Annual Financial Report

City of Alexandria

Alexandria, Minnesota

For the Year Ended
December 31, 2018

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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City of Alexandria, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Alexandria, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

Elected

Name	Title	Term Expires
Sara Carlson	Mayor	12/31/20
Virgil Batesole	Council	12/31/18
Robert Kuhlman	Council	12/31/18
Bobbie Osterberg	Council	12/31/20
David Benson	Council	12/31/18
Todd Jensen	Council	12/31/20

Appointed

Martin Schultz	City Administrator	
Karin Tank	Assistant City Administrator/HR Director	
Reed Heidelberger	City Assessor	
Mike Weber	Community Development Coordinator	
Jane Blade	Finance Director	
Jeff Karrow	Fire Chief	
Andy Mellgren	Liquor Operations Manager	
Rick Wyffels	Police Chief	
Bill Thoennes	Public Works Director - Parks and Facilities	
Dane Bosl	Public Works Director - Streets and Stormwater	
Vinnie Hennen	Runestone Community Center Manager	
Sara Stadtherr	Communications Coordinator	
Thomas Jacobson	City Attorney	
Tim Schoonhoven	City Engineer	

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FINANCIAL SECTION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Alexandria, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Alexandria, Minnesota, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, 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.

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Change in Accounting Standards

As described in Note 9 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 20, 2019

People + Process® Going Beyond the Numbers

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Management's Discussion and Analysis

As management of the City of Alexandria, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

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 $64,729,197 (net position). Of this amount, $1,572,314 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased $2,039,712, compared to a decrease of $1,513,002 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of $152,398 and governmental activities had an increase of $1,887,314, a majority of this increase relates to $1,786,221 of capital grants and contributions for 2018.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $14,337,850, a decrease of $2,565,008 in comparison with an increase of $2,438,158 the prior year. The major factors in this decrease were due to the retirement of the 2007B GO Improvement and Utility bonds and capital project expenditures. Approximately 32.4 percent the total fund balance, $4,302,141, is available for spending at the City's discretion.

Overview of the Financial Statements

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

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

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

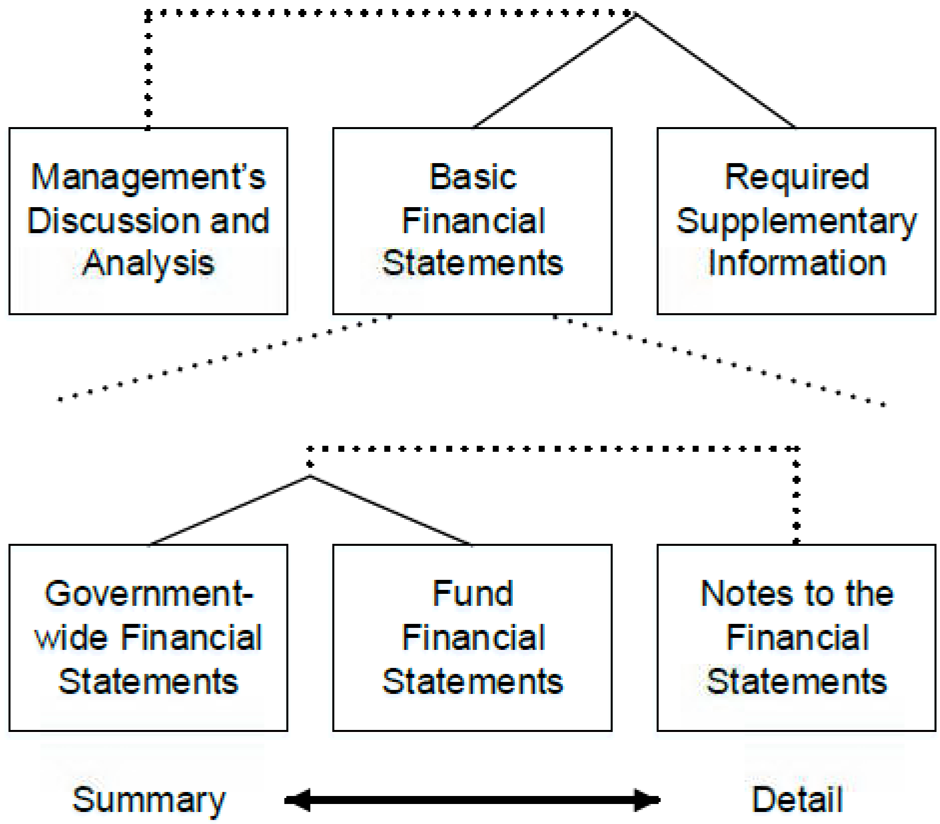


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, streets and parks	The activity the City operates similar to a private business is the liquor dispensary.
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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of 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

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 liabilities 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. There are many additional non-financial factors to assess the overall health of the City, such as changes in the City's property tax base and the condition of the City's infrastructure and other capital assets.

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, public works, economic development, culture and recreation, interest on long-term debt and airport. The business-type activities of the City include a municipal liquor store. The City's water, electric and fiber utility operations are included as a component unit.

The government-wide financial statements include not only the City itself (known as the *primary government*), as well as an economic development authority for which the City is financially accountable. The economic development authority functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 31 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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

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 fund, the Debt Service fund, and the Capital Projects fund, all of which are considered to be major funds. Data from the other nonmajor 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 or schedules* 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 one type of proprietary fund. *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 liquor store operations.

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 the enterprise fund which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found starting on page 41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 102 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 $64,729,197 at the close of the most recent fiscal year.

A large portion of the City's net position (80.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are 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 Alexandria's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Assets						
Current and other assets	$ 23,603,014	$ 25,665,777	$ (2,062,763)	$ 957,993	$ 949,538	$ 8,455
Capital assets	75,020,048	74,582,679	437,369	514,695	569,675	(54,980)
Total Assets	98,623,062	100,248,456	(1,625,394)	1,472,688	1,519,213	(46,525)
Deferred outflows of resources	3,590,588	4,783,516	(1,192,928)	64,458	113,059	(48,601)
Liabilities						
Long-term liabilities outstanding	29,532,555	34,595,850	(5,063,295)	440,458	513,675	(73,217)
Other liabilities	912,374	1,139,945	(227,571)	238,958	364,836	(125,878)
Total Liabilities	30,444,929	35,735,795	(5,290,866)	679,416	878,511	(199,095)
Deferred inflows of resources	7,797,912	5,070,939	2,726,973	99,342	109,198	(9,856)
Net Position						
Net investment in capital assets	51,798,447	49,079,470	2,718,977	426,915	485,975	(59,060)
Restricted	11,479,486	12,220,570	(741,084)	-	-	-
Unrestricted	692,876	2,925,198	(2,232,322)	331,473	158,588	172,885
Total Net Position	$ 63,970,809	$ 64,225,238	$ (254,429)	$ 758,388	$ 644,563	$ 113,825

An additional portion of the City's net position (17.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (1.6 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase of $152,398 in net position reported in connection with the City's business-type activities. The Municipal Liquor Dispensary fund's gross profit percentage has increased from the previous year, currently at 23.4 percent, up from 22.7 in 2017.

The City's total net position increased by $2,039,712, compared to a decrease of $1,513,002 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of $152,398 while governmental activities had an increase of $1,887,314.

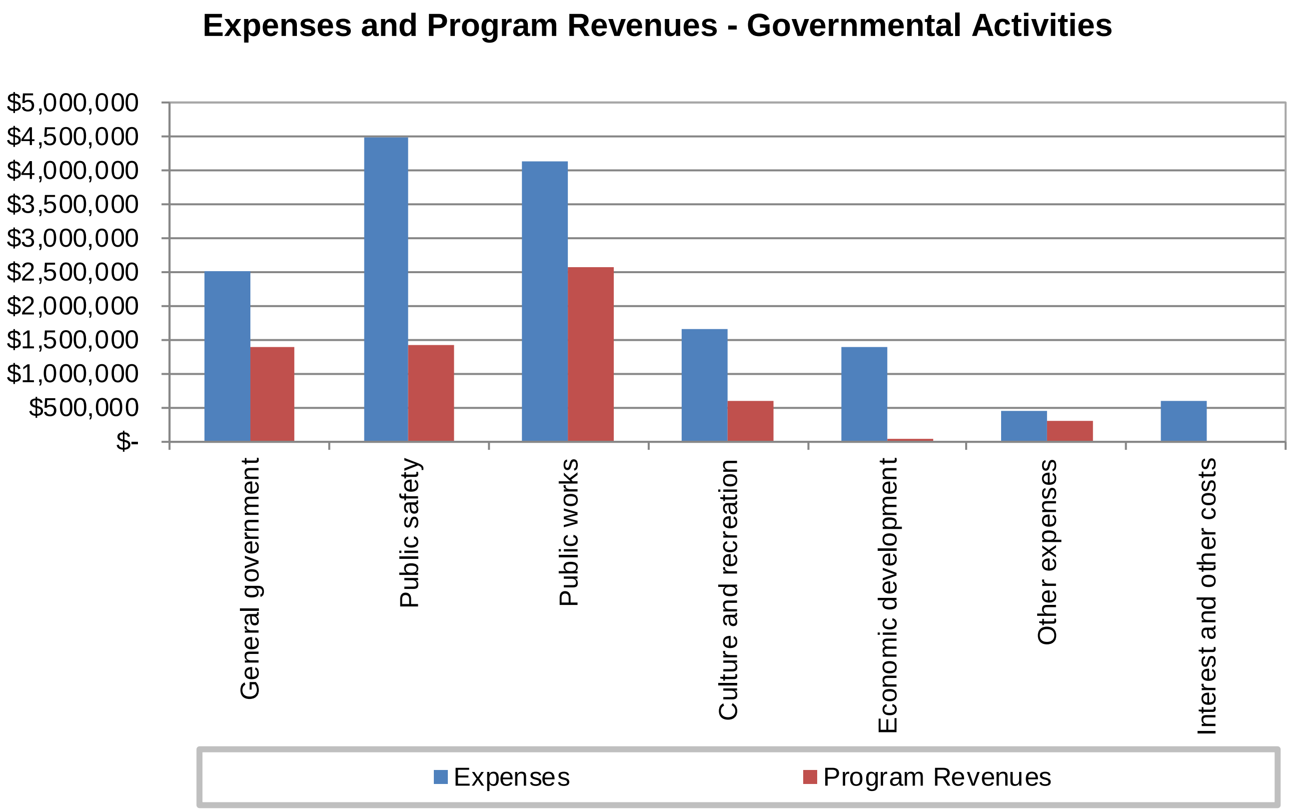
Governmental activities. The change in net position is described above and summarized as follows:

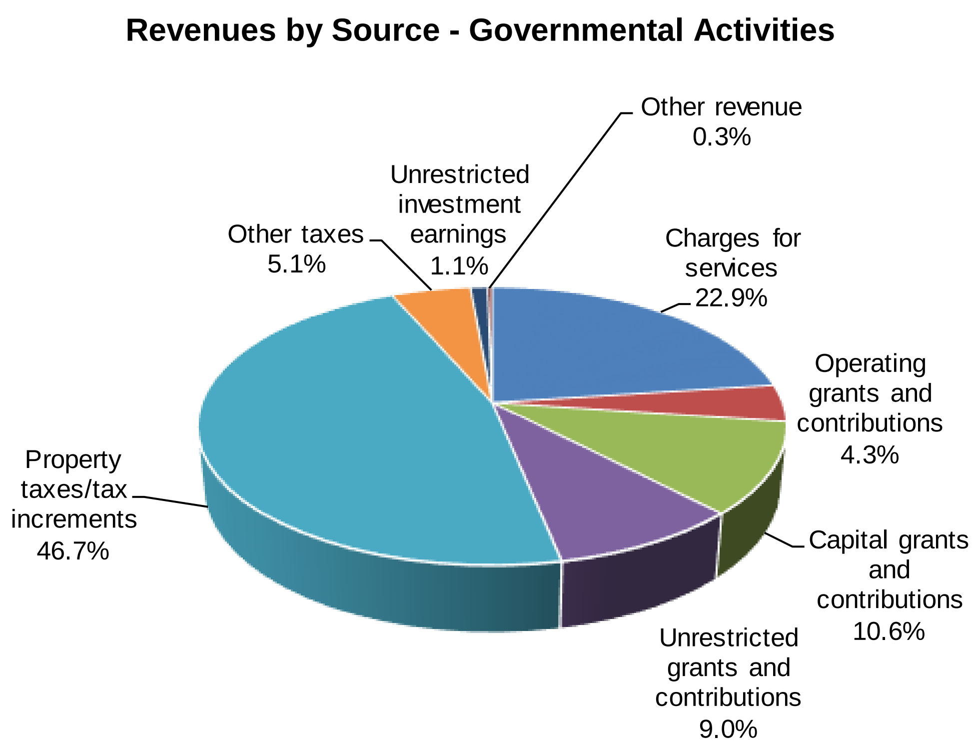
City of Alexandria's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 3,861,466	$ 3,605,584	$ 255,882	$ 5,896,339	$ 5,654,612	$ 241,727
Operating grants and contributions	726,009	824,523	(98,514)	2,786	163	2,623
Capital grants and contributions	1,786,221	3,860,439	(2,074,218)	-	-	-
General Revenues						
Property taxes/tax increments	7,899,988	7,511,003	388,985	-	-	-
Other taxes	858,280	474,498	383,782	-	-	-
Grants and contributions not restricted to specific programs	1,520,465	1,476,425	44,040	-	-	-
Unrestricted investment earnings	187,026	136,166	50,860	264	200	64
Other revenues	2,008	105,825	(103,817)	-	-	-
Gain on sale of capital assets	46,594	11,662	34,932	-	-	-
Total Revenues	16,888,057	18,006,125	(1,118,068)	5,899,389	5,654,975	244,414
Expenses						
General government	2,506,224	2,439,678	66,546	-	-	-
Public safety	4,492,696	4,670,619	(177,923)	-	-	-
Public works	4,150,847	4,795,204	(644,357)	-	-	-
Culture and recreation	1,658,948	1,981,792	(322,844)	-	-	-
Economic development	1,384,080	1,004,491	379,589	-	-	-
Other expenses	444,572	327,517	117,055	-	-	-
Interest and other costs	588,376	785,270	(196,894)	-	-	-
Liquor	-	-	-	5,521,991	5,429,017	92,974
Total Expenses	15,225,743	16,004,571	(778,828)	5,521,991	5,429,017	92,974
Increase (Decrease) in Net Position Before Transfers and Contributions	1,662,314	2,001,554	(339,240)	377,398	225,958	151,440
Transfers	225,000	225,000	-	(225,000)	(225,000)	-
Capital Contributions	-	(3,740,514)	3,740,514	-	-	-
Change in Net Position	1,887,314	(1,513,960)	3,401,274	152,398	958	151,440
Net Position - January 1 as Restated (Note 9)*	64,586,038	65,739,198	(1,153,160)	605,990	643,605	(37,615)
Prior Period Adjustment (Note 10)	(2,502,543)	-	(2,502,543)	-	-	-
Net Position - December 31	$ 63,970,809	$ 64,225,238	$ (254,429)	$ 758,388	$ 644,563	$ 113,825

* GASB Statement No. 75 was implemented for the year ended December 31, 2018 and required a $360,800 and ($38,573) restatement of beginning governmental and enterprise net position, respectively. Prior year amounts were not restated causing a variance in ending net position at December 31, 2017 and beginning net position on January 1, 2018. See note 9.

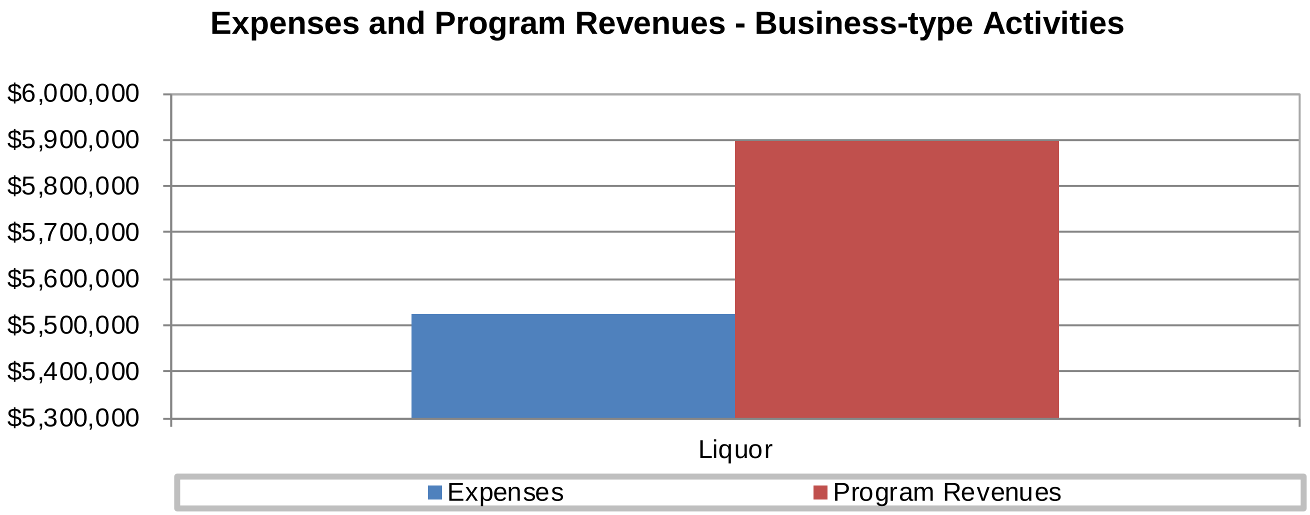
The following graphs depict various governmental activities and show the revenues and expenses directly related to those activities.





