improvement Bonds, Series 2011A.

(3) These bonds refunded, on June 1, 2021, the remaining maturities of the General Obligation Improvement Bonds, Series 2013A.

(4) This schedule represents a portion of the $9,000,000 General Obligation Bonds, Series 2024A, dated December 19, 2024, consisting of $2,985,000 backed by special assessments and $6,015,000 backed by ad valorem taxes.

CITY OF FAIRMONT, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of November 2, 2024)

Purpose:	G.O. Water Revenue Bonds, Series 2011	G.O. Sewer Revenue Note of 2022A			
Dated:	11/23/11	01/12/22			
Original Amount:	$28,902,811	$2,760,479			
Maturity:	20-Aug	20-Aug	TOTAL	TOTAL	
Interest Rates:	2.234%	1.000%	PRINCIPAL:	PRIN & INT:	
2024	$0	$0	$0	$0	2024
2025	914,000	124,000	1,038,000	1,471,108	2025
2026	934,000	126,000	1,060,000	1,471,449	2026
2027	954,000	127,000	1,081,000	1,470,324	2027
2028	976,000	128,000	1,104,000	1,470,741	2028
2029	998,000	130,000	1,128,000	1,471,657	2029
2030	1,020,000	131,000	1,151,000	1,471,062	2030
2031	1,043,000	132,000	1,175,000	1,470,965	2031
2032	1,066,000	133,000	1,199,000	1,470,345	2032
2033	1,090,000	135,000	1,225,000	1,471,200	2033
2034	1,114,000	136,000	1,250,000	1,470,500	2034
2035	1,140,000	138,000	1,278,000	1,472,253	2035
2036	1,165,000	139,000	1,304,000	1,471,405	2036
2037	1,191,000	140,000	1,331,000	1,470,989	2037
2038	1,217,000	142,000	1,359,000	1,470,982	2038
2039	1,244,000	143,000	1,387,000	1,470,374	2039
2040	1,272,000	145,000	1,417,000	1,471,154	2040
2041	956,000	146,000	1,102,000	1,126,287	2041
2042	0	147,000	147,000	148,470	2042
	$18,294,000	$2,442,000	$20,736,000	$24,811,266	
	(2)	(1)			

NOTE: 49% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds are payable primarily from net revenues of the municipal sanitary sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of

(2) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

Indirect Debt*

Issuer	*2023/2024 Tax Capacity Value*[(1)]	*2023/2024 Tax Capacity Value in City*[(1)]	*Percentage Applicable in City*	*Outstanding General Obligation Debt*	*Taxpayers' Share of Debt*
Martin County	$ 64,741,380	$ 12,181,106	18.82%	$ 24,866,000	$ 4,679,781
ISD No. 2752, Fairmont	23,400,089	12,181,106	52.06	31,415,000	16,354,649
				Total Indirect Debt:	$ 21,034,430

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of November 2, 2024, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction.

General Obligation Debt

Bonds secured by special assessments (includes a portion of this issue)	$ 11,370,000
Bonds secured by water/sewer revenues	20,736,000
Bonds secured by taxes (includes a portion of this issue)	12,405,000
Subtotal	$ 44,511,000
Less bonds secured by water/sewer revenues	(20,736,000)
Direct General Obligation Debt	23,775,000
Add taxpayers' share of indirect debt	21,034,430
Direct and Indirect Debt	$ 44,809,430

Facts for Ratio Computations

2023/2024 Economic Market Value (real and personal property)	$1,118,535,818
Population (2024 estimate)	10,411

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	2.13%	1.88%	4.01%
Per Capita	$2,284	$2,020	$4,304

APPENDIX A

Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

$9,000,000
GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF FAIRMONT
MARTIN COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Fairmont, Martin County, Minnesota (the "Issuer"), of its $9,000,000 General Obligation Bonds, Series 2024A, bearing a date of original issue of December 19, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution , Charter of the Issuer, and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Continuing Disclosure Certificate

[Appendix ___ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Fairmont, Minnesota (the "Issuer"), in connection with the issuance of its $9,000,000 General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on November 25, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated __________, 2024, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2024, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2025, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to rights of security holders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: December 19, 2024.

CITY OF FAIRMONT, MINNESOTA

By ___________________________________
Its Mayor
By ___________________________________
Its City Administrator

APPENDIX C

City's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2023. The complete financial report for the year 2023 and the prior two years are available for inspection at the Fairmont City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

FAIRMONT

CITY OF FAIRMONT – P.O. Box 751 – 100 Downtown Plaza – Fairmont, MN 56031
Phone (507) 238-9461 www.fairmont.org ✧ citygov@fairmont.org Fax (507) 238-9469

June 5, 2024

To the Honorable Mayor, City Council and Citizens
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, 2023. 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 to 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 the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

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

BUDGETARY CONTROL

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

ECONOMIC CONDITION AND OUTLOOK

- The City of Fairmont is located along the southern border of Minnesota at State Highway 15 and Interstate I-90 in a largely agricultural area. Although the population declined slightly over the last ten years, the number of households has increased. The economy of Fairmont consists of large and small industry and commerce. The industries are diversified between food processors, agribusinesses and a variety of other products. The City's financial base is currently strong with taxable market values increasing 8.7% in 2023. The health care industry in Fairmont is providing significant support for our economy. Mayo Health System, the Center for Specialty Care, Dulcimer Medical Center and United Hospital District are all offering quality care to Fairmont residents and our entire region.

- Long term financial planning is a very important function of the City. The City has established a General fund balance of 55 - 65% of expenditures and has consistently been above this limit. This has allowed the City to continue to fund capital expenditures without issuing debt or raising taxes. It has also given the City a cushion for economic changes that are outside its control. The favorable fund balance has also been a positive factor in the City's bond rating.

- The City Council has also developed a program of eliminating blighted housing within the City. Starting in 2008 the City began budgeting $42,500 per year and in 2019 the budget was increased to $80,000 per year to help tear down dilapidated housing. Not only has this program helped with the aesthetics of the City, it has maintained and increased valuations within the City.

MAJOR INITIATIVES

For the year –

The City of Fairmont continued efforts to ensure Fairmont has an inventory of safe, quality housing for all income levels. The City updated their rental housing code to provide city inspections of rental properties to help promote an inventory of safe rental homes. The city continued demolition of uninhabitable housing to reinvigorate blighted areas. The City of Fairmont and Fairmont Economic Development Authority (FEDA) continue to work with the Southwest MN Housing Partnership (SWMHP) to develop new housing in the form of four twin homes to be built on the remaining eight lots of the White Tail Ridge development. FEDA was able to close on the sale of the first 4 lots on Red Bird Lane in May of 2024. SWMHP intends to build the first two twin homes this spring. This housing development should offer new housing for a variety of housing buyers as well as opening other housing inventory, which is an important need in our Fairmont community. The city, FEDA and the HRA are all working to push forward and support housing development of all kinds.

The City adopted a new vacant building ordinance to protect the public health, safety and welfare by establishing a program for the identification and regulation of vacant and abandoned buildings within the city. Neglect of vacant buildings and the use of vacant buildings by transients and criminals creates a safety hazard and blight condition for the community. Through this initiative the city will help to identify, register and address vacant buildings to preserve the tax base and property values on buildings within the city.

MAJOR INITIATIVES (CONTINUED)

For the year – (Continued)

FEDA purchased a 38-acre parcel of bare developable land at the intersection of County Road 39 and I-90 in November of 2023. This site provides maximum accessibility and visibility to Interstate 90. The purchase of this land will offer a significant opportunity for attracting new businesses, jobs, and tax base revenue.

FEDA developed a new Façade Program created to enable businesses to improve the outward face of their business. The Façade Program is a five-year forgivable loan where FEDA will help businesses with half of the cost of the project, or up to $5,000 for new doors, windows, siding, signage, tuckpointing, painting etc. Over the last year FEDA has approved $46,756 in forgivable loans, helping ten different businesses with their facades.

The FEDA revolving loan fund has also been active in helping new businesses get started and enabling existing businesses to expand and grow. FEDA is a gap financer, always working in partnership with our local lenders. In 2023, FEDA has lent out $344,000 to six different new or growing businesses.

The city completed a Dutch Creek wetland restoration project to help the water quality in our watershed. The city received $1.55M in grant funds from the State of Minnesota to complete this project. The project is the first of its kind, a temperature-enhanced bioreactor to remove nitrates from the water. This project was completed in partnership with the University of Minnesota and is a pilot for future expansion.

The City, in collaboration with Brunton Engineering, has undertaken a comprehensive feasibility study for the replacement or improvements of the Fire Station in Fairmont. This study explores the potential for a joint facility, possibly housing the Fire Department and City Hall. The study also explores the potential for a joint facility that could include the Police Department, but those plans are contingent on what happens with the Martin County Law Enforcement Center project. The City will use the study results to guide future capital planning of City facilities.

For the future -

The city held a strategic planning session in 2021 to establish their goals and priorities for the city. The strategic plan was adopted in April 2021 and will guide project planning and budgeting for the next few years.

Infrastructure improvements continue to be a community priority. The city is working on a $19M wastewater treatment plant update, $4M for a new two million gallon water tower that will replace two ground storage tanks, conducting plans to update Gomsrud Park, and implementing an automated metering infrastructure improvement (AMI) project. In 2022, the City of Fairmont started the AMI (Advanced Metering Infrastructure) project. This system replaces a now obsolete meter reading process that the City had used for the past 15 years. In addition, many of the existing meters need to be replaced as they have exceeded their life expectancy. In October of 2022, the city utility started working with vendors to install new electric meters. The City will continue to replace the electric and water meters for all utility customers in the City of Fairmont service areas in 2024. This new AMI system will allow for improved monitoring of the City's electric and water distribution network.

The city completed an electric distribution system model to identify areas of concern and plan for future load growth within the city's electric service territory. The planning will allow capital improvements to be programmed and adequately funded in the future. These projects will rebuild our aging infrastructure in our substations as well as add a new substation on the West end of town to accommodate load deficiencies and growth, includes three new transformers and replaces outdated 69kv breakers and protective relays in our 10th Street substation.

MAJOR INITIATIVES (CONTINUED)

For the future – (Continued)

Housing and childcare will continue to be economic development priorities as it is difficult to attract and retain workforce to the community without these two core community needs. Through our work on these initiatives, we will continue to build a place where young people want to come and stay. Enabling future development, continuing work in the White Tail Ridge development, FEDA childcare loans, supporting childcare development efforts, and identifying redevelopment opportunities are examples of efforts that will be worked on.

The city will be updating the zoning code to improve useability and to bring the code into alignment with the 2040 Comprehensive Plan adopted by council in January 2021. The zoning code update, coupled with the automation of the building and zoning permitting process will work to improve useability, transparency, and efficiency in the city community development process.

INTERNAL ACCOUNTING CONTROLS

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

1) the safeguarding of assets against loss from unauthorized use or disposition, and;

2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

1) cost of the control should not exceed the benefits likely to be derived, and;

2) evaluation of costs and benefits requires estimates and judgment by management.

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

FINANCIAL POLICIES

The City has set a general fund balance requirement in the range of 55 - 65 percent of General fund expenditures. The City has consistently been able to maintain fund balances within or above this range and as of December 31, 2023, the General fund balance was 100.1 percent of General fund expenditures. Council and staff feel that it is important to maintain these balances which will help the City maintain its Aa3 rating with Moody's reducing future borrowing costs, allow for unforeseen expenditures and act as an insurance policy for future State aid reductions.

Financial planning for the City of Fairmont is also based upon the five year Capital Improvement Program. The Capital Improvement Program is reviewed and updated each year during the budget process. The Capital Improvement Program includes projects for which the City must issue debt and/or assess portions of the cost to adjacent or benefited property owners. Because the Council has set limits upon the funds available each year and the City does not wish to issue excessive amounts of debt, these projects need to be reviewed annually, and on occasion reprioritized.

INDEPENDENT AUDIT

State law requires an annual audit of the City's financial records and transactions supporting the financial statements. This requirement has been complied with and the auditors' opinion has been included in this report.

