

Annual Financial Report

City of Alexandria

Alexandria, Minnesota

For the Year Ended

December 31, 2015

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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, 2015

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CITY OF ALEXANDRIA, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sara Carlson	Mayor	12/31/16
Virgil Batesole	Council	12/31/18
Roger Thalman	Council	12/31/18
Bobbie Osterberg	Council	12/31/16
David Benson	Council	12/31/18
Todd Jensen	Council	12/31/16

APPOINTED

Martin Schultz	City Administrator
Jane Blade	Finance Director
Kathy Summer	Finance Clerk
Thomas Jacobson	City Attorney

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FINANCIAL SECTION
CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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 7 to the financial statements, the School adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. 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 15 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 and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 88 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The introductory 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 August 11, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
August 11, 2016

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, 2015.

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 \$65,949,000 (net position). Of this amount, \$3,990,643 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$5,301,608, compared to a decrease of \$1,562,128 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$133,804 and governmental activities had an increase of \$5,167,804, this is due to an increase in the City's capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,759,022, a decrease of \$1,752,189 in comparison with the prior year. The major factor in this decrease is the 2015 spend down of the 2014A G.O. Improvement Bond proceeds for the Phase 4 Part 2 water extension project. Approximately 20.2 percent of this total amount, \$2,979,728, 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**

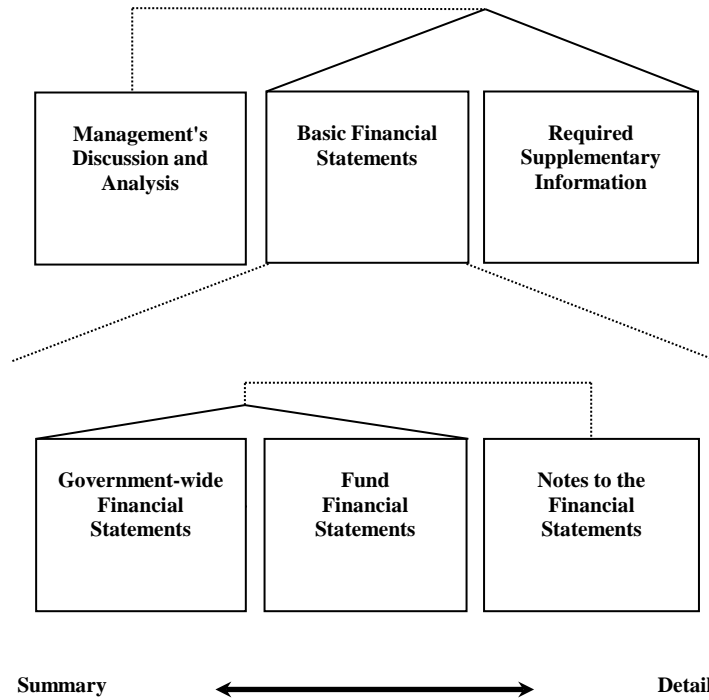


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of 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 29 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 34 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 42 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 94 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 \$65,949,000 at the close of the most recent fiscal year.

A large portion of the City's net position (74.8 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' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	\$ 23,421,592	\$ 24,822,036	\$ (1,400,444)	\$ 819,565	\$ 538,800	\$ 280,765
Capital assets	70,559,837	65,608,884	4,950,953	509,833	550,013	(40,180)
Total assets	93,981,429	90,430,920	3,550,509	1,329,398	1,088,813	240,585
Deferred outflows of resources	1,063,285	-	1,063,285	40,688	-	40,688
Long-term liabilities outstanding	27,008,646	25,015,352	1,993,294	385,984	48,938	337,046
Other liabilities	1,845,100	2,499,026	(653,926)	289,202	177,525	111,677
Total liabilities	28,853,746	27,514,378	1,339,368	675,186	226,463	448,723
Deferred inflows of resources	887,168	-	887,168	49,700	-	49,700
Net position						
Net investment in capital assets	48,842,479	45,057,471	3,785,008	509,833	550,013	(40,180)
Restricted	12,606,045	13,743,268	(1,137,223)	-	-	-
Unrestricted	3,855,276	4,115,803	(260,527)	135,367	312,337	(176,970)
Total net position	\$ 65,303,800	\$ 62,916,542	\$ 2,387,258	\$ 645,200	\$ 862,350	\$ (217,150)

An additional portion of the City's net position (19.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (6.1 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase of \$133,804 in net position reported in connection with the City's business-type activities. The Municipal Liquor Dispensary fund's gross profit percentage has decreased from the previous year, currently at 23.5 percent, down from 23.6 in 2014.

The City's total net position increased by \$5,301,608, compared to a decrease of \$1,562,128 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$133,804 while governmental activities had an increase of \$5,167,804.

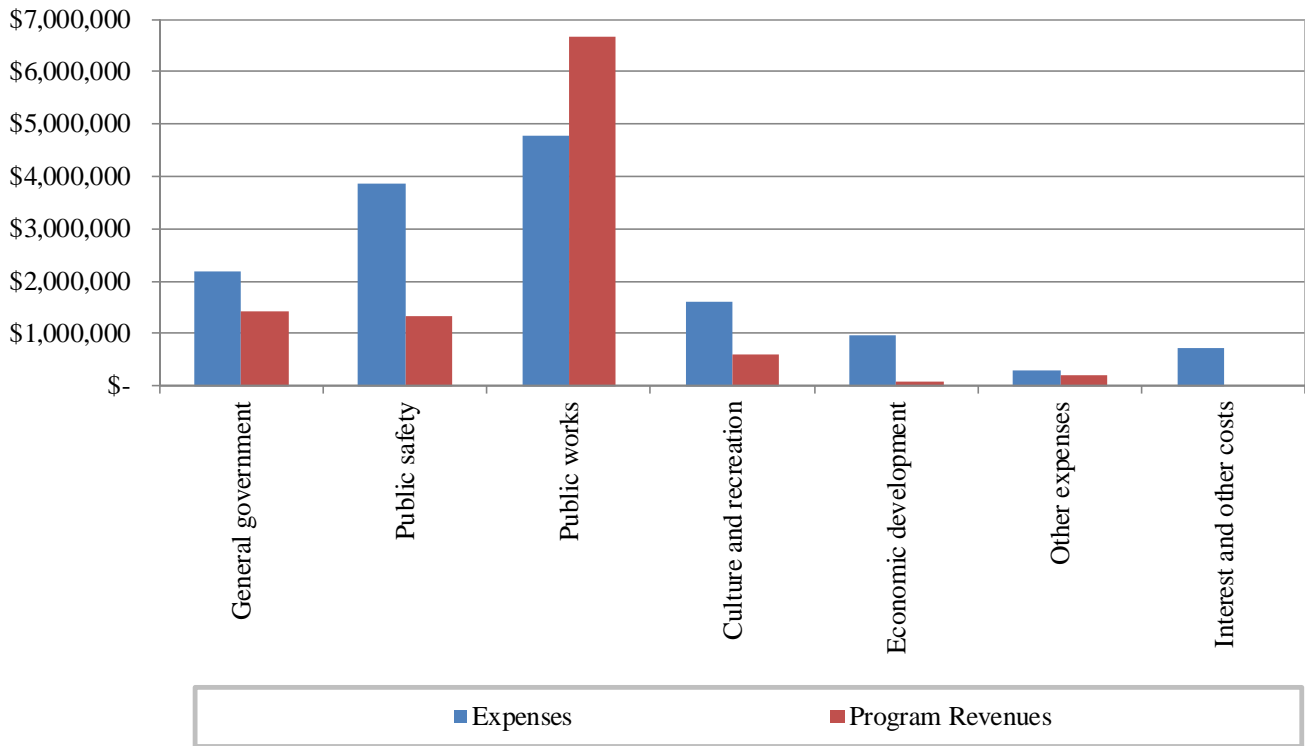
Governmental activities. The change in net position is described above and summarized as follows:

City of Alexandria' Changes in Net Position

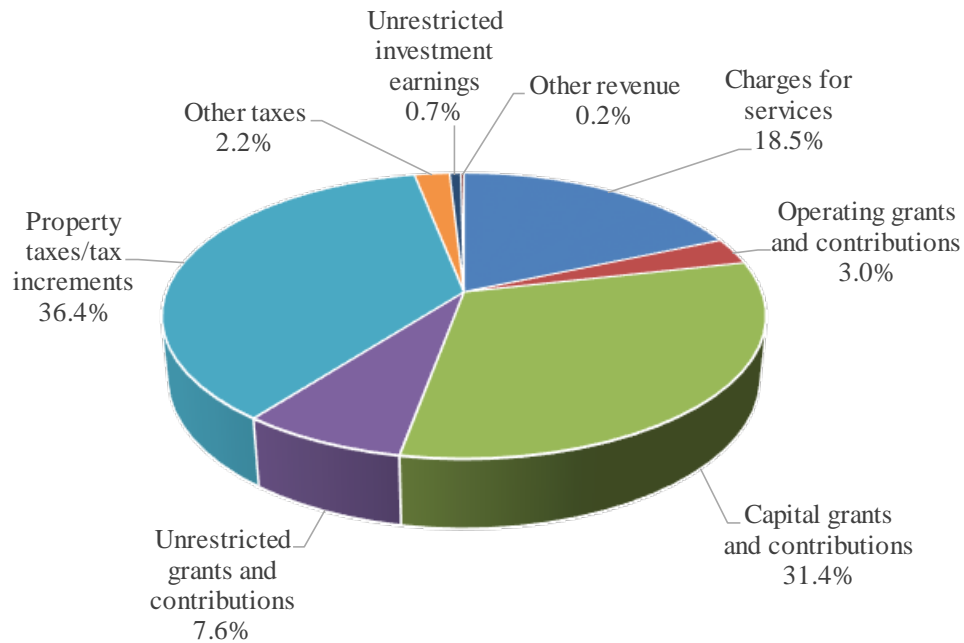
	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 3,587,243	\$ 3,376,352	\$ 210,891	\$ 5,184,129	\$ 4,714,573	\$ 469,556
Operating grants and contributions	591,143	901,188	(310,045)	-	-	-
Capital grants and contributions	6,094,379	6,203,561	(109,182)	-	-	-
General revenues						
Property taxes/tax increments	7,050,700	6,735,569	315,131	-	-	-
Other taxes	430,221	556,387	(126,166)	-	-	-
Grants and contributions not restricted to specific programs	1,470,684	1,236,288	234,396	-	-	-
Unrestricted investment earnings	126,453	447,337	(320,884)	101	199	(98)
Other revenues	5,558	9,216	(3,658)	-	-	-
Gain on sale of capital assets	33,524	60,656	(27,132)	-	-	-
Total revenues	<u>19,389,905</u>	<u>19,526,554</u>	<u>(136,649)</u>	<u>5,184,230</u>	<u>4,714,772</u>	<u>469,458</u>
Expenses						
General government	2,185,782	2,191,789	(6,007)	-	-	-
Public safety	3,869,546	3,807,813	61,733	-	-	-
Public works	4,782,704	11,383,372	(6,600,668)	-	-	-
Culture and recreation	1,601,129	1,580,019	21,110	-	-	-
Economic development	953,472	1,140,977	(187,505)	-	-	-
Other expenses	303,941	329,927	(25,986)	-	-	-
Interest and other costs	725,527	948,190	(222,663)	-	-	-
Liquor	-	-	-	4,850,426	4,421,367	429,059
Total expenses	<u>14,422,101</u>	<u>21,382,087</u>	<u>(6,959,986)</u>	<u>4,850,426</u>	<u>4,421,367</u>	<u>429,059</u>
Increase (decrease) in net position before transfers	4,967,804	(1,855,533)	6,823,337	333,804	293,405	40,399
Transfers	200,000	200,000	-	(200,000)	(200,000)	-
Change in net position	5,167,804	(1,655,533)	6,823,337	133,804	93,405	40,399
Net position - January 1 as restated (Note 7)	<u>60,135,996</u>	<u>64,572,075</u>	<u>(4,436,079)</u>	<u>511,396</u>	<u>768,945</u>	<u>(257,549)</u>
Net position - December 31	<u>\$ 65,303,800</u>	<u>\$ 62,916,542</u>	<u>\$ 2,387,258</u>	<u>\$ 645,200</u>	<u>\$ 862,350</u>	<u>\$ (217,150)</u>

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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

- Sales for business-type activities increased by \$469,556, or 10.0 percent during the year.
- Total expenses increased by approximately \$429,059 during 2015.
- 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 \$333,804 and \$293,405, respectively.

Expenses and Program Revenues - Business-type Activities



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 \$14,759,022, a decrease of \$1,752,189 in comparison with the prior year. The major factor in this decrease was due to capital project expenditures from revenues received in the previous year. Approximately 20.2 percent of this total amount (\$2,979,728) constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The *restricted* fund balance totals \$8,026,187; *committed* - \$3,636,545; *assigned* - \$0; and *nonspendable* - \$116,562.

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 \$5,432,680. 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 63.6 percent of fund expenditures, while total fund balance represents 64.7 percent of that same amount.

The fund balance of the City’s General fund increased by \$681,131 during the current fiscal year. The key factors in this increase was total revenues exceeding budgeted amounts by \$301,825 while total expenditures were under budget by \$362,623.

The *Debt Service fund* has a total fund balance of \$5,097,176, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$702,759. This increase is due to a one-time transfer from the Capital Project funds of \$343,124 for the excess bond proceeds for the Phase 4 Part 1 water extension project and the revenues generated from the debt service levy and special assessments in the 2014A bond fund that exceeded the current year debt service payments.

The *Capital Project fund* has a total fund balance of \$1,487,326. The net decrease in fund balance during the current year in the Capital Project fund was \$2,730,718. The major factors for this decrease were the capital expenditures for the Phase 4 Part 2 water extension project occurred in 2015 and the bond proceeds to finance this project were received in 2014.

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 \$135,367. The total increase in net position for the funds was \$133,804. 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 \$301,825 and the expenditures budget was underspent by \$362,623.

Some highlights include:

- Current and Delinquent Ad Valorem taxes exceeded the amount budgeted by \$33,500.
- Building permit revenues for the year exceeded budget by \$201,500 due to an increase in permits issued for commercial projects and single family dwellings over the previous year.
- Runestone Community Center revenues were \$560,400 which was \$26,600 over budget.
- Charitable Gambling Contributions were \$58,000 and exceeded the amount budgeted by \$19,000.
- Amounts paid for water, sewer, electric and gas utilities for all City departments were \$47,900 under budget.
- Building and equipment repairs and maintenance expenditures for all City departments were \$33,500 under budget.
- Total payroll and related expenditures for the City's General fund were under budget by \$154,000. Budgeted part-time and overtime wages were more than the actual amount spent and a budgeted hire in the municipal clerk department did not take place in 2015.
- Insurance dividends of \$60,700 helped to keep insurance costs under budget.
- Lower prices at the gas pumps lead to a savings of \$98,000 in motor fuels.

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, 2015, amounts to \$71,069,670 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 7.4 percent (a 7.5 percent increase for governmental activities and a 7.3 percent decrease for business-type activities.)

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

- Park improvements including irrigation systems, landscaping, playground equipment and sound system at Knute Nelson stadium - \$56,790.
- John Deere wide area mower - \$47,900.
- 2015 Elgin Street Sweeper - \$190,460.
- 2016 Ford F350 Fire department Grass Rig - \$28,793.
- Civil Defense siren – 30th Avenue – \$15,944.
- 3rd Avenue Pedestrian and Bicycle crossing - \$93,463
- Street improvements including construction of Evergreen Lane extension, Local and Municipal State Aid Street Overlays, and reconstruction of South Le Homme Dieu Drive - \$1,321,991.

Additional information on the City's capital assets can be found in Note 3D starting on page 59 of this report.

City of Alexandria' Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 2,887,179	\$ 2,877,179	\$ 10,000	\$ 101,413	\$ 101,413	\$ -
Buildings	11,840,731	12,270,075	(429,344)	353,371	407,023	(53,652)
Improvements other than buildings	46,391,990	46,913,383	(521,393)	12,707	15,545	(2,838)
Machinery and equipment	2,561,684	2,694,434	(132,750)	42,342	26,032	16,310
Construction in progress	6,878,253	853,813	6,024,440	-	-	-
Total	<u>\$ 70,559,837</u>	<u>\$ 65,608,884</u>	<u>\$ 4,950,953</u>	<u>\$ 509,833</u>	<u>\$ 550,013</u>	<u>\$ (40,180)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$21,449,585. Of this amount \$14,190,000 is general obligation improvement debt and \$7,110,000 is general obligation debt. All of the City's bonds are backed by the full faith and credit of the City.

City of Alexandria Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 7,110,000	\$ 7,460,000	\$ (350,000)	\$ -	\$ -	\$ -
General obligation improvement bonds	14,190,000	15,645,000	(1,455,000)	-	-	-
Less: General obligation amount paid by ALP	-	(82,530)	82,530	-	-	-
Hangar loan	52,209	77,269	(25,060)	-	-	-
CHAP loans	97,376	118,740	(21,364)	-	-	-
Total	\$ 21,449,585	\$ 23,218,479	\$ (1,768,894)	\$ -	\$ -	\$ -

The City's total debt decreased \$1,768,894, or 7.6 percent during the current fiscal year. New debt was issued totaling \$0 and principal of \$1,768,894 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 \$39,850,851, 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 65 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 2016 budget.

- Primary significant guiding principle through consideration of the budget was consideration of the 2016 strategic plan, which centered on the three core areas of Efficient and Effective Governance, Progressive Community Development, and Prudent Financial Management.
- The City Council reviewed not only the proposed 2016 budget but also considered a five-year (2017-2021) budget blueprint when discussing the 2016 budget
- Property value increases and growth through new construction contributed to a 5.1% increase in tax capacity from 2015 to 2016
- The overall property tax levy increased by 4.49% for 2016. The tax base growth within the City meant the average city tax rate decreases by approximately 0.8%.
- The unemployment rate in Douglas County is currently 3.3 percent, which is a decrease from a rate of 3.7 percent a year ago. This compares to the State's unemployment rate of 3.9 percent Alexandria has a pull factor index of 2.58. 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 has one of the highest pull factors in the state.

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, 2015

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CITY OF ALEXANDRIA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Alexandria Light and Power
ASSETS				
Cash and temporary investments	\$ 12,538,674	\$ 229,773	\$ 12,768,447	\$ 13,073,943
Restricted debt service reserve deposits	-	-	-	955,690
Receivables				
Interest	20,138	-	20,138	26,053
Delinquent taxes	118,000	-	118,000	-
Accounts	187,645	51,792	239,437	806,847
Notes and loans, net of allowance	540,408	-	540,408	-
Special assessments	6,192,313	-	6,192,313	1,192
Intergovernmental	1,793,353	-	1,793,353	-
Internal balances	288,378	(288,378)	-	-
Due from component unit	863,469	-	863,469	-
Inventories	-	819,642	819,642	1,294,971
Prepaid items	116,562	6,736	123,298	179,554
Pension asset	762,652	-	762,652	-
Capital assets				
Capital assets not being depreciated	9,765,432	101,413	9,866,845	2,695,026
Capital assets net of accumulated depreciation	60,794,405	408,420	61,202,825	52,211,806
TOTAL ASSETS	93,981,429	1,329,398	95,310,827	71,245,082
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	1,063,285	40,688	1,103,973	253,579
LIABILITIES				
Accounts and contracts payable	1,021,338	226,264	1,247,602	1,666,449
Due to other governments	186,206	50,770	236,976	525,066
Accrued interest payable	255,495	-	255,495	39,709
Accrued salaries payable	145,069	12,168	157,237	55,657
Due to primary government	-	-	-	863,469
Deposits payable	18,815	-	18,815	339,552
Unearned revenue	218,177	-	218,177	-
Noncurrent liabilities				
Due within one year	1,981,442	25,067	2,006,509	1,259,120
Due in more than one year	25,027,204	360,917	25,388,121	13,439,455
TOTAL LIABILITIES	28,853,746	675,186	29,528,932	18,188,477
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	887,168	49,700	936,868	452,923
NET POSITION				
Net investment in capital assets	48,842,479	509,833	49,352,312	47,710,696
Restricted for				
Debt service	9,677,034	-	9,677,034	955,690
Wellness	28,132	-	28,132	-
Capital outlay	530,877	-	530,877	-
Economic development	2,247,897	-	2,247,897	-
Sanitary sewer operations	122,105	-	122,105	-
Unrestricted	3,855,276	135,367	3,990,643	4,190,875
TOTAL NET POSITION	\$ 65,303,800	\$ 645,200	\$ 65,949,000	\$ 52,857,261