Business-type activities. Key elements of the change in net position are summarized as follows:

- Sales for business-type activities increased by $241,727, or 4.3 percent during the year.
- Total expenses increased by approximately $92,974 during 2018.
- The City's Municipal Liquor fund showed a gain due to operating revenues exceeding operating expenses. Profits before transfers for the past two years were $377,398 and $225,958, respectively.



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $14,337,850, a decrease of $2,565,008 in comparison with an increase of $2,438,158 in the prior year. The major factors in this decrease were due to the retirement of the 2007B GO Improvement and Utility bonds and capital project expenditures. Approximately 32.4 percent of the total fund balance amount, $4,302,141 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The *restricted* fund balance totals $8,716,470; *committed* - $906,270; *assigned* - $346,678; and *nonspendable* - $66,291.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was $4,403,680. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.2 percent of fund expenditures, while total fund balance represents 47.3 percent of that same amount.

The fund balance of the City's General fund increased by $193,561 during the current fiscal year. The key factors to this net increase are listed on the following page under General Fund Budgetary Highlights.

The *Debt Service fund* has a total fund balance of $5,990,515, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was $2,144,378. The key factor in this decrease was due to the retirement of the 2007B GO Improvement and Utility bonds.

The *Capital Project fund* has a total fund balance of $346,678. The net decrease in fund balance during the current year in the Capital Project fund was $1,090,844. The key factors for this decrease were planned capital asset purchases and capital project expenditures incurred before revenue from the State can be recognized.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unassigned net position of the enterprise funds at the end of the year amounted to $331,473. The total increase in net position for the funds was $152,398. Other factors concerning the finances of this fund 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. Revenues exceeded expectations by $399,859 and the expenditures budget was overspent by $49,234.

Some highlights include:

- Building permit revenues for the year exceeded budget by $183,000 due to an increase in permits issued for commercial projects and single-family dwellings over the previous year.
- Township inspection fees exceeded budget by $37,000 due to increased building in Alexandria Township.
- Colder weather caused an increase in Franchise fees from Natural Gas, the total received for 2018 exceeded budget by $95,000.
- Runestone Community Center revenues were $559,000, which was $24,000 under budget. RCC expenditures were over budget by $16,000.
- Storm damage to City Airport property in 2017 was repaired in 2018 resulting in repairs of $52,500 that were not included in the budget for 2018.
- General Engineering costs exceeded budget by $35,500.
- Total payroll and related expenditures for the City's General fund were under budget by $136,600. Public Works Street and Park departments wages for the year came in under budget and a budgeted hire in the Police - Civil employees department did not take place in 2018.
- Building and Equipment Repair and Maintenance exceeded budget by $14,000.
- Insurance premiums paid, net of dividends received of $9,000, exceeded budget by $27,000.
- A City Council approved transfer, of $150,000, from the General fund to a Capital Project fund for the Geneva Crest Reclaim project was not included in the budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to $75,534,743 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities and roads. The total increase in the City's investment in capital assets for the current fiscal year was 0.5 percent (a 0.6 percent increase for governmental activities and a 9.7 percent decrease for business-type activities.)

Major capital assets purchased or constructed during the current fiscal year include the following:

- Lake Burgen Park Play equipment - $28,839
- Runestone Community Center Scoreboard - $33,700
- 3 Police Squad vehicles - $95,1219
- Fire Department Tender, Grass Rig, Chief's Rig and Side by Side - $366,984
- City Hall Re-Roof project - $76,904
- Big Ole Central Park Public Restrooms - $106,037
- Airport Runway/Taxiway pavement rehab – 1,666,997
- Street Improvements including reconstruction of portions of Walmart frontage road and Birch Avenue, RCC parking lot improvements, street and storm sewer improvements in the Geneva Crest area and Local Street Overlays - $2,333,500

Additional information on the City's capital assets can be found in Note 3D starting on page 58 of this report.

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

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	$ 2,887,179	$ 2,887,179	$ -	$ 101,413	$ 101,413	$ -
Buildings	14,717,071	15,054,466	(337,395)	231,531	275,992	(44,461)
Improvements Other than Buildings	50,475,819	49,987,391	488,428	18,120	7,031	11,089
Machinery and Equipment	4,892,022	2,963,762	1,928,260	163,631	185,239	(21,608)
Construction in Progress	2,047,957	3,689,881	(1,641,924)	-	-	-
Total	$ 75,020,048	$ 74,582,679	$ 437,369	$ 514,695	$ 569,675	$ (54,980)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $23,315,000. Of this amount $9,630,000 is general obligation improvement debt and $13,685,000 is general obligation debt. All of the City's bonds are backed by the full faith and credit of the City.

City of Alexandria's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation Bonds	$ 13,685,000	$ 14,185,000	$ (500,000)	$ -	$ -	$ -
General Obligation Improvement Bonds	9,630,000	13,040,000	(3,410,000)	-	-	-
Hangar Loan	-	2,089	(2,089)	-	-	-
CHAP Loans	28,000	51,336	(23,336)	-	-	-
Total	$ 23,343,000	$ 27,278,425	$ (3,935,425)	$ -	$ -	$ -

The City's total debt decreased $3,935,425, or 14.4 percent during the current fiscal year. No new debt was issued during the year and principal of $3,935,425 was retired during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is $40,756,691, which is considerable greater than the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3G starting on page 63 of this report.

Economic Factors and Next Year's Budgets and Rates

The Budget Committee and then the City Council looked comprehensively at a number of external and internal factors in crafting the 2019 budget.

- A significant guiding principle through consideration of the budget was the Strategic Plan. The updated plan was adopted in January 2018 through a process that began in September 2017. The strategic priorities in the plan are Operational Excellence, Long-Term Planning, Sustainable Infrastructure, Safe Community Economic Vitality, and Communications.
- The City Council reviewed not only the proposed 2019 budget but also considered a five-year (2019-2023) budget blueprint when discussing the 2019 budget.
- Property value increases and growth through new construction contributed to a 4.7% increase in tax capacity from 2018 to 2019.
- The overall property tax levy increased by 3.91% for 2019. The tax base growth within the City meant the average city tax rate decreased by approximately 0.8%.
- The unemployment rate in Alexandria is currently 3.3 percent. This compares to the State's unemployment rate of 3.5 percent.
- Alexandria has a pull factor index of 3.09, according to the 2016 Retail Trade Analysis of Alexandria prepared by the University of Minnesota Extension Center for Community Vitality. This study was released in September 2018 and used data from 2016. The pull factor compares local taxable sales per capita to that of the state. A pull factor greater than 1.0 indicates that businesses are pulling in customers from outside the community. Alexandria ranked #1 statewide in the index of "pulling power" of the eleven cities outside the metro area with populations between 9,300 and 17,400. Those population numbers represent cities +/- 30% of the population of Alexandria.

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 Alexandria, 704 Broadway, Alexandria, Minnesota 56308.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Board of Public Works
Assets				
Cash and temporary investments	$ 15,102,377	$ 339,458	$ 15,441,835	$ 12,681,922
Restricted debt service reserve deposits	776,771	-	776,771	888,396
Receivables				
Interest	39,888	-	39,888	42,271
Delinquent taxes	95,500	-	95,500	-
Accounts, net of allowance	263,677	40,693	304,370	858,437
Notes and loans, net of allowance	546,983	-	546,983	-
Special assessments	4,565,336	-	4,565,336	2,196
Intergovernmental	849,170	-	849,170	-
Internal balances	391,819	(391,819)	-	-
Due from component unit	139,148	-	139,148	-
Inventories	-	962,407	962,407	1,332,143
Prepaid items	66,291	7,254	73,545	140,567
Pension asset	766,054	-	766,054	-
Capital assets				
Capital assets not being depreciated	4,935,136	101,413	5,036,549	2,320,886
Capital assets net of accumulated depreciation	70,084,912	413,282	70,498,194	59,591,150
Total Assets	98,623,062	1,472,688	100,095,750	77,857,968
Deferred Outflows of Resources				
Deferred pension resources	3,544,883	64,192	3,609,075	391,980
Deferred other postemployment benefit resources	45,705	266	45,971	1,738
Total Deferred Outflows of Resouces	3,590,588	64,458	3,655,046	393,718
Liabilities				
Accounts and contracts payable	394,581	171,729	566,310	1,551,569
Due to other governments	45,137	55,362	100,499	584,773
Accrued interest payable	256,407	-	256,407	39,460
Accrued salaries payable	146,876	11,867	158,743	68,464
Due to primary government	-	-	-	139,148
Deposits payable	29,570	-	29,570	336,968
Unearned revenue	39,803	-	39,803	-
Noncurrent liabilities				
Due within one year	3,296,599	31,870	3,328,469	982,949
Due in more than one year	26,235,956	408,588	26,644,544	10,645,427
Total Liabilities	30,444,929	679,416	31,124,345	14,348,758
Deferred Inflows of Resources				
Deferred pension resources	4,675,605	99,342	4,774,947	610,617
Advance from other government	3,122,307	-	3,122,307	-
Total Deferred Inflows of Resouces	7,797,912	99,342	7,897,254	610,617
Net Position				
Net investment in capital assets	51,798,447	426,915	52,225,362	53,580,160
Restricted for				
Debt service	8,265,381	-	8,265,381	888,396
Wellness	21,097	-	21,097	-
Capital outlay	2,711	-	2,711	-
Economic development	2,642,332	-	2,642,332	-
Unrestricted	1,240,841	331,473	1,572,314	8,823,755
Total Net Position	$ 63,970,809	$ 758,388	$ 64,729,197	$ 63,292,311

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

City of Alexandria, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 2,506,224	$ 1,375,748	$ 13,912	$ 6,919
Public safety	4,492,696	836,037	600,067	-
Public works	4,150,847	808,420	4,620	1,770,546
Culture and recreation	1,658,948	603,397	2,106	-
Economic development	1,384,080	31,176	-	-
Airport	444,572	206,688	105,304	8,756
Interest and other costs	588,376	-	-	-
Total Governmental Activities	15,225,743	3,861,466	726,009	1,786,221
Business-type Activities				
Liquor	5,521,991	5,896,339	2,786	-
Total Primary Government	$ 20,747,734	$ 9,757,805	$ 728,795	$ 1,786,221
Component Unit				
Board of Public Works	$ 26,464,692	$ 28,703,031	$ -	$ -

General Revenues
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Lodging Tax
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Gain on sale of capital assets
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1 as restated (Note 9)

Prior period adjustment (Note 10)

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Alexandria Light and Power
$ (1,109,645)		$ (1,109,645)	
(3,056,592)		(3,056,592)	
(1,567,261)		(1,567,261)	
(1,053,445)		(1,053,445)	
(1,352,904)		(1,352,904)	
(123,824)		(123,824)	
(588,376)		(588,376)	
(8,852,047)		(8,852,047)	
-	$ 377,134	377,134	
(8,852,047)	377,134	(8,474,913)	
			$ 2,238,339
5,119,370	-	5,119,370	-
1,683,052	-	1,683,052	-
1,097,566	-	1,097,566	-
339,227	-	339,227	-
519,053	-	519,053	-
1,520,465	-	1,520,465	-
187,026	264	187,290	186,298
46,594	-	46,594	-
2,008	-	2,008	74,510
225,000	(225,000)	-	-
10,739,361	(224,736)	10,514,625	260,808
1,887,314	152,398	2,039,712	2,499,147
64,586,038	605,990	65,192,028	60,793,164
(2,502,543)	-	(2,502,543)	-
$ 63,970,809	$ 758,388	$ 64,729,197	$ 63,292,311

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

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FUND FINANCIAL STATEMENTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Alexandria, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 4,331,569	$ 5,194,938	$ 3,015,131	$ 2,560,739	$ 15,102,377
Restricted debt service reserve deposits	-	776,771	-	-	776,771
Receivables					
Interest	37,363	2,525	-	-	39,888
Delinquent taxes	56,000	23,600	6,200	9,700	95,500
Accounts	211,237	-	5,579	46,861	263,677
Notes and loans, net of allowance	-	-	-	546,983	546,983
Special assessments	6,021	3,287,673	1,271,642	-	4,565,336
Intergovernmental	52,288	20,781	766,828	9,273	849,170
Due from other funds	35,783	-	-	23,108	58,891
Due from component unit	83,473	-	-	71,399	154,872
Advances to other funds	-	-	-	419,196	419,196
Prepaid items	66,291	-	-	-	66,291
Total Assets	$ 4,880,025	$ 9,306,288	$ 5,065,380	$ 3,687,259	$ 22,938,952
Liabilities					
Accounts payable	$ 156,046	$ 4,500	$ 190,089	$ 43,946	$ 394,581
Advance from other funds	-	-	63,160	-	63,160
Due to other governments	45,137	-	-	-	45,137
Due to component unit	-	-	2,196	13,528	15,724
Due to other funds	-	-	-	23,108	23,108
Accrued salaries payable	146,876	-	-	-	146,876
Deposits payable	29,570	-	-	-	29,570
Unearned revenue	36,695	-	3,108	-	39,803
Total Liabilities	414,324	4,500	258,553	80,582	757,959
Deferred Inflows of Resources					
Unavailable revenue - taxes	56,000	23,600	6,200	9,700	95,500
Unavailable revenue - special assessments	6,021	3,287,673	1,271,642	-	4,565,336
Unavailable revenue - intergovernmental	-	-	60,000	-	60,000
Advance from other government	-	-	3,122,307	-	3,122,307
Total Deferred Inflows of Resources	62,021	3,311,273	4,460,149	9,700	7,843,143
Fund Balances					
Nonspendable for					
Prepaid items	66,291	-	-	-	66,291
Restricted for					
Debt service	-	5,990,515	-	59,815	6,050,330
Wellness	21,097	-	-	-	21,097
Capital outlay	-	-	-	2,711	2,711
Economic development	-	-	-	2,642,332	2,642,332
Committed for					
Payment of benefits	-	-	-	27,136	27,136
Firefighter's retirement obligation	-	-	-	83,177	83,177
Economic development	-	-	-	82,807	82,807
Storm water operations	-	-	-	698,999	698,999
Wellness	14,151	-	-	-	14,151
Assigned for					
Capital outlay	-	-	346,678	-	346,678
Unassigned	4,302,141	-	-	-	4,302,141
Total Fund Balances	4,403,680	5,990,515	346,678	3,596,977	14,337,850
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,880,025	$ 9,306,288	$ 5,065,380	$ 3,687,259	$ 22,938,952

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

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

Total Fund Balances - Governmental Funds	$ 14,337,850
Amounts reported for governmental activities in the statement of net position are different because	
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	766,054
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	75,020,048
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	
Compensated absences payable	(933,297)
Other postemployment benefit liability	(522,624)
Bonds payable	(23,376,320)
Capital leases payable	(143,650)
Loans payable	(27,999)
Bond premium and discount, net of accumulated amortization	(625,281)
Pension liability	(3,903,384)
Long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Delinquent property taxes receivable	95,500
Special assessments receivable	4,565,336
Intergovernmental receivable	60,000
Governmental funds do not report long-term amounts related to pensions and other post employment benefits	
Deferred outflows of resources - pension resources	3,544,883
Deferred outflows of resources - other post employment benefits	45,705
Deferred inflows of resources - pension resources	(4,675,605)
Governmental funds do not report a liability for accrued interest until due and payable.	(256,407)
Total Net Position - Governmental Activities	$ 63,970,809

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

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Revenues					
Taxes	$ 4,483,952	$ 1,672,015	$ 447,069	$ 2,112,782	$ 8,715,818
Payment in lieu of taxes	1,018,509	-	-	-	1,018,509
Special assessments	6,919	521,029	187,529	-	715,477
Licenses and permits	679,004	-	-	-	679,004
Intergovernmental	1,901,811	58,436	1,245,460	141,482	3,347,189
Charges for services	1,150,301	-	219,354	787,363	2,157,018
Fines and forfeits	99,405	-	-	-	99,405
Investment earnings	26,602	72,539	46,460	65,692	211,293
Other revenue	86,324	4,994	209,256	5,628	306,202
Total Revenues	9,452,827	2,329,013	2,355,128	3,112,947	17,249,915
Expenditures					
Current					
General government	2,391,280	-	943	-	2,392,223
Public safety	4,037,386	-	-	157,187	4,194,573
Public works	1,136,047	-	64,842	879,106	2,079,995
Culture and recreation	1,414,092	-	-	-	1,414,092
Economic development	-	-	-	1,384,080	1,384,080
Airport	176,846	-	10,487	-	187,333
Capital outlay					
General government	6,156	-	269,687	-	275,843
Public safety	23,542	-	537,926	-	561,468
Public works	48,642	-	2,077,122	-	2,125,764
Culture and recreation	9,276	-	624,203	-	633,479
Airport	73,935	-	7,059	-	80,994
Debt service					
Principal	-	3,969,819	2,089	23,336	3,995,244
Interest and other	-	757,468	-	2,249	759,717
Bond issuance costs	-	1,712	-	-	1,712
Total Expenditures	9,317,202	4,728,999	3,594,358	2,445,958	20,086,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	135,625	(2,399,986)	(1,239,230)	666,989	(2,836,602)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	46,594	-	46,594
Transfers in	235,816	255,608	167,500	10,380	669,304
Transfers out	(177,880)	-	(65,708)	(200,716)	(444,304)
Total Other Financing Sources (Uses)	57,936	255,608	148,386	(190,336)	271,594
Net Change in Fund Balances	193,561	(2,144,378)	(1,090,844)	476,653	(2,565,008)
Fund Balances, January 1	4,210,119	8,134,893	3,940,065	3,120,324	19,405,401
Prior Period Adjustment (Note 10)	-	-	(2,502,543)	-	(2,502,543)
Fund Balances, December 31	$ 4,403,680	$ 5,990,515	$ 346,678	$ 3,596,977	$ 14,337,850