The accompanying financial statements have been examined by BerganKDV 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, BerganKDV 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, 2022. 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 thirty two (32) consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

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

Respectfully submitted,

City of Fairmont
Paul Hoye
Finance Director

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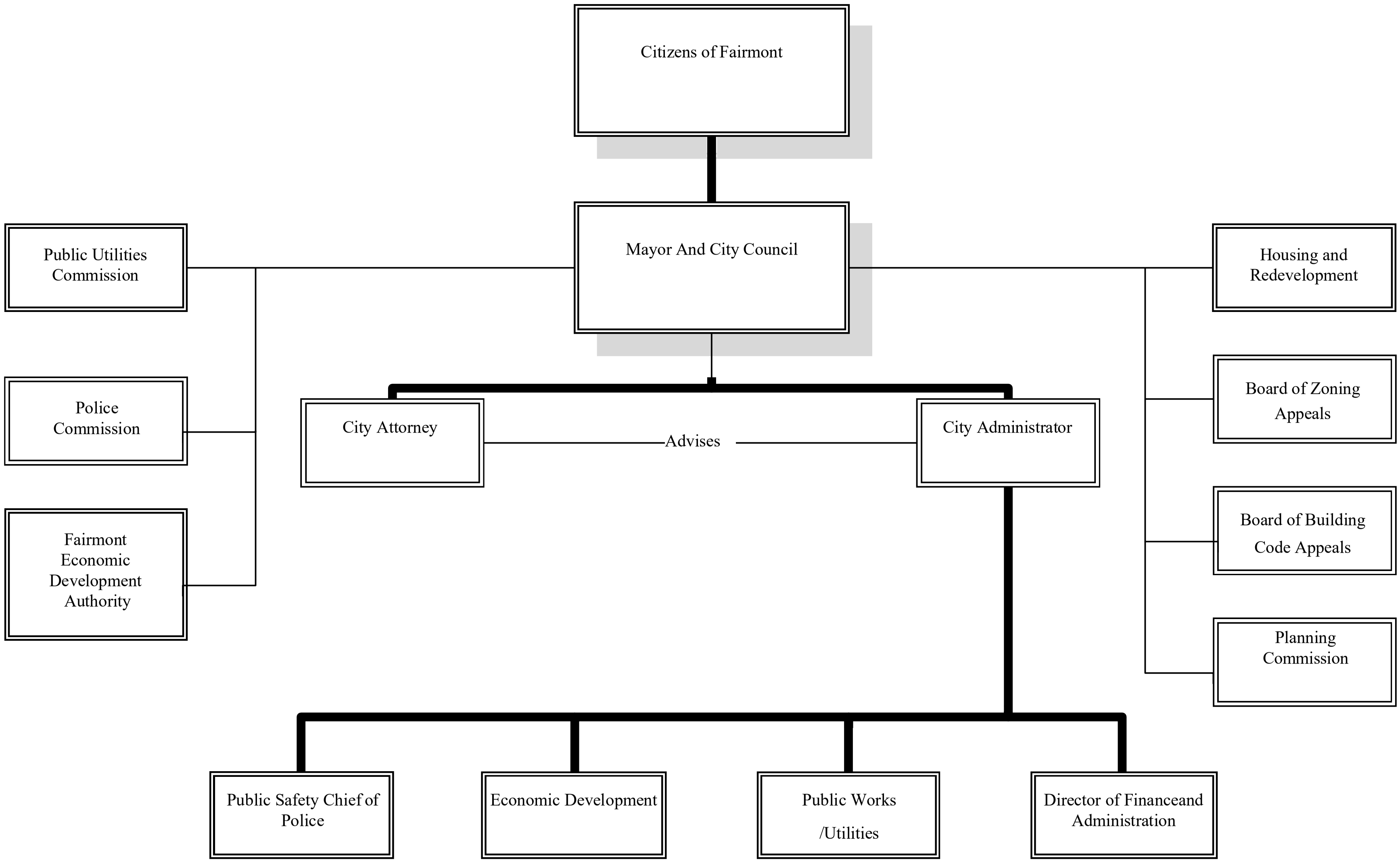
City of Fairmont
Elected Officials and Administration
December 31, 2023

Elected Officials	Position	Term Expires
Lee C. Baarts	Mayor	December 31, 2026
Michele Miller	Council Member	December 31, 2024
Jay Maynard	Council Member	December 31, 2026
Britney Kawecki	Council Member	December 31, 2024
Randy Lubenow	Council Member	December 31, 2026
Wayne Hasek	Council Member	December 31, 2024

Administration	
Jeff O'Neill	Interim City Administrator
Paul Hoye	Finance Director
Patty Monsen	City Clerk
Matthew York	Director of Public Works and Public Utilities
Mark Rahrick	City Attorney
Michael N. Hunter	Chief of Police

City of Fairmont
City and Department Organizational Chart
December 31, 2023



City of Fairmont
Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairmont
Minnesota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fairmont
Fairmont, Minnesota

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to in the first paragraph 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 of Fairmont, Minnesota, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Fairmont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Fairmont's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fairmont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Fairmont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fairmont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairmont's basic financial statements. The combining and individual fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The combining and individual fund Financial Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 4, 2024

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City of Fairmont
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, 2023. 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 3 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $140,490,066 (*net position*). Of this amount, $24,526,375 (*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 $6,724,472, compared to an increase of $3,052,961, in the previous year. The increase in net position is attributed to continued strong performance of the City's enterprise funds, specifically the Water, Wastewater, and Municipal Liquor funds as well as strong General Fund performance.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $25,744,364, an increase of $2,463,817 in comparison with the prior year. Unassigned fund balance at year end is $1,675,709. The remainder of fund balance is not available for new spending because it is either 1) restricted ($10,487,629), 2) committed ($7,378,431), 3) assigned ($6,191,570) or 4) non-spendable ($11,025) for the purposes described in Note 10 in the notes to the financial statements.

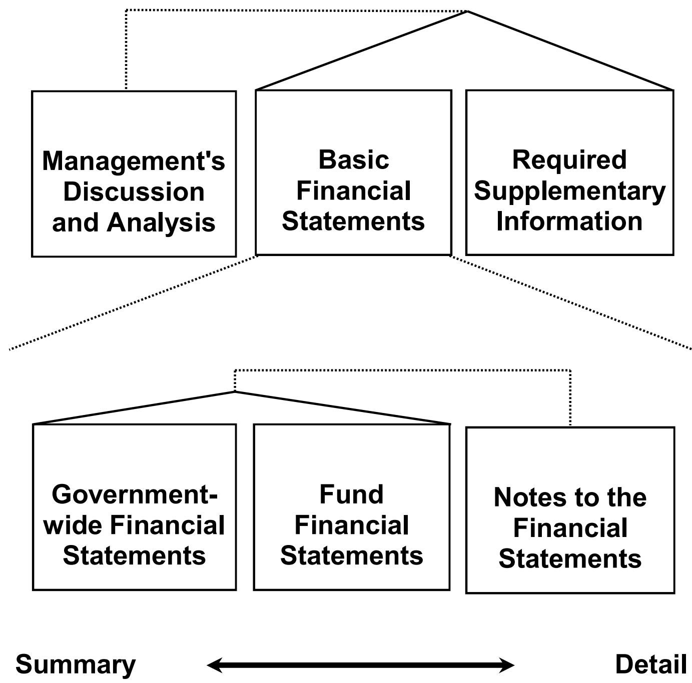
Overview of the Financial Statements

This discussion and analysis are 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.

Overview of the Financial Statements (Continued)

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



Overview of the Financial Statements (Continued)
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

		Fund Financial Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as the HEAT Tactical Team
Required financial statements	◆ Statement of Net Position ◆ Statement of Activities	◆ Balance Sheet ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances	◆ Statement of Net Position ◆ Statement of Revenues, Expenses and Changes in Net Position ◆ Statement of Cash Flows	◆ Statement of Fiduciary Net Position ◆ Statement of Changes in Fiduciary Net Position
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	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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
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	Funds do not currently contain deferred outflows/deferred inflows of resources, although they can
Type of inflow/outflow 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	All additions and deductions during the year, regardless of when cash is received or paid.

Overview of the Financial Statements (Continued)

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

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

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

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

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

The government-wide financial statements can be found starting on page 33 of this report.

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

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

Overview of the Financial Statements (Continued)

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

The City maintains several individual governmental funds, a number of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Street Improvement Capital Reserve 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 36 of this report.

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

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

The basic proprietary fund financial statements can be found starting on page 42 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Fairmont'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 on page 48 of this report.

Overview of the Financial Statements (Continued)

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 49 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fairmont's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, Schedule of Changes in the City's Total OPEB Liability and Related Ratios. Required supplementary information can be found starting on page 100 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund financial statements and schedules can be found starting on page 116 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $140,490,066 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (73.5%) 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			Total	
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease	2023	2022
Assets								
Current and other assets	$ 31,287,135	$ 29,823,802	$ 1,463,333	$ 21,299,150	$ 19,703,010	$ 1,596,140	$ 52,586,285	$ 49,526,812
Capital assets	72,977,927	73,276,499	(298,572)	67,027,193	66,821,937	205,256	140,005,120	140,098,436
Total assets	104,265,062	103,100,301	1,164,761	88,326,343	86,524,947	1,801,396	192,591,405	189,625,248
Deferred outflows of resources	4,333,015	5,320,543	(987,528)	659,716	972,584	(312,868)	4,992,731	6,293,127
Liabilities								
Long-term liabilities outstanding	19,686,718	26,040,520	(6,353,802)	23,299,103	25,779,140	(2,480,037)	42,985,821	51,819,660
Current liabilities	3,838,331	4,007,821	(169,490)	4,041,155	4,135,203	(94,048)	7,879,486	8,143,024
Total liabilities	23,525,049	30,048,341	(6,523,292)	27,340,258	29,914,343	(2,574,085)	50,865,307	59,962,684
Deferred inflows of resources	4,819,920	1,527,861	3,292,059	1,408,843	662,236	746,607	6,228,763	2,190,097
Net Position								
Net investment in capital assets	56,244,080	54,981,501	1,262,579	47,032,193	45,157,937	1,874,256	103,276,273	100,139,438
Restricted	12,687,418	12,019,911	667,507	-	-	-	12,687,418	12,019,911
Unrestricted	11,321,610	9,843,230	1,478,380	13,204,765	11,763,015	1,441,750	24,526,375	21,606,245
Total net position	$ 80,253,108	$ 76,844,642	$ 3,408,466	$ 60,236,958	$ 56,920,952	$ 3,316,006	$ 140,490,066	$ 133,765,594

Government-Wide Financial Analysis (Continued)

An additional portion of the City's net position (9.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (17.5%) 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 $3,408,466. The primary reasons for the increase in net position were a result of payments made on outstanding debt without issuing any additional debt and positive fund operations.

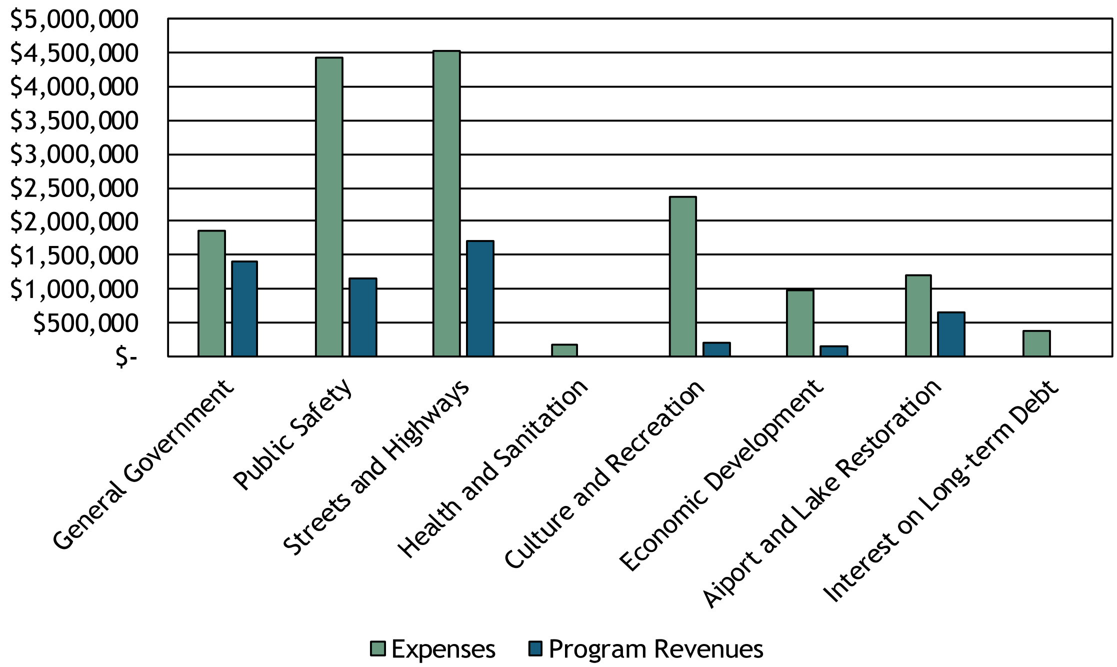
City of Fairmont's Changes in Net Position

	Governmental Activities			Business-Type Activities			Total	
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease	2023	2022
Revenues								
Program revenues								
Charges for services	$ 1,753,932	$ 1,650,451	$ 103,481	$ 30,819,846	$ 28,770,108	$ 2,049,738	$ 32,573,778	$ 30,420,559
Operating grants and contributions	2,031,449	859,007	1,172,442	6,873	327,931	(321,058)	2,038,322	1,186,938
Capital grants and contributions	1,513,812	1,147,166	366,646	225,000	293,752	(68,752)	1,738,812	1,440,918
General revenues								
Property taxes/tax increments	6,319,414	6,029,789	289,625	-	-	-	6,319,414	6,029,789
Other taxes	1,666,515	1,649,084	17,431	-	-	-	1,666,515	1,649,084
Grants and contributions not restricted to specific programs	3,755,906	4,015,623	(259,717)	-	-	-	3,755,906	4,015,623
Unrestricted investment earnings	1,035,526	(599,784)	1,635,310	678,210	(551,087)	1,229,297	1,713,736	(1,150,871)
Other	4,580	45,000	(40,420)	3,116	-	3,116	7,696	45,000
Total revenues	18,081,134	14,796,336	3,284,798	31,733,045	28,840,704	2,892,341	49,814,179	43,637,040
Expenses								
General government	1,852,007	1,864,469	(12,462)	-	-	-	1,852,007	1,864,469
Public safety	4,422,665	4,205,479	217,186	-	-	-	4,422,665	4,205,479
Public works	4,528,369	3,393,005	1,135,364	-	-	-	4,528,369	3,393,005
Health and sanitation	171,927	225,095	(53,168)	-	-	-	171,927	225,095
Culture and recreation	2,352,016	2,174,763	177,253	-	-	-	2,352,016	2,174,763
Economic development	970,460	735,369	235,091	-	-	-	970,460	735,369
Miscellaneous	1,197,494	1,203,271	(5,777)	-	-	-	1,197,494	1,203,271
Interest on long-term debt	368,636	370,984	(2,348)	-	-	-	368,636	370,984
Electric	-	-	-	15,615,597	14,671,339	944,258	15,615,597	14,671,339
Water	-	-	-	4,453,622	4,496,190	(42,568)	4,453,622	4,496,190
Sewer	-	-	-	2,436,616	2,770,476	(333,860)	2,436,616	2,770,476
Storm sewer	-	-	-	594,778	569,226	25,552	594,778	569,226
Liquor	-	-	-	4,119,987	3,899,070	220,917	4,119,987	3,899,070
Parking lot	-	-	-	5,533	5,343	190	5,533	5,343
Total expenses	15,863,574	14,172,435	1,691,139	27,226,133	26,411,644	814,489	43,089,707	40,584,079
Change in net position before transfers	2,217,560	623,901	1,593,659	4,506,912	2,429,060	2,077,852	6,724,472	3,052,961
Transfers	1,190,906	1,214,931	(24,025)	(1,190,906)	(1,214,931)	24,025	-	-
Change in Net Position	3,408,466	1,838,832	1,569,634	3,316,006	1,214,129	2,101,877	6,724,472	3,052,961
Net position - January 1	76,844,642	75,005,810	1,838,832	56,920,952	55,706,823	1,214,129	133,765,594	130,712,633
Net position - December 31	$ 80,253,108	$ 76,844,642	$ 3,408,466	$ 60,236,958	$ 56,920,952	3,316,006	$ 140,490,066	$ 133,765,594