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,185,782	\$ 1,402,982	\$ 7,650	\$ 2,738
Public safety	3,869,546	828,141	511,221	-
Public works	4,782,704	567,478	4,243	6,091,641
Culture and recreation	1,601,129	593,570	-	-
Economic development	953,472	69,823	-	-
Airport	303,941	125,249	68,029	-
Interest and other costs	725,527	-	-	-
Total governmental activities	<u>14,422,101</u>	<u>3,587,243</u>	<u>591,143</u>	<u>6,094,379</u>
Business-type activities				
Liquor	<u>4,850,426</u>	<u>5,184,129</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 19,272,527</u>	<u>\$ 8,771,372</u>	<u>\$ 591,143</u>	<u>\$ 6,094,379</u>
Component unit				
Alexandria Light and Power	<u>\$ 25,609,835</u>	<u>\$ 27,533,958</u>	<u>\$ -</u>	<u>\$ -</u>

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

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 7)

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
\$ (772,412)		\$ (772,412)	
(2,530,184)		(2,530,184)	
1,880,658		1,880,658	
(1,007,559)		(1,007,559)	
(883,649)		(883,649)	
(110,663)		(110,663)	
(725,527)		(725,527)	
(4,149,336)		(4,149,336)	
-	\$ 333,703	333,703	
(4,149,336)	333,703	(3,815,633)	
			\$ 1,924,123
4,589,595	-	4,589,595	-
1,531,184	-	1,531,184	-
929,921	-	929,921	-
430,221	-	430,221	-
1,470,684	-	1,470,684	-
126,453	101	126,554	142,873
33,524	-	33,524	-
5,558	-	5,558	108,976
-	-	-	(1,115,462)
200,000	(200,000)	-	-
9,317,140	(199,899)	9,117,241	(863,613)
5,167,804	133,804	5,301,608	1,060,510
60,135,996	511,396	60,647,392	51,796,751
\$ 65,303,800	\$ 645,200	\$ 65,949,000	\$ 52,857,261

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, 2015

CITY OF ALEXANDRIA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Debt Service	Capital Projects
ASSETS			
Cash and temporary investments	\$ 4,701,886	\$ 5,073,247	\$ 574,055
Receivables			
Interest	20,138	-	-
Delinquent taxes	71,700	27,900	5,200
Accounts	140,974	-	36,355
Notes and loans, net of allowance	-	-	-
Special assessments	4,070	4,807,453	1,380,790
Intergovernmental	41,273	28,750	1,582,642
Due from other funds	44,725	-	-
Due from component unit	814,175	-	-
Advances to other funds	-	-	-
Prepaid items	56,708	-	59,854
TOTAL ASSETS	\$ 5,895,649	\$ 9,937,350	\$ 3,638,896
LIABILITIES			
Accounts payable	\$ 179,631	\$ 4,821	\$ 538,008
Due to other governments	41,861	-	9,784
Due to other funds	1,434	-	-
Accrued salaries payable	145,069	-	-
Deposits payable	18,815	-	-
Unearned revenue	389	-	217,788
TOTAL LIABILITIES	387,199	4,821	765,580
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	71,700	27,900	5,200
Unavailable revenue - special assessments	4,070	4,807,453	1,380,790
TOTAL DEFERRED INFLOWS OF RESOURCES	75,770	4,835,353	1,385,990
FUND BALANCES			
Nonspendable for			
Prepaid items	56,708	-	59,854
Restricted for			
Debt service	-	5,097,176	-
Wellness	28,132	-	-
Capital outlay	-	-	528,268
Economic development	-	-	-
Sanitary sewer operations	-	-	-
Committed for			
Capital outlay	-	-	3,257,879
Payment of benefits	-	-	-
Firefighter's retirement obligation	-	-	-
Economic development	-	-	-
Storm water operations	-	-	-
Wellness	9,437	-	-
Unassigned	5,338,403	-	(2,358,675)
TOTAL FUND BALANCES	5,432,680	5,097,176	1,487,326
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,895,649	\$ 9,937,350	\$ 3,638,896

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

Other Governmental Funds	Total Governmental Funds
\$ 2,189,486	\$ 12,538,674
-	20,138
13,200	118,000
10,316	187,645
540,408	540,408
-	6,192,313
140,688	1,793,353
-	44,725
49,294	863,469
266,225	266,225
-	116,562
<u>\$ 3,209,617</u>	<u>\$ 22,681,512</u>
\$ 298,878	\$ 1,021,338
134,561	186,206
21,138	22,572
-	145,069
-	18,815
-	218,177
<u>454,577</u>	<u>1,612,177</u>
13,200	118,000
-	6,192,313
<u>13,200</u>	<u>6,310,313</u>
-	116,562
-	5,097,176
-	28,132
2,609	530,877
2,247,897	2,247,897
122,105	122,105
-	3,257,879
15,433	15,433
65,470	65,470
175,338	175,338
112,988	112,988
-	9,437
-	2,979,728
<u>2,741,840</u>	<u>14,759,022</u>
<u>\$ 3,209,617</u>	<u>\$ 22,681,512</u>

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

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CITY OF ALEXANDRIA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Total fund balances - governmental funds	\$ 14,759,022
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.	762,652
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	70,559,837
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	(728,839)
Other postemployment benefit liability	(735,170)
Bonds payable	(21,300,000)
Loans payable	(149,585)
Bond premium and discount, net of accumulated amortization	(417,358)
Pension liability	(3,677,694)
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	118,000
Special assessments receivable	6,192,313
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of resources - pension resources	1,063,285
Deferred inflows of resources - pension resources	(887,168)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(255,495)</u>
Total net position - governmental activities	<u><u>\$ 65,303,800</u></u>

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, 2015

	General	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 4,118,007	\$ 1,535,537	\$ 274,353
Payment in lieu of taxes	1,047,910	-	-
Special assessments	2,738	893,340	579,642
Licenses and permits	667,749	-	-
Intergovernmental	1,736,849	63,919	2,493,556
Charges for services	1,006,469	-	231,794
Fines and forfeits	109,146	-	-
Investment earnings	28,849	28,345	46,780
Other revenue	149,984	125,157	1,680,016
TOTAL REVENUES	8,867,701	2,646,298	5,306,141
EXPENDITURES			
Current			
General government	2,111,402	-	-
Public safety	3,330,445	-	-
Public works	1,326,417	-	6,125
Culture and recreation	1,432,921	-	-
Economic development	-	-	-
Airport	98,985	-	6,976
Capital outlay			
General government	5,376	-	29,083
Public safety	65,791	-	47,685
Public works	3,938	-	7,568,141
Culture and recreation	13,814	-	234,628
Airport	4,164	-	59,089
Debt service			
Principal	-	1,805,000	25,060
Interest and other	-	696,938	-
TOTAL EXPENDITURES	8,393,253	2,501,938	7,976,787
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	474,448	144,360	(2,670,646)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	33,524
Transfers in	209,145	558,399	249,528
Transfers out	(2,462)	-	(343,124)
TOTAL OTHER FINANCING SOURCES (USES)	206,683	558,399	(60,072)
NET CHANGE IN FUND BALANCES	681,131	702,759	(2,730,718)
FUND BALANCES, JANUARY 1	4,751,549	4,394,417	4,218,044
FUND BALANCES, DECEMBER 31	\$ 5,432,680	\$ 5,097,176	\$ 1,487,326

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

Other Governmental Funds	Totals
\$ 1,623,275	\$ 7,551,172
-	1,047,910
-	1,475,720
-	667,749
134,647	4,428,971
547,955	1,786,218
-	109,146
52,686	156,660
1,223	1,956,380
<u>2,359,786</u>	<u>19,179,926</u>
-	2,111,402
134,561	3,465,006
1,172,286	2,504,828
-	1,432,921
953,472	953,472
-	105,961
-	34,459
-	113,476
6,829	7,578,908
-	248,442
-	63,253
21,364	1,851,424
5,149	702,087
<u>2,293,661</u>	<u>21,165,639</u>
<u>66,125</u>	<u>(1,985,713)</u>
-	33,524
2,462	1,019,534
(473,948)	(819,534)
<u>(471,486)</u>	<u>233,524</u>
(405,361)	(1,752,189)
<u>3,147,201</u>	<u>16,511,211</u>
<u>\$ 2,741,840</u>	<u>\$ 14,759,022</u>

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, 2015

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

Net change in fund balances - governmental funds	\$ (1,752,189)
<p>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.</p>	
Capital outlay	7,874,101
Depreciation expense	(2,881,616)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position</p>	
	(41,532)
<p>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.</p>	
Principal repayments	1,851,424
Principal repayments from the Board of Public Works	(82,530)
Premium on bonds issued, net of amortization expense	56,585
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	27,221
Direct aid contributions	14,400
<p>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.</p>	
	2,505
<p>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.</p>	
Property taxes	(32,000)
Special assessments	272,514
<p>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.</p>	
Compensated absences	(141,079)
Change in net position - governmental activities	\$ 5,167,804