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

City of Alexandria, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because		
Net Change in Fund Balances - Governmental Funds	$	(2,565,008)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Capital outlay		3,688,023
Depreciation expense		(3,140,366)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		(110,288)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments		3,995,244
Premium on bonds issued, net of amortization expense		117,928
Long-term pension activity is not reported in governmental funds.		
Pension expense		248,734
Direct aid contributions		16,452
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		55,125
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes		24,900
Special assessments		(445,979)
Capital contributions from other governments		60,000
State grants		14,964
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(72,415)
Change in Net Position - Governmental Activities	$	1,887,314

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

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

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 4,418,214	$ 4,483,952	$ 65,738
Payment in lieu of taxes	1,008,000	1,018,509	10,509
Special assessments	-	6,919	6,919
Licenses and permits	488,850	679,004	190,154
Intergovernmental	1,832,513	1,901,811	69,298
Charges for services	1,102,391	1,150,301	47,910
Fines and forfeits	122,500	99,405	(23,095)
Investment earnings	22,500	26,602	4,102
Other revenue	58,000	86,324	28,324
Total Revenues	9,052,968	9,452,827	399,859
Expenditures			
Current			
General government	2,470,485	2,391,280	79,205
Public safety	3,981,611	4,037,386	(55,775)
Public works	1,179,067	1,136,047	43,020
Culture and recreation	1,406,925	1,414,092	(7,167)
Airport	173,880	176,846	(2,966)
Capital outlay			
General government	3,500	6,156	(2,656)
Public safety	34,500	23,542	10,958
Public works	5,000	48,642	(43,642)
Culture and recreation	10,000	9,276	724
Airport	3,000	73,935	(70,935)
Total Expenditures	9,267,968	9,317,202	(49,234)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,000)	135,625	350,625
Other Financing Sources (Uses)			
Transfers in	225,000	235,816	10,816
Transfers out	(10,000)	(177,880)	(167,880)
Total Other Financing Sources (Uses)	215,000	57,936	(157,064)
Net Change in Fund Balances	-	193,561	193,561
Fund Balances, January 1	4,210,119	4,210,119	-
Fund Balances, December 31	$ 4,210,119	$ 4,403,680	$ 193,561

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

City of Alexandria, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2018

	609 Downtown Liquor	610 Plaza Liquor	Totals
Assets			
Current Assets			
Cash and temporary investments	$ 52,390	$ 287,068	$ 339,458
Receivables			
Accounts	15,615	25,078	40,693
Due from other funds	807	2,967	3,774
Inventories	460,172	502,235	962,407
Prepaid items	5,431	1,823	7,254
Total Current Assets	534,415	819,171	1,353,586
Noncurrent Assets			
Capital assets			
Land	68,603	32,810	101,413
Buildings	439,516	574,029	1,013,545
Equipment	174,325	193,333	367,658
Other improvements	45,487	25,224	70,711
Less accumulated depreciation	(534,714)	(503,918)	(1,038,632)
Total Capital Assets (Net of Accumulated Depreciation)	193,217	321,478	514,695
Total Assets	727,632	1,140,649	1,868,281
Deferred Outflows of Resources			
Deferred pension resources	32,160	32,032	64,192
Deferred other postemployment benefit resources	167	99	266
Total Deferred Outflows of Resouces	32,327	32,131	64,458
Liabilities			
Current Liabilities			
Accounts and contracts payable	64,988	106,741	171,729
Due to other governments	20,734	34,628	55,362
Accrued salaries payable	6,002	5,865	11,867
Compensated absences payable	16,904	14,966	31,870
Due to other funds	21,596	17,961	39,557
Advance from other funds, current portion	10,101	39,253	49,354
Total Current Liabilities	140,325	219,414	359,739
Noncurrent Liabilities,			
Compensated absences payable	28,749	8,860	37,609
Other postemployment benefits	3,658	3,352	7,010
Pension liability	182,348	181,621	363,969
Advance from other funds, net of current maturities	77,679	229,003	306,682
Total Noncurrent Liabilities	292,434	422,836	715,270
Total Liabilities	432,759	642,250	1,075,009
Deferred Inflows of Resources			
Deferred pension resources	49,770	49,572	99,342
Net Position			
Investment in capital assets	105,437	321,478	426,915
Unrestricted	171,993	159,480	331,473
Total Net Position	$ 277,430	$ 480,958	$ 758,388

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

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

	609 Downtown Liquor	610 Plaza Liquor	Totals
Operating Revenues			
Sales	$ 2,297,763	$ 3,597,668	$ 5,895,431
Cost of sales	(1,775,685)	(2,742,031)	(4,517,716)
Total Operating Revenues	522,078	855,637	1,377,715
Operating Expenses			
Personel services	342,256	323,555	665,811
Operating supplies and expenses	7,603	13,788	21,391
Insurance	12,968	17,908	30,876
Utilities	13,301	13,170	26,471
Depreciation and amortization	22,937	46,534	69,471
Other services and charges	68,934	111,968	180,902
Total Operating Expenses	467,999	526,923	994,922
Operating Income	54,079	328,714	382,793
Nonoperating Revenues (Expenses)			
Miscellaneous income	1,769	1,925	3,694
Investment income	128	136	264
Interest expense	(1,604)	(7,749)	(9,353)
Total Nonoperating Revenues (Expenses)	293	(5,688)	(5,395)
Income Before Transfers	54,372	323,026	377,398
Transfers Out	(25,000)	(200,000)	(225,000)
Change in Net Position	29,372	123,026	152,398
Net Position, January 1 as Restated (Note 9)	248,058	357,932	605,990
Net Position, December 31	$ 277,430	$ 480,958	$ 758,388

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

City of Alexandria, Minnesota
Municipal Liquor Dispensary
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	609 Downtown Liquor	610 Plaza Liquor	Totals
Cash Flows from Operating Activities			
Receipts from customers	$ 2,388,552	$ 3,695,576	$ 6,084,128
Payments to suppliers and vendors	(2,055,835)	(3,137,626)	(5,193,461)
Payments to and on behalf of employees	(345,051)	(359,632)	(704,683)
Other receipts	1,769	1,925	3,694
Net Cash Provided by Operating Activities	(10,565)	200,243	189,678
Cash Flows from Noncapital Financing Activities			
Transfer out	(25,000)	(200,000)	(225,000)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(14,491)	-	(14,491)
Proceeds from advance	11,789	-	11,789
Principal paid on advance	(7,709)	(38,182)	(45,891)
Interest paid on advance	(1,604)	(7,749)	(9,353)
Net Cash Used by Capital And Related Financing Activities	(12,015)	(45,931)	(57,946)
Cash Flows from Investing Activities			
Interest received on cash and investments	128	136	264
Net Increase (Decrease) In Cash and Cash Equivalents	(47,452)	(45,552)	(93,004)
Cash and Cash Equivalents, January 1	99,842	332,620	432,462
Cash and Cash Equivalents, December 31	$ 52,390	$ 287,068	$ 339,458
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 54,079	$ 328,714	$ 382,793
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	22,937	46,534	69,471
Other income related to operations	1,769	1,925	3,694
(Increase) decrease in assets			
Accounts receivable	15,059	23,301	38,360
Due from other funds/departments	75,730	74,607	150,337
Inventories	(64,548)	(81,897)	(146,445)
Prepaid items	(107)	(1,823)	(1,930)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	21,047	27,820	48,867
Deferred other postemployment benefit resources	(167)	(99)	(266)
Increase (decrease) in liabilities			
Accounts and contracts payable	(43,144)	(83,933)	(127,077)
Due to other governments	(628)	339	(289)
Due to other funds/departments	(68,917)	(71,447)	(140,364)
Accrued salaries payable	(199)	1,687	1,488
Compensated absences payable	5,357	(2,919)	2,438
Pension liability	(27,857)	(54,808)	(82,665)
Other postemployment benefits liability	652	470	1,122
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(1,628)	(8,228)	(9,856)
Net Cash Provided (Used) by Operating Activities	$ (10,565)	$ 200,243	$ 189,678
Noncash Investing, Capital and Financing Activities			
Book value of disposed/traded of capital assets	(14,491)	-	(14,491)

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Alexandria, Minnesota (the City) is a municipality 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's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered to be financially accountable. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each blended component unit has a December 31 year end. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Blended Component Unit. The Alexandria Economic Development Authority (EDA) was created pursuant to Minnesota statutes, 469.090 through 469.108 to encourage the development and redevelopment of certain properties within the City in accordance with policies established by the City Council. The EDA is considered blended because the City has significant influence on the EDA activities, the EDA has six members, all of whom hold the office of City Council member or mayor and there is a financial benefit or burden relationship between the EDA and the City. This fund is included with the tax increment financing funds.

Discretely Presented Component Units. The Board of Public Works DBA ALP Utilities includes the operations of the water and electric utilities and is governed by a six-member Board of Commissioners, five members appointed by the City Council plus the Utility's general manager. The City does have the authority to approve or modify the operational and capital budgets of the Board of Public Works and any bonded debt of the Board of Public Works must be approved by City Council. The Board of Public Works does not provide services entirely to the City and the Board of Public Works debt is not expected to be repaid by the City's resources. It is this criterion that results in the Board of Public Works being reported as a discretely presented component unit. Completed financial statements of the Board of Public Works can be obtained from the Board of Public Works, 316 Fillmore Street, Alexandria, Minnesota 56308.

Related Organizations. The Alexandria Housing and Redevelopment Authority (the HRA) board members are appointed by the City Council, but the City's accountability for the HRA does not extend beyond making the appointments. Audited financial statements are available upon request from the HRA offices located at 805 Fillmore Street, Alexandria, MN, 56308.

Note 1: Summary of Significant Accounting Policies (Continued)

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 City and its Component Units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major 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 and component unit 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 90 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 so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Capital Projects fund* accounts for the acquisition, construction of major capital facilities and equipment other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The *Downtown Liquor and Plaza Liquor funds* account for the operations of the City's off-sale municipal liquor stores.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and electric 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 funds are charges to customers for sales and services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows or Resources and Net Position/Fund Balance

Deposits and Investments

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

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

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

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's recurring fair value measurements are listed in detail on page 58 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2018:

- Governmental Agency Securities of $698,396 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of $3,431,396 are valued using a matrix pricing model (Level 2 inputs)

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection 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. The taxes are collected by the County Treasurer and tax settlement payments are made to the City during January, June and December each year.

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. The Board of Public Works accounts receivable of $858,437 are recorded net of allowance for doubtful accounts of $56,729 at December 31, 2018. Accounts are considered past due based on how recently payments have been received. Accounts of customers who have terminated their electric service are considered uncollectible and charged-off if no payment has been received after 60 days. The Municipal Liquor Dispensary receivable is the total amount of credit card receivables at year end. No allowance for doubtful accounts has been provided for the City or the Municipal Liquor Dispensary because such amounts are not expected to be material.

Notes Receivable

Notes receivable represent the amount of revolving loans the City has made to other entities. An allowance account in the amount of $104,729 has been recorded related to these notes.

Due from Other Governments

Due from other governments includes amounts due from State and/or Federal grantors for grants related to specific financial assistance programs and also amounts due from the County for the January property tax settlement. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Payment In Lieu of Taxes

The Board of Public Works is exempt from federal and state income taxes. However, the Board of Public Works makes monthly payment in lieu of taxes to the City. That payment is reflected as an expense on the statements of revenues, expenses and changes in net position and General fund revenue on the City's statement revenues, expenditures and changes in fund balance. The City also received payment in lieu of taxes from Douglas County HRA.

Capital Contributions

Capital assets are contributed to the Board of Public Works from the governmental funds of the City. The value of property contributed to the Utility is reported as capital contribution in the statement of revenues, expenses and changes in net position.

Due to Other Governments

Due to other governments represent amounts the City owes to other governments for various projects. The Board of Public Works collects revenue from customers of the Alexandria Lakes Area Sanitary District (ALASD). The collections are paid to ALASD monthly.

Note 1: Summary of Significant Accounting Policies (Continued)

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 annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

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

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

Inventories and Prepaid Items

Inventories for the Municipal Liquor Dispensary are stated at the lower of cost or market on an average cost basis of the first-in, first out (FIFO) method. A perpetual inventory tracking system is used for the management of inventory and pricing by the Municipal Liquor Dispensary.

Inventories at the Board of Public Works are generally used for construction, operation and maintenance work rather than for resale. They are valued at lower of cost or market utilizing the average cost method and charged to construction or expense when used.

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

Restricted Assets

Certain proceeds from revenue bonds of the Board of Public Works are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

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 was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1: Summary of Significant Accounting Policies (Continued)

For financial statement purposes only, the City's capitalization threshold is $2,500.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30 - 50
Other Improvements	5 - 25
Furniture and Equipment	5 - 25

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and component unit 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.

Employees are also compensated for 50 percent of their unused sick leave up to 60 days upon termination or retirement and 100 percent upon death. However, the Board of Public Works' union employees are compensated for 75 percent of their unused sick leave and non-union employees will be paid for unused sick leave based on the lesser of a percentage of the unused balance determined by their years of service or 120 days of accumulated sick leave in the event of retirement, termination or death. Therefore, 50 percent of sick leave for the City employees and 75 percent for the Board of Public Works' employees is accrued and expensed as earned in the government-wide, proprietary funds and component unit financial statements.

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Note 1: Summary of Significant Accounting Policies (Continued)

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 amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

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

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief	Total All
	GERF	PEPFF	Association	Plans
Pension expense - Primary Government	$ 124,269	$ 154,986	$ 111,822	$ 391,077
Pension expense - Component Unit	153,310	-	-	153,310

Deferred Inflows of Resources

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

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City has formally adopted a fund balance policy for the General fund. It is the City's policy that at the end of each fiscal year, the City will strive to maintain unassigned portion of the fund balance for cash flow of 35 to 50 percent of fund operating revenues or no less than five months of operating expenditures. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

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 - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

Beginning in April each year, the Budget Committee discusses the budget for the coming year. They begin with a discussion on budget trends beginning with revenue. Department heads are then given budget instructions that they use in formulating draft budgets that are presented to the Budget Committee beginning in June. The City Council begins discussion of the budget in August at Work Sessions and adopts a preliminary budget and levy after a public hearing prior to September 30. A final budget is prepared and adopted in early December following the Truth-in-Taxation public hearing.

Budgeted amounts are as originally adopted or as amended by the Council. No budget amendments were made during the year.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 9,267,968	$ 9,317,202	$ 49,234

These excess expenditures were funded by greater than anticipated revenues.

Note 3: Detailed Notes on all Funds

A.Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "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;

Note 3: Detailed Notes on all Funds (Continued)

- 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 $7,564,544 and the bank balance was $7,788,717. Of the bank balance, $606,198 was covered by federal depository insurance. The remaining balance was collateralized with FHLB letters of credit held by the pledging financial institution's trust department in the City's name.

The carrying amount of deposits for the Board of Public Works DBA ALP Utilities, a discretely presented component unit, was $4,442,097 and the bank balance was $4,589,663. The bank balance was covered by $1,245,606 of federal depository insurance. The remaining balances were collateralized with FHLB letters of credit held by pledging financial institution's trust department in the Board's name.

Investments

The investments of the City are subject to the following risks:

- *Credit Risk*. Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.

- *Custodial Credit Risk*. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's does not have an investment policy but typically limits its exposure by purchasing insured or registered investments.

- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. This risk is mitigated by most of the City's investments being in certificates of deposit at local banks.

- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years and mainly investing in investments with little exposure to declines in fair value.

Generally, the City's investing activities are managed under the custody of the City Administrator and Finance Director. Investing is performed in accordance state statutes. The City has adopted an investment policy, and follows the related statute which is described in Note 1.

Note 3: Detailed Notes on all Funds (Continued)

At December 31, 2018, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	$ 3,492,190		
Non-negotiable certificates of deposit	N/A	6 months to 1 year	250,000		
Broker Deposits	N/A	less than 6 months	778,698		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	more than 3 years	200,254	$ 200,254	$ -
Government Agency Securities	N/A	more than 3 years	498,142	498,142	-
Negotiable certificates of deposit	N/A	less than 6 months	247,457	-	247,457
Negotiable certificates of deposit	N/A	6 months to 1 year	1,467,121	-	1,467,121
Negotiable certificates of deposit	N/A	1 to 3 years	1,716,818	-	1,716,818
Total Investments			$ 8,650,680	$ 698,396	$ 3,431,396

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A indicates not applicable or available.