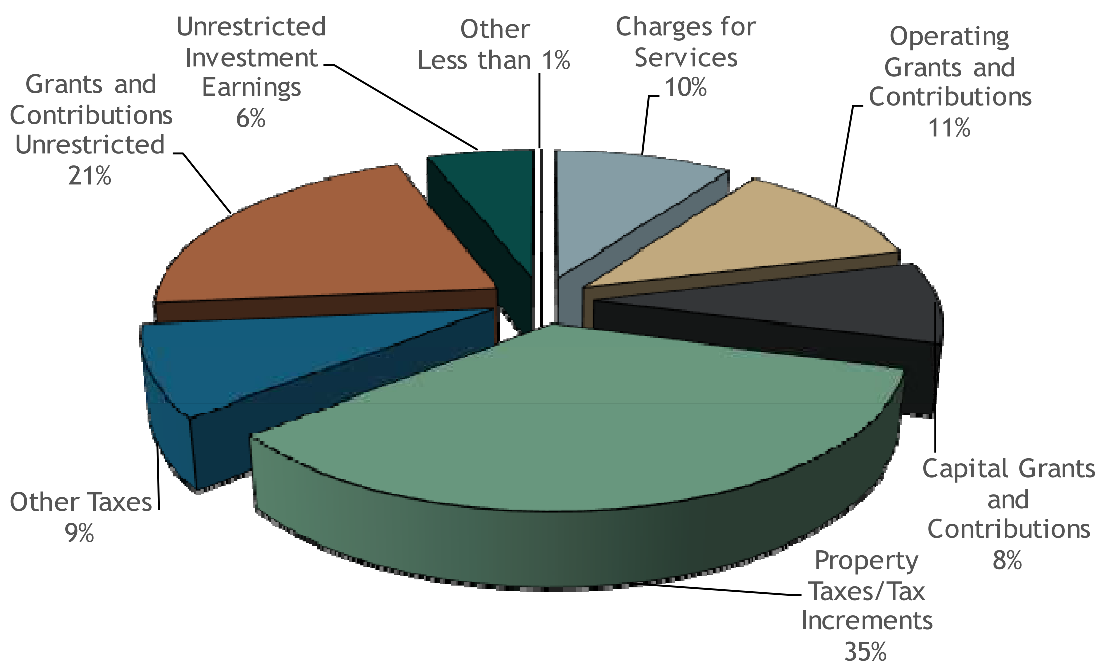
Operating grant revenues increased due to spending the American Rescue Plan Act grant in 2023. Unrestricted investment earning increased due to better market conditions. Public works expenses increased due to a large mill and overlay project that was not considered a capital asset. The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Government-Wide Financial Analysis (Continued)

Expenses and Program Revenues - Governmental Activities



Revenues by Source

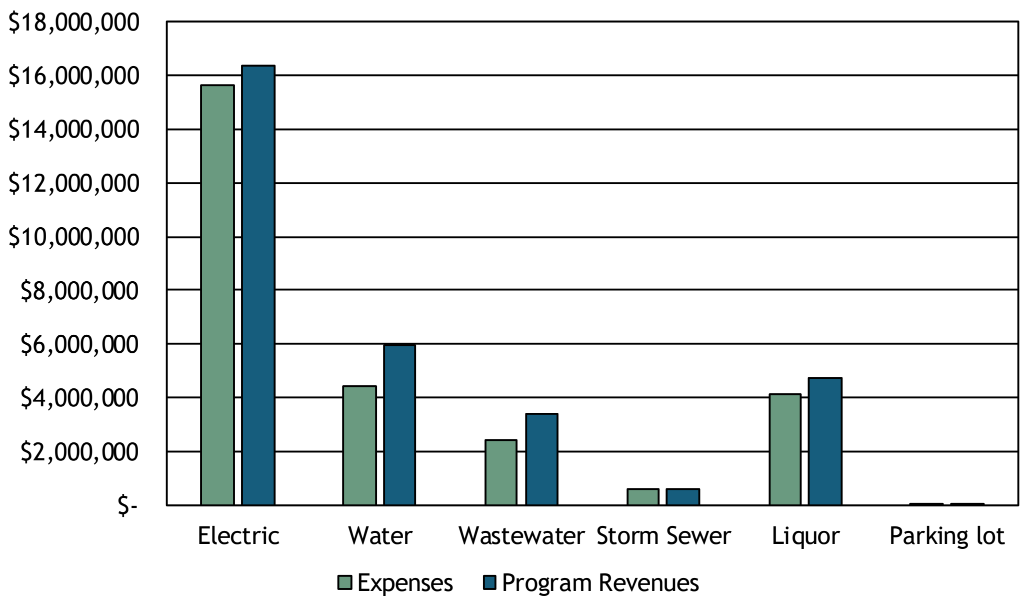


Government-Wide Financial Analysis (Continued)

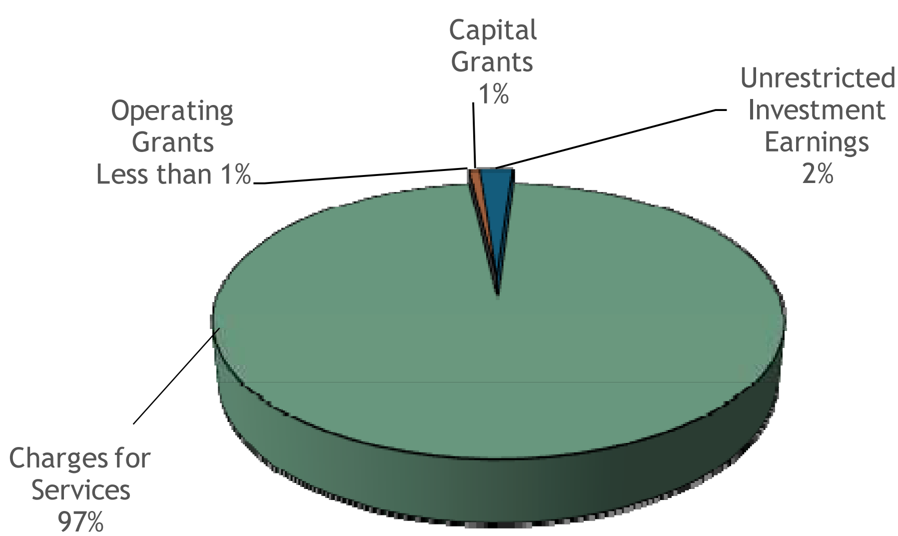
Business-type Activities. Business-type activities increased the City's net position by $3,316,006. Key elements of this increase are as follows:

- PUC (electric, wastewater and water) had operating income of $3,520,786, with a total change in net position of $2,853,786. These increases in operating income were due to increased utility rates and usage. The increase in investment earnings due to better market conditions was also a significant factor in the net position increase.

Expenses and Program Revenues - Business-type Activities



Revenues by Source



Financial Analysis of the City's Funds
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was $9,420,437. 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 $2,565,448, or 27.3% of total General fund expenditures, while total fund balance represents 100.1% of General fund expenditures.

The fund balance of the City's General fund increased by $1,953,944 during the current fiscal year. Contributing factors to the increase are recognizing the City's American Rescue Plan Act grant allocation in 2023. In addition, expenditures were under budget by $377,835.

The Debt Service Fund has a total fund balance of $2,946,297, 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 $319,543. The major reason for the increase was tax revenue, special assessments and transfers into the fund exceeding scheduled debt service payments.

The Capital Reserve fund has a total fund balance of $1,027,381, which is a decrease of $100,366 from the prior year. This decrease is the result of timing of capital projects and equipment purchases.

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 $12,748,032 of which $479,021 was for the Water Utility fund, $452,269 was for the Wastewater Utility fund, $8,479,949 was for the Electric Utility fund, $715,496 was for the Storm Sewer fund, the Municipal Liquor fund amounted to $2,611,960 and $9,337 for parking. The total increase in net position for the enterprise funds was $3,255,787. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights
The City's General fund budget was not amended during the year. Budgeted revenues exceeded actual by $1,767,579 and actual expenditures were under budget by $377,835 in 2023. The primary reasons for the variances are as follows:

- Intergovernmental revenues were overbudget due to not anticipating the recognition of the American Rescue Plan Act allocation in 2023.
- Investment income was overbudget due to conservative budgeting.
- General Government, Public Safety, Health and Sanitation and Culture and Recreation expenditures were all under budget due to conservative budgeting.

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, 2023 amounts to $140,005,120 (net of accumulated depreciation/amortization). 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:

- Continued construction on the Biosolids expansion.
- Continued construction on the new Public Works Facility.

Additional information on the City's capital assets can be found in Note 5 starting on page 66 of this report.

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

	Governmental Activities			Business-Type Activities			Total	
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease	2023	2022
Land	$ 3,908,728	$ 3,949,478	$ (40,750)	$ 1,718,715	$ 1,718,715	$ -	$ 5,627,443	$ 5,668,193
Buildings and structures	5,365,684	5,450,651	(84,967)	31,037,082	31,863,572	(826,490)	36,402,766	37,314,223
Improvement other than buildings	11,394,759	11,966,276	(571,517)	24,575,847	25,148,901	(573,054)	35,970,606	37,115,177
Machinery and equipment	1,919,835	1,737,340	182,495	4,148,048	4,013,291	134,757	6,067,883	5,750,631
Right-of-use-asset	5,058	15,175	(10,117)	-	-	-	5,058	15,175
Vehicles	1,230,089	681,830	548,259	-	-	-	1,230,089	681,830
Infrastructure	37,569,226	38,895,462	(1,326,236)	-	-	-	37,569,226	38,895,462
Construction in progress	11,584,548	10,580,287	1,004,261	5,547,501	4,077,458	1,470,043	17,132,049	14,657,745
Total	$ 72,977,927	$ 73,276,499	$ (298,572)	$ 67,027,193	$ 66,821,937	$ 205,256	$140,005,120	$140,098,436

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $38,804,520. Of this amount, $16,335,000 is improvement debt and $22,469,520 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Fairmont's Outstanding Debt

	Governmental Activities			Business-Type Activities			Total	
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease	2023	2022
G.O. Improvement Bonds	$ 16,335,000	$ 17,855,000	$ (1,520,000)	$ -	$ -	$ -	$ 16,335,000	$ 17,855,000
G.O. Revenue Bonds	-	-	-	22,469,520	23,855,407	(1,385,887)	22,469,520	23,855,407
Total	$ 16,335,000	$ 17,855,000	$ (1,520,000)	$ 22,469,520	$ 23,855,407	$ (1,385,887)	$ 38,804,520	$ 41,710,407

The City's total debt decreased by $2,905,887 during the current fiscal year, with scheduled debt service payments being made.

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

Capital Asset and Debt Administration (Continued)

Minnesota Statutes limit the amount of net general obligation debt a City may issue to 3% of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limit for the City is $30,020,988. The City currently has $6,565,000 in general obligation debt payable solely from ad valorem taxes that would count towards this debt limit.

Additional information on the City's long-term debt can be found in Note 9 starting on page 76 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Martin County in December 2023 was 2.5 percent, which is a decrease from 3.0 percent a year ago. This rate is lower than both the State average of 2.6 percent and the national average rate of 3.5 percent.
- The City continued to see strong residential home sales and experienced a significant increase in the taxable market values of agricultural property. Residential values increased 7.8 percent, commercial values increased 6.1 percent and agricultural values increased 39.2 percent. The total taxable market value increased $80,392,256 or 8.7%.

All of these factors were considered in preparing the City's budget for the 2024 fiscal year.

- The City's property tax levy will increase in 2024 by 6.2 percent. The tax increase will provide an additional $400,575 per year. This will fund the cost of wage and benefit increases along with an additional full-time position in the Community Development department. This will also fund an update to the City's zoning code and additional software that will help with operational efficiencies.
- In 2023 we updated our water and wastewater rate study from 2020 with Northland Securities. The study evaluated our existing rates, planned capital projects, and put together a forecasting model to come up with recommended rate increases for the next ten years. For 2024 the study recommends a 7.5% blended increase to our residential water rates and a 7.6% blended increase to our commercial and industrial water rates. For our wastewater rates, it recommends a blended 5% increase to both residential and commercial rates. In 2023, Dave Berg Consulting finished an electric cost of service and rate design study. For 2024, the study recommends a 3% rate increase to all electric rates.