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, 2015

	<u>Budgeted Amounts</u> Original and Final	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 4,196,127	\$ 4,118,007	\$ (78,120)
Payment in lieu of taxes	1,100,000	1,047,910	(52,090)
Special assessments	-	2,738	2,738
Licenses and permits	439,100	667,749	228,649
Intergovernmental	1,722,486	1,736,849	14,363
Charges for services	914,963	1,006,469	91,506
Fines and forfeits	121,000	109,146	(11,854)
Investment earnings	15,000	28,849	13,849
Other revenue	57,200	149,984	92,784
TOTAL REVENUES	<u>8,565,876</u>	<u>8,867,701</u>	<u>301,825</u>
EXPENDITURES			
Current			
General government	2,240,845	2,111,402	129,443
Public safety	3,431,375	3,330,445	100,930
Public works	1,430,125	1,326,417	103,708
Culture and recreation	1,459,931	1,432,921	27,010
Airport	119,600	98,985	20,615
Capital outlay			
General government	17,000	5,376	11,624
Public safety	38,500	65,791	(27,291)
Public works	5,500	3,938	1,562
Culture and recreation	10,000	13,814	(3,814)
Airport	3,000	4,164	(1,164)
TOTAL EXPENDITURES	<u>8,755,876</u>	<u>8,393,253</u>	<u>362,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(190,000)</u>	<u>474,448</u>	<u>664,448</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	209,145	9,145
Transfers out	(10,000)	(2,462)	7,538
TOTAL OTHER FINANCING SOURCES (USES)	<u>190,000</u>	<u>206,683</u>	<u>16,683</u>
NET CHANGE IN FUND BALANCES	-	681,131	681,131
FUND BALANCES, JANUARY 1	<u>4,751,549</u>	<u>4,751,549</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 4,751,549</u>	<u>\$ 5,432,680</u>	<u>\$ 681,131</u>

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, 2015

	609	610	
	Downtown	Plaza	Totals
	Liquor	Liquor	
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 64,377	\$ 165,396	\$ 229,773
Receivables			
Accounts	19,481	32,311	51,792
Due from other funds	108,118	97,559	205,677
Inventories	351,060	468,582	819,642
Prepaid items	4,352	2,384	6,736
	<u>547,388</u>	<u>766,232</u>	<u>1,313,620</u>
TOTAL CURRENT ASSETS			
NONCURRENT ASSETS			
Capital assets			
Land	68,603	32,810	101,413
Buildings	432,737	564,162	996,899
Equipment	102,834	99,554	202,388
Other improvements	30,996	25,224	56,220
Less accumulated depreciation	<u>(478,779)</u>	<u>(368,308)</u>	<u>(847,087)</u>
	<u>156,391</u>	<u>353,442</u>	<u>509,833</u>
TOTAL NONCURRENT ASSETS			
TOTAL ASSETS			
	<u>703,779</u>	<u>1,119,674</u>	<u>1,823,453</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	<u>19,415</u>	<u>21,273</u>	<u>40,688</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts and contracts payable	63,412	162,852	226,264
Due to other governments	19,031	31,739	50,770
Accrued salaries payable	5,373	6,795	12,168
Compensated absences payable	11,793	13,274	25,067
Due to other funds	109,266	118,564	227,830
Advance from other funds, current portion	-	27,610	27,610
	<u>208,875</u>	<u>360,834</u>	<u>569,709</u>
TOTAL CURRENT LIABILITIES			
NONCURRENT LIABILITIES,			
Compensated absences payable	19,344	17,929	37,273
Other postemployment benefit (asset) liability	(7,409)	(11,798)	(19,207)
Pension liability	163,596	179,255	342,851
Advance from other funds, net of current maturities	<u>-</u>	<u>238,615</u>	<u>238,615</u>
	<u>175,531</u>	<u>424,001</u>	<u>599,532</u>
TOTAL NONCURRENT LIABILITIES			
TOTAL LIABILITIES			
	<u>384,406</u>	<u>784,835</u>	<u>1,169,241</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	<u>23,715</u>	<u>25,985</u>	<u>49,700</u>
NET POSITION			
Investment in capital assets	156,391	353,442	509,833
Unrestricted	<u>158,682</u>	<u>(23,315)</u>	<u>135,367</u>
	<u>\$ 315,073</u>	<u>\$ 330,127</u>	<u>\$ 645,200</u>
TOTAL NET POSITION			

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, 2015

	609 Downtown Liquor	610 Plaza Liquor	Totals
OPERATING REVENUES			
Sales	\$ 2,049,469	\$ 3,134,560	\$ 5,184,029
Cost of sales	<u>(1,515,552)</u>	<u>(2,448,290)</u>	<u>(3,963,842)</u>
TOTAL OPERATING REVENUES	<u>533,917</u>	<u>686,270</u>	<u>1,220,187</u>
OPERATING EXPENSES			
Personal services	278,029	329,420	607,449
Operating supplies and expenses	10,112	19,523	29,635
Insurance	8,633	11,921	20,554
Utilities	14,962	17,264	32,226
Depreciation and amortization	26,805	40,854	67,659
Other services and charges	<u>48,766</u>	<u>71,861</u>	<u>120,627</u>
TOTAL OPERATING EXPENSES	<u>387,307</u>	<u>490,843</u>	<u>878,150</u>
OPERATING INCOME	<u>146,610</u>	<u>195,427</u>	<u>342,037</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous income	95	5	100
Investment income	41	60	101
Interest expense	<u>(10)</u>	<u>(8,424)</u>	<u>(8,434)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>126</u>	<u>(8,359)</u>	<u>(8,233)</u>
INCOME BEFORE TRANSFERS	146,736	187,068	333,804
TRANSFERS OUT	<u>(60,000)</u>	<u>(140,000)</u>	<u>(200,000)</u>
CHANGE IN NET POSITION	86,736	47,068	133,804
NET POSITION, JANUARY 1	<u>228,337</u>	<u>283,059</u>	<u>511,396</u>
NET POSITION, DECEMBER 31	<u>\$ 315,073</u>	<u>\$ 330,127</u>	<u>\$ 645,200</u>

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

CITY OF ALEXANDRIA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	609 Downtown Liquor	610 Plaza Liquor	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,954,404	\$ 3,084,732	\$ 5,039,136
Payments to suppliers and vendors	(1,594,653)	(2,490,096)	(4,084,749)
Payments to and on behalf of employees	(285,210)	(324,318)	(609,528)
Other receipts	95	5	100
	<u>74,636</u>	<u>270,323</u>	<u>344,959</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer out	(60,000)	(140,000)	(200,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(13,740)	(13,739)	(27,479)
Principal paid on advance	-	(26,796)	(26,796)
Interest paid on advance	(10)	(8,424)	(8,434)
	<u>(13,750)</u>	<u>(48,959)</u>	<u>(62,709)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	41	60	101
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	927	81,424	82,351
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>63,450</u>	<u>83,972</u>	<u>147,422</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 64,377</u>	<u>\$ 165,396</u>	<u>\$ 229,773</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 146,610	\$ 195,427	\$ 342,037
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	26,805	40,854	67,659
Other income related to operations	95	5	100
(Increase) decrease in assets			
Accounts receivable	(2,956)	(5,919)	(8,875)
Due from other funds/departments	(91,239)	(42,859)	(134,098)
Inventories	(63,041)	(111,235)	(174,276)
Prepaid items	(621)	725	104
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	7,501	4,723	12,224
Increase (decrease) in liabilities			
Accounts and contracts payable	17,191	93,697	110,888
Due to other governments	1,234	(1,342)	(108)
Due to other funds/departments	48,609	96,918	145,527
Accrued salaries payable	1,382	1,435	2,817
Compensated absences payable	3,769	5,466	9,235
Unearned revenue	(870)	(1,050)	(1,920)
Pension liability	1,857	23,039	24,896
Other postemployment benefits (asset) liability	(1,703)	(13,337)	(15,040)
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(19,987)	(16,224)	(36,211)
	<u>(19,987)</u>	<u>(16,224)</u>	<u>(36,211)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
	<u>\$ 74,636</u>	<u>\$ 270,323</u>	<u>\$ 344,959</u>

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

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each 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 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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 and construction of major capital facilities 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.

Enterprise funds are used to account for those operations of the municipal liquor dispensary. The measurement of financial activity focuses on net income similar to the private sector.

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, sewer 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.

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

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. The Board of Public Works accounts receivable of \$806,847 are recorded net of allowance for doubtful accounts of \$55,953 at December 31, 2015. 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. 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 \$120,138 has been recorded related to these notes. Bad debt expense of \$56,062 was expensed during the year 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 annual 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.

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 grants and contributions 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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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 financial 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 only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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 45, at January 1, 2014.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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

Pensions

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

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

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 two sources: taxes and special assessments. 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.

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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - 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

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 June of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk/Treasurer so that a budget may be prepared. 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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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;
- 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 \$5,129,653 and the bank balance was \$5,397,099. Of the bank balance, \$500,000 was covered by federal depository insurance. Of the remaining balance, \$4,897,099 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

The carrying amount of deposits for the Alexandria Light and Power, a discretely presented component unit, was \$7,586,361 and the bank balance was \$7,797,212. The bank balance was covered by \$1,243,790 of federal depository insurance. The remaining balances were collateralized with securities held by pledging financial institution's trust department in the Board's name.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

At December 31, 2015, 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)	Fair Value and Carrying Amount
Money Market	N/A	less than 1 year	\$ 36,690
Non-pooled investment			
Broker Certificates of Deposit	N/A	less than 1 year	560,908
Broker Certificates of Deposit	N/A	1 to 5 years	2,947,748
Total Broker Certificates of Deposit			<u>3,508,656</u>
Asset Backed Securities	AAA/AA+	1 to 5 years	1,692,577
Asset Backed Securities	AAA/AA+	5 to 10 years	1,543,273
Total Asset Backed Securities			<u>3,235,850</u>
Government Securities	N/A	1 to 5 years	553,373
Government Securities	N/A	5 to 10 years	300,843
Total Government Securities			<u>854,216</u>
Total investments			<u>\$ 7,635,412</u>

(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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component unit

Board of Public Works

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
U.S. Government Money Market Portfolio	N/A	less than 6 months	\$ 692,891
Non-pooled investments			
Broker certificates of deposit	AAA/AA+	less than 6 months	986,000
	N/A	1 to 3 years	1,744,941
	AAA/AA+	2 to 3 years	1,492,800
U.S. Government Agency	N/A	more than 3 years	1,526,390
			<u>\$ 6,443,022</u>
Total investments			<u>\$ 6,443,022</u>

(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

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	\$ 5,129,653	\$ 7,586,361	\$ 12,716,014
Investments	7,635,412	6,443,022	14,078,434
Cash on hand	3,382	250	3,632
	<u>\$ 12,768,447</u>	<u>\$ 14,029,633</u>	<u>\$ 26,798,080</u>
Total			
Cash and cash equivalents	\$ 12,768,447	\$ 13,073,943	\$ 25,842,390
Restricted debt service reserve deposits	-	955,690	955,690
	<u>\$ 12,768,447</u>	<u>\$ 14,029,633</u>	<u>\$ 26,798,080</u>
Total			

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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 \$88,638, at December 31, 2015 is \$434,964.