Discretely Presented Component Unit

Board of Public Works

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 6 months	$ 5		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	170,139		
Non-pooled Investments at Fair Value					
Government Agency Securities	Aaa	1 to 3 years	4,088,978	$ 4,088,978	$ -
Government Agency Securities	Aaa	more than 3 years	2,488,951	2,488,951	-
Government Agency Securities	AAA	6 months to 1 year	498,015	498,015	-
Negotiable certificates of deposit	N/A	6 months to 1 year	1,413,107	-	1,413,107
Negotiable certificates of deposit	N/A	more than 3 years	468,776	-	468,776
Total Investments			$ 9,127,971	$ 7,075,944	$ 1,881,883

Note 3: Detailed Notes on all Funds (Continued)

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals $3,632.

Cash and Investments Summary

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

	Primary Government	Component Unit Board of Public Works	Total Reporting Entity
Deposits	$ 7,564,544	$ 4,442,097	$ 12,006,641
Investments	8,650,680	9,127,971	17,778,651
Cash on Hand	3,382	250	3,632
Total	$ 16,218,606	$ 13,570,318	$ 29,788,924
Cash and Cash Equivalents	$ 15,441,835	$ 12,681,922	$ 28,123,757
Restricted Debt Service Reserve Deposits	776,771	888,396	1,665,167
Total	$ 16,218,606	$ 13,570,318	$ 29,788,924

B. Operating Lease Receivable

The City has agreed to lease land to a local non-profit organization for a period of 25 years ending on February 28, 2031. This lease is renewable by the lessee for an additional 5 years. The lease payments are to be $1,200 per year.

C. Loans Receivable

The City has loaned funds to various local businesses. These notes will be paid back with monthly payments at interest rates ranging from 1 to 6 percent. The balance of these loans, net of an allowance of $84,729, at December 31, 2018 is $471,613.

The City has City Housing Assistance Program (CHAP) loans receivable to various qualified homeowners. These loans may become forgivable if the homeowner remains for a specified time period. The balance of these loans, net of an allowance of $20,000, at December 31, 2018 is $75,370.

Note 3: Detailed Notes on all Funds (Continued)

D. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	$ 2,887,179	$ -	$ -	$ 2,887,179
Construction in progress	3,689,881	1,190,241	(2,832,165)	2,047,957
Total Capital Assets not being Depreciated	6,577,060	1,190,241	(2,832,165)	4,935,136
Capital Assets being Depreciated				
Buildings	22,413,606	182,941	-	22,596,547
Improvements other than buildings	87,523,659	2,690,633	(128,418)	90,085,874
Machinery and equipment	10,511,604	2,456,373	(230,870)	12,737,107
Total Capital Assets Being Depreciated	120,448,869	5,329,947	(359,288)	125,419,528
Less Accumulated Depreciation for				
Buildings	(7,359,140)	(520,336)	-	(7,879,476)
Improvements other than buildings	(37,536,268)	(2,118,733)	44,946	(39,610,055)
Machinery and equipment	(7,547,842)	(501,297)	204,054	(7,845,085)
Total Accumulated Depreciation	(52,443,250)	(3,140,366)	249,000	(55,334,616)
Total Capital Assets Being Depreciated, Net	68,005,619	2,189,581	(110,288)	70,084,912
Governmental Activities Capital Assets, Net	$ 74,582,679	$ 3,379,822	$ (2,942,453)	$ 75,020,048

Note 3: Detailed Notes on all Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	$ 101,413	$ -	$ -	$ 101,413
Capital Assets being Depreciated				
Buildings	1,013,545	-	-	1,013,545
Equipment	367,658	-	-	367,658
Other improvements	56,220	14,491	-	70,711
Total Capital Assets Being Depreciated	1,437,423	14,491	-	1,451,914
Less Accumulated Depreciation for				
Buildings	(737,553)	(44,461)	-	(782,014)
Equipment	(182,419)	(21,608)	-	(204,027)
Other improvements	(49,189)	(3,402)	-	(52,591)
Total Accumulated Depreciation	(969,161)	(69,471)	-	(1,038,632)
Total Capital Assets Being Depreciated, Net	468,262	(54,980)	-	413,282
Business-type Activities Capital Assets, Net	$ 569,675	$ (54,980)	$ -	$ 514,695

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

Governmental Activities	
General government	$ 99,806
Public safety	394,933
Public works	2,153,885
Culture and recreation	231,665
Airport	260,077
Total Depreciation Expense - Governmental Activities	$ 3,140,366
Business-type Activities	
Municipal Liquor Dispensary	$ 69,471

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Unit

Capital asset activity for the component units for the year ended December 31, 2018 are as follows:

Board of Public Works

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land and land rights	$ 131,476	$ -	$ -	$ 131,476
Srevice territory acquired	234,533	21,280	-	255,813
Construction in progress	1,888,086	3,217,892	(3,172,381)	1,933,597
Total Capital Assets not Being Depreciated	2,254,095	3,239,172	(3,172,381)	2,320,886
Capital Assets Being Depreciated				
Buildings and structures	2,755,698	-	-	2,755,698
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	86,996,779	3,153,214	-	90,149,993
General equipment	6,890,517	240,245	(27,344)	7,103,418
Total Capital Assets Being Depreciated	99,406,575	3,393,459	(27,344)	102,772,690
Less Accumulated Depreciation for				
Buildings and structures	(2,031,089)	(56,925)	-	(2,088,014)
Transmission plant	(1,125,666)	(83,542)	-	(1,209,208)
Distribution plant	(32,990,330)	(1,997,896)	-	(34,988,226)
General equipment	(4,600,075)	(320,689)	24,672	(4,896,092)
Total Accumulated Depreciation	(40,747,160)	(2,459,052)	24,672	(43,181,540)
Total Capital Assets Being Depreciated, Net	58,659,415	934,407	(2,672)	59,591,150
Business-type Activities Capital Assets, Net	$ 60,913,510	$ 4,173,579	$ (3,175,053)	$ 61,912,036

Depreciation expense was charged to functions/programs of the component units as follows:

Component unit	
Electric	$ 1,389,159
Water	997,022
Fiber	72,871
Total Depreciation Expense - Component Unit	$ 2,459,052

Note 3: Detailed Notes on all Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2018. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2019 Local Street Improvement Project - plans, specs, construction observation	$ 18,897	$ 43,061
Green Pastures Phase 1 Inspection	15,188	14,264
Kinkead Drive Improvements, plans, specs, construction and observation	7,301	43,466
Deerwood Drive-Scenic Hights Road, plans, specs, construction observation	27,700	76,764
Deerwood Drive Sanitary Sewer - plans, specs, construction observation	1,882	15,224
Agnes Blvd/Curt Felt Dr Street Recon and Trail, plans, specs construction observation, easements	1,084,113	130,679
TH 29/44th Ave ADA Sidewalk extension - construction and engineering	77,093	56,152
44st Ave Extension to South Broadway - plans, specs, construction observation	14,553	182,989
18th Ave Reconstruction - plans, specs, construction observation	6,842	284,838
Woodland School Pedestrian Underpass - plans, specs, construction observation	21,937	73,443
Total	$ 1,275,506	$ 920,880

E. Operating Leases

The City has entered into a lease agreement for a diesel-powered backup generator with Douglas County for eight years with the option to renew after the term has ended. The City must pay $963.87 per month beginning on July 1, 2011 and ending on June 1, 2019. In addition, the City will also pay $67.20 per month for 35 percent of the County's maintenance fee and the City will pay 35 percent of the actual fuel cost.

The City is leasing land for a period of ten years. The City must pay $1,200 per year.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ending December 31	Governmental Activities
2019	$ 6,186

Note 3:Detailed Notes on all Funds (Continued)

F. Interfund Receivables, Payables and Transfers

Interfund Receivables/Payables

The composition of advances from/to other funds at December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	
	Downtown Liquor	$ 18,629
	Plaza Liquor	17,154
Proprietary	Proprietary	
Downtown Liquor	Plaza Liquor	807
Plaza Liquor	Downtown Liquor	2,967
Nonmajor governmental	Nonmajor governmental	23,108
Net Internal Balance		$ 62,665

The outstanding balance between funds results mainly from the time lag between the dates that payments between funds are made and also temporary funding for a cash deficit.

Advances from/to Other Funds

There was an advance from the City for remodeling and an addition to the Plaza Liquor store. This will be retired from net revenues from the Plaza Liquor store.

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Nonmajor governmental	Plaza Liquor Dispensary	3.00 %	07/01/09	07/01/24	$ 180,849
Nonmajor governmental	Plaza Liquor Dispensary	2.00	04/11/16	11/01/27	87,407
Nonmajor governmental	Downtown Liquor Dispensary	2.00	04/11/16	11/01/27	75,991
Nonmajor governmental	Downtown Liquor Dispensary	2.00	06/11/18	05/01/22	11,789
Nonmajor governmental	Nonmajor governmental	0.00	05/23/16	11/01/22	63,160
Total					$ 419,196

A summary of total future interfund loan repayments follows:

Year Ending December 31,	Advances from/to Other Funds Principal	Interest	Total
2019	$ 65,480	$ 8,252	$ 73,732
2020	68,399	7,021	75,420
2021	69,773	5,648	75,421
2022	67,465	4,249	71,714
2023	52,370	2,873	55,243
2024 - 2027	95,709	3,257	98,966
Total	$ 419,196	$ 31,300	$ 450,496

Note 3: Detailed Notes on all Funds (Continued)

Interfund Transfers

Transfers made for the year ended December 31, 2018 are as follows:

	Transfer In				
Fund	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
Transfer Out					
General	$ -	$ -	$ 167,500	$ 10,380	$ 177,880
Capital Projects	-	65,708	-	-	65,708
Nonmajor governmental	10,816	189,900	-	-	200,716
Downtown Liquor	25,000	-	-	-	25,000
Plaza Liquor	200,000	-	-	-	200,000
Total Transfers Out	$ 235,816	$ 255,608	$ 167,500	$ 10,380	$ 669,304

During the year, reoccurring transfers are used to 1) transfer a portion of the profits from the Downtown Liquor and Plaza Liquor fund to the General fund and 2) transfer funds to cover bond and lease payments. Further, during the year ended December 31, 2018, the government made the following one-time transfers:

- From the Employee Benefit fund to the General fund to transfer an amount equal to the retiring/terminating employee's vacation and half of sick time for one employee in the amount of $10,816.
- From the General fund to the EDA Development fund to cover TIF consulting fees in the amount of $10,380.
- From the General fund to the RCC Equipment fund for the RCC scoreboard of $17,500.

G. 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 governmental and business-type 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 special assessments related bonds. General obligation bonds currently outstanding are as follows:

Note 3: Detailed Notes on all Funds (Continued)

Primary Government Debt

General Obligation Improvement Bonds

The following bonds are direct obligations and pledge full faith and credit of the City. These bond issues will be repaid primarily from ad valorem taxes.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Abatement Bonds of 2009A	$ 1,190,000	3.00 - 4.60 %	03/15/09	02/01/30	$ 825,000
G.O. Improvement Bonds of 2010A	5,205,000	1.50 - 5.00	09/15/10	02/01/31	4,000,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/30	1,130,000
G.O. Bonds of 2016A	7,060,000	2.00 - 3.00	08/25/16	02/01/37	6,950,000
G.O. Refunding Bonds of 2016B	780,000	2.00 - 3.00	08/25/16	02/01/30	780,000
Total General Obligation Bonds					$ 13,685,000

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

Year Ending December 31,	**General Obligation Bonds** Governmental Activities Principal	Interest	Total
2019	$ 1,350,000	$ 394,878	$ 1,744,878
2020	600,000	360,371	960,371
2021	635,000	342,206	977,206
2022	640,000	323,121	963,121
2023	840,000	299,084	1,139,084
2024 - 2028	4,530,000	1,067,173	5,597,173
2029 - 2033	3,635,000	372,559	4,007,559
2034 - 2037	1,455,000	68,303	1,523,303
Total	$ 13,685,000	$ 3,227,695	$ 16,912,695

Note 3: Detailed Notes on all Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2011A	$ 2,475,000	1.00 - 2.90 %	08/15/11	02/01/22	$ 1,315,000
G.O. Improvement Bonds of 2013A	5,490,000	2.60 - 3.00	09/01/13	02/01/24	3,785,000
G.O. Improvement Bonds of 2014A	2,900,000	2.60 - 3.00	09/15/14	02/01/24	2,235,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/25	610,000
G.O. Refunding Bonds of 2016B	1,685,000	2.00 - 3.00	08/25/16	02/01/28	1,685,000
Total G.O. Improvement Bonds					$ 9,630,000

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

Year Ending December 31,	**General Obligation Improvement Bonds** Governmental Activities		
	Principal	Interest	Total
2019	$ 1,515,000	$ 233,530	$ 1,748,530
2020	1,530,000	194,505	1,724,505
2021	1,445,000	155,201	1,600,201
2022	1,465,000	115,730	1,580,730
2023	1,150,000	80,491	1,230,491
2024 - 2028	2,525,000	94,650	2,619,650
Total	$ 9,630,000	$ 874,107	$ 10,504,107

Note 3: Detailed Notes on all Funds (Continued)

Loans Payable

The following loans were issued to finance capital improvements. They will be retired from net revenues of the governmental funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
City Homestead Assistance Program loan	$ 172,500	4.00 - 8.25 %	01/01/04	12/31/22	$ 28,000

The annual debt service requirements to maturity for loans payable are as follows:

Year Ending December 31,	Loans Payable Governmental Activities Principal	Interest	Total
2019	$ 11,855	$ 1,262	$ 13,117
2020	7,446	737	8,183
2021	5,406	375	5,781
2022	3,293	111	3,404
Total	$ 28,000	$ 2,485	$ 30,485

Capital Leases Payable

The following loans were issued to finance public works vehicles. They will be retired from property taxes of the governmental funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2017 Capital Lease for Public Works Vehicles	$ 308,689	2.48 %	03/27/17	03/27/22	$ 204,969

The annual debt service requirements to maturity for loans payable are as follows:

Year Ending December 31,	Capital Lease Governmental Activities Principal	Interest	Total
2019	$ 59,819	$ 4,389	$ 64,208
2020	62,857	2,851	65,708
2021	64,434	1,275	65,709
2022	17,859	68	17,927
Total	$ 204,969	$ 8,583	$ 213,552

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

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

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 14,185,000	$ -	$ (500,000)	$ 13,685,000	$ 1,350,000
General obligation improvement bonds	13,040,000	-	(3,410,000)	9,630,000	1,515,000
Bond discount	(13,008)	-	1,898	(11,110)	-
Bond premium	756,217	-	(119,826)	636,391	-
Total Bonds Payable	27,968,209	-	(4,027,928)	23,940,281	2,865,000
Hangar Loan	2,089	-	(2,089)	-	2,089
CHAP Loans	51,336	-	(23,336)	28,000	11,855
Capital Lease	264,788	-	(59,819)	204,969	59,819
Other postemployment benefits payable	482,963	71,988	(32,327)	522,624	-
Pension Liability					
GERF	2,234,618	22,177	(301,871)	1,954,924	-
PEPFF	2,376,209	-	(427,749)	1,948,460	-
Compensated Absences payable	854,838	532,071	(453,612)	933,297	357,836
Governmental Activity Long-term Liabilities	$ 34,235,050	$ 626,236	$ (5,328,731)	$ 29,532,555	$ 3,296,599
Business-Type Activities					
Other postemployment benefits payable	$ 5,888	$ 1,556	$ (434)	$ 7,010	$ -
Pension Liability					
GERF	446,634	614	(83,279)	363,969	-
Compensated Absences payable	67,041	40,609	(38,171)	69,479	31,870
Business-type Activity Long-term Liabilities	$ 519,563	$ 42,779	$ (121,884)	$ 440,458	$ 31,870

Note 3: Detailed Notes on all Funds (Continued)

Crossover Refunding

On August 25, 2016 the City issued $2,465,000 of General Obligation Crossover Refunding Bonds, Series 2016B. Of the bond issued, $1,685,000 will crossover refund the 2007B General Obligation Improvement Bond and $780,000 will crossover refund the 2009A General Obligation Tax Abatement Bond. The refunding proceeds of the bonds were deposited in an escrow account and will be used to pay issuance costs and purchase government obligations. The 2007B bonds will be refunded on February 1, 2018 and the 2009A bonds will be refunded on February 1, 2019. The escrow account will also provide debt service payments on the new bond until the crossover date. The old bonds are not considered defeased until the crossover dates, and therefore will not be removed as liabilities. As a result of the crossover refunding issue, the City will save $303,001 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of $272,474.