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.

BASIC FINANCIAL STATEMENTS

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City of Fairmont
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and investments				
(including cash equivalents)	$ 26,301,259	$ 15,541,286	$ 41,842,545	$ 467,752
Receivables				
Accounts receivable	207,114	3,872,330	4,079,444	-
Interest receivable	147,659	-	147,659	-
Taxes receivable	262,063	-	262,063	4,475
Special assessments receivable	2,238,805	-	2,238,805	-
Lease receivable	192,787	528,752	721,539	-
Notes receivable	1,211,988	-	1,211,988	-
Due from other governments	504,896	219,163	724,059	10,372
Internal balances	(1,277)	1,277	-	-
Inventories	-	1,134,992	1,134,992	-
Prepaid items	43,879	1,350	45,229	-
Assets held for resale	80,000	-	80,000	832,476
Net pension asset	97,962	-	97,962	-
Capital assets not being depreciated				
Land	3,908,728	1,718,715	5,627,443	-
Construction in progress	11,584,548	5,547,501	17,132,049	-
Capital assets net of accumulated depreciation/amortization				
Vehicles	1,230,089	-	1,230,089	-
Buildings and structures	5,365,684	31,037,081	36,402,765	-
Machinery and equipment	1,919,835	4,147,936	6,067,771	-
Right-of-use lease equipment	5,058	-	5,058	-
Improvements other than buildings	11,394,759	24,575,960	35,970,719	-
Infrastructure	37,569,226	-	37,569,226	-
Total assets	$ 104,265,062	$ 88,326,343	$ 192,591,405	$ 1,315,075
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	302,361	-	302,361	-
Deferred outflows of resources related to City pensions	3,921,482	577,157	4,498,639	16,612
Deferred outflows of resources related to OPEB	109,172	82,559	191,731	2,525
Total deferred outflows of resources	4,333,015	659,716	4,992,731	19,137
Total assets and deferred outflows of resources	$ 108,598,077	$ 88,986,059	$ 197,584,136	$ 1,334,212
Liabilities				
Accounts and contracts payable	$ 1,274,803	$ 1,475,817	$ 2,750,620	$ 21
Interest payable	136,909	169,047	305,956	-
Salaries and benefits payable	257,192	193,127	450,319	5,554
Due to other governments	231,181	-	231,181	602
Deposits payable	-	135,325	135,325	-
Unearned revenue	27,350	8,950	36,300	-
Bonds payable, net				
Payable within one year	1,560,000	-	1,560,000	-
Payable after one year	15,168,696	-	15,168,696	-
Notes payable				
Payable within one year	-	1,824,000	1,824,000	-
Payable after one year	-	20,645,520	20,645,520	-
Lease payable				
Payable within one year	5,151	-	5,151	-
Compensated absences payable				
Payable within one year	299,796	200,141	499,937	4,255
Payable after one year	466,883	204,931	671,814	4,344
Payable after one year				
Net pension liability	3,685,474	2,172,126	5,857,600	62,519
Total other post employment benefits (OPEB) liability				
Payable within one year	45,949	34,748	80,697	1,063
Payable after one year	365,665	276,526	642,191	8,458
Total liabilities	23,525,049	27,340,258	50,865,307	86,816
Deferred Inflows of Resources				
Deferred inflows of resources related to fire relief pensions	123,550	-	123,550	-
Deferred inflows of resources related to leases	192,787	528,752	721,539	-
Deferred inflows of resources related to City pensions	4,208,150	842,205	5,050,355	24,241
Advanced appropriations - state shared tax	245,334	-	245,334	-
Deferred inflows of resources related to OPEB	50,099	37,886	87,985	1,159
Total deferred inflows of resources	4,819,920	1,408,843	6,228,763	25,400
Net Position				
Net investment in capital assets	56,244,080	47,032,193	103,276,273	-
Restricted for				
Debt service	5,048,124	-	5,048,124	-
Fire relief pension	97,962	-	97,962	-
Capital projects	4,716,919	-	4,716,919	-
Housing and economic development	2,824,413	-	2,824,413	-
Unrestricted	11,321,610	13,204,765	24,526,375	1,221,996
Total net position	80,253,108	60,236,958	140,490,066	1,221,996
Total liabilities, deferred inflows of resources, and net position	$ 108,598,077	$ 88,986,059	$ 197,584,136	$ 1,334,212

City of Farimont
Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 1,852,007	$ 187,574	$ 1,215,507	$ -
Public safety	4,422,665	416,841	749,182	-
Public works	4,528,369	222,602	264	1,498,464
Health and sanitation	171,927	-	-	-
Culture and recreation	2,352,016	196,895	-	-
Economic development	970,460	146,074	28	-
Airport and lake restoration	1,197,494	583,946	66,468	15,348
Interest and fiscal charges	368,636	-	-	-
Total governmental activities	15,863,574	1,753,932	2,031,449	1,513,812
Business-type activities				
Water	4,453,622	5,951,136	3,626	-
Sewer	2,436,616	3,183,738	-	225,000
Storm	594,778	594,955	-	-
Electric	15,615,597	16,343,299	3,247	-
Liquor	4,119,987	4,738,143	-	-
Parking Lot	5,533	8,575	-	-
Total business-type activities	27,226,133	30,819,846	6,873	225,000
Total governmental and business-type activities	$ 43,089,707	$ 32,573,778	$ 2,038,322	$ 1,738,812
Component unit				
Fairmont Economic Development Authority	$ 295,144	$ 27,662	$ 545,500	$ -

General revenues
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Franchise taxes
- Hotel taxes
- Sales tax
- Tax increment
- Unrestricted state aid
- Unrestricted investment earnings
- Gain on sale of asset

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenues and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Fairmont Economic Development Authority
$ (448,926)	$ -	$ (448,926)	$ -
(3,256,642)	-	(3,256,642)	-
(2,807,039)	-	(2,807,039)	-
(171,927)	-	(171,927)	-
(2,155,121)	-	(2,155,121)	-
(824,358)	-	(824,358)	-
(531,732)	-	(531,732)	-
(368,636)	-	(368,636)	-
(10,564,381)	-	(10,564,381)	-
-	1,501,140	1,501,140	-
-	972,122	972,122	-
-	177	177	-
-	730,949	730,949	-
-	618,156	618,156	-
-	3,042	3,042	-
-	3,825,586	3,825,586	-
$ (10,564,381)	$ 3,825,586	$ (6,738,795)	$ -
$ -	$ -	$ -	$ 278,018
$ 4,701,029	$ -	$ 4,701,029	$ 97,027
1,511,329	-	1,511,329	-
300,414	-	300,414	-
171,248	-	171,248	-
1,194,853	-	1,194,853	-
107,056	-	107,056	-
3,755,906	-	3,755,906	-
1,035,526	678,210	1,713,736	25,900
4,580	3,116	7,696	248,927
1,190,906	(1,190,906)	-	-
13,972,847	(509,580)	13,463,267	371,854
3,408,466	3,316,006	6,724,472	649,872
76,844,642	56,920,952	133,765,594	572,124
$ 80,253,108	$ 60,236,958	$ 140,490,066	$ 1,221,996

City of Fairmont
Balance Sheet - Governmental Funds
December 31, 2023

		Debt Service	Capital Projects		
	General Fund (101, 706)	Debt Service	Capital Reserve (405)	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 9,609,651	$ 2,939,004	$ 1,272,749	$ 11,827,908	$ 25,649,312
Interest receivable	147,659	-	-	-	147,659
Due from other governments	16,896	7,292	2,891	477,817	504,896
Accounts receivable	126,177	-	8,000	72,937	207,114
Notes receivable	-	-	-	1,211,988	1,211,988
Lease receivable	192,787	-	-	-	192,787
Due from other funds	832	-	-	696,654	697,486
Property taxes receivable	163,869	61,815	29,755	6,624	262,063
Special assessments receivable	2,720	2,176,922	-	59,163	2,238,805
Prepaid items	7,625	-	-	3,400	11,025
Land held for resale	-	-	-	80,000	80,000
Total assets	$ 10,268,216	$ 5,185,033	$ 1,313,395	$ 14,436,491	$ 31,203,135
Liabilities					
Accounts payable	$ 158,450	$ -	$ 256,259	$ 844,042	$ 1,258,751
Due to other governments	4,046	-	-	227,135	231,181
Salaries and benefits payable	233,461	-	-	5,272	238,733
Due to other funds	65,096	-	-	698,672	763,768
Unearned revenues	27,350	-	-	-	27,350
Total liabilities	488,403	-	256,259	1,775,121	2,519,783
Deferred Inflows of Resources					
Unavailable revenue - taxes and assessments	166,589	2,238,736	29,755	65,787	2,500,867
Advanced appropriations - state shared tax	-	-	-	245,334	245,334
Unavailable revenue - leases	192,787	-	-	-	192,787
Total deferred inflows of resources	359,376	2,238,736	29,755	311,121	2,938,988
Fund Balances					
Nonspendable	7,625	-	-	3,400	11,025
Restricted	510,648	2,946,297	-	7,030,684	10,487,629
Committed	205,314	-	1,027,381	6,145,736	7,378,431
Assigned	6,131,402	-	-	60,168	6,191,570
Unassigned	2,565,448	-	-	(889,739)	1,675,709
Total fund balances	9,420,437	2,946,297	1,027,381	12,350,249	25,744,364
Total liabilities, deferred inflows of resources, and fund balances	$ 10,268,216	$ 5,185,033	$ 1,313,395	$ 14,436,491	$ 31,203,135

City of Fairmont
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2023

Total fund balances - governmental funds	$ 25,744,364
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	123,482,269
Less accumulated depreciation/amortization	(50,585,575)
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:	
Bonds payable	(16,335,000)
Unamortized bond premium and discount	(393,696)
Lease payable	(5,151)
Compensated absences payable	(724,801)
Other post employment benefits obligation	(352,541)
Net pension liability	(3,685,474)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	
Taxes and special assessments	2,500,867
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to fire relief pensions	(123,550)
Deferred inflows of resources related to city pensions	(4,208,150)
Deferred outflows of resources related to fire relief pensions	302,361
Deferred outflows of resources related to city pensions	3,921,482
The Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	97,962
Governmental funds do not report a liability for accrued interest due and payable.	(136,909)
Internal Service Funds are used by management to charge the costs of insurance and capital equipment to individual funds. These assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	754,650
Total net position - governmental activities	$ 80,253,108

City of Fairmont
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2023

		Debt Service	Capital Projects		
	General Fund (101, 706)	Debt Service	Capital Reserve (405)	Other Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	$ 3,734,796	$ 1,511,329	$ 813,561	$ 136,034	$ 6,195,720
Tax increment collections	-	-	-	107,056	107,056
Miscellaneous taxes	40,372	-	-	1,626,143	1,666,515
Licenses and permits	135,266	-	-	-	135,266
Intergovernmental	5,591,232	-	3,815	936,979	6,532,026
Special assessments	-	596,548	-	14,760	611,308
Charges for services	672,669	-	-	564,357	1,237,026
Fines and forfeitures	37,792	-	-	-	37,792
Investment income	342,351	98,797	38,222	527,280	1,006,650
Contributions and donations	24,786	-	-	-	24,786
Loan interest	-	-	-	74,899	74,899
Miscellaneous	260,772	-	-	91,065	351,837
Total revenues	10,840,036	2,206,674	855,598	4,078,573	17,980,881
Expenditures					
Current					
General government	1,620,956	-	-	-	1,620,956
Public safety	3,837,746	-	-	-	3,837,746
Public works	2,025,358	-	-	8,363	2,033,721
Health and sanitation	171,927	-	-	-	171,927
Culture and recreation	1,744,582	-	-	27,851	1,772,433
Economic development	-	-	-	806,560	806,560
Airport	-	-	-	576,031	576,031
Conservation - water resources	-	-	-	12,636	12,636
Debt service					
Principal	10,150	1,520,000	-	-	1,530,150
Interest and fiscal charges	213	394,890	-	15,051	410,154
Capital outlay					
General government	-	-	232,036	-	232,036
Public safety	190	-	189,444	654,138	843,772
Public works	-	-	287,561	796,056	1,083,617
Culture and recreation	-	-	554,176	1,100,449	1,654,625
Airport	-	-	123,653	2,533	126,186
Total expenditures	9,411,122	1,914,890	1,386,870	3,999,668	16,712,550
Excess of revenues over (under) expenditures	1,428,914	291,784	(531,272)	78,905	1,268,331
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	4,580	-	-	-	4,580
Transfers in	825,000	27,759	430,906	1,551,809	2,835,474
Transfers out	(304,550)	-	-	(1,340,018)	(1,644,568)
Total other financing sources (uses)	525,030	27,759	430,906	211,791	1,195,486
Net change in fund balances	1,953,944	319,543	(100,366)	290,696	2,463,817
Fund Balances					
Beginning of year	7,466,493	2,626,754	1,127,747	12,059,553	23,280,547
End of year	$ 9,420,437	$ 2,946,297	$ 1,027,381	$ 12,350,249	$ 25,744,364

See notes to basic financial statements.