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 \$31,500, at December 31, 2015 is \$105,444.

D. Capital assets

Primary Government

Capital asset activity for the primary government for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,877,179	\$ 10,000	\$ -	\$ 2,887,179
Construction in progress	853,813	7,539,712	(1,515,272)	6,878,253
	<u>3,730,992</u>	<u>7,549,712</u>	<u>(1,515,272)</u>	<u>9,765,432</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings	18,188,094	23,694	(3,500)	18,208,288
Improvements other than buildings	78,183,811	1,433,271	-	79,617,082
Machinery and equipment	9,358,449	382,696	(238,077)	9,503,068
	<u>105,730,354</u>	<u>1,839,661</u>	<u>(241,577)</u>	<u>107,328,438</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings	(5,918,019)	(453,038)	3,500	(6,367,557)
Improvements other than buildings	(31,270,428)	(1,954,664)	-	(33,225,092)
Machinery and equipment	(6,664,015)	(473,914)	196,545	(6,941,384)
	<u>(43,852,462)</u>	<u>(2,881,616)</u>	<u>200,045</u>	<u>(46,534,033)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>61,877,892</u>	<u>(1,041,955)</u>	<u>(41,532)</u>	<u>60,794,405</u>
Governmental activities capital assets, net	<u>\$ 65,608,884</u>	<u>\$ 6,497,757</u>	<u>\$ (1,556,804)</u>	<u>\$ 70,559,837</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	996,899	-	-	996,899
Equipment	188,435	27,479	(13,526)	202,388
Other improvements	56,220	-	-	56,220
Total capital assets being depreciated	1,241,554	27,479	(13,526)	1,255,507
Less accumulated depreciation for				
Buildings	(589,876)	(53,652)	-	(643,528)
Equipment	(162,403)	(11,169)	13,526	(160,046)
Other improvements	(40,675)	(2,838)	-	(43,513)
Total accumulated depreciation	(792,954)	(67,659)	13,526	(847,087)
Total capital assets being depreciated, net	448,600	(40,180)	-	408,420
Business-type activities capital assets, net	\$ 550,013	\$ (40,180)	\$ -	\$ 509,833

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

Governmental activities	
General government	\$ 41,591
Public safety	397,387
Public works	2,022,464
Culture and recreation	225,679
Airport	194,495
Total depreciation expense - governmental activities	\$ 2,881,616
Business-type activities	
Municipal Liquor Dispensary	\$ 67,659

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 are as follows:

Board of Public Works

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land and service territory acquired	\$ 366,009	\$ -	\$ -	\$ 366,009
Construction in progress	<u>2,114,365</u>	<u>4,683,345</u>	<u>(4,468,693)</u>	<u>2,329,017</u>
Total capital assets not being depreciated	<u>2,480,374</u>	<u>4,683,345</u>	<u>(4,468,693)</u>	<u>2,695,026</u>
Capital assets being depreciated				
General plant	1,006,535	-	(18,272)	988,263
Machinery and equipment	5,602,280	336,985	(1,079,082)	4,860,183
Utility plant in service	<u>79,740,296</u>	<u>4,157,776</u>	<u>(1,084,130)</u>	<u>82,813,942</u>
Total capital assets being depreciated	<u>86,349,111</u>	<u>4,494,761</u>	<u>(2,181,484)</u>	<u>88,662,388</u>
Less accumulated depreciation for				
Buildings	(562,301)	(35,478)	18,021	(579,758)
Production plant	(4,614,958)	(264,271)	1,079,055	(3,800,174)
Transmission and distribution system	<u>(31,256,007)</u>	<u>(1,872,831)</u>	<u>1,058,188</u>	<u>(32,070,650)</u>
Total accumulated depreciation	<u>(36,433,266)</u>	<u>(2,172,580)</u>	<u>2,155,264</u>	<u>(36,450,582)</u>
Total capital assets being depreciated, net	<u>49,915,845</u>	<u>2,322,181</u>	<u>(26,220)</u>	<u>52,211,806</u>
Business-type activities capital assets, net	<u>\$ 52,396,219</u>	<u>\$ 7,005,526</u>	<u>\$ (4,494,913)</u>	<u>\$ 54,906,832</u>

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

Component unit	
Electric	\$ 1,225,280
Water	906,905
Fiber	<u>40,395</u>
Total depreciation expense - component unit	<u>\$ 2,172,580</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2015. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Phase 4 part 1 water - plans, specs and construction, Broadway Reconstruction	\$ 5,324,352 6,821,435	\$ 110,352 58,359
Phase 4 part 2 watermain and Le Homme Dieu Drive reconstruction; construction, plans and specs	3,672,261	52,338
Phase 4 part 3 watermain, Geneva Rd reclaim and Multi-Use Trail construction, plans and specs	1,412,883	223,522
50th Avenue reconstruction, plans, specs and construction	1,783,032	48,645
3rd Avenue pedestrian/bicycle crossing	87,167	3,294
Evergreen Lane	260,614	7,655
Kenwood Drive street and sanitary sewer improvements	47,038	50,682
2016 Local Street Reclaim project plans and specs	26,553	75,973
8th Ave Street and Storm Sewer plans and specs	29,499	147,371
2016 MSA street improvements, plans and specs	49,335	102,466
2016 local street improvements, plans and specs	26,390	26,390
RCC Dehumidification unit	169,309	11,753
Mill and Overlay Runway 4/22 and Airport pavements, design	59,088	25,312
Total	<u>\$ 19,768,956</u>	<u>\$ 944,112</u>

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, 2015, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2016	\$ 13,572
2017	13,572
2018	13,572
2019	6,186
Total minimum lease payments	<u>\$ 46,902</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	
	Downtown Liquor	\$ 11,814
	Plaza Liquor	11,773
Proprietary	General	
Downtown Liquor		1,368
Plaza Liquor		66
Proprietary	Proprietary	
Downtown Liquor	Plaza Liquor	106,791
Plaza Liquor	Downtown Liquor	97,452
General	Non-major	
	TIF District #25	21,138
Net internal balance		\$ 250,402

The outstanding balance between funds results mainly from the time lag between the dates that payments between funds are made.

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
Revolving Loan	Municipal Liquor Dispensary	3.00 %	07/01/09	07/01/24	\$ 266,225

A summary of total future interfund loan repayments follows:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 27,610	\$ 7,609	\$ 35,219
2017	28,450	6,769	35,219
2018	29,315	5,904	35,219
2019	30,207	5,012	35,219
2020	31,126	4,094	35,220
2021 - 2024	119,517	6,689	126,206
Total	\$ 266,225	\$ 36,077	\$ 302,302

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

Transfers made for the year ended December 31, 2015 are as follows:

Fund	Transfer In				Total
	General	Debt Service	Capital Projects	Nonmajor Governmental	
Transfer out					
General	\$ -	\$ -	\$ -	\$ 2,462	\$ 2,462
Capital Projects	-	343,124	-	-	343,124
Nonmajor governmental	9,145	215,275	249,528	-	473,948
Downtown Liquor	60,000	-	-	-	60,000
Plaza Liquor	140,000	-	-	-	140,000
Total transfers out	<u>\$ 209,145</u>	<u>\$ 558,399</u>	<u>\$ 249,528</u>	<u>\$ 2,462</u>	<u>\$ 1,019,534</u>

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 payments. Further, during the year ended December 31, 2015, 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 \$9,145.
- From the General fund to the TIF District #22 fund to return 2013 TIF admin fees in the amount of \$2,462.
- From the Revolving Improvement fund to the G.O. Improvement Bonds 2013A to transfer excess Phase 4 Part 1 project bond proceeds in the amount of \$343,124.
- From the Storm Water Utility fund to the Municipal State Aid fund for the 50th Avenue stormwater project in the amount of \$53,455.
- From the Storm Water Utility fund to the Revolving Improvement fund for the Boys Avenue and Evergreen Lane drainage project in the amount of \$30,988.
- From the Storm Water Utility fund to the Public Works Equipment fund for the 2015 Elgin Pelican Street Sweeper in the amount of \$165,085.