Discretely Presented Component Unit

Board of Public Works

Revenue Bonds

The following bonds were issued to finance capital improvements. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Revenue Bonds of 2015A	5,395,000	2.00 - 3.25	12/30/15	12/01/35	4,725,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	1,110,000
Total Revenue Bonds					$ 5,835,000

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

Year Ending December 31,	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Total
2019	$ 395,000	$ 150,075	$ 545,075
2020	405,000	141,835	546,835
2021	410,000	133,385	543,385
2022	425,000	124,825	549,825
2023	440,000	115,945	555,945
2024 - 2028	1,520,000	458,223	1,978,223
2029 - 2033	1,545,000	258,067	1,803,067
2034 - 2035	695,000	34,125	729,125
Total	$ 5,835,000	$ 1,416,480	$ 7,251,480

Note 3: Detailed Notes on all Funds (Continued)

G.O. Revenue Notes

The following notes were issued to finance capital improvements. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Note of 2002	$ 1,050,116	3.38 %	07/30/02	08/20/22	$ 272,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,199,000
Total G.O. Revenue Notes					$ 2,471,000

The annual debt service requirements to maturity for Revenue notes are as follows:

Year Ending December 31,	G.O. Revenue Notes Principal	Interest	Total
2019	$ 242,000	$ 62,959	$ 304,959
2020	248,000	56,435	304,435
2021	254,000	49,744	303,744
2022	261,000	42,889	303,889
2023	195,000	35,844	230,844
2024 - 2028	1,046,000	105,502	1,151,502
2029	225,000	5,501	230,501
Total	$ 2,471,000	$ 358,874	$ 2,829,874

Annual revenues from charges for services, principal and interest payments, and percentages of revenue required to cover principal and interest payments are as follows:

	Board of Public Works
Revenues	$ 28,244,551
Principal and Interest	1,275,514
Percentage of Revenues	4.5%

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

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

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
Revenue bonds	$ 6,630,000	$ -	$ (795,000)	$ 5,835,000	$ 395,000
G.O. revenue notes	2,707,000	-	(236,000)	2,471,000	242,000
Bond premium	27,398	-	(1,522)	25,876	-
Total Bonds Payable	9,364,398	-	(1,032,522)	8,331,876	637,000
Compensated Absences Payable	971,223	365,025	(410,037)	924,113	345,949
Pension Liability					
GERF	2,687,636	6	(402,035)	2,285,607	-
Other Postemployment Benefits	75,424	11,356	-	86,780	-
Business-type Activity Long-term Liabilities	$ 13,098,681	$ 376,387	$ (1,844,594)	$ 11,628,376	$ 982,949

Conduit Debt Obligation

The City has set forth a policy statement in an effort to be consistent with its use to Industrial Development Bonds within the City's jurisdiction. It is the judgement of the Council that tax exempt financing is to be used on a selective basis to encourage certain development that offers a benefit to the City has a whole, including significant employment and housing opportunities. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. 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. The conduit debt obligation for the year ended December 31, 2018 was as follows:

Issued to	Issue Date	Maturity Date	Amount Issued	Balance at Year End
Prairie Community Services - 1999A	07/01/99	07/01/19	$ 1,754,436	$ 63,966
Prairie Community Services - 1999C	07/01/99	07/01/19	1,038,906	37,878
St. Mary's Church School Project - 2005A	03/22/05	03/01/30	2,800,000	1,756,168
St. Mary's Church School Project - 2005B	11/29/05	11/01/30	1,200,000	220,062
Knute Nelson - Assisted Living Facility	06/08/06	06/01/27	4,300,000	2,243,924
Alexandria Area YMCA	12/15/08	06/15/20	6,000,000	1,161,040
Knute Nelson Project	07/08/10	07/08/25	4,500,000	2,207,664
ATCC Foundation	09/01/11	03/01/43	7,040,000	6,209,111

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

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

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

PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

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

C. Contributions

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

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were $213,553, $204,890 and $198,124, respectively. The Board of Public Works contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were $209,286, $207,978 and $200,269, respectively. The City's and Board of Public Works contributions were equal to the required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were $319,039, $304,579 and $278,811, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of $2,318,893 for its proportionate share of the GERF's net pension liability. At December 31, 2018, the Board of Public Works reported a liability of $2,285,607 for its proportionate share of the GERF's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $76,115 and with the Board of Public Works totaled $74,881. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's and Board of Public Works proportionate share of the net pension liability was based on the City's and Board of Public Works contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0418 percent which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2017. At June 30, 2018, the Board of Public Works proportionate share was 0.0412 percent which was a decrease of 0.0009 percent from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	$ 2,318,893
State of Minnesota's proportionate share of the net pension liability associated with the City	76,115
Total	$ 2,395,008

For the year ended December 31, 2018, the City recognized pension expense of $106,519 for its proportionate share of GERF's pension expense. For the year ended December 31, 2018, the Board of Public Works recognized negative pension expense of $153,310 for its proportionate share of GERF's pension expense. In addition, the City recognized $17,750 and the Board of Public Works recognized $17,462 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the GERF.

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

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

	Primary government		Component unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	$ 61,209	$ 65,040	$ 60,464	$ 59,510
Changes in Actuarial Assumptions	220,030	260,552	216,529	256,812
Net Difference Between Projected And Actual Earnings on Plan Investments	-	233,641	-	238,630
Changes in Proportion	22,138	73,685	8,301	55,665
Contributions to GERF Subsequent To the Measurement Date	105,600	-	106,686	-
Total	$ 408,977	$ 632,918	$ 391,980	$ 610,617

Deferred outflows of resources totaling $212,286 related to pensions resulting from the City's and Board of Public Works contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019 Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	Primary government	Component unit
2019	$ 70,339	$ 70,675
2020	(159,204)	(144,299)
2021	(192,276)	(203,995)
2022	(48,400)	(47,704)

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of $1,948,460 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1828 percent which was an increase of 0.0068 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of $138,534 for its proportionate share of PEPFF's pension expense. The City also recognized $16,452 for the year ended December 31, 2018, as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 79,102	$ 500,809
Changes in Actuarial Assumptions	2,534,756	2,868,386
Net Difference Between Projected and Actual Earnings on Plan Investments	-	411,570
Changes in Proportion	259,053	-
Contributions to PEPFF Subsequent To the Measurement Date	161,091	-
Total	$ 3,034,002	$ 3,780,765

Deferred outflows of resources totaling $161,091 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	$ 101,539
2020	(65,004)
2021	(223,627)
2022	(735,151)
2022	14,389

Total Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2018, was $356,875.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for GERF and 1.0 percent per year for PEPFF.

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

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

The following changes in actuarial assumptions occurred in 2018:

GERF

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

PEPFF

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.0 %	5.10 %
International Stocks	17.0	5.30
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash	2.0	-
Total	100.00 %	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF			
Primary government	$ 3,769,497	$ 2,318,893	$ 1,122,285
Component unit	3,714,404	2,285,607	1,106,176
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	4,177,620	1,948,460	105,037

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Alexandria Fire Department (the Department) are covered by a defined benefit plan administered by the Alexandria Fire Department Relief Association (the Association). As of December 31, 2017, the plan covered 30 active firefighters and 5 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 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $141,402 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2018, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

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

D. Pension Costs

At December 31, 2018, the City reported a net pension liability (asset) of ($766,054) for the plan. The net pension liability (asset) was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2017. 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, 2016	$ 2,521,155	$ 2,871,203	$ (350,048)
Changes for the Year			
Service cost	92,744	-	92,744
Interest on pension liability (asset)	172,323	-	172,323
Changes of benefit terms	35,092	-	35,092
Contributions (State and local)	-	140,428	(140,428)
Net investment income	-	583,315	(583,315)
Benefit payments	(304,298)	(304,298)	-
Administrative expenses	-	(7,578)	7,578
Total Net Changes	(4,139)	411,867	(416,006)
Ending Balance December 31, 2016	$ 2,517,016	$ 3,283,070	$ (766,054)

For the year ended December 31, 2018 the City recognized negative pension expense of $29,580.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 24,694	$ 82,983
Net Difference Between Projected and Actual Earnings on Plan Investments	-	100,983
Difference Between Expected and Actual Liability	-	177,298
Contributions to Plan Subsequent To the Measurement Date	141,402	-
Total	$ 166,096	$ 361,264

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

Deferred outflows of resources totaling $141,402 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2019	$ 7,791
2020	(24,769)
2021	(119,836)
2022	(114,089)
2023	(37,480)
Thereafter	(48,187)

E. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at age 50 or after completion of 20 years of service. If a member is both age 50 and has completed 10 years of service, but not 20 years, the lump sum pension will be reduced by 4 percent for each year of service less than 20 years.

Discount Rate	7.00%
Inflation Rate	2.75%
Investment Rate of Return	7.00%
20 Year Municipal Bond Yield	3.31%

The actuarial assumptions changed from the prior valuation. The expected investment return and discount rate decreased from 7.50 percent to 7.00 percent to reflect updated capital market assumptions and investment expenses.

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

The target allocation and best estimates of 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	53.85 %	5.39 %
International Equity	21.15	5.20
Fixed Income	5.13	1.98
Real Estate and Alternatives	5.44	4.25
Cash and Equivalents	14.43	0.79
Total	100.00 %	

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.0 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 (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
Defined Benefit Plan	$ (699,603)	$ (766,054)	$ (830,838)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Alexandria Fire Department Relief Association, 704 Broadway, Alexandria, MN 56308.

Note 6: Postemployment Benefits other than Pensions

A. Plan Description

The City operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various employee groups. The Plan does not issue a publicly available report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	4
Active Plan Members	69
Total Plan Members	73

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended December 31, 2018, the City's average contribution rate was 12.19 percent of covered-employee payroll. For the year 2018, the City directly contributed $22,225 to the Plan, while implicit contributions totaled $6,107.

Note 6: Postemployment Benefits other than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of $529,634 was measured as of December 31, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2017. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.31%
20-Year Municpal Bond Yeild	3.31%
Inflation Rate	2.75%
Salary Increases	3.50%
Medical Trend Rate	6.90% in 2018, gradually decreasing over several decades to an ultimatre rate of 4.40% in 2074 and later years.

The discount rate used to measure the total OPEB liability was 3.31 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments for General employees and mortality rates were based on the RP 2000 mortality tables with projected mortality improvements based on scale AA, and other adjustments for police and fire employees.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

Note 6: Postemployment Benefits other than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	$ 488,851
Changes for the Year:	
Service cost	34,340
Interest	19,309
Changes in assumptions or other inputs	19,895
Benefit payments	(32,761)
Net Changes	40,783
Balances at December 31, 2018	$ 529,634

Since the prior measurement date, the following assumptions changed:

- This is the City's first valuation under the new GASB 75 accounting rules. These new financial reporting requirements substantially adjust the measurement and reporting of OPEB liabilities. The new results are not directly comparable to the City's prior GASB 45 Net OPEB Obligation.

Since the prior measurement date, the following benefit terms changed:

- None

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

1 Percent Decrease (2.31%)	Current (3.31%)	1 Percent Increase (4.31%)
$ 571,322	$ 529,634	$ 490,505

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a Healthcare Cost Trent Rates that is 1-percentage point lower (5.90 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.90 percent increasing to 5.40 percent) than the current **cost trend** rate:

1 Percent Decrease (5.9% decreasing to 3.4%)	Healthcare Cost Trend Rates (6.9% decreasing to 4.4%)	1 Percent Increase (7.9% decreasing to 5.4%)
$ 467,947	$ 529,634	$ 602,034

Note 6: Postemployment Benefits other than Pensions (Continued)

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

For the year ended December 31, 2018, the City recognized OPEB expense of ($5,188). At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 17,639	$ -
Contributions to OPEB subsequent to the measurement date.	28,332	-
Total	$ 45,971	$ -

Deferred outflows of resources totaling $28.332 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31	
2019	$ (2,256)
2020	(2,256)
2021	(2,256)
2022	(2,256)
2023	(2,256)
Thereafter	(6,359)

Note 7: Other Information

A. Risk Management

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

There are several pending litigations outstanding and at this point they are being handled by the League of Minnesota Cities legal team and the City could be subject to damages. At this time those damages are undeterminable.

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.

B. Contingent Liabilities

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

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

Note 7: Other Information (Continued)

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 2018 was $1,519,648 which accounted for 16 percent of General fund revenues.

The Board of Public Works purchases substantially all power from two suppliers. Approximately forty percent of the Board of Public Work's labor force is subject to a collective bargaining agreement.

D. Commitments and Contingencies

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The City estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the City. No Liability or provision of loss has been recorded in the December 31, 2018 financial statements in relation to any of these matters.

E. Joint Powers Agreement

Lakes Area Recreation was established by an agreement between the City of Alexandria, Minnesota, Independent School District No. 206, and the Alexandria and LaGrande Townships, pursuant to authority contained in *Minnesota Statutes* Section 471.59. The Lakes Area Recreation Board is responsible for legislative and fiscal control of the program. The majority of the Recreation Program's funding is provided by patron fees and local government contributions. The financial statements are audited and available for inspection. Per the agreement, in 2017, the annual contribution was $73,370 and the City also contributed $7,500 for the Life Guards at Le Homme Dieu beach.

The Flood Water Control Board was established by an agreement between the City of Alexandria, Douglas County, Alexandria Township, LaGrande Township, and Alexandria Lakes Area Sanitary District to prevent, control and abate water quality and flooding in the City watersheds. Per the agreement, in 2018, the City was not required to make a payment to the Water Control Board.

The Alexandria Area Economic Development Commission is a not-for-profit 501 C 6 organization that was founded by the City of Alexandria and surrounding Townships in 1990 as a result of the Star City program. The Alexandria Area Economic Development Commission is responsible for coordinating daily economic development activities for the City and surrounding area. During 2018 the City paid TIF administration fees of $53,959 to the Alexandria Area Economic Development Commission.

The Lakes Area Economic Development Authority was formed in 2004 with special legislation that brought together the Cities of Alexandria and Garfield and the Townships of Alexandria and LaGrande into an Authority. The purpose of the organization is to fund the operations of the Alexandria Area Economic Development Commission and to support economic development initiatives, through designated powers by the State of Minnesota and as a political subdivision of the state.

Alexandria Joint Airport Zoning Board was established to control zoning and land use at the airport by an agreement between the City of Alexandria and Douglas County.

The West Central Minnesota Drug & Violent Crime Task Force was established by an agreement between; Douglas County, Becker County, Otter Tail County, Grant County, Pope County, Wadena County, City of Glenwood, City of Starbuck, City of Fergus Falls, City of Pelican Rapids, City of Alexandria and City of Wadena, for the purpose of coordinating and strengthening efforts to identify, apprehend, and prosecute drug related and violent crime offenders, including but not limited to violent crimes and crimes such as the sale of illegal drugs, possession of illegal drugs and ancillary crimes.

Note 7: Other Information (Continued)

F. Severance Pay

The Board of Public Works offers union and non-union employees a choice of one of two benefit options. Option 1, Matching Deferred Compensation is described in Note 16. Option 2, Severance Pay is described below. Employees hired after January 1, 2000, are only eligible for Option 1. Those employees with dates of employment before January 1, 2000 may choose whichever option is more beneficial to them.

The Board of Public Works will make a severance payment to those non-union employees who choose this option. The severance payment will be $2,000 for each year of completed employment with the Board. Non-union employees will be eligible for this severance payment upon reaching the age of 55 and having 3 or more years of service or upon having 30 or more years of service regardless of age (if first hired prior to July 1, 1989).

Union employees will be eligible for this severance payment upon reaching the age for full retirement benefits as defined by PERA (See Note 9). Severance will be paid over a five year period in 60 monthly installments. If a separated employee dies before all or a portion of the severance pay has been disbursed, the balance due must be paid to a named beneficiary, or if lacking one, to the deceased's estate.

Severance pay provided for an employee leaving employment may not exceed an amount equivalent to one year of pay.

G. Deferred Compensation Plan

The City, Municipal Liquor Dispensary and Board of Public Works offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The amounts deferred by employees or related income on those amounts are not assets held in the City's name and subject to the claims of the City's creditors; thus, the deferred compensation asset and related liability are not recorded on the City's balance sheet.

Matching Deferred Compensation

For employees choosing this benefit option the Board of Public Works will contribute an amount matching the employee contribution to the deferred compensation account on a dollar for dollar basis, but not to exceed an employer contribution of $2,000 per year per employee. Current non-union employees were fully vested in the plan on January 1, 2000. Union employees became fully vested on January 1, 2001. New employees will be vested at the rate of 20 percent per year for the first five years of participation becoming fully vested after the fifth year. The Board contributed $62,743 and $61,250 in matching funds to the plan for the year ended December 31, 2018 and 2017, respectively.

H. Subsequent Event

On June 19, 2019, the Board of Public Works issued 2019A Electric Utility Revenue Bonds for $2,680,000. These bonds will be used to complete the electric underground conversion project.