City of Fairmont
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2023

Net change in fund balances - governmental funds	$ 2,463,817
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	3,046,551
Depreciation expense	(3,167,722)
Disposal of capital assets	(155,115)
Amortization expense	(10,117)
Unfunded OPEB and compensated absencesobligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
Post employment benefits other than pension costs	13,373
Compensated absences	(144,671)
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
Pension expense	(319,181)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	
Bonds payable	1,520,000
Lease Payable	10,150
Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	31,001
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires 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.	10,517
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Taxes and assessments	14,802
Internal Service Funds are used by management to charge the costs of insurance and capital equipment to individual funds. The net revenue of certain activities of Internal Service Funds is reported with governmental activities in the government-wide financial statements.	95,061
Change in net position - governmental activities	$ 3,408,466

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City of Fairmont
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts Original and Final (2023)	Actual Amounts (2023)	Variance with Final Budget - Over (Under) (2023)
Revenues			
General property taxes	$ 3,854,798	$ 3,734,796	$ (120,002)
Lodging taxes	40,000	40,372	372
Licenses and permits	170,800	135,266	(35,534)
Intergovernmental revenues	4,045,327	5,591,232	1,545,905
Charges for services	658,196	672,669	14,473
Fines and forfeitures	49,500	37,792	(11,708)
Investment income	55,000	342,351	287,351
Contributions and donations	10,000	24,786	14,786
Other revenues	188,836	260,772	71,936
Total revenues	9,072,457	10,840,036	1,767,579
Expenditures			
General Government	$ 1,696,346	1,620,956	(75,390)
Public safety	4,037,540	3,837,936	(199,604)
Public works	1,986,854	2,025,358	38,504
Health and sanitation	249,383	171,927	(77,456)
Culture and recreation	1,818,834	1,744,582	(74,252)
Debt Service	-	10,363	10,363
Total expenditures	9,788,957	9,411,122	(377,835)
Excess of revenues over (under) expenditures	(716,500)	1,428,914	2,145,414
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	4,580	4,580
Transfers in	825,000	825,000	-
Transfers out	(748,500)	(304,550)	443,950
Total other financing sources (uses)	76,500	525,030	448,530
Net change in fund balances	$ (640,000)	1,953,944	$ 2,593,944
Fund Balances			
Beginning of year		7,466,493	
End of year		$ 9,420,437	

City of Fairmont
Statement of Net Position - Proprietary Funds
December 31, 2023

	Business-Type Activities - Enterprise Funds					
	Water Utility (601)	Wastewater Utility (602)	Electric Utility (604)	Total Public Utilities Commission	Storm Sewer Utility (603)	Municipal Liquor (609)
Assets						
Current assets						
Cash and cash equivalents	$ 3,104,766	$ 627,542	$ 7,939,641	$ 11,671,949	$ 811,342	$ 2,625,354
Due from other funds	-	-	-	-	-	-
Due from other governments	219,163	-	-	219,163	-	-
Accounts receivable - net	826,094	469,673	2,451,557	3,747,324	61,256	63,750
Leases receivable	528,752	-	-	528,752	-	-
Inventories	14,791	-	642,287	657,078	-	477,914
Prepaid items	-	-	-	-	-	1,350
Total current assets	4,693,566	1,097,215	11,033,485	16,824,266	872,598	3,168,368
Noncurrent assets						
Capital assets, not being depreciated						
Land and construction in progress	2,113,053	2,119,621	1,863,492	6,096,166	565,062	229,138
Capital assets, being depreciated						
Buildings	28,556,341	11,371,875	1,302,794	41,231,010	-	1,725,625
Utility plant in service	14,776,873	10,504,107	14,803,801	40,084,781	-	-
Machinery and equipment	708,264	7,500,779	4,176,841	12,385,884	226,274	36,543
Improvements other than buildings	-	-	-	-	10,992,765	19,169
Total capital assets	46,154,531	31,496,382	22,146,928	99,797,841	11,784,101	2,010,475
Less: accumulated depreciation	(11,857,945)	(14,867,413)	(15,423,066)	(42,148,424)	(4,138,360)	(654,290)
Net capital assets	34,296,586	16,628,969	6,723,862	57,649,417	7,645,741	1,356,185
Total noncurrent assets	34,296,586	16,628,969	6,723,862	57,649,417	7,645,741	1,356,185
Total assets	38,990,152	17,726,184	17,757,347	74,473,683	8,518,339	4,524,553
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	178,060	102,799	212,702	493,561	23,743	59,853
Deferred outflows of resources related to OPEB	25,448	14,958	29,915	70,321	3,691	8,547
Total deferred outflows of resources	203,508	117,757	242,617	563,882	27,434	68,400
Total assets and deferred outflows of resources	$ 39,193,660	$ 17,843,941	$ 17,999,964	$ 75,037,565	$ 8,545,773	$ 4,592,953
Liabilities, Deferred Inflows of liabilities						
Current liabilities						
Accounts payable	$ 43,219	$ 19,151	$ 1,202,179	1,264,549	$ 348	$ 206,806
Due to other funds	13,218	8,937	14,561	36,716	2,236	4,682
Interest payable	163,967	5,080	-	169,047	-	-
Salaries payable	56,586	33,512	65,895	155,993	7,860	21,906
Compensated absences	58,575	30,489	84,427	173,491	10,219	16,431
Deposits payable	21,044	-	114,281	135,325	-	-
Unearned revenue	-	-	-	-	-	8,950
Total OPEB liability	10,711	6,296	12,591	29,598	1,553	3,597
Note from direct borrowing - current portion	1,016,000	808,000	-	1,824,000	-	-
Total current liabilities	1,383,320	911,465	1,493,934	3,788,719	22,216	262,372
Noncurrent liabilities						
Compensated absences	79,167	95,872	161,834	336,873	34,481	33,718
Note from direct borrowing	21,661,520	808,000	-	22,469,520	-	-
Total OPEB liability	95,946	56,395	112,791	265,132	13,916	32,226
Net pension liability	670,126	386,884	800,503	1,857,513	89,355	225,258
Less amount due within one year	(1,085,286)	(844,785)	(97,018)	(2,027,089)	(11,772)	(20,028)
Total noncurrent liabilities	21,421,473	502,366	978,110	22,901,949	125,980	271,174
Total liabilities	22,804,793	1,413,831	2,472,044	26,690,668	148,196	533,546
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	259,830	150,008	310,381	720,219	34,646	87,340
Deferred inflows of resources related to leases	528,752	-	-	528,752	-	-
Deferred inflows of resources related to OPEB	11,678	6,864	13,728	32,270	1,694	3,922
Total deferred inflows of resources	800,260	156,872	324,109	1,281,241	36,340	91,262
Net Position						
Net investment in capital assets	15,109,586	15,820,969	6,723,862	37,654,417	7,645,741	1,356,185
Unrestricted	479,021	452,269	8,479,949	9,411,239	715,496	2,611,960
Total net position	15,588,607	16,273,238	15,203,811	47,065,656	8,361,237	3,968,145
Total liabilities, deferred inflows of resources, and net position	$ 39,193,660	$ 17,843,941	$ 17,999,964	$ 75,037,565	$ 8,545,773	$ 4,592,953

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Total business-type acitivites net position

See notes to basic financial statements.

Business-Type Activities - Enterprise Fund		
Nonmajor		
Parking Lot (611)	Total	Governmental Activities - Internal Service Funds
$ 9,748	$ 15,118,393	$ 1,074,840
-	-	112,278
-	219,163	-
-	3,872,330	-
-	528,752	-
-	1,134,992	-
-	1,350	32,854
9,748	20,874,980	1,219,972
375,850	7,266,216	-
-	42,956,635	-
-	40,084,781	-
-	12,648,701	351,633
-	11,011,934	-
375,850	113,968,267	351,633
-	(46,941,074)	(270,400)
375,850	67,027,193	81,233
375,850	67,027,193	81,233
385,598	87,902,173	1,301,205
-	577,157	-
-	82,559	-
-	659,716	-
$ 385,598	$ 88,561,889	$ 1,301,205
$ 411	1,472,114	$ 19,755
-	43,634	2,362
-	169,047	-
-	185,759	25,827
-	200,141	10,833
-	135,325	-
-	8,950	-
-	34,748	-
-	1,824,000	-
411	4,073,718	58,777
-	405,072	41,878
-	22,469,520	-
-	311,274	-
-	2,172,126	-
-	(2,058,889)	(10,833)
-	23,299,103	31,045
411	27,372,821	89,822
-	842,205	-
-	528,752	-
-	37,886	-
-	1,408,843	-
375,850	47,032,193	81,233
9,337	12,748,032	1,130,150
385,187	59,780,225	1,211,383
$ 385,598	88,561,889	$ 1,301,205
	456,733	
	$ 60,236,958	

City of Fairmont
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2023

	Business-Type Activities - Enterprise Funds			
	Water Utility (601)	Wastewater Utility (602)	Electric Utility (604)	Total Public Utilities Commission
Operating Revenues				
Sales	$ -	$ -	$ -	$ -
Cost of sales	-	-	-	-
Charges for services	5,419,601	2,213,572	15,902,525	23,535,698
Miscellaneous revenues	531,535	970,166	440,774	1,942,475
Total operating revenues	5,951,136	3,183,738	16,343,299	25,478,173
Operating Expenses				
Personnel services	1,495,477	886,732	1,582,186	3,964,395
Supplies	324,583	111,172	13,031,305	13,467,060
Professional services	465,821	558,677	323,541	1,348,039
Repairs and maintenance	632,072	122,482	173,184	927,738
Depreciation	1,070,676	736,057	443,422	2,250,155
Insurance premiums and claims paid	-	-	-	-
Total operating expenses	3,988,629	2,415,120	15,553,638	21,957,387
Operating income (loss)	1,962,507	768,618	789,661	3,520,786
Nonoperating Revenues (Expenses)				
Investment income	127,469	40,836	357,187	525,492
Insurance reimbursement	-	225,000	-	225,000
Gain (loss) on disposal of capital assets	1,558	1,558	-	3,116
Operating grant	3,626	-	3,247	6,873
Payments to Economic Development Authority	(20,961)	(12,759)	(81,280)	(115,000)
Interest expense	(464,747)	(22,734)	-	(487,481)
Total nonoperating revenues (expenses)	(353,055)	231,901	279,154	158,000
Income (loss) before transfers	1,609,452	1,000,519	1,068,815	3,678,786
Transfers out	(150,369)	(91,533)	(583,098)	(825,000)
Change in net position	1,459,083	908,986	485,717	2,853,786
Net Position				
Beginning of year	14,129,524	15,364,252	14,718,094	44,211,870
End of year	$ 15,588,607	$ 16,273,238	$ 15,203,811	$ 47,065,656

Business-Type Activities - Enterprise Funds				
		Nonmajor		Governmental Activities - Internal Service Funds
Storm Sewer Utility (603)	Municipal Liquor (609)	Parking Lot (611)	Total	
$ -	$ 4,738,087	$ -	$ 4,738,087	$ -
-	(3,406,101)	-	(3,406,101)	-
594,955	-	8,575	24,139,228	3,351,234
-	56	-	1,942,531	45,868
594,955	1,332,042	8,575	27,413,745	3,397,102
184,174	489,079	-	4,637,648	223,523
21,983	12,960	711	13,502,714	70,454
-	157,993	4,829	1,510,861	455,417
121,584	12,164	-	1,061,486	-
262,137	45,055	-	2,557,347	12,168
-	-	-	-	2,527,874
589,878	717,251	5,540	23,270,056	3,289,436
5,077	614,791	3,035	4,143,689	107,666
32,946	119,375	397	678,210	47,614
-	-	-	225,000	-
(7,714)	-	-	(4,598)	-
-	-	-	6,873	-
-	-	-	(115,000)	-
-	-	-	(487,481)	-
25,232	119,375	397	303,004	47,614
30,309	734,166	3,432	4,446,693	155,280
-	(365,906)	-	(1,190,906)	-
30,309	368,260	3,432	3,255,787	155,280
8,330,928	3,599,885	381,755	56,524,438	1,056,103
$ 8,361,237	$ 3,968,145	$ 385,187	$ 59,780,225	$ 1,211,383

Amounts reported for business-type activities in the statement of activities are different because: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	$ 60,219
Change in net position- business-type activities	$ 3,316,006

City of Fairmont
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2023

	Business-Type Activities - Enterprise Funds				
	Water Utility (601)	Wastewater Utility (602)	Electric Utility (604)	Total Public Utilities Commission	Storm Sewer Utility (603)
Cash Flows - Operating Activities					
Receipts from customers	$ 5,051,443	$ 2,190,943	$ 15,558,066	$ 22,800,452	$ 592,309
Interfund services provided and used	-	-	-	-	-
Payments to suppliers for goods and services	(1,504,856)	(899,871)	(13,640,540)	(16,045,267)	(143,219)
Payments to employees for services	(1,377,674)	(823,862)	(1,656,084)	(3,857,620)	(199,244)
Other operating revenues	531,535	970,166	440,774	1,942,475	-
Net cash flows - operating activities	2,700,448	1,437,376	702,216	4,840,040	249,846
Cash Flows - Noncapital Financing Activities					
Special assessments	4,257	225,000	-	229,257	-
Refunds and reimbursements	3,626	-	3,247	6,873	-
Increase (decrease) in due to other funds	709	1,059	(357)	1,411	(248)
Transfer to other funds	(171,330)	(104,292)	(664,378)	(940,000)	-
Net cash flows - noncapital financing activities	(162,738)	121,767	(661,488)	(702,459)	(248)
Cash Flows - Capital and Related Financing Activities					
Principal paid on debt	(996,000)	(795,000)	-	(1,791,000)	-
Interest paid on debt	(470,932)	(27,732)	-	(498,664)	-
Note proceeds	405,113	-	-	405,113	-
Acquisition of capital assets	(474,476)	(1,609,065)	(686,777)	(2,770,318)	-
Proceeds from disposal of capital assets	1,558	1,558	-	3,116	1
Net cash flows - capital and related financing activities	(1,534,737)	(2,430,239)	(686,777)	(4,651,753)	1
Cash Flows - Investing Activities					
Investment income	127,469	40,836	357,187	525,492	32,946
Net cash flows - investing activities	127,469	40,836	357,187	525,492	32,946
Net change in cash and cash equivalents	1,130,442	(830,260)	(288,862)	11,320	282,545
Cash and Cash Equivalents					
January 1	1,974,324	1,457,802	8,228,503	11,660,629	528,797
December 31	$ 3,104,766	$ 627,542	$ 7,939,641	$ 11,671,949	$ 811,342
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	$ 1,962,507	$ 768,618	$ 789,661	$ 3,520,786	$ 5,077
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Depreciation	1,070,676	736,057	443,422	2,250,155	262,137
Pension expense	72,812	42,798	(23,922)	91,688	(22,561)
Accounts receivable	(148,707)	(22,629)	(341,568)	(512,904)	(2,646)
Due from other governments	(218,658)	-	-	(218,658)	-
Prepaid items	-	-	-	-	-
Inventories	22,674	-	(79,248)	(56,574)	-
Accounts payable	(105,054)	(107,540)	(33,262)	(245,856)	348
Salaries payable	9,561	7,786	5,694	23,041	183
Due to other governments	-	-	-	-	-
Deposits	(793)	-	(2,891)	(3,684)	-
Unearned revenue	-	-	-	-	-
OPEB obligation	2,517	2,320	(13,495)	(8,658)	(2,329)
Compensated absences payable	32,913	9,966	(42,175)	704	9,637
Total adjustments	737,941	668,758	(87,445)	1,319,254	244,769
Net cash flows - operating activities	$ 2,700,448	$ 1,437,376	$ 702,216	$ 4,840,040	$ 249,846

See notes to basic financial statements.