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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:

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	\$ 975,000
G.O. Improvement Bonds of 2010A	5,205,000	1.50 - 5.00	09/15/10	02/01/31	4,735,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/30	<u>1,400,000</u>
Total General Obligation Bonds					<u><u>\$ 7,110,000</u></u>

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
2016	\$ 380,000	\$ 262,200	\$ 642,200
2017	385,000	252,773	637,773
2018	390,000	242,540	632,540
2019	400,000	231,023	631,023
2020	405,000	218,265	623,265
2021 - 2025	2,220,000	869,111	3,089,111
2026 - 2030	2,555,000	386,221	2,941,221
2031	375,000	9,375	384,375
Total	<u><u>\$ 7,110,000</u></u>	<u><u>\$ 2,471,508</u></u>	<u><u>\$ 9,581,508</u></u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2007B	\$ 4,435,000	4.00 - 5.00 %	12/15/07	02/01/28	\$ 2,695,000
G.O. Improvement Bonds of 2011A	2,475,000	1.00 - 2.90	08/15/11	02/01/22	2,205,000
G.O. Improvement Bonds of 2013A	5,490,000	2.60 - 3.00	09/01/13	02/01/24	5,240,000
G.O. Improvement Bonds of 2014A	2,900,000	2.60 - 3.00	09/15/14	02/01/24	2,900,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/25	<u>1,150,000</u>
Total G.O. Improvement Bonds					<u>\$ 14,190,000</u>

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
2016	\$ 1,255,000	\$ 391,656	\$ 1,646,656
2017	1,580,000	350,899	1,930,899
2018	1,695,000	303,449	1,998,449
2019	1,510,000	258,780	1,768,780
2020	1,525,000	218,480	1,743,480
2021 - 2025	5,745,000	519,836	6,264,836
2026 - 2028	880,000	41,677	921,677
Total	<u>\$ 14,190,000</u>	<u>\$ 2,084,777</u>	<u>\$ 16,274,777</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 97,376
MNDOT Airport					
Hangar loan	93,000	4.00 - 6.11	01/01/05	12/31/22	52,209
Total G.O. Revenue Bonds and Notes					<u>\$ 149,585</u>

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

Year Ending December 31,	Loans Payable Governmental Activities		
	Principal	Interest	Total
2016	\$ 47,738	\$ 4,344	\$ 52,082
2017	48,779	3,304	52,083
2018	25,602	2,232	27,834
2019	11,855	1,262	13,117
2020	7,447	1,223	8,670
2021 - 2022	8,164	-	8,164
Total	<u>\$ 149,585</u>	<u>\$ 12,365</u>	<u>\$ 161,950</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 7,460,000	\$ -	\$ (350,000)	\$ 7,110,000	\$ 380,000
General obligation improvement bonds	15,645,000	-	(1,455,000)	14,190,000	1,255,000
Less: General obligation amount paid by the Board of Public Works	(82,530)	-	82,530	-	-
Bond discount	(18,702)	-	1,898	(16,804)	-
Bond premium	492,645	-	(58,483)	434,162	-
Total bonds payable	23,496,413	-	(1,779,055)	21,717,358	1,635,000
Hangar loan	77,269	-	(25,060)	52,209	25,060
CHAP loans	118,740	-	(21,364)	97,376	22,678
Other post employment benefits payable	634,733	100,437	-	735,170	-
Pension liability					
GERF	-	2,015,399 *	(155,679)	1,859,720	-
PEPPF	-	2,063,282 *	(245,308)	1,817,974	-
Compensated absences payable	688,197	379,336	(338,694)	728,839	298,704
Governmental activity long-term liabilities	<u>\$ 25,015,352</u>	<u>\$ 4,558,454</u>	<u>\$ (2,565,160)</u>	<u>\$ 27,008,646</u>	<u>\$ 1,981,442</u>
Business-type activities					
Other post employment benefits payable	\$ (4,167)	\$ 18,254	\$ (33,294)	\$ (19,207)	\$ -
Pension liability					
GERF	-	377,570 *	(34,719)	342,851	-
Compensated absences payable	53,105	34,085	(24,850)	62,340	25,067
Business-type activity long-term liabilities	<u>\$ 48,938</u>	<u>\$ 429,909</u>	<u>\$ (92,863)</u>	<u>\$ 385,984</u>	<u>\$ 25,067</u>

* Includes January 1, 2015 pension liability balance related to GASB Standard No. 68 implementation. See Note 7 for further details.

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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 Refunding Bonds of 2007A	\$ 6,310,000	4.00 - 4.125 %	06/15/07	12/01/24	\$ 2,790,000
Electric Utility Revenue Bonds of 2015A	5,395,000	2.00 - 3.25	12/30/15	12/01/35	<u>5,395,000</u>
Total Revenue Bonds					<u><u>\$ 8,185,000</u></u>

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

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2016	\$ 760,000	\$ 240,358	\$ 1,000,358
2017	770,000	225,760	995,760
2018	785,000	199,360	984,360
2019	395,000	172,360	567,360
2020	405,000	161,060	566,060
2021 - 2025	2,015,000	619,644	2,634,644
2026 - 2030	1,400,000	384,837	1,784,837
2031 - 2035	<u>1,655,000</u>	<u>161,718</u>	<u>1,816,718</u>
Total	<u><u>\$ 8,185,000</u></u>	<u><u>\$ 2,165,097</u></u>	<u><u>\$ 10,350,097</u></u>

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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	\$ 455,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	<u>2,704,000</u>
Total G.O. Revenue Notes					<u>\$ 3,159,000</u>

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

Year Ending December 31,	G.O. Revenue Notes		
	Principal	Interest	Total
2016	\$ 223,000	\$ 81,492	\$ 304,492
2017	229,000	75,488	304,488
2018	236,000	69,318	305,318
2019	242,000	62,959	304,959
2020	248,000	56,435	304,435
2021 - 2025	1,113,000	185,763	1,298,763
2026 - 2029	<u>868,000</u>	<u>53,717</u>	<u>921,717</u>
Total	<u>\$ 3,159,000</u>	<u>\$ 585,172</u>	<u>\$ 3,744,172</u>

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

	<u>Board of Public Works</u>
Revenues	\$ 27,165,413
Principal and interest	1,038,115
Percentage of revenues	3.8%

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
G.O. bonds	\$ 82,530	\$ -	\$ (82,530)	\$ -	\$ -
Revenue bonds	3,300,000	5,395,000	(510,000)	8,185,000	760,000
G.O. revenue notes	3,376,000	-	(217,000)	3,159,000	223,000
Bond premium	-	30,442	-	30,442	-
	6,758,530	5,425,442	(809,530)	11,374,442	983,000
Bonds payable					
Compensated absences payable	971,546	326,865	(313,295)	985,116	276,120
Pension liability					
GERF	-	2,353,565 *	(182,089)	2,171,476	-
Other postemployment benefits	153,406	29,101	(14,966)	167,541	-
	7,883,482	8,134,973	(1,319,880)	14,698,575	1,259,120
Business-type activity long-term liabilities	<u>\$ 7,883,482</u>	<u>\$ 8,134,973</u>	<u>\$ (1,319,880)</u>	<u>\$ 14,698,575</u>	<u>\$ 1,259,120</u>

* Includes January 1, 2015 pension liability related to GASB Statement No. 68 implementation. See Note 7 for further detail.

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 as 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, 2015 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	\$ 383,493
Prairie Community Services - 1999C	07/01/99	07/01/19	1,038,906	227,088
St. Mary's Church School Project - 2005A	03/22/05	03/01/30	2,800,000	2,184,244
St. Mary's Church School Project - 2005B	11/29/05	11/01/30	1,200,000	675,045
Knute Nelson - Assisted Living Facility	06/08/06	06/01/27	4,300,000	2,909,280
Alexandria Area YMCA	12/15/08	06/15/20	6,000,000	1,473,334
Knute Nelson Senior Living Campus	07/08/10	07/01/45	19,865,000	19,865,000
Knute Nelson project	07/08/10	07/08/25	4,500,000	3,104,946
ATCC Foundation	09/01/11	03/01/43	7,040,000	6,670,898

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLAN - 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 or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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 percent of average salary for each year of service.

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$191,394, \$178,473 and \$169,872, respectively. The Board of Public Works contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$196,803, \$175,557 and \$161,095, respectively. The City's and Board of Public Works contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$243,780, \$222,790 and \$192,349, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$2,202,571 for its proportionate share of the GERF's net pension liability. At December 31, 2015, the Board of Public Works reported a liability of \$2,171,476 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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 proportion 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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0425 percent which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2014. At June 30, 2015, the Board of Public Works proportionate share was 0.0419 percent which was a decrease of 0.0037 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$232,673 for its proportionate share of GERF's pension expense. For the year ended December 31, 2015, the Board of Public Works recognized pension expense of \$183,460 for its proportionate share of GERF's pension expense.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, 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:

	<u>Primary government</u>		<u>Component unit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,570	\$ 111,047	\$ 21,916	\$ 109,479
Changes in actuarial assumptions	137,024	-	133,454	-
Net difference between projected and actual earnings on plan investments	-	196,069	-	193,301
Changes in proportion	-	12,173	-	150,143
Contributions to GERF subsequent to the measurement date	<u>103,796</u>	<u>-</u>	<u>98,209</u>	<u>-</u>
Total	<u><u>\$ 261,390</u></u>	<u><u>\$ 319,289</u></u>	<u><u>\$ 253,579</u></u>	<u><u>\$ 452,923</u></u>

Deferred outflows of resources totaling \$202,005 related to pensions resulting from the City's 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	<u>Primary government</u>	<u>Component unit</u>
2016	\$ (45,009)	\$ (90,420)
2017	(45,009)	(90,420)
2018	(123,806)	(168,105)
2019	52,129	51,392
2020	-	-
Thereafter	-	-

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$1,817,974 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1600 percent which was an increase of 0.0090 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$206,503 for its proportionate share of PEPFF's pension expense. The City also recognized \$14,400 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, 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	\$ 1,826	\$ 294,816
Changes in actuarial assumptions	345,651	-
Net difference between projected and actual earnings on plan investments	-	322,763
Changes in proportion	100,613	-
Contributions to PEPFF subsequent to the measurement date	135,010	-
Total	\$ 583,100	\$ 617,579

Deferred outflows of resources totaling \$135,010 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (85,956)
2017	(85,956)
2018	(85,956)
2019	127,216
2020	(38,837)
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
GERF			
Primary government	\$ 3,463,224	\$ 2,202,571	\$ 1,161,465
Component unit	3,414,331	2,171,476	1,145,068
PEPFF	3,543,251	1,817,974	392,595

H. Pension plan fiduciary net position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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, 2014, the plan covered 30 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits provided

The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death.

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 \$129,243 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2015 were \$32,602. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension costs

At December 31, 2015, the City reported a net pension liability (asset) of (\$762,652) for the plan. The net pension liability (asset) was measured as of December 31, 2014. 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, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$98,929.