Note 8: Tax Abatements

As of December 31, 2018, the City has thirty three 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 May 24, 2004 with Alexandria Veterinary Clinic (the Developer) in which the developer incurs costs for construction of a medical and surgical facility for companion animals. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of May 24, 2016. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on June 27, 2011 with Hoven-Anderson Properties (the Developer) in which the developer incurs costs for construction of a medical facility. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of June 27, 2022. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on October 18, 2016 with Lakes Hotel Group (the Developer) in which the developer incurs costs for construction of a hotel. In return, the City will reimburse the developer 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 $400,000 or fifty percent of the total cost of the public improvements (whichever occurs first) 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 October 18, 2026. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on May 12, 2014 with Viking Plaza Associates (the Developer) in which the developer incurs costs for construction of a retail center. In return, the City will reimburse the developer 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 $67,792 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 May 12, 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 #12) on July 18, 1996 with a developer on in which the developer incurs costs for property improvements. 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 $177,538 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #15) on July 28, 1997 with a developer on in which the developer incurs costs for property improvements. 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 $91,342 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #16) on August 25, 1997 with a developer on in which the developer incurs costs for property improvements. 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 $299,805 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #17) on December 8, 1997 with a developer on in which the developer incurs costs for property improvements. 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 $3,073,677 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #22) on October 23, 2000 with a developer on in which the developer incurs costs for property improvements. 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 $540,768 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #23) on May 14, 2001 with a developer on in which the developer incurs costs for property improvements. 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 $2,268,412 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 July 22, 2002 with a developer on in which the developer incurs costs for property improvements. 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 $331,478 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #26) on October 28, 2002 with a developer on in which the developer incurs costs for property improvements. 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 $3,055,482 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 April 28, 2003 with a developer on in which the developer incurs costs for property improvements. 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 $186,942 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #29) on March 2, 2004 with a developer on in which the developer incurs costs for property improvements. 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 $498,308 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #32) on January 24, 2005 with a developer on in which the developer incurs costs for property improvements. 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 $583,663 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #34) on March 27, 2006 with a developer on in which the developer incurs costs for property improvements. 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 $432,687 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #36) on January 22, 2007 with a developer on in which the developer incurs costs for property improvements. 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 $126,162 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #37) on April 23, 2007 with a developer on in which the developer incurs costs for property improvements. 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 $367,827 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #38) on June 11, 2007 with a developer on in which the developer incurs costs for property improvements. 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 $480,788 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #39) on July 23, 2007 with a developer on in which the developer incurs costs for property improvements. 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 $1,190,420 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #40) on July 23, 2007 with a developer on in which the developer incurs costs for property improvements. 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 $329,626 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #41) on August 11, 2008 with a developer on in which the developer incurs costs for property improvements. 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 $1,220,694 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #42) on December 22, 2008 with a developer on in which the developer incurs costs for property improvements. 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 $5,748,258 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #43) on March 9, 2009 with a developer on in which the developer incurs costs for property improvements. 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 $1,732,642 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #44) on May 11, 2009 with a developer on in which the developer incurs costs for property improvements. 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 $259,543 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #45) on July 25, 2011 with a developer on in which the developer incurs costs for property improvements. 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 $287,933 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #46) on July 23, 2012 with a developer on in which the developer incurs costs for property improvements. 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 $165,099 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #47) on August 27, 2012 with a developer on in which the developer incurs costs for property improvements. 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 $4,149,674 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #48) on November 13, 2012 with a developer on in which the developer incurs costs for property improvements. 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 $573,496 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #49) on May 28, 2013 with a developer on in which the developer incurs costs for property improvements. 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 $591,992 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #50) on February 23, 2015 with a developer on in which the developer incurs costs for property improvements. 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 $20,973,472 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). 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 #51) on April 13, 2015 with a developer on in which the developer incurs costs for property improvements. 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 $715,433 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #53) on November 14, 2016 with a developer on in which the developer incurs costs for property improvements. 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 $706,229 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated this fiscal year
Tax Abatement Agreements			
Hoven-Anderson Properties			$ 4,459
Viking Plaza Associates			6,572
Tax Increment Districts (PAYGO)			
TIF #12	23.923 %	$ 12,614	3,018
TIF #15	23.571	3,872	913
TIF #17	23.923	62,606	14,977
TIF #25	34.126	9,310	3,177
TIF #26	34.126	92,526	31,575
TIF #27	32.203	5,314	1,711
TIF #29	35.200	13,696	4,821
TIF #32	34.218	13,268	4,540
TIF #36	30.124	16,676	5,023
TIF #37	30.124	15,908	4,792
TIF #39	30.648	12,626	3,870
TIF #40	33.898	22,292	7,557
TIF #41	33.898	139,666	47,344
TIF #42	33.898	196,337	66,554
TIF #43	33.898	70,015	23,734
TIF #44	33.898	31,668	10,735
TIF #45	33.828	8,772	2,967
TIF #46	32.862	9,720	3,194
TIF #47	43.282	159,248	68,926
TIF #48	43.282	18,546	8,027
TIF #49	44.256	71,242	31,529
TIF #50	43.614	(1,374)	(599)
TIF #51	43.614	84,016	36,643
TIF #53	42.010	2,013	846
			$ 396,904

Note 9: Change in Accounting Principle

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

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

Fund	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental activities	$ 64,225,238	$ 360,800	$ 64,586,038
Business-type activities	$ 644,563	$ (38,573)	$ 605,990
Business-type activities			
Downtown Liquor	$ 256,158	$ (8,100)	$ 248,058
Plaza Liquor	388,405	(30,473)	357,932
Total business-type activities	$ 644,563	$ (38,573)	$ 605,990
Component Unit	$ 60,687,683	$ 105,481	$ 60,793,164

Note 10: Prior period Adjustment

Fund	December 31, 2018 Net Position January 1, 2018 as Previously Reported	Prior Period Adjustment (1)	Net Position January 1, 2018 as Restated
Governmental activities	$ 64,586,038	$ (2,502,543)	$ 62,083,495
Business-type activities	$ 605,990	$ -	$ 605,990
Governmental activities			
General Fund	$ 4,210,119	$ -	$ 4,210,119
Debt Service	8,134,893	-	8,134,893
Capital Projects	3,940,065	(2,502,543)	1,437,522
Other Governmental Funds	3,120,324	-	3,120,324
Total Governmental activities	$ 19,405,401	$ (2,502,543)	$ 16,902,858

(1) A prior period adjustment was made in the amount of $2,502,543 to show the advance of resources from another government that has yet to be earned by the City.

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REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

City

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0418 %	$ 2,318,893	$ 76,115	$ 2,395,008	$ 2,802,281	85.5 %	79.5 %
06/30/17	0.0420	2,681,252	33,741	2,714,993	2,707,621	99.0	75.9
06/30/16	0.0441	3,580,701	46,790	3,627,491	2,454,920	145.9	68.9
06/30/15	0.0425	2,202,572	-	2,202,572	2,686,933	82.0	78.2

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

Discretely Presented Component Unit - Board of Public Works

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0412 %	$ 2,285,607	74,881	$ 2,360,488	$ 2,767,756	82.6 %	79.5 %
06/30/17	0.0421	2,687,636	33,825	2,721,461	2,714,643	100.3	75.9
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	132.5	68.9
06/30/15	0.0419	2,171,475	-	2,171,475	2,421,840	89.7	78.2

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

Schedule of employer's PERA contributions - General Employees Retirement Fund

City

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	$ 213,553	$ 213,553	$ -	$ 2,847,367	7.5 %
12/31/17	204,890	204,890	-	2,731,866	7.5
12/31/16	198,124	198,124	-	2,641,653	7.5
12/31/15	191,394	191,394	-	2,551,920	7.5

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

Discretely Presented Component Unit - Board of Public Works

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	$ 209,286	$ 209,286	$ -	$ 2,790,474	7.5 %
12/31/17	207,978	207,978	-	2,773,043	7.5
12/31/16	200,269	200,269	-	2,670,258	7.5
12/31/15	193,803	193,803	-	2,584,036	7.5

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State’s special funding contribution increased from $6 million to $16 million.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.1828 %	$ 1,948,460	$ -	$ 1,948,460	$ 1,926,385	101.1 %	88.8 %
06/30/17	0.1760	2,376,209	-	2,376,209	1,802,895	131.8	85.4
06/30/16	0.1740	6,982,923	-	6,982,923	1,680,278	415.6	63.9
06/30/15	0.1600	1,817,974	-	1,817,974	1,421,679	127.9	86.6

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

Schedule of Employer's PERA Contributions - Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	$ 319,039	$ 319,039	$ -	$ 1,969,377	16.2 %
12/31/17	304,579	304,579	-	1,880,119	16.2
12/31/16	278,811	278,811	-	1,721,056	16.2
12/31/15	243,780	243,780	-	1,504,815	16.2

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

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

Changes in Actuarial Assumptions

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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

	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability				
Service cost	$ 92,744	$ 93,902	$ 99,006	$ 96,356
Interest	172,323	172,406	115,843	108,195
Changes of benefit terms	35,092	246,769	180,109	-
Differences between expected and actual experience	-	(228,614)	-	-
Changes of assumptions	-	31,842	(129,171)	-
Benefit payments, including refunds of employee contributions	(304,298)	-	(136,320)	-
Net Change in Total Pension Liability	(4,139)	316,305	129,467	204,551
Total Pension Liability - January 1	2,521,155	2,204,850	2,075,383	1,870,832
Total Pension Liability - December 31	$ 2,517,016	$ 2,521,155	$ 2,204,850	$ 2,075,383
Plan Fiduciary Net Position				
Contributions - state	140,428	136,992	135,561	161,845
Net investment income	583,315	225,208	(316,113)	(14,218)
Benefit payments, including refunds of employee contributions	(304,298)	-	(136,320)	-
Administrative expense	(7,578)	(5,800)	(6,360)	(10,400)
Net Change in Plan Fiduciary Net Position	411,867	356,400	(323,232)	137,227
Plan Fiduciary Net Position - January 1	2,871,203	2,514,803	2,838,035	2,700,808
Plan Fiduciary Net Position - December 31 (B)	$ 3,283,070	$ 2,871,203	$ 2,514,803	$ 2,838,035
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (766,054)	$ (350,048)	$ (309,953)	$ (762,652)
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)	130.44%	113.88%	114.06%	136.75%
Covered Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) As a Percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit changes. The $6,766 lump sum benefit increased to $7,500 on December 14, 2015.

Changes of assumptions . None in 2018.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	$ 140,428	$ 140,428	$ -
12/31/17	136,992	136,992	-
12/31/16	135,561	135,561	-
12/31/15	129,243	129,243	-
12/31/14	161,845	161,845	-

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

Schedule of Changes in the City's OPEB Liability and Related Ratios

	2018
Total OPEB liability	
Service cost	$ 34,340
Interest	19,309
Changes in assumptions	19,895
Benefit payments	(32,761)
Net change in total OPEB liability	40,783
Total OPEB liability - beginning	488,851
Total OPEB liability - ending	$ 529,634
Employee payroll	$ 4,346,100
City's total OPEB liability as a percentage of covered employee payroll	12.19

Benefit changes:
In 2018, there were no benefit changes.

Changes in assumptions:
In 2018, the following assumptions changes:
The discount rate was changed from 3.50% to 3.31%.

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Alexandria, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2018

	210 Lodging Tax Fund	208 Crime Prevention/ Bike Safety	211 Storm Water Utility	214 Employee Benefit	217 Firemen's Relief
Assets					
Cash and temporary investments	$ 18,075	$ 2,711	$ 661,884	$ 26,959	$ 83,007
Receivables					
Delinquent taxes	-	-	-	300	300
Accounts	-	-	-	-	-
Notes and loans, net of allowance	-	-	-	-	-
Intergovernmental	-	-	-	177	170
Due from other funds	-	-	-	-	-
Due from component unit	-	-	71,399	-	-
Advances to other funds	-	-	-	-	-
Total Assets	$ 18,075	$ 2,711	$ 733,283	$ 27,436	$ 83,477
Liabilities					
Accounts payable	$ 18,075	$ -	$ 20,756	$ -	$ -
Due to component unit	-	-	13,528	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	18,075	-	34,284	-	-
Deferred Inflows of Resources					
Unavailable revenue - taxes	-	-	-	300	300
Fund Balances					
Restricted for					
Capital outlay	-	2,711	-	-	-
Economic development	-	-	-	-	-
Debt service	-	-	-	-	-
Committed for					
Payment of benefits	-	-	-	27,136	-
Firefighter's retirement obligation	-	-	-	-	83,177
Economic development	-	-	-	-	-
Storm water operations	-	-	698,999	-	-
Total Fund Balances	-	2,711	698,999	27,136	83,177
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 18,075	$ 2,711	$ 733,283	$ 27,436	$ 83,477

220 Plans and Studies	223 Sanitary Sewer District	205 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
$ 965	$ 54,376	$ 81,673	$ 984,471	$ 646,618	$ 2,560,739
200	8,900	-	-	-	9,700
-	-	-	-	46,861	46,861
-	-	-	471,613	75,370	546,983
169	5,439	-	-	3,318	9,273
-	-	-	-	23,108	23,108
-	-	-	-	-	71,399
-	-	-	419,196	-	419,196
$ 1,334	$ 68,715	$ 81,673	$ 1,875,280	$ 795,275	$ 3,687,259
$ -	$ -	$ -	$ 390	$ 4,725	$ 43,946
-	-	-	-	-	13,528
-	-	-	-	23,108	23,108
-	-	-	390	27,833	80,582
200	8,900	-	-	-	9,700
-	-	-	-	-	2,711
-	-	-	1,874,890	767,442	2,642,332
-	59,815	-	-	-	59,815
-	-	-	-	-	27,136
-	-	-	-	-	83,177
1,134	-	81,673	-	-	82,807
-	-	-	-	-	698,999
1,134	59,815	81,673	1,874,890	767,442	3,596,977
$ 1,334	$ 68,715	$ 81,673	$ 1,875,280	$ 795,275	$ 3,687,259

City of Alexandria, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
For the Year Ended December 31, 2018

	210 Lodging Tax Fund	**208** Crime Prevention/ Bike Safety	**211** Storm Water Utility	**214** Employee Benefit	**217** Firemen's Relief
Revenues					
Taxes					
Property taxes	$ -	$ -	$ -	$ 20,202	$ 20,133
Tax increments	-	-	-	-	-
Loding Tax	337,512	-	-	-	-
Intergovernmental					
State	-	-	-	2	141,404
Charges for service	-	-	784,363	-	-
Investment earnings	-	45	8,615	414	1,355
Miscellaneous					
Other	-	-	-	55	14
Total Revenues	337,512	45	792,978	20,673	162,906
Expenditures					
Current					
Public safety	-	-	-	-	157,187
Public works	-	-	265,785	-	-
Economic development	337,512	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	337,512	-	265,785	-	157,187
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	45	527,193	20,673	5,719
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(189,900)	(10,816)	-
Total Other Financing Sources (Uses)	-	-	(189,900)	(10,816)	-
Net Change in Fund Balances	-	45	337,293	9,857	5,719
Fund Balances, January 1	-	2,666	361,706	17,279	77,458
Fund Balances, December 31	$ -	$ 2,711	$ 698,999	$ 27,136	$ 83,177

220 Plans and Studies	223 Sanitary Sewer District	205 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
$ 20,110	$ 615,544	$ -	$ -	$ -	$ 675,989
-	-	-	-	1,097,566	1,097,566
-	-	-	-	-	337,512
1	75	-	-	-	141,482
-	-	-	-	3,000	787,363
-	1,600	1,361	41,299	11,003	65,692
1	1,649	-	3,909	-	5,628
20,112	618,868	1,361	45,208	1,111,569	3,111,232
-	-	-	-	-	157,187
-	613,321	-	-	-	879,106
26,062	-	-	-	1,018,791	1,382,365
-	-	-	-	23,336	23,336
-	-	-	-	2,249	2,249
26,062	613,321	-	-	1,044,376	2,444,243
(5,950)	5,547	1,361	45,208	67,193	666,989
-	-	-	-	10,380	10,380
-	-	-	-	-	(200,716)
-	-	-	-	10,380	(190,336)
(5,950)	5,547	1,361	45,208	77,573	476,653
7,084	54,268	80,312	1,829,682	689,869	3,120,324
$ 1,134	$ 59,815	$ 81,673	$ 1,874,890	$ 767,442	$ 3,596,977

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

	2018	2017
Assets		
Cash and temporary investments	$ 4,331,569	$ 4,119,757
Receivables		
Interest	37,363	32,333
Delinquent taxes	56,000	41,600
Accounts	211,237	238,590
Special assessments	6,021	6,796
Intergovernmental	52,288	32,591
Due from other funds	35,783	25,810
Due from component unit	83,473	88,699
Prepaid items	66,291	63,907
Total Assets	$ 4,880,025	$ 4,650,083
Liabilities		
Accounts payable	$ 156,046	$ 133,084
Due to other governments	45,137	63,911
Due to component unit	-	26,588
Accrued salaries payable	146,876	146,933
Deposits payable	29,570	21,052
Unearned revenue	36,695	-
Total Liabilities	414,324	391,568
Deferred Inflows of Resources		
Unavailable revenue - taxes	56,000	41,600
Unavailable revenue - special assessments	6,021	6,796
Total Deferred Inflows of Resources	62,021	48,396
Fund Balances		
Nonspendable for		
Prepaid items	66,291	63,907
Restricted for		
Wellness	21,097	21,515
Committed for		
Wellness	14,151	13,568
Unassigned	4,302,141	4,111,129
Total Fund Balances	4,403,680	4,210,119
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,880,025	$ 4,650,083

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Property taxes	$ 3,993,214	$ 3,964,899	$ (28,315)	$ 3,654,522
Franchise taxes	425,000	519,053	94,053	474,498
Total taxes	4,418,214	4,483,952	65,738	4,129,020
Payment in lieu of taxes	1,008,000	1,018,509	10,509	991,763
Special assessments	-	6,919	6,919	8,437
Licenses and permits				
Business licenses	82,950	79,910	(3,040)	74,330
Nonbusiness licenses	30,900	38,906	8,006	36,044
Building permits	375,000	560,188	185,188	480,246
Total licenses and permits	488,850	679,004	190,154	590,620
Intergovernmental				
Federal				
Other Federal grants	10,000	10,754	754	89,832
State				
Local government aid	1,519,653	1,519,648	(5)	1,475,487
Property tax credits and aids	-	479	479	527
Police aid	192,000	208,802	16,802	192,438
Fire aid	6,500	9,988	3,488	23,428
Airport maintenance	71,110	114,060	42,950	71,110
Other State aids	33,250	38,080	4,830	15,624
Total state	1,822,513	1,891,057	68,544	1,778,614
Total intergovernmental	1,832,513	1,901,811	69,298	1,868,446
Charges for services				
General government	184,300	203,140	18,840	201,587
Public safety	239,307	281,561	42,254	265,637
Public works	26,000	35,269	9,269	28,172
Culture and recreation	583,500	560,004	(23,496)	528,379
Airport	69,284	70,327	1,043	68,649
Total charges for services	1,102,391	1,150,301	47,910	1,092,424
Fines and forfeits	122,500	99,405	(23,095)	127,586
Investment earnings	22,500	26,602	4,102	11,790
Other revenue				
Leases	-	-	-	-
Contributions and donations	-	230	230	2,185
Other	58,000	86,094	28,094	130,685
Total other revenue	58,000	86,324	28,324	132,870
Total Revenues	9,052,968	9,452,827	399,859	8,952,956