Business-Type Activities - Enterprise Funds			
	Nonmajor		
Municipal Liquor (609)	Parking Lot (611)	Total	Governmental Activities - Internal Service Funds
$ 1,333,838	$ 8,250	$ 24,734,849	$ -
-	-	-	3,351,234
(174,690)	(5,530)	(16,368,706)	(3,072,525)
(458,159)	-	(4,515,023)	(213,852)
56	-	1,942,531	45,868
701,045	2,720	5,793,651	110,725
-	-	229,257	-
-	-	6,873	-
1,269	-	2,432	(5,675)
(365,906)	-	(1,305,906)	-
(364,637)	-	(1,067,344)	(5,675)
-	-	(1,791,000)	-
-	-	(498,664)	-
-	-	405,113	-
-	-	(2,770,318)	-
-	-	3,117	-
-	-	(4,651,752)	-
119,375	397	678,210	47,614
119,375	397	678,210	47,614
455,783	3,117	752,765	152,664
2,169,571	6,631	14,365,628	922,176
$ 2,625,354	$ 9,748	$ 15,118,393	$ 1,074,840
$ 614,791	$ 3,035	$ 4,143,689	$ 107,666
45,055	-	2,557,347	12,168
23,167	-	92,294	-
1,106	(325)	(514,769)	-
-	-	(218,658)	-
-	-	-	(32,854)
(16,992)	-	(73,566)	-
25,419	10	(220,079)	14,074
(803)	-	22,421	(2,166)
-	-	-	-
-	-	(3,684)	-
746	-	746	-
400	-	(10,587)	-
8,156	-	18,497	11,837
86,254	(315)	1,649,962	3,059
$ 701,045	$ 2,720	$ 5,793,651	$ 110,725

City of Fairmont
Statement of Fiduciary Net Position
December 31, 2023

		HEAT Tactical Team
Assets		
Cash and investments	$	33,488
Net Position		
Restricted for individuals, organizations and other governments	$	33,488

City of Fairmont
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2023

		Tactical Team
Additions		
Contributions	$	82,054
Deductions		
Public safety		172,564
Change in net position		(90,510)
Beginning net position		123,998
Ending net position	$	33,488

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 to 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.

1. **Discretely Presented Component Unit**. The Fairmont Economic Development Authority (EDA) was created pursuant to *Minnesota Statutes* §§ 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of two Council members and five other Council approved members. The City can impose its will on the EDA by significantly influencing the program, projects, activities, and other levels of service performed by the EDA. In accordance with GASB Statement No. 61, this entity is properly presented as a discretely presented component unit as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the EDA is presented starting on page 167 of these financial statements.

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

B. Government-Wide and Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Description of Funds:

Major Governmental Funds:

General Fund – This 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.

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

Capital Reserve Fund – This fund is used to account for capital projects and equipment purchases.

Proprietary Funds:

Enterprise Funds – These 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.

Water Utility Fund – Water is obtained from surface water taken from Budd Lake, treated, and distributed.

Wastewater Utility Fund – Sewage is collected by lift stations and treated, and then effluent is discharged into Center Creek.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary Funds: (Continued)

Electric Utility Fund – Electricity is purchased from Southern MN Municipal Power Agency and Western Area Power Authority; the power is then distributed.

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

Municipal Liquor Fund – 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 the operation of the parking lot operations.

Additionally, the government reports the following fund types:

Internal Service Funds – These 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 Fund:

Custodial Fund – This fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The City's custodial fund accounts for activities of the HEAT Tactical Team which is an outside organization. The City is the fiscal host.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's Public Utilities Commission and storm sewer utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by *Minnesota Statutes*, as follows:

a. Direct obligations or obligations guaranteed by the United States or its agencies.

b. 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.

c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

e. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

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

g. 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.

h. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

i. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2023:

- Governmental agency securities of $17,865,768 are valued using quoted market prices (Level 1 inputs).

- Negotiable certificates of deposits of $12,879,099 are values using a matrix pricing model (Level 2 inputs).

The Minnesota Municipal Money Market Fund is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

2. 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, 2023, all investments were insured or registered, or securities were held by the City or its agent in the City's name.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Investment Policy (Continued)

- 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 three brokers, two local banks, and the 4M Fund. 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.

3. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

3. Property Taxes (Continued)

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.

4. Accounts Receivables

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2023. All trade receivables are shown net of an allowance for uncollectible accounts.

5. 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.

6. 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.

7. Inventories and Prepaid Items/Unamortized Maintenance Charges

All inventories are stated at cost 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.

8. Land Held for Resale

Land is acquired by the City for subsequent resale for development purposes. Land held for resale is reported as an asset at the lower of cost or market.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Capital Assets

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

10. Lease Receivable

The City is a lessor for numerous noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

11. Right-to-Use Lease Assets/Lease Liabilities

The City recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

12. Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

13. 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.

14. Postemployment Benefits Other Than Pensions

Under *Minnesota Statutes* § 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB 75, at January 1, 2022. The General fund is typically used to liquidate governmental other postemployment benefits payable.

15. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

16. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Fairmont Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEPFP), and the Fairmont Fire Department Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief	Total All
	GERP	PEPFP	Association	Plans
Pension Expense	$ 511,636	$ 638,935	$ -	$ 1,150,571

17. Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

18. 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 Fund Balances - These are amounts that cannot be spent because they are not in spendable form, such as prepaid items.
- Restricted Fund Balances – These are amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.
- Committed Fund Balances – These 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 Fund Balances – These 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 Fund Balances – These amounts are the residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's goal is to maintain an unrestricted fund balance in the General fund of 55-65 percent of the next year's budgeted expenditures of the General fund.

19. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted Net Position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

19. Net Position (Continued)

c. Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and Central College Incubator, Aeronautics, Lake Restoration, Local Option Sales Tax, TIF District No. 24, TIF District No. 25, TIF District No. 26, and TIF District No. 27 special revenue funds, the debt service fund, the Capital Reserve, Street Improvement Capital Reserve, Fire Truck Replacement, Community Center, 2022 Capital Improvement Program and 2023 Capital Improvement Program capital project funds and the Discretely Presented Component Unit – Economic Development Authority. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings, and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2023:

Capital Projects	
2021 Capital Improvement Program	$ 183,635
2023 Capital Improvement Program	687,879
2024 Capital Improvement Program	558
2025 Capital Improvement Program	2,250
2026 Capital Improvement Program	5,417
Special Revenue	
Tax Increment District No. 28	10,000

These funds deficits will be funded by future State Aid reimbursements capital fund reserves or future tax increment.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was $8,784,094, including $33,488 reported in fiduciary funds. The bank balance was $8,488,230. The bank balance was covered by federal depository insurance of $1,000,000. Of the remaining balance, $7,488,230, 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

As of December 31, 2023, the City had the following investments and maturities:

Investment Type	Rating (Moody/S&P)	Fair Value	Investment Maturities Less than One Year	1-5 Years
Pooled Investments				
4M Fund	N/A	$ 2,811,701	$ 2,811,701	$ -
Total Pooled Investments		2,811,701	2,811,701	-
Non-Pooled Investments				
Government Agency Securities	AA- AAA	17,865,768	3,814,135	14,051,633
Negotiable CDs	N/A	12,879,099	5,355,155	7,523,944
Total Non-Pooled Investments		30,744,867	9,169,290	21,575,577
Total		$ 33,556,568	$ 11,980,991	$ 21,575,577

C. Cash on Hand

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

Summary of cash deposits and investments as of December 31, 2023, were as follows:

Deposits (Note 3.A.)	$ 8,784,094
Investments (Note 3.B.)	33,556,568
Petty cash	3,123
Total deposits and investments	$ 42,343,785

Deposits and investments are presented in the December 31, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments - City	$ 41,842,545
Cash and investments - EDA	467,752
Statement of Fiduciary Net Position	
Cash and investments	33,488
Total deposits and investments	$ 42,343,785

NOTE 4 – NOTES AND LEASES 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% to 6% within twenty years. The balance of these notes at December 31, 2023, is $911,626.

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, 2023, are $300,362 which is forgivable after seven to ten years from the note date.

The City has antenna leases with New Singular Wireless PCS, LLC. Revenue from these leases for the year ended December 31, 2023, was $30,000. The City has recognized a Lease Receivable and Deferred Inflow of Resources of $528,752 related to this agreement.

The City leases land through Timothy Maschoff and David Shumski. Revenue from these leases for the year ended December 31, 2023, was $155,919. The City has recognized a Lease Receivable and Deferred Inflow of Resources of $192,787 related to this agreement.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 3,949,478	$ -	$ (40,750)	$ 3,908,728
Construction in progress	10,580,287	1,997,929	(993,668)	11,584,548
Total capital assets not being depreciated/amortized	14,529,765	1,997,929	(1,034,418)	15,493,276
Capital assets being depreciated/amortized				
Buildings	10,318,199	228,963	(211,925)	10,335,237
Machinery and equipment	5,912,989	427,417	(268,687)	6,071,719
Leased equipment	25,291	-	-	25,291
Improvements other than buildings	20,997,893	370,629	(26,200)	21,342,322
Vehicles	3,474,538	703,409	(174,319)	4,003,628
Bridges	4,890,518	311,874	-	5,202,392
Infrastructure	61,360,037	-	-	61,360,037
Total capital assets being depreciated/amortized	106,979,465	2,042,292	(681,131)	108,340,626
Less accumulated depreciation/amortization for				
Buildings	(4,867,548)	(216,445)	114,440	(4,969,553)
Machinery and equipment	(4,175,649)	(244,922)	268,687	(4,151,884)
Improvements other than buildings	(9,031,617)	(925,263)	9,317	(9,947,563)
Leased equipment	(10,116)	(10,117)	-	(20,233)
Vehicles	(2,792,708)	(155,150)	174,319	(2,773,539)
Bridges	(1,914,819)	(103,007)	-	(2,017,826)
Infrastructure	(25,440,274)	(1,535,103)	-	(26,975,377)
Total accumulated depreciation/amortization	(48,232,731)	(3,190,007)	566,763	(50,855,975)
Total capital assets being depreciated/amortized, net	58,746,734	(1,147,715)	(114,368)	57,484,651
Governmental activities capital position, net	$ 73,276,499	$ 850,214	$ (1,148,786)	$ 72,977,927

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 1,718,715	$ -	$ -	$ 1,718,715
Construction in progress	4,077,458	1,470,043	-	5,547,501
Total capital assets not being depreciated	5,796,173	1,470,043	-	7,266,216
Capital assets being depreciated				
Buildings	42,956,635	-	-	42,956,635
Machinery and equipment	12,239,922	669,062	(260,284)	12,648,700
Improvements other than buildings	50,478,927	631,211	(13,422)	51,096,716
Total capital assets being depreciated	105,675,484	1,300,273	(273,706)	106,702,051
Less accumulated depreciation for				
Buildings	(11,093,063)	(826,490)	-	(11,919,553)
Machinery and equipment	(8,226,631)	(534,306)	260,285	(8,500,652)
Improvements other than buildings	(25,330,026)	(1,196,551)	5,708	(26,520,869)
Total accumulated depreciation	(44,649,720)	(2,557,347)	265,993	(46,941,074)
Total capital assets being depreciated, net	61,025,764	(1,257,074)	(7,713)	59,760,977
Business-type activities capital assets, net	$ 66,821,937	$ 212,969	$ (7,713)	$ 67,027,193

Depreciation/amortization expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	$ 66,088
Public Safety	167,950
Streets and highways	1,810,748
Culture and recreation	565,753
Housing and Economic Development	40,665
Airport	526,635
Internal service funds	12,168
Total depreciation/amortization expense - governmental activities	$ 3,190,007
Business-type activities	
Electric Utility	$ 443,422
Water Utility	1,070,676
Wastewater Utility	736,057
Storm Sewer	262,137
Liquor	45,055
Total depreciation expense - business-type activities	$ 2,557,347

NOTE 6 – COMMITMENTS

The City has active construction projects as of December 31, 2023. At year end the City's commitments with contractors are as follows:

Fund	Commitment	Contract Amount
Capital Reserve	$ 665,694	$ 1,126,983
Community Center	1,542,001	1,577,271
Sewer	31,212	688,990

NOTE 7 – INTERFUND ASSETS/LIABILITIES

A. Due To/From Other Funds

The composition of interfund balances as of December 31, 2023, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water	$ 832
Nonmajor Governmental Funds	Nonmajor Governmental Funds	696,654
Internal Service Fund	General Fund	65,096
Internal Service Fund	Water	12,386
Internal Service Fund	Wastewater	8,937
Internal Service Fund	Electric	14,561
Internal Service Fund	Nonmajor Governmental Funds	2,018
Internal Service Fund	Storm Sewer	2,236
Internal Service Fund	Municipal Liquor	4,682
Internal Service Fund	Internal Service Fund	2,362
Total		$ 809,764

The above amounts represent interfund billings that will be repaid during the first quarter of 2024 as well as interfund balances related to negative cash.