At December 31, 2015, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 130,240
Contributions to plan subsequent to the measurement date	129,243
Total	\$ 259,483

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

Deferred outflows of resources totaling \$129,243 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2016	\$	32,560
2017		32,560
2018		32,560
2019		32,560
2020		-
Thereafter		-

F. Actuarial assumptions

The total pension liability at December 31, 2014 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	5.50%
Inflation rate	2.75%
Investment rate of return	5.50%
20 year municipal bond yield	3.56%

There were no changes in actuarial assumptions in 2014.

The 5.50 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	17.88 %	5.25 %
International equity	21.34	5.25
Fixed income	38.73	1.75
Real estate and alternatives	0.58	3.75
Cash and equivalents	<u>21.47</u>	0.25
Total	<u><u>100.00</u></u> %	

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

G. Discount rate

The discount rate used to measure the total pension liability was 5.5 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.

H. 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 (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined benefit plan	\$ (691,649)	\$ (762,652)	\$ (832,353)

I. 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: 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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: 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 2015 was \$1,469,871 which accounted for 17 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, 2015 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 2015, the annual contribution was \$71,544 and the City also contributed \$6,000 for the Life Guards at Le Homme Dieu beach.

The 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 2015, 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 2015 the City paid TIF administration fees of \$47,515 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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: 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 \$50,234 and \$48,077 in matching funds to the plan for the year ended December 31, 2015 and 2014, respectively.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: OTHER INFORMATION - CONTINUED

H. Postemployment benefits other than pensions

Plan description. The City makes available to eligible retirees and their spouses a single-employer defined benefit healthcare plan. The plan offers medical coverage.

Funding policy. The City does not provide healthcare coverage for retired employees. The City is required to pay for any employee that is disabled in the line of duty. Currently, the City is paying for one disabled police officer. Rather, it allows employees who separate from City employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees' expense.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

	Primary Government	Board of Public Works	Total
Annual required contribution	\$ 160,840	\$ 31,835	\$ 192,675
Interest on net OPEB obligation	25,223	6,136	31,359
Adjustment to annual required contribution	<u>(36,466)</u>	<u>(8,870)</u>	<u>(45,336)</u>
Annual OPEB cost (expense)	149,597	29,101	178,698
Contributions made	<u>(64,200)</u>	<u>(14,966)</u>	<u>(79,166)</u>
Increase (decrease) in net OPEB obligation	85,397	14,135	99,532
Net OPEB obligation - beginning of year	<u>630,566</u>	<u>153,406</u>	<u>783,972</u>
Net OPEB obligation - end of year	<u>\$ 715,963</u>	<u>\$ 167,541</u>	<u>\$ 883,504</u>

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 6: OTHER INFORMATION - CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the preceding two fiscal years were as follows:

Primary Government

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 149,597	44.3 %	\$ 715,963
12/31/14	148,643	53.6	630,566
12/31/13	197,088	24.8	566,900

Component Unit – Board of Public Works

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 29,101	51.4 %	\$ 167,541
12/31/14	28,583	35.3	153,406
12/31/13	51,787	60.3	134,909

Funded Status and Funding Progress. As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,356,318, which was not funded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,024,284, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 39.1 percent.

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

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

For the City, in the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent initially, reduced incrementally to an ultimate rate of 5 percent after 8 years. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability was amortized as a level dollar amount over an open basis of thirty years.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: OTHER INFORMATION - CONTINUED

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

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average age of retirement and expectations of management, the retirement age for active plan members was determined on an individual level. In addition, spouses of retired employees were assumed to discontinue coverage on the plan when the retired employee reaches Medicare age.

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

Mortality - Life expectancies were based on mortality tables from the RP 2000 annuitant generational mortality projected fully generationally with Scale AA, white collar adjustment, male rates set forward five years and female rates set back three years.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The trend assumption is comprised of three elements: the initial trend rate, the grade-down period to the ultimate trend rate, and the ultimate trend rate itself. The annual increases in per capita claims costs and plan premiums are initially 7.5 percent, to an ultimate average rate increase of 5.0 percent after eight years, was used.

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

Inflation rate - The expected long-term inflation assumption is 3.00 percent.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

I. Subsequent event

On February 22, 2016 the City Council approved a bid for the Victoria Heights and Rosewood Lane Street Improvements project in the amount of \$518,633.

On March 28, 2016 the City Council approved a bid for the 8th Avenue Street Improvement project in the amount of \$842,532. They also approved a bid for the Kenwood Drive Street and Utility Improvement project in the amount of \$522,932.

On April 11, 2016 the City Council approved to enter into an agreement with Apex Arena Solutions to complete multiple energy-savings projects throughout the City in 2016 for \$5.6 million of work to be completed for an estimated \$1.76 million in debt service levy between 2022 and 2036.

On April 25, 2016 the City Council approved a bid for the 2016 Municipal State Aid Street Improvements project in the amount of \$724,619.

On July 25, 2016 the City Council approved the issuance of the 2016A General Obligation Bond for \$7,060,000 and the 2016B General Obligation Refunding Bond for \$2,465,000.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 7: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 62,916,542	\$ (2,780,546)	\$ 60,135,996
Business-type activities	\$ 862,350	\$ (350,954)	\$ 511,396
Business-type activities			
Downtown Liquor	\$ 406,862	\$ (178,525)	\$ 228,337
Plaza Liquor	455,488	(172,429)	283,059
Total business-type activities	\$ 862,350	\$ (350,954)	\$ 511,396
Component unit	\$ 54,177,915	\$ (2,381,164)	\$ 51,796,751

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

City

Required Supplementary Information							
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
06/30/15	0.0425 %	\$ 2,202,572	\$ -	\$ 2,202,572	\$ 2,454,920	89.7 %	78.2 %

Discretely presented component unit – Board of Public Works

Required Supplementary Information							
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
06/30/15	0.0419 %	\$ 2,171,475	\$ -	\$ 2,171,475	\$ 2,421,840	89.7 %	78.2 %

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

City

Required Supplementary Information					
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)
12/31/15	\$ 191,394	\$ 191,394	\$ -	\$ 2,551,920	7.5 %

Discretely presented component unit – Board of Public Works

Required Supplementary Information					
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)
12/31/15	\$ 193,803	\$ 193,803	\$ -	\$ 2,584,040	7.5 %

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Required Supplementary Information							
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
06/30/15	0.1600 %	\$ 1,817,974	-	\$ 1,817,974	\$ 1,421,679	127.9 %	86.6 %

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Required Supplementary Information						
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)	
12/31/15	\$ 243,780	\$ 243,780	-	\$ 1,504,815	16.2 %	

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios

	2015
Total pension liability	
Service cost	\$ 96,356
Interest	108,195
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	204,551
Total pension liability - January 1, 2014	1,870,832
Total pension liability - December 31, 2014 (a)	\$ 2,075,383
Plan fiduciary net position	
Contributions - employer	-
Contributions - state	161,845
Net investment income	(14,218)
Benefit payments, including refunds of employee contributions	-
Administrative expense	(10,400)
Other	-
Net change in plan fiduciary net position	137,227
Plan fiduciary net position - January 1, 2014	2,700,808
Plan fiduciary net position - December 31, 2014 (b)	\$ 2,838,035
Fire Relief's net pension liability (asset) - December 31, 2014 (a-b)	\$ (762,652)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	136.75%
Covered-employee payroll	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A

Notes to Schedule:

Benefit changes. None in 2015.

Changes of assumptions. None in 2015.

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.

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/15	\$ - *	\$ - *	-
12/31/14	161,845	161,845	-

* Information not available at the time of the audit.

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	\$ -	\$ 2,356,318	\$ 2,356,318	- %	\$ 6,024,284	39.1 %
01/01/11	-	2,737,359	2,737,359	-	5,479,129	50.0
01/01/08	-	1,204,545	1,204,545	-	5,002,353	24.1

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

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF ALEXANDRIA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	215 Crime Prevention/ Bike Safety	228 Storm Water Utility	229 Employee Benefit	231 Firemen's Relief
ASSETS				
Cash and temporary investments	\$ 2,609	\$ 354,904	\$ 15,307	\$ 65,377
Receivables				
Delinquent taxes	-	-	300	400
Accounts	-	-	-	-
Notes and loans, net of allowance	-	-	-	-
Intergovernmental	-	-	126	134,654
Due from component unit	-	49,294	-	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 2,609</u>	<u>\$ 404,198</u>	<u>\$ 15,733</u>	<u>\$ 200,431</u>
LIABILITIES				
Accounts payable	\$ -	\$ 291,210	\$ -	\$ -
Due to other governments	-	-	-	134,561
TOTAL LIABILITIES	<u>-</u>	<u>291,210</u>	<u>-</u>	<u>134,561</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	300	400
FUND BALANCES				
Restricted for				
Capital outlay	2,609	-	-	-
Economic development	-	-	-	-
Sanitary sewer operations	-	-	-	-
Committed for				
Payment of benefits	-	-	15,433	-
Firefighter's retirement obligation	-	-	-	65,470
Economic development	-	-	-	-
Storm water operations	-	112,988	-	-
TOTAL FUND BALANCES	<u>2,609</u>	<u>112,988</u>	<u>15,433</u>	<u>65,470</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,609</u>	<u>\$ 404,198</u>	<u>\$ 15,733</u>	<u>\$ 200,431</u>

234 Planning Commission Development	235 Sanitary Sewer District	245 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
\$ 96,725	\$ 116,555	\$ 78,612	\$ 1,054,313	\$ 405,084	\$ 2,189,486
100	12,400	-	-	-	13,200
-	-	-	-	10,316	10,316
-	-	-	434,964	105,444	540,408
1	5,550	-	-	357	140,688
-	-	-	-	-	49,294
-	-	-	266,225	-	266,225
<u>\$ 96,826</u>	<u>\$ 134,505</u>	<u>\$ 78,612</u>	<u>\$ 1,755,502</u>	<u>\$ 521,201</u>	<u>\$ 3,209,617</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,668	\$ 298,878
-	-	-	-	-	134,561
-	-	-	-	28,806	454,577
100	12,400	-	-	-	13,200
-	-	-	-	-	2,609
-	-	-	1,755,502	492,395	2,247,897
-	122,105	-	-	-	122,105
-	-	-	-	-	15,433
-	-	-	-	-	65,470
96,726	-	78,612	-	-	175,338
-	-	-	-	-	112,988
<u>96,726</u>	<u>122,105</u>	<u>78,612</u>	<u>1,755,502</u>	<u>492,395</u>	<u>2,741,840</u>
<u>\$ 96,826</u>	<u>\$ 134,505</u>	<u>\$ 78,612</u>	<u>\$ 1,755,502</u>	<u>\$ 521,201</u>	<u>\$ 3,209,617</u>