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures				
Current				
General government				
Mayor and Council				
Personal services	$ 49,100	$ 49,197	$ (97)	$ 49,001
Other services and charges	83,000	70,352	12,648	76,087
Total mayor and council	132,100	119,549	12,551	125,088
Administration				
Personal services	645,100	641,574	3,526	556,562
Supplies	300	349	(49)	230
Other services and charges	43,900	32,715	11,185	22,693
Total administration	689,300	674,638	14,662	579,485
Elections				
Personal services	27,500	25,386	2,114	-
Supplies	1,200	505	695	-
Other services and charges	3,900	3,280	620	-
Total elections	32,600	29,171	3,429	-
Community development				
Personal services	139,400	142,980	(3,580)	136,900
Other services and charges	21,200	22,452	(1,252)	-
Total city planner	160,600	165,432	(4,832)	136,900
Planning and zoning				
Personal services	3,130	2,691	439	3,122
Other services and charges	1,875	1,875	-	2,394
Total planning and zoning	5,005	4,566	439	5,516
Assessor				
Personal services	179,140	180,688	(1,548)	172,313
Supplies	200	574	(374)	149
Other services and charges	3,880	2,556	1,324	3,553
Total assessor	183,220	183,818	(598)	176,015
Legal and accounting				
Supplies	3,290	2,467	823	2,289
Other services and charges	431,000	394,354	36,646	420,523
Total legal and accounting	434,290	396,821	37,469	422,812
Human resources				
Personal services	70,930	70,525	405	67,831
Supplies	300	431	(131)	23
Other services and charges	9,840	11,120	(1,280)	3,863
Total human resources	81,070	82,076	(1,006)	71,717
Employee wellness				
Personal services	-	819	(819)	869

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Current (continued)				
General government (continued)				
Other general government				
Personal services	$ 77,500	$ 715	$ 76,785	$ 480
Supplies	16,500	16,274	226	15,067
Other services and charges	658,300	717,401	(59,101)	738,157
Total other general government	752,300	734,390	17,910	753,704
Total General Government	2,470,485	2,391,280	79,205	2,272,106
Public safety				
Police protection				
Personal services	2,809,750	2,837,295	(27,545)	2,704,659
Supplies	59,000	52,789	6,211	54,286
Other services and charges	241,350	238,330	3,020	203,062
Total police protection	3,110,100	3,128,414	(18,314)	2,962,007
Fire protection				
Personal services	148,468	148,860	(392)	142,416
Supplies	36,000	33,713	2,287	13,615
Other services and charges	213,700	235,185	(21,485)	266,921
Total fire protection	398,168	417,758	(19,590)	422,952
Building				
Personal services	224,975	228,298	(3,323)	219,802
Supplies	3,225	4,083	(858)	3,619
Other services and charges	59,110	67,692	(8,582)	43,042
Total building	287,310	300,073	(12,763)	266,463
Emergency management				
Other services and charges	8,250	3,893	4,357	6,255
Traffic signs and signals				
Personal services	130,183	138,619	(8,436)	53,612
Supplies	15,000	17,950	(2,950)	11,927
Other services and charges	10,500	8,610	1,890	8,504
Total traffic signs and signals	155,683	165,179	(9,496)	74,043

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Current (Continued)				
Animal control				
Other services and charges	$ 22,100	$ 22,069	$ 31	$ 18,169
Total public safety	3,981,611	4,037,386	(55,775)	3,749,889
Public works				
Highways, streets and alleys				
Personal services	475,825	399,584	76,241	437,439
Supplies	71,400	75,486	(4,086)	57,292
Other services and charges	15,000	19,642	(4,642)	16,330
Total highways, streets and alleys	562,225	494,712	67,513	511,061
Engineering				
Other services and charges	50,000	85,504	(35,504)	79,470
Blacktop repair				
Personal services	15,316	13,000	2,316	2,675
Supplies	67,000	27,639	39,361	134,424
Other services and charges	1,000	-	1,000	-
Total blacktop repair	83,316	40,639	42,677	137,099
Dust control				
Supplies	3,000	2,399	601	3,658
Sidewalks and curbs				
Other services and charges	33,500	53,988	(20,488)	38,185
Snow and ice control				
Personal services	73,562	86,441	(12,879)	110,385
Supplies	70,000	67,698	2,302	71,645
Other services and charges	24,000	6,181	17,819	15,331
Total snow and ice control	167,562	160,320	7,242	197,361
Equipment maintenance				
Personal services	84,236	92,376	(8,140)	69,689
Supplies	19,600	19,848	(248)	19,214
Other services and charges	74,300	69,806	4,494	68,275
Total equipment maintenance	178,136	182,030	(3,894)	157,178
Weed eradication				
Personal services	7,658	11,450	(3,792)	15,680
Supplies	12,000	9,810	2,190	9,794
Total weed eradication	19,658	21,260	(1,602)	25,474
Street lighting				
Other services and charges	81,670	95,195	(13,525)	86,099
Total Public Works	1,179,067	1,136,047	43,020	1,235,585

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Current (Continued)				
Culture and recreation				
Recreation				
Other services and charges	$ 80,900	$ 80,870	$ 30	$ 79,248
Runestone Community Center				
Personal services	352,805	351,503	1,302	347,223
Supplies	32,500	18,938	13,562	16,428
Other services and charges	214,300	232,827	(18,527)	214,836
Total Runestone Community Center	599,605	603,268	(3,663)	578,487
KN Stadium				
Personal services	5,236	1,537	3,699	1,926
Supplies	3,000	4,827	(1,827)	-
Other services and charges	22,000	19,506	2,494	15,172
Total KN Stadium	30,236	25,870	4,366	17,098
Senior citizens				
Other services and charges	12,500	12,500	-	12,500
Parks				
Personal services	532,434	503,288	29,146	532,297
Supplies	70,350	86,829	(16,479)	68,619
Other services and charges	80,900	101,467	(20,567)	91,115
Total parks	683,684	691,584	(7,900)	692,031
Total Culture and Recreation	1,406,925	1,414,092	(7,167)	1,379,364
Airport				
Airport operations				
Personal services	13,880	12,536	1,344	8,740
Supplies	7,500	6,231	1,269	4,099
Other services and charges	152,500	158,079	(5,579)	145,027
Total airport	173,880	176,846	(2,966)	157,866
Total Current	9,211,968	9,155,651	56,317	8,794,810

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City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Capital outlay				
General government	$ 3,500	$ 6,156	$ (2,656)	$ 2,031
Public safety	34,500	23,542	10,958	30,715
Public works	5,000	48,642	(43,642)	5,740
Culture and recreation	10,000	9,276	724	13,102
Airport	3,000	73,935	(70,935)	1,234
Total capital outlay	56,000	161,551	(105,551)	52,822
Total Expenditures	9,267,968	9,317,202	(49,234)	8,847,632
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,000)	135,625	350,625	105,324
Other Financing Sources (Uses)				
Transfers in	225,000	235,816	10,816	246,952
Transfers out	(10,000)	(177,880)	(167,880)	(318,152)
Total Other Financing Sources (Uses)	215,000	57,936	(157,064)	(71,200)
Net Change in Fund Balances	-	193,561	193,561	34,124
Fund Balances, January 1	4,210,119	4,210,119	-	4,175,995
Fund Balances, December 31	$ 4,210,119	$ 4,403,680	$ 193,561	$ 4,210,119

City of Alexandria, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2018

	326 G.O. Improvement Bonds of 2007B	327 G.O. Tax Abatement Bonds of 2009A	330 G.O. Capital Improvement Bonds of 2010A	331 G.O. Improvement Bonds of 2011A
Assets				
Cash and temporary investments	$ -	$ 121,016	$ 778,555	$ 531,226
Restricted debt service reserve deposits	-	-	-	-
Receivables				
Interest	-	-	-	-
Delinquent taxes	-	1,300	3,300	3,200
Special assessments	-	-	718,784	198,869
Intergovernmental	-	831	1,954	3,258
Total Assets	$ -	$ 123,147	$ 1,502,593	$ 736,553
Liabilities				
Accounts payable	$ -	$ -	$ 1,400	$ -
Deferred Inflows of Resources				
Unavailable revenue - taxes	-	1,300	3,300	3,200
Unavailable revenue - special assessments	-	-	718,784	198,869
Total Deferred Inflows of Resources	-	1,300	722,084	202,069
Fund Balances				
Restricted for debt service	-	121,847	779,109	534,484
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ -	$ 123,147	$ 1,502,593	$ 736,553

333 G.O. Improvement Bonds of 2013A	334 G.O. Improvement Bonds of 2014A	335 G.O. Improvement Bonds of 2014B	336 G.O. Bonds of 2016A	337 G.O. Refunding Bonds of 2016B	338 Public Works 2017 Lease/ Purchase	Total
$ 1,637,124	$ 709,411	$ 488,115	$ 318,455	$ 610,524	$ 512	$ 5,194,938
-	-	-	-	776,771	-	776,771
-	-	-	-	2,525	-	2,525
4,600	2,600	3,700	3,500	1,400	-	23,600
683,750	529,347	55,559	-	1,101,364	-	3,287,673
4,133	4,630	2,831	3,035	109	-	20,781
$ 2,329,607	$ 1,245,988	$ 550,205	$ 324,990	$ 2,492,693	$ 512	$ 9,306,288
$ 3,100	$ -	$ -	$ -	$ -	$ -	$ 4,500
4,600	2,600	3,700	3,500	1,400	-	23,600
683,750	529,347	55,559	-	1,101,364	-	3,287,673
688,350	531,947	59,259	3,500	1,102,764	-	3,311,273
1,638,157	714,041	490,946	321,490	1,389,929	512	5,990,515
$ 2,329,607	$ 1,245,988	$ 550,205	$ 324,990	$ 2,492,693	$ 512	$ 9,306,288

City of Alexandria, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	326 G.O. Improvement Bonds of 2007B	**327** G.O. Tax Abatement Bonds of 2009A	**330** G.O. Capital Improvement Bonds of 2010A	**331** G.O. Improvement Bonds of 2011A
Revenues				
Taxes				
Property taxes	$ 756	$ 94,215	$ 96,614	$ 236,184
Special assessments	13,932	-	19,363	61,795
Intergovernmental				
Federal	-	-	58,290	-
State	-	11	12	29
Charges for services				
Investment earnings	5,089	1,166	12,236	5,857
Other revenue	29	246	1,609	567
Total Revenues	19,806	95,638	188,124	304,432
Expenditures				
Debt service				
Principal	2,055,000	50,000	250,000	300,000
Interest and other	46,988	35,884	179,219	36,999
Bond issuance costs	-	-	-	-
Total Expenditures	2,101,988	85,884	429,219	336,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,082,182)	9,754	(241,095)	(32,567)
Other Financing Sources (Uses)				
Transfers in	1,715,000	-	-	-
Transfers out	(313,769)	-	-	-
Total Other Financing Sources (Uses)	1,401,231	-	-	-
Net Change in Fund Balances	(680,951)	9,754	(241,095)	(32,567)
Fund Balances, January 1	680,951	112,093	1,020,204	567,051
Fund Balances, December 31	$ -	$ 121,847	$ 779,109	$ 534,484

333 G.O. Improvement Bonds of 2013A	334 G.O. Improvement Bonds of 2014A	335 G.O. Improvement Bonds of 2014B	336 G.O. Bonds of 2016A	337 G.O. Refunding Bonds of 2016B	338 Public Works 2017 Lease/ Purchase	Total
$ 412,968	$ 208,828	$ 261,256	$ 361,194	$ -	$ -	$ 1,672,015
213,871	119,818	50,040	-	42,210	-	521,029
-	-	-	-	-	-	58,290
50	-	-	44	-	-	146
21,097	8,589	5,023	2,156	10,853	473	72,539
632	584	744	583	-	-	4,994
648,618	337,819	317,063	363,977	53,063	473	2,329,013
600,000	280,000	265,000	110,000	-	59,819	3,969,819
124,137	54,056	44,956	164,839	64,500	5,890	757,468
-	-	-	856	856	-	1,712
724,137	334,056	309,956	275,695	65,356	65,709	4,728,999
(75,519)	3,763	7,107	88,282	(12,293)	(65,236)	(2,399,986)
-	-	-	-	503,669	65,708	2,284,377
-	-	-	-	(1,715,000)	-	(2,028,769)
-	-	-	-	(1,211,331)	65,708	255,608
(75,519)	3,763	7,107	88,282	(1,223,624)	472	(2,144,378)
1,713,676	710,278	483,839	233,208	2,613,553	40	8,134,893
$ 1,638,157	$ 714,041	$ 490,946	$ 321,490	$ 1,389,929	$ 512	$ 5,990,515

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

	430 Fire Equipment	433 Park Development	437 RCC Equipment	438 Public Works Equipment	439 Police Equipment	440 IT Equipment
Assets						
Cash and temporary investments	$ 433,757	$ 93,030	$ 20,306	$ 155,538	$ 48,674	$ 17,234
Receivables						
Delinquent taxes	200	400	300	1,200	600	500
Accounts	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	149	298	212	777	390	391
Total Assets	$ 434,106	$ 93,728	$ 20,818	$ 157,515	$ 49,664	$ 18,125
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 326
Due to component unit	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	326
Deferred Inflows of Resources						
Unavailable revenue - taxes	200	400	300	1,200	600	500
Unavailable revenue - special assessments	-	-	-	-	-	-
Unavailable revenue - due from other governments	-	-	-	-	-	-
Advance from other government	-	-	-	-	-	-
Total Deferred Inflows of Resources	200	400	300	1,200	600	500
Fund Balances						
Restricted for						
Capital outlay	416,210	93,328	-	-	-	-
Committed for						
Capital outlay	17,696	-	20,518	156,315	49,064	17,299
Assigned for						
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	433,906	93,328	20,518	156,315	49,064	17,299
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 434,106	$ 93,728	$ 20,818	$ 157,515	$ 49,664	$ 18,125

401 Capital Improvement	402 Municipal State Aid	403 2016 Street Reconstruction	404 Local Street Overlay	405 Future Street Reconstruction	406 Airport Development	408 Energy Project	409 ADA Sidewalk Project	410 Woodland School Underpass
$ 1,401,608	$ (1,612,048)	$ 116,794	$ (25,996)	$ 100,013	$ (196,537)	$ 2,177	$ 38,427	$ (11,445)
500	-	700	1,600	-	200	-	-	-
-	-	-	-	-	5,579	-	-	-
-	-	-	-	-	-	-	-	-
4,863	469,958	-	1,077	443	227,841	-	-	-
$ 1,406,971	$ (1,142,090)	$ 117,494	$ (23,319)	$ 100,456	$ 37,083	$ 2,177	$ 38,427	$ (11,445)
$ 47,605	$ 67,054	$ -	$ 34,005	$ -	$ -	$ -	$ -	$ 10,492
-	-	-	-	-	-	-	-	-
-	-	-	-	-	63,160	-	-	-
-	-	-	-	-	3,108	-	-	-
47,605	67,054	-	34,005	-	66,268	-	-	10,492
500	-	700	1,600	-	200	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	3,122,307	-	-	-	-	-	-	-
500	3,122,307	700	1,600	-	200	-	-	-
-	-	-	-	-	-	-	38,427	-
1,358,866	-	-	-	100,166	-	-	-	-
-	-	116,794	-	290	-	2,177	-	-
-	(4,331,451)	-	(58,924)	-	(29,385)	-	-	(21,937)
1,358,866	(4,331,451)	116,794	(58,924)	100,456	(29,385)	2,177	38,427	(21,937)
$ 1,406,971	$ (1,142,090)	$ 117,494	$ (23,319)	$ 100,456	$ 37,083	$ 2,177	$ 38,427	$ (11,445)

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

	411 44th Ave Extention Project	412 18th Ave Reconstruction Project	414 Revolving Improvement	Total Capital Projects
Assets				
Cash and temporary investments	$ (7,762)	$ -	$ 2,441,361	$ 3,015,131
Receivables				
Delinquent taxes	-	-	-	6,200
Accounts	-	-	-	5,579
Special assessments	-	-	1,271,642	1,271,642
Intergovernmental	-	-	60,429	766,828
Total Assets	$ (7,762)	$ -	$ 3,773,432	$ 5,065,380
Liabilities				
Accounts payable	$ 6,791	$ 6,842	$ 16,974	$ 190,089
Due to component unit	-	-	2,196	2,196
Advance from other funds	-	-	-	63,160
Unearned revenue	-	-	-	3,108
Total Liabilities	6,791	6,842	19,170	258,553
Deferred Inflows of Resources				
Unavailable revenue - taxes	-	-	-	6,200
Unavailable revenue - special assessments	-	-	1,271,642	1,271,642
Unavailable revenue - due from other governments	-	-	60,000	60,000
Advance from other government	-	-	-	3,122,307
Total Deferred Inflows of Resources	-	-	1,331,642	4,460,149
Fund Balances				
Restricted for				
Capital outlay	-	-	-	547,965
Committed for				
Capital outlay	-	-	2,088,600	3,808,524
Assigned for				
Capital outlay	-	-	334,020	453,281
Unassigned	(14,553)	(6,842)	-	(4,463,092)
Total Fund Balances	(14,553)	(6,842)	2,422,620	346,678
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ (7,762)	$ -	$ 3,773,432	$ 5,065,380