NOTE 8 – INTERFUND TRANSFERS

	Transfers In				
Transfers Out	General	Debt Service	Capital Reserve (405)	Nonmajor Governmental	Total
General	$ -	$ -	$ 168,500	$ 136,050	$ 304,550
Nonmajor governmental	-	27,759	149,500	1,162,759	1,340,018
Water Utility	150,369	-	-	-	150,369
Wastewater Utility	91,533	-	-	-	91,533
Electric Utility	583,098	-	-	-	583,098
Liquor Store	-	-	112,906	253,000	365,906
Total	$ 825,000	$ 27,759	$ 430,906	$ 1,551,809	$ 2,835,474

The transfer of $136,050 from the General Fund to the Nonmajor Funds will be used for future fire truck purchases.

The transfer of $168,500 from the General Fund to the Capital Reserve Fund was for the Sylvania Park Band Shell.

The transfer of $149,500 from the Nonmajor Funds to the Capital Reserve Fund was for hangar maintenance and the Gomsrud Channel rehab project.

The transfer of $1,162,759 from the Local Option Sales Tax Fund to the Community Center Fund is for the Community Center project.

The transfer of $27,759 from the Nonmajor governmental funds to the Debt Service Fund is for the debt service.

The transfer of $150,369 from the Water Fund to the General Fund for payment in lieu of taxes.

The transfer of $91,533 from the Sewer Fund to the General Fund for payment in lieu of taxes.

The transfer of $583,098 from the Electric Fund to the General Fund for payments in lieu of taxes.

The transfer of $253,000 from the Liquor Fund to the Nonmajor Governmental Funds is to cover fund deficit and for Airport Construction.

The transfer of $112,906 from the Liquor Fund to the Capital Reserve Fund is for various Park and Airport improvements.

NOTE 9 – 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.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

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

A. General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid through a combination of special assessments levied on the properties benefiting from the improvements and ad valorem tax levies. All general obligation 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.

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
G.O. Improvement Crossover Refunding Bonds, Series 2012A	03/15/12	0.50%-1.95%	$ 5,755,000	03/01/24	$ 350,000	$ 350,000
G.O. Improvement Bonds, Series 2015A	08/20/15	2.00%-3.00%	2,330,000	03/01/31	1,220,000	140,000
G.O. Improvement Crossover Refunding Bonds, Series 2016A	05/01/16	1.50%-2.00%	2,715,000	03/01/27	1,020,000	315,000
G.O. Improvement Bonds, Series 2017A	07/18/17	2.00%-3.00%	2,950,000	03/01/33	2,080,000	185,000
G.O. Improvement Bonds, Series 2019A	06/06/19	3.00%	2,600,000	03/01/35	2,165,000	155,000
G.O. Improvement and Refunding Bonds, Series 2021A	06/01/21	1.15%-3.00%	3,280,000	03/01/37	2,935,000	240,000
G.O. Improvement Bonds, Series 2021B	06/01/21	1.10%-3.00%	6,935,000	03/01/51	6,565,000	175,000
Total					$ 16,335,000	$ 1,560,000

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

Year Ended December 31,	Governmental Principal	Governmental Interest	Governmental Total
2024	$ 1,560,000	$ 357,540	$ 1,917,540
2025	1,240,000	323,971	1,563,971
2026	1,200,000	293,366	1,493,366
2027	1,115,000	263,025	1,378,025
2028	1,005,000	233,319	1,238,319
2029-2033	4,520,000	811,046	5,331,046
2034-2038	2,230,000	443,598	2,673,598
2039-2043	1,225,000	295,281	1,520,281
2044-2048	1,355,000	165,788	1,520,788
2049-2051	885,000	28,422	913,422
Total	$ 16,335,000	$ 3,215,355	$ 19,550,355

NOTE 9 – LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

B. General Obligation Revenue Bonds/Notes

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.

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance End of Year	Due Within One Year
2004 G.O. Revenue Notes (PFA)	05/25/04	1.73%	$ 13,248,347	08/20/24	$ 808,000	$ 808,000
2011 G.O. Revenue Notes (PFA)	10/11/11	2.23%	28,902,811	08/20/41	19,187,000	893,000
2021 G.O. Revenue Notes (PFA)	12/21/21	1.00%	2,760,479	08/20/42	2,474,520	123,000
Total					$ 22,469,520	$ 1,824,000

Annual debt service requirements to maturity for G.O. Revenue Notes are as follows:

Year Ended December 31,	Business Type Principal	Interest	Total
2024	$ 1,824,000	$ 468,266	$ 2,292,266
2025	1,038,000	433,108	1,471,108
2026	1,060,000	411,449	1,471,449
2027	1,081,000	389,324	1,470,324
2028	1,104,000	366,741	1,470,741
2029-2033	5,878,000	1,477,230	7,355,230
2034-2038	6,522,000	834,129	7,356,129
2039-2042	4,053,000	163,285	4,216,285
Total	$ 22,560,000	$ 4,543,532	$ 27,103,532

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the year ended December 31, 2023, are as follows:

	Water Utility	Wastewater Utility
Revenues	$ 5,951,136	$ 3,408,738
Principal and Interest	1,466,932	822,732
Percentage of Revenues	24.6%	24.1%

In December 2021, the City issued $2,763,052 of General Obligation PFA Revenue Note, Series 2021 for the purpose of financing the eligible projects costs of the Clean Water State Revolving Fund project to rehabilitate a lime pond. The aggregate principal amount of the loan disbursed and outstanding will bear interest at the rate of 1.00 percent per annum accruing from and after the date of the Note, which is December 21, 2021, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees have been paid.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

B. General Obligation Revenue Bonds/Notes (Continued)

The annual debt service requirements to maturity presented are based on the final projected costs and debt authorized by the Minnesota Public Facilities Authority. The balance of the debt represents costs incurred through December 31, 2023.

Interest will be payable beginning on August 20, 2022, with regular interest and principal payments every six months thereafter on a semi-annual basis. This is projected to continue until August 20, 2042, if all amounts are disbursed as projected, and all payments are made on a timely basis.

C. Lease Obligations

The following lease was issued for equipment. Annual debt service requirements to maturity for the Lease Obligation is as follows:

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2024	$ 5,151	$ 30	$ 5,181
Total	$ 5,151	$ 30	$ 5,181

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Bonds and leases payable					
General obligation special assessment bonds	$ 17,855,000	$ -	$ (1,520,000)	$ 16,335,000	$ 1,560,000
Lease payable	15,301	-	(10,150)	5,151	5,151
Plus (less) deferred amounts for premium and discount	424,697	-	(31,001)	393,696	-
Total bonds and leases payable	18,294,998	-	(1,561,151)	16,733,847	1,565,151
Total OPEB liability	420,935	-	(9,321)	411,614	45,949
Net pension liability	8,394,412	-	(4,708,938)	3,685,474	-
Sick Leave/Severance Payable	610,171	522,515	(366,007)	766,679	299,796
Total governmental activities	$ 27,720,516	$ 522,515	$ (6,645,417)	$ 21,597,614	$ 1,910,896

The General Fund typically liquidates the governmental activities sick leave/severance payable.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Liabilities (Continued)

	Ending Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities					
Notes from direct borrowing	$ 23,855,407	$ 405,113	$ (1,791,000)	$ 22,469,520	$ 1,824,000
Total OPEB liability	318,867	-	(7,593)	311,274	34,748
Net pension liability	3,161,517	-	(989,391)	2,172,126	-
Sick Leave/Severance Payable	386,575	320,065	(301,568)	405,072	200,141
Total business-type activities	$ 24,241,982	$ 725,178	$ (3,089,552)	$ 25,357,992	$ 2,058,889

	Ending Balance	Additions	Retirements	Ending Balance	Due Within One Year
Component Unit Activities					
Total OPEB liability	$ 5,215	$ 4,306	$ -	$ 9,521	$ 1,063
Net pension liability	41,612	20,907	-	62,519	-
Sick Leave/Severance Payable	5,016	7,841	(4,258)	8,599	4,255
Total component unit activities	$ 51,843	$ 33,054	$ (4,258)	$ 80,639	$ 5,318

E. Conduit Debt Obligations

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

Issued To	Issue Date	Amount Issued	Balance at Year End
Goldfinch Estates - Vista Prairie Communityes Project	5/21/2015	$ 5,454,000	$ 3,941,704

City of Fairmont
Notes to Basic Financial Statements

NOTE 10 – COMPONENTS OF FUND BALANCE

At December 31, 2023, 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 Fund	Debt Service	Capital Reserve (405)	Other Governmental Funds	Total
Fund balances					
Nonspendable					
Prepaid items	$ 7,625	$ -	$ -	$ 3,400	$ 11,025
Restricted					
Debt service	-	2,946,297	-	-	2,946,297
Capital projects	-	-	-	4,716,919	4,716,919
Housing and economic development	54,797	-	-	2,313,765	2,368,562
Public safety	455,851	-	-	-	455,851
Total restricted	510,648	2,946,297	-	7,030,684	10,487,629
Committed					
Police department capital	14,440	-	-	-	14,440
Bike trail	2,897	-	-	-	2,897
LaFrance	4,172	-	-	-	4,172
Fire department	181,810	-	-	-	181,810
Aeronautics	-	-	-	569,149	569,149
Capital projects	1,995	-	1,027,381	4,984,661	6,014,037
Central college incubator	-	-	-	78,663	78,663
Conservation	-	-	-	332,824	332,824
Wetland bank	-	-	-	89,483	89,483
Micro loans	-	-	-	90,956	90,956
Total committed	205,314	-	1,027,381	6,145,736	7,378,431
Assigned					
Cash flow	3,000,000	-	-	-	3,000,000
Police equipment	46,377	-	-	-	46,377
Fire equipment	61,000	-	-	-	61,000
Housing demolition	128,482	-	-	-	128,482
Engineer equipment	75,000	-	-	-	75,000
Aquatic park	29,848	-	-	-	29,848
Finance equipment	195,367	-	-	-	195,367
Drug enforcement	55,767	-	-	-	55,767
Capital projects	-	-	-	60,168	60,168
Government building	2,046,099	-	-	-	2,046,099
Street equipment	120,880	-	-	-	120,880
Park trail	372,582	-	-	-	372,582
Total assigned	6,131,402	-	-	60,168	6,191,570
Unassigned	2,565,448	-	-	(889,739)	1,675,709
Total fund balances	$ 9,420,437	$ 2,946,297	$ 1,027,381	$ 12,350,249	$ 25,744,364

NOTE 11 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2023, was $1,150,571, of that amount, $45,979 has been allocated to the discretely presented component unit – Economic Development Authority. The components of pension expense are noted in the following plan summaries.

The General fund, EDA, Water, Sewer, Electric. Storm and Liquor Funds typically liquidate the liability related to pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employee Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3.0% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were $404,859. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were $288,539. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of $3,785,708 for its proportionate share of the General Employees Fund's net pension liability, of that amount, $62,519 has been allocated to the discretely presented component unit – Economic Development Authority. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $104,259.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0677% at the end of the measurement period and 0.0705% for the beginning of the period.

City's proportionate share of the net pension liability	$ 3,785,705
State of Minnesota's proportionate share of the net pension liability associated with the City	104,259
Total	$ 3,889,964

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of $511,636 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized $469 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund, of that amount $45,979 has been allocated to the discretely presented component unit – Economic Development Authority.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 125,559	$ 28,120
Changes in actuarial assumptions	659,929	1,037,630
Net Collective difference between projected and actual investment earnings	-	182,395
Change in proportion	17,986	219,700
Contributions paid to PERA subsequent to the measurement date	202,430	-
Total	$ 1,005,904	$ 1,467,845

The $202,430 reported as deferred outflows of resources related to pensions resulting from City of Fairmont contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024, of this amount, $6,686 has been contributed by the discretely presented component unit – Economic Development Authority. From the total above amounts, $16,612 of deferred outflows of resources and $24,241 of the deferred inflows of resources has been allocated to the discretely presented component unit – Economic Development Authority.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2024	$ 46,551
2025	(681,801)
2026	53,004
2027	(82,125)
Total	$ (664,371)

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of $2,134,411 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1236% at the end of the measurement period and 0.1382% for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the State will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $85,990.