City of Alexandria, Minnesota

Capital Projects Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued on Following Pages)

For the Year Ended December 31, 2018

	430 Fire Equipment	433 Park Development	437 RCC Equipment	438 Public Works Equipment	439 Police Equipment	440 IT Equipment
Revenues						
Taxes	$ 17,680	$ 35,234	$ 25,117	$ 90,343	$ 45,185	$ 45,220
Special assessments	-	-	-	-	-	-
Intergovernmental						
Federal	-	-	-	-	-	-
State	2	4	3	-	-	6
Charges for services	89,606	-	-	-	-	-
Investment earnings	7,253	1,000	246	1,640	277	567
Other revenue	37,028	42,917	2,041	204	2,319	135
Total Revenues	151,569	79,155	27,407	92,187	47,781	45,928
Expenditures						
Current						
General government	-	-	-	-	-	943
Public works	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Capital outlay						
General government	-	-	-	-	-	29,940
Public safety	388,145	-	-	-	86,375	-
Public works	-	-	-	7,500	-	-
Culture and recreation	-	36,181	33,700	-	-	-
Airport	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Total Expenditures	388,145	36,181	33,700	7,500	86,375	30,883
Excess (Deficiency) of Revenues Over (Under) Expenditures	(236,576)	42,974	(6,293)	84,687	(38,594)	15,045
Other Financing Sources (Uses)						
Sale of capital assets	36,500	-	-	7,500	965	-
Transfers in	-	-	17,500	-	21,000	-
Transfers out	-	-	-	(65,708)	-	(40,000)
Total Other Financing Sources (Uses)	36,500	-	17,500	(58,208)	21,965	(40,000)
Net Change in Fund Balances	(200,076)	42,974	11,207	26,479	(16,629)	(24,955)
Fund Balances, January 1 as restated (Note 10)	633,982	50,354	9,311	129,836	65,693	42,254
Fund Balances, December 31	$ 433,906	$ 93,328	$ 20,518	$ 156,315	$ 49,064	$ 17,299

401 Capital Improvement	402 Municipal State Aid	403 2016 Street Reconstruction	404 Local Street Overlay	405 Future Street Reconstruction	406 Airport Development	408 Energy Project	409 ADA Sidewalk Project	410 Woodland School Underpass
$ 77	$ 180	$ -	$ 125,105	$ 50,338	$ 12,590	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-
-	2,126	-	-	-	-	-	-	-
-	845,831	-	281,959	6	2	-	115,521	-
-	-	-	-	-	129,748	-	-	-
12,368	-	-	-	-	-	-	-	-
97,041	-	-	207	136	40	-	-	-
109,486	848,137	-	407,271	50,480	142,380	-	115,521	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,831	21,937
855	-	-	-	-	9,632	-	-	-
224,559	-	-	-	-	-	-	-	-
63,406	-	-	-	-	-	-	-	-
-	993,864	-	445,008	-	-	-	58,263	-
546,322	-	-	-	-	-	8,000	-	-
-	-	-	-	-	7,059	-	-	-
-	-	-	-	-	2,089	-	-	-
835,142	993,864	-	445,008	-	18,780	8,000	77,094	21,937
(725,656)	(145,727)	-	(37,737)	50,480	123,600	(8,000)	38,427	(21,937)
1,629	-	-	-	-	-	-	-	-
40,000	-	-	-	-	-	-	-	-
(21,000)	-	-	-	-	-	-	-	-
20,629	-	-	-	-	-	-	-	-
(705,027)	(145,727)	-	(37,737)	50,480	123,600	(8,000)	38,427	(21,937)
2,063,893	(4,185,724)	116,794	(21,187)	49,976	(152,985)	10,177	-	-
$ 1,358,866	$ (4,331,451)	$ 116,794	$ (58,924)	$ 100,456	$ (29,385)	$ 2,177	$ 38,427	$ (21,937)

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City of Alexandria, Minnesota
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2018

	411 44th Ave Extention Project	412 18th Ave Reconstruction Project	414 Revolving Improvement	Total Capital Projects
Revenues				
Taxes	$ -	$ -	$ -	$ 447,069
Special assessments	-	-	187,529	187,529
Intergovernmental				
Federal	-	-	-	2,126
State	-	-	-	1,243,334
Charges for services	-	-	-	219,354
Investment earnings	-	-	23,109	46,460
Other revenue	-	-	27,188	209,256
Total Revenues	-	-	237,826	2,355,128
Expenditures				
Current				
General government	-	-	-	943
Public works	14,553	6,842	2,679	64,842
Airport	-	-	-	10,487
Capital outlay				
General government	-	-	15,188	269,687
Public safety	-	-	-	537,926
Public works	-	-	572,487	2,077,122
Culture and recreation	-	-	-	624,203
Airport	-	-	-	7,059
Debt service				
Principal	-	-	-	2,089
Total Expenditures	14,553	6,842	590,354	3,594,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,553)	(6,842)	(352,528)	(1,239,230)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	46,594
Transfers in	-	-	150,000	228,500
Transfers out	-	-	-	(126,708)
Total Other Financing Sources (Uses)	-	-	150,000	148,386
Net Change in Fund Balances	(14,553)	(6,842)	(202,528)	(1,090,844)
Fund Balances, January 1	-	-	2,625,148	1,437,522
Fund Balances, December 31	$ (14,553)	$ (6,842)	$ 2,422,620	$ 346,678

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2018

	235 EDA Development Fund	236 TIF District #12	238 TIF District #15	239 TIF District #16	240 TIF District #17
Assets					
Cash and temporary investments	$ 13,666	$ 5,152	$ 1,250	$ -	$ 53,837
Receivables					
Accounts	46,861	-	-	-	-
Notes, net of allowance	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	$ 60,527	$ 5,152	$ 1,250	$ -	$ 53,837
Liabilities					
Accounts payable	$ 4,725	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
Total Liabilities	4,725	-	-	-	-
Fund Balances					
Restricted for economic development	55,802	5,152	1,250	-	53,837
Total Liabilities and Fund Balances	$ 60,527	$ 5,152	$ 1,250	$ -	$ 53,837

244 TIF District #22	295 TIF District #25	294 TIF District #26	293 TIF District #27	292 TIF District #29	289 TIF District #32	286 TIF District #36	285 TIF District #37
$ -	$ -	$ 411,424	$ 263	$ 1,005	$ 2,180	$ 1,938	$ 8,221
-	-	-	-	-	-	-	-
-	13,500	61,870	-	-	-	-	-
-	-	737	2,581	-	-	-	-
-	-	23,108	-	-	-	-	-
$ -	$ 13,500	$ 497,139	$ 2,844	$ 1,005	$ 2,180	$ 1,938	$ 8,221
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	23,108	-	-	-	-	-	-
-	23,108	-	-	-	-	-	-
-	(9,608)	497,139	2,844	1,005	2,180	1,938	8,221
$ -	$ 13,500	$ 497,139	$ 2,844	$ 1,005	$ 2,180	$ 1,938	$ 8,221

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Balance Sheet (Continued)
December 31, 2018

	283 TIF District #39	282 TIF District #40	281 TIF District #41	279 TIF District #42	278 TIF District #43
Assets					
Cash and temporary investments	$ 10,748	$ 36	$ 367	$ 10,827	$ 113
Receivables					
Accounts	-	-	-	-	-
Notes, net of allowance	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total Assets	$ 10,748	$ 36	$ 367	$ 10,827	$ 113
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund Balances					
Restricted for economic development	10,748	36	367	10,827	113
Total Liabilities and Fund Balances	$ 10,748	$ 36	$ 367	$ 10,827	$ 113

280 TIF District #44	277 TIF District #45	276 TIF District #46	275 TIF District #47	274 TIF District #48	273 TIF District #49	272 TIF District #51	Total
$ -	$ 5,213	$ 118	$ 120,161	$ 37	$ 62	$ -	$ 646,618
-	-	-	-	-	-	-	46,861
-	-	-	-	-	-	-	75,370
-	-	-	-	-	-	-	3,318
-	-	-	-	-	-	-	23,108
$ -	$ 5,213	$ 118	$ 120,161	$ 37	$ 62	$ -	$ 795,275
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,725
-	-	-	-	-	-	-	23,108
-	-	-	-	-	-	-	27,833
-	5,213	118	120,161	37	62	-	767,442
$ -	$ 5,213	$ 118	$ 120,161	$ 37	$ 62	$ -	$ 795,275

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued on Following Pages)
For the Year Ended December 31, 2018

	235 EDA Development Fund	236 TIF District #12	238 TIF District #15	239 TIF District #16	240 TIF District #17
Revenues					
Tax increments	$ 3,604	$ 14,156	$ 4,345	$ -	$ 70,261
Charges for services	3,000	-	-	-	-
Investment earnings	538	36	24	-	913
Total Revenues	7,142	14,192	4,369	-	71,174
Expenditures					
Current					
Economic development	10,379	10,416	4,129	-	67,722
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	10,379	10,416	4,129	-	67,722
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(3,237)	3,776	240	-	3,452
Other Financing Sources (Uses)					
Transfers In	10,380	-	-	-	-
Net Change In Fund Balances	7,143	3,776	240	-	3,452
Fund Balances, January 1	48,659	1,376	1,010	-	50,385
Fund Balances, December 31	$ 55,802	$ 5,152	$ 1,250	$ -	$ 53,837

244 TIF District #22	295 TIF District #25	294 TIF District #26	293 TIF District #27	292 TIF District #29	289 TIF District #32	286 TIF District #36	285 TIF District #37
$ -	$ 9,252	$ 106,152	$ 5,163	$ 13,478	$ 12,286	$ 14,429	$ 16,651
-	-	-	-	-	-	-	-
-	-	6,040	-	-	43	38	142
-	9,252	112,192	5,163	13,478	12,329	14,467	16,793
-	907	21,241	3,258	14,130	12,058	13,986	15,985
-	5,978	17,358	-	-	-	-	-
-	525	1,724	-	-	-	-	-
-	7,410	40,323	3,258	14,130	12,058	13,986	15,985
-	1,842	71,869	1,905	(652)	271	481	808
-	-	-	-	-	-	-	-
-	1,842	71,869	1,905	(652)	271	481	808
-	(11,450)	425,270	939	1,657	1,909	1,457	7,413
$ -	$ (9,608)	$ 497,139	$ 2,844	$ 1,005	$ 2,180	$ 1,938	$ 8,221

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)
For the Year Ended December 31, 2018

	283 TIF District #39	282 TIF District #40	281 TIF District #41	279 TIF District #42	278 TIF District #43
Revenues					
Tax increments	$ 11,381	$ 20,485	$ 128,343	$ 179,125	$ 64,338
Charges for services	-	-	-	-	-
Investment earnings	169	21	139	474	69
Total Revenues	11,550	20,506	128,482	179,599	64,407
Expenditures					
Current					
Economic development	10,251	20,484	128,343	192,124	64,338
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	10,251	20,484	128,343	192,124	64,338
Excess (Deficiency) Of Revenues Over (Under) Expenditures	1,299	22	139	(12,525)	69
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Net Change In Fund Balances	1,299	22	139	(12,525)	69
Fund Balances, January 1	9,449	14	228	23,352	44
Fund Balances, December 31	$ 10,748	$ 36	$ 367	$ 10,827	$ 113

280 TIF District #44	277 TIF District #45	276 TIF District #46	275 TIF District #47	274 TIF District #48	273 TIF District #49	272 TIF District #51	Total
$ 29,101	$ 9,845	$ 10,909	$ 179,206	$ 20,814	$ 79,953	$ 94,289	$ 1,097,566
-	-	-	-	-	-	-	3,000
-	85	13	2,238	21	-	-	11,003
29,101	9,930	10,922	181,444	20,835	79,953	94,289	1,111,569
29,101	8,860	10,818	185,206	20,813	79,953	94,289	1,018,791
-	-	-	-	-	-	-	23,336
-	-	-	-	-	-	-	2,249
29,101	8,860	10,818	185,206	20,813	79,953	94,289	1,044,376
-	1,070	104	(3,762)	22	-	-	67,193
-	-	-	-	-	-	-	10,380
-	1,070	104	(3,762)	22	-	-	77,573
-	4,143	14	123,923	15	62	-	689,869
$ -	$ 5,213	$ 118	$ 120,161	$ 37	$ 62	$ -	$ 767,442

City of Alexandria, Minnesota

Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2018 and 2017

	Total 2018	Total 2017	Percent Increase (Decrease)
Revenues			
Taxes	$ 8,715,818	$ 8,020,507	8.67 %
Payment in lieu of taxes	1,018,509	991,763	2.70
Special assessments	715,477	824,133	(13.18)
Licenses and permits	679,004	590,620	14.96
Intergovernmental	3,347,189	5,357,092	(37.52)
Charges for services	2,157,018	1,967,647	9.62
Fines and forfeits	99,405	127,586	(22.09)
Investment earnings	211,293	160,995	31.24
Miscellaneous	306,202	604,338	(49.33)
Total Revenues	$ 17,249,915	$ 18,644,681	(7.48) %
Per Capita	$ 1,262	$ 1,373	(8.14) %
Expenditures			
Current			
General government	$ 2,392,223	$ 2,291,686	4.39 %
Public safety	4,194,573	3,888,316	7.88
Public works	2,079,995	2,085,887	(0.28)
Culture and recreation	1,414,092	1,379,364	2.52
Economic development	1,384,080	1,004,491	37.79
Miscellaneous	187,333	163,782	14.38
Capital outlay			
General government	275,843	263,520	4.68
Public safety	561,468	42,743	1,213.59
Public works	2,125,764	2,488,902	(14.59)
Culture and recreation	633,479	243,422	160.24
Miscellaneous	80,994	97,310	(16.77)
Debt service			
Principal	3,995,244	2,057,605	94.17
Interest and other charges	759,717	833,597	(8.86)
Bond issuance costs	1,712	1,666	2.76
Total Expenditures	$ 20,086,517	$ 16,842,291	19.26 %
Per Capita	$ 1,469	$ 1,241	18.41 %
Total Long-term Indebtedness	$ 23,343,000	$ 27,278,425	(14.43) %
Per Capita	1,707	2,009	(15.04)
General Fund Balance - December 31	$ 4,403,680	$ 4,210,119	4.60 %
Per Capita	322	310	3.85

The purpose of this report is to provide a summary of financial information concerning the City of Alexandria to interested citizens. The complete financial statements may be examined at City Hall, 704 Broadway, Alexandria, MN, 56308. Questions about this report should be directed to the Finance Director at (320) 763-6678.

OTHER REQUIRED REPORTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Alexandria, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, (the City) Minnesota as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 20, 2019

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Alexandria, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2019.

The City's basic financial statements include the operations of Alexandria Light and Power for the year ended December 31, 2018. Our audit, described below, did not include the operations of Alexandria Light and Power because it engaged for its own separate audit in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying, Schedule of Findings and Responses as item 2018-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

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

The City's Responses to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 20, 2019

People + Process® Going Beyond the Numbers

Finding	Description
2018-001	**Segregation of Duties**
Condition:	During our audit we reviewed internal control procedures over payroll, disbursements, and cash receipts and found the City to have limited segregation of duties in these areas as noted below.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Effect:	The existence of this limited segregation of duties increases the risk of fraud.

Internal Control Over Cash Receipts

Cause:	As a result of the small number of staff, the Finance Clerk prepares the deposit and takes the deposit to the bank and the Finance Director maintains receipts journals.
Recommendation:	While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly receipt information and reviewing the bank reconciliation.

Management Response:

The City has already taken measures to comply even though the number of Finance staff they employ is limited. In 2018, the City added an additional finance department staff member and implemented a new Enterprise Resource Planning System (ERP). In 2019 the City plans to make changes to cash receipting processes to separate the custody of assets, recording and reconciling activity functions by involving additional staff and utilizing the features in the ERP system. The Council has addressed this circumstance by active participation in the City's affairs. The Council receives a monthly review of financial information and budget comparisons.

Internal Control Over Investment Transactions

Cause:	As a result of the number of staff, the City Administrator receives investment statements in the mail and reviews the monthly investment statements, and the Finance Director initiates investment transactions, maintains investment subledger and spreadsheet, maintains and post activity to the general ledger and reconciles investment accounts.
Recommendation:	It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

The City has already taken measures to comply even though the number of Finance staff they employ is limited. In 2018, the City added an additional finance department staff member and implemented a new Enterprise Resource Planning System (ERP). Staff procedures currently include discussions between the City Administrator and the Finance Director before investment transactions occur. Staff adheres to the City's Investment policy, which is a part of the Council-approved Financial Management polices (rev.12-26-17). In 2019 the City plans review the Investment Transaction processes and attempt to separate the control functions by involving additional staff and utilizing the features in the ERP system. The Council has addressed this circumstance by active participation in the City's affairs. The Council receives a monthly review of financial information and budget comparisons.