City's proportionate share of the net pension liability	$ 2,134,411
State of Minnesota's proportionate share of the net pension liability associated with the City	85,990
Total	$ 2,220,401

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer pension allocation schedules) for the $9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of $638,935 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized ($5,179) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in supplemental state aid. The City also recognized $11,124 for the year ended December 31, 2023, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 611,632	$ -
Changes in actuarial assumptions	2,703,351	3,002,614
Net difference between projected and actual investment earnings	-	9,093
Change in proportion	50,094	595,044
Contributions paid to PERA subsequent to the measurement date	144,270	-
Total	$ 3,509,347	$ 3,606,751

The $144,270 reported as deferred outflows of resources related to pensions resulting from City of Fairmont contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2024	$ 69,388
2025	(7,317)
2026	514,846
2027	(183,139)
2028	(635,452)
Total	$ (241,674)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions
The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions
- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions
- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the City's and EDA's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's and EDA's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
General Employees Retirement Fund net pension liability			
City of Fairmont	$ 6,584,487	$ 3,723,189	$ 1,367,604
- Economic Development Authority	112,735	62,519	23,274

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City of Fairmont proportionate share of Police and Fire Fighters net pension liability	$ 4,234,927	$ 2,134,411	$ 407,507

I. Pension Plan Fiduciary Net Position

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

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association

A. Plan Description

All members of the Fairmont Fire Department (the Department) are covered by a defined benefit plan administered by the Fairmont Fire Department Relief Association (the Association). As of December 31, 2021, the plan covered 31 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with *Minnesota Statute* chapter 69. The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of *Minnesota Statutes* - 1980). Funds are also derived from investment income.

B. Benefits Provided

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

NOTE 11 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

C. Contributions
Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure on behalf payment of $98,614 made by the State of Minnesota for the Relief Association.

D. Pension Costs
At December 31, 2022, the City reported a net pension asset of $97,962 for the plan. The net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2022	$ 1,666,853	$ 2,158,400	$ (491,547)
Changes for the Year			
Service cost	70,523	-	70,523
Interest	84,932	-	84,932
Contributions - state and local	-	100,614	(100,614)
Contributions - member	-	21,065	(21,065)
Net investment income	-	(342,348)	342,348
Benefit payments	(77,490)	(77,490)	-
Administrative expenses	-	(17,461)	17,461
Total net changes	77,965	(315,620)	393,585
Ending Balance December 31, 2022	$ 1,744,818	$ 1,842,780	$ (97,962)

NOTE 11 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

D. Pension Costs (Continued)
For the year ended December 31, 2022, the City recognized pension expense of $175,676. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ -	$ 120,110
Changes in actuarial assumptions	45,628	3,440
Net difference between projected and actual earnings on pension plan investments	158,119	-
City contributions subsequent to the measurement date	98,614	-
Total	$ 302,361	$ 123,550

Deferred outflows of resources totaling $98,614 related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2024.

Amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ended December	Pension Expense Amount
2024	$ (41,117)
2025	8,361
2026	39,452
2027	77,430
2028	(6,214)
Thereafter	2,285
Total	$ 80,197

NOTE 11 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Actuarial assumptions:	
Discount rate	5.00 %
Investment rate of return	5.00
Inflation	2.25

The 5.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Domestic equity	40.00 %	5.65 %
International equity	4.00	5.65
Fixed income	40.00	2.27
Real estate and alternatives	2.00	4.44
Cash and equivalents	14.00	0.84
Total portfolio	100.00 %	

NOTE 11 – PENSION PLANS (CONTINUED)

Single Employer Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

F. Discount Rate
The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

City of Fairmont's proportionate share of	1% Decrease in Discount Rate (4.0%)	Current Discount Rate (5.0%)	1% Increase in Discount Rate (6.0%)
Net pension liability (asset)	$ (45,699)	$ (97,962)	$ (147,861)

H. Pension Plan Fiduciary Net Position
The Association issues a publicly available financial report. The report may be obtained by writing to the Fairmont Fire Department Relief Association, 100 Downtown Plaza, Fairmont, MN 56031.

NOTE 12 – RETIREE HEALTH INSURANCE

A. Plan Description
The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report. There are no assets accumulated in a trust.

B. Benefits Provided

1. Retirees
In addition to the benefits described above, The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Eligibility for continuing group health and dental insurance for City retirees is defined as follows:

- **a.** Retirees who are at least 55 years of age and are PERA Basic, PERA Coordinated, or PERA Defined Contribution eligible; or

NOTE 12 – RETIREE HEALTH INSURANCE (CONTINUED)

B. Benefits Provided (Continued)

1. Retirees (Continued)

- **b.** Retirees who are members of the PERA Police and Fire Fund who are at least 50 years of age and are PERA Police and Fire Pension eligible; or
- **c.** Former employees approved for disability retirement by PERA.

Employees may obtain spouse coverage at retirement or add spouse coverage at the beginning of an enrollment year. Covered spouses may continue coverage after the retiree's death.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Retirees and spouses are eligible to remain in the City-sponsored group health insurance plan until death or the obtainment of Medicare, provided the applicable premiums are paid.

2. Disabled police and firefighter

In accordance with *Minnesota Statute* § 299A.465, the City is responsible to continue payment of the City's contribution toward health coverage for police officers or the firefighters disabled in the line of duty; or a surviving spouse and/or dependents of a police officer or the firefighters killed in the line of duty. The contribution continues until the police officer, firefighters or surviving spouse reaches age 65 or the dependent is no longer eligible under the contract.

C. Contributions

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 2023, implicit contributions totaled $8,076.

D. Members

As of January 1, 2023, the following were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	7
Active employees	85
Total	92

NOTE 12 – RETIREE HEALTH INSURANCE (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, with a measurement date of January 1, 2023. Using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	4.00%, net of investment expense
Salary increases	Rates vary by service and contract group
Inflation	2.50%
Healthcare cost trend increases	6.50% initially, decreasing over six years to rate of 5.0%, then 4.0%.
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

The discount rate used to measure the total OPEB liability was 4.00 percent. Since the plan is not funded (has no Assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

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

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

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

F. Total OPEB Liability

The City's total OPEB liability of $732,409 was measured as of January 1, 2023, and was determined by an actuarial valuation as of January 1, 2023, of this amount $9,521 was allocated to the discretely presented component unit – Economic Development Authority.

NOTE 12 – RETIREE HEALTH INSURANCE (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at January 1, 2023	$ 745,017
Changes for the year	
Service cost	$31,440
Interest	15,089
Differences between expected and actual economic experience	54,391
Assumption changes	(69,245)
Benefit payments	(44,283)
Net changes	(12,608)
Balances at December 31, 2023	$ 732,409

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 4.00% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	Total OPEB Liability (Asset)		
	1% Decrease in Discount Rate (3.00%)	Current Discount Rate (4.00%)	1% Increase in Discount Rate (5.00%)
City of Fairmont	$ 765,780	$ 722,888	$ 682,626
EDA	10,086	9,521	8,991

NOTE 12 – RETIREE HEALTH INSURANCE (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	Total OPEB Liability (Asset)		
	1% Decrease in Medical Trend Rate (4%)	Current Medical Trend Rate (5%)	1% Increase in Medical Trend Rate (6%)
City of Fairmont	$ 669,367	$ 722,888	$ 784,991
EDA	8,816	9,521	10,339

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

For the year ended December 31, 2023, the City recognized OPEB expense of $54,274, of this amount $706 was allocated to the discretely presented component unit – Economic Development Authority.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 18,682	$ 89,144
Liability Losses	100,963	-
Contributions to Plan Subsequent to the Measurement Date	74,611	-
Total	$ 194,256	$ 89,144

NOTE 12 – RETIREE HEALTH INSURANCE (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The $74,611 reported as deferred outflows of resources related to OPEB resulting from City of Fairmont contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the year ended December 31, 2024, of this amount $970 was contributed by the discretely presented component unit – Economic Development Authority. Of the above deferred amounts, $2,525 of deferred outflows of resources and $1,159 of deferred inflows of resources was allocated to the discretely presented component unit – Economic Development Authority. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December	Pension Expense
2024	$ 7,745
2025	7,745
2026	7,747
2027	11,508
2028	(2,122)
Thereafter	(2,122)
Total	$ 30,501

NOTE 13 – 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.

NOTE 13 – RISK MANAGEMENT (CONTINUED)

All funds of the City participate in the program and make payments to the Medical Self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. This fund has a net position of $328,537 at December 31, 2023. The claims liability of $148 reported in the fund at December 31, 2023, 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 years 2023, 2022, and 2021 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Claims Liability End of Year
2023	$ 131	$ 83,240	$ (83,223)	$ 148
2022	14,475	201,462	(215,806)	131
2021	13,613	179,202	(178,340)	14,475

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, 2023, was $806,360 and $6,935 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, 2023, 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.

NOTE 13 – RISK MANAGEMENT (CONTINUED)

Changes in the Property, Equipment and Liability fund's claims liability amount in calendar years 2023, 2022, and 2021 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Claims Liability End of Year
2023	$ -	$ 108	$ (108)	$ -
2022	-	11,477	(11,477)	-
2021	2,257	8,994	(11,251)	-

NOTE 14 – OTHER INFORMATION

A. 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.

B. 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.

C. 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 2023 was $3,745,851. This accounted for 35 percent of General fund revenues.

NOTE 15 – TAX ABATEMENTS

As of December 31, 2023, the City has seven agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement on September 1, 2016, with a business in which the business incurred costs for the renovation of an existing building to accommodate the manufacturing of industrial custom fabricated products. In return, the City will reimburse the business for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of $231,000 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statute* §§ 469.1812-469.1816) and has a maximum duration of February 1, 2027. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on December 1, 2018. with a business in which the business incurred costs for the expansion of existing facilities to accommodate their existing Trucking Logistics, A/R Management and Cashflow services business. In return, the City will reimburse the business for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of $228,820 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statute* §§ 469.1812-469.1815) and has a maximum duration of February 1, 2032. The calculation of taxes abated during the fiscal years noted in the chart below.

The City entered into a tax abatement agreement on August 26, 2019. with a business in which the business incurred costs for the expansion of existing facilities to accommodate the processing of soybeans and soybean products. In return, the City will reimburse the business for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of $590,280 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statute* §§ 469.1812-469.1815) and has a maximum duration of February 1, 2032. The calculation of taxes abated during the fiscal years noted in the chart below.

The City entered into a tax increment financing agreement (TIF #24) on February 23, 2015, with a developer in which the developer incurs costs for the construction of retail and office complex consisting of two buildings, one approximately 2,364 square feet and the other approximately 5,468 square feet. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $154,560 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statutes* §§ 469.174-469.1794) and has a maximum duration of December 31, 2028. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #25) on April 27, 2015, with a developer in which the developer demolished an existing substandard building and the acquisition, construction and equipping of an approximately 12,000 square foot office building. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $290,798 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statute* §§ 469.174-469.1794) and has a maximum duration of December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

NOTE 15 – TAX ABATEMENTS (CONTINUED)

The City entered into a tax increment financing agreement (TIF #26) on July 27, 2015, with a developer in which the developer incurred costs to construct a 14,000-15,000 square foot expansion to an existing assisted living facility to add approximately 20 new housing units. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you- go agreement has a maximum return to the developer of $198,641 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statutes* §§ 469.174-469.1794) and has a maximum duration of December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #27) on August 22, 2016, with a developer in which the developer incurred costs to demolish an existing substandard building and the acquisition, construction and equipping a multifamily rental housing project consisting of one four plex with three bedrooms per unit and one three plex unit with three bedrooms per unit. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of $121,330 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statute* §§ 469.174-469.1794) and has a maximum duration of December 31, 2044. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #28) on February 14, 2022 with a developer in which the developer incurred costs for the acquisition and construction of an approximately 31,000 square-foot expansion of an existing manufacturing facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of $1,380,168 over the life of the agreement. The agreement was negotiated under state law (*Minnesota Statute* § 469.174-469.1794) and has a maximum duration of February 1, 2033. The calculation of taxes abated during the fiscal year is noted in the chart below.

NOTE 15 – TAX ABATEMENTS (CONTINUED)

Lost revenue as it relates to tax abatements for the year ended December 31, 2023, was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of Taxes Abated this Fiscal Year
Tax abatement agreements			
Zierke Build Manufacturing Inc			$ 23,139
Arthur Andrews			27,677
CHS			45,949
Tax increment districts (PAYGO)			
TIF District #24	46.113%	12,605	12,294
TIF District #25	46.113%	47,604	48,081
TIF District #26	46.165%	60,633	36,633
TIF District #27	48.739%	11,930	11,357
Total			$ 205,130

PROPOSAL FORM

TO: City of Fairmont, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900
Email: PublicSale@northlandsecurities.com

Sale Date: November 25, 2024

For all or none of the $9,000,000* General Obligation Bonds, Series 2024A, in accordance with the Notice of Sale, we will pay you $____________________________, (not less than $8,887,500) plus accrued interest, if any, to date of delivery (estimated to be December 19, 2024) for fully registered Bonds bearing interest rates and maturing on March 1 as follows:

Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield
2026	%	%	2031	%	%	2036	%	%
2027	%	%	2032	%	%	2037	%	%
2028	%	%	2033	%	%	2038	%	%
2029	%	%	2034	%	%	2039	%	%
2030	%	%	2035	%	%	2040	%	%

True interest percentage:________________________% Net interest cost: $____________________________

Term Bond Option: Bonds maturing in the years:	To be accumulated into a Term Bond maturing in year:
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _______________________________ By: ____________________________________

The foregoing proposal is hereby duly accepted by and on behalf of the City of Fairmont, Minnesota at 5:30 PM on November 25, 2024.

______________________________________ ______________________________________

Finance Director Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.