CITY OF ALEXANDRIA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
FOR THE YEAR ENDED DECEMBER 31, 2015

	215 Crime Prevention/ Bike Safety	228 Storm Water Utility	229 Employee Benefit	231 Firemen's Relief
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ 15,433	\$ 1,064
Tax increments	-	-	-	-
Intergovernmental				
State	-	-	2	134,561
Charges for service	-	546,455	-	-
Investment earnings	24	5,137	133	593
Other revenue				
Other	-	-	39	81
	<u>24</u>	<u>551,592</u>	<u>15,607</u>	<u>136,299</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	-	-	-	134,561
Public works	-	547,124	-	-
Economic development	-	-	-	-
Capital outlay				
Public works	-	6,829	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
	<u>-</u>	<u>553,953</u>	<u>-</u>	<u>134,561</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>24</u>	<u>(2,361)</u>	<u>15,607</u>	<u>1,738</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(464,803)	(9,145)	-
	<u>-</u>	<u>(464,803)</u>	<u>(9,145)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>-</u>	<u>(464,803)</u>	<u>(9,145)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	24	(467,164)	6,462	1,738
FUND BALANCES, JANUARY 1				
	<u>2,585</u>	<u>580,152</u>	<u>8,971</u>	<u>63,732</u>
FUND BALANCES, DECEMBER 31				
	<u>\$ 2,609</u>	<u>\$ 112,988</u>	<u>\$ 15,433</u>	<u>\$ 65,470</u>

234 Planning Commission Development	235 Sanitary Sewer District	245 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
\$ 36	\$ 638,705	\$ -	\$ -	\$ -	\$ 655,238
-	-	-	-	968,037	968,037
-	84	-	-	-	134,647
-	-	-	-	1,500	547,955
964	1,542	722	39,413	4,158	52,686
-	1,103	-	-	-	1,223
<u>1,000</u>	<u>641,434</u>	<u>722</u>	<u>39,413</u>	<u>973,695</u>	<u>2,359,786</u>
-	-	-	-	-	134,561
-	625,162	-	-	-	1,172,286
15,842	-	-	44,994	892,636	953,472
-	-	-	-	-	6,829
-	-	-	-	21,364	21,364
-	-	-	-	5,149	5,149
<u>15,842</u>	<u>625,162</u>	<u>-</u>	<u>44,994</u>	<u>919,149</u>	<u>2,293,661</u>
<u>(14,842)</u>	<u>16,272</u>	<u>722</u>	<u>(5,581)</u>	<u>54,546</u>	<u>66,125</u>
-	-	-	-	2,462	2,462
-	-	-	-	-	(473,948)
-	-	-	-	2,462	(471,486)
(14,842)	16,272	722	(5,581)	57,008	(405,361)
<u>111,568</u>	<u>105,833</u>	<u>77,890</u>	<u>1,761,083</u>	<u>435,387</u>	<u>3,147,201</u>
<u>\$ 96,726</u>	<u>\$ 122,105</u>	<u>\$ 78,612</u>	<u>\$ 1,755,502</u>	<u>\$ 492,395</u>	<u>\$ 2,741,840</u>

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CITY OF ALEXANDRIA, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and temporary investments	\$ 4,701,886	\$ 3,909,472
Receivables		
Interest	20,138	16,606
Delinquent taxes	71,700	94,400
Accounts	140,974	172,606
Special assessments	4,070	1,114
Intergovernmental	41,273	155,256
Due from other funds	44,725	26,984
Due from component unit	814,175	839,878
Prepaid items	56,708	65,300
TOTAL ASSETS	\$ 5,895,649	\$ 5,281,616
LIABILITIES		
Accounts payable	\$ 179,631	\$ 236,925
Due to other governments	41,861	62,497
Accrued salaries payable	145,069	114,640
Deposits payable	18,815	16,455
Due to other funds	1,434	3,647
Unearned revenue	389	389
TOTAL LIABILITIES	387,199	434,553
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	71,700	94,400
Unavailable revenue - special assessments	4,070	1,114
TOTAL DEFERRED INFLOWS OF RESOURCES	75,770	95,514
FUND BALANCES		
Nonspendable for		
Prepaid items	56,708	65,300
Restricted for		
Wellness	28,132	16,785
Committed for		
Wellness	9,437	11,842
Unassigned	5,338,403	4,657,622
TOTAL FUND BALANCES	5,432,680	4,751,549
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,895,649	\$ 5,281,616

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
REVENUES				
Taxes				
Property taxes	\$ 3,654,127	\$ 3,687,786	\$ 33,659	\$ 3,713,549
Franchise taxes	542,000	430,221	(111,779)	556,387
Total taxes	<u>4,196,127</u>	<u>4,118,007</u>	<u>(78,120)</u>	<u>4,269,936</u>
Payment in lieu of taxes	<u>1,100,000</u>	<u>1,047,910</u>	<u>(52,090)</u>	<u>1,071,437</u>
Special assessments	<u>-</u>	<u>2,738</u>	<u>2,738</u>	<u>472</u>
Licenses and permits				
Business licenses	61,950	78,540	16,590	65,475
Nonbusiness licenses	27,150	37,711	10,561	32,147
Building permits	350,000	551,498	201,498	425,919
Total licenses and permits	<u>439,100</u>	<u>667,749</u>	<u>228,649</u>	<u>523,541</u>
Intergovernmental				
Federal				
Other Federal grants	<u>7,500</u>	<u>12,948</u>	<u>5,448</u>	<u>37,988</u>
State				
Local government aid	1,469,781	1,469,871	90	1,463,786
Property tax credits and aids	-	486	486	398
Police aid	157,000	159,512	2,512	157,397
Fire aid	4,000	5,756	1,756	6,200
Airport maintenance	58,505	68,029	9,524	64,356
Other State aids	25,700	20,247	(5,453)	33,920
Total State	<u>1,714,986</u>	<u>1,723,901</u>	<u>8,915</u>	<u>1,726,057</u>
Total intergovernmental	<u>1,722,486</u>	<u>1,736,849</u>	<u>14,363</u>	<u>1,764,045</u>
Charges for services				
General government	170,600	197,023	26,423	165,890
Public safety	205,628	214,395	8,767	208,377
Public works	-	12,011	12,011	25,362
Culture and recreation	538,735	583,040	44,305	587,426
Total charges for services	<u>914,963</u>	<u>1,006,469</u>	<u>91,506</u>	<u>987,055</u>
Fines and forfeits	<u>121,000</u>	<u>109,146</u>	<u>(11,854)</u>	<u>133,690</u>
Investment earnings	<u>15,000</u>	<u>28,849</u>	<u>13,849</u>	<u>350,859</u>
Other revenue				
Leases	18,200	20,173	1,973	34,826
Contributions and donations	-	4,200	4,200	10,246
Other	39,000	125,611	86,611	48,154
Total other revenue	<u>57,200</u>	<u>149,984</u>	<u>92,784</u>	<u>93,226</u>
TOTAL REVENUES	<u>8,565,876</u>	<u>8,867,701</u>	<u>301,825</u>	<u>9,194,261</u>

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES				
Current				
General government				
Mayor and Council				
Personal services	\$ 47,750	\$ 44,052	\$ 3,698	\$ 43,974
Other services and charges	49,500	48,170	1,330	48,546
Total Mayor and Council	<u>97,250</u>	<u>92,222</u>	<u>5,028</u>	<u>92,520</u>
Municipal clerk				
Personal services	461,470	463,988	(2,518)	410,027
Supplies	500	441	59	41
Other services and charges	16,900	15,982	918	14,114
Total municipal clerk	<u>478,870</u>	<u>480,411</u>	<u>(1,541)</u>	<u>424,182</u>
Elections				
Personal services	-	-	-	21,003
Supplies	1,000	175	825	1,168
Other services and charges	-	-	-	3,184
Total elections	<u>1,000</u>	<u>175</u>	<u>825</u>	<u>25,355</u>
City planner				
Personal services	125,050	125,681	(631)	136,320
Other services and charges	925	194	731	111
Total city planner	<u>125,975</u>	<u>125,875</u>	<u>100</u>	<u>136,431</u>
Planning and zoning				
Personal services	3,150	3,122	28	3,122
Other services and charges	2,800	1,627	1,173	2,641
Total planning and zoning	<u>5,950</u>	<u>4,749</u>	<u>1,201</u>	<u>5,763</u>
Assessor				
Personal services	160,900	162,560	(1,660)	155,443
Other services and charges	4,700	4,044	656	2,046
Total assessor	<u>165,600</u>	<u>166,604</u>	<u>(1,004)</u>	<u>157,489</u>
Legal and accounting				
Supplies	4,000	2,675	1,325	1,721
Other services and charges	371,300	426,658	(55,358)	375,093
Total legal and accounting	<u>375,300</u>	<u>429,333</u>	<u>(54,033)</u>	<u>376,814</u>
Human resources				
Personal services	67,550	42,684	24,866	37,339
Supplies	100	234	(134)	1,866
Other services and charges	3,700	1,820	1,880	1,027
Total human resources	<u>71,350</u>	<u>44,738</u>	<u>26,612</u>	<u>40,232</u>

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES - CONTINUED				
Current - Continued				
General government - Continued				
Public transit				
Other services and charges	\$ -	\$ -	\$ -	\$ 25,000
Other general government				
Personal services	50,000	2,734	47,266	12,545
Supplies	20,000	15,454	4,546	16,989
Other services and charges	849,550	749,107	100,443	771,883
Total other general government	919,550	767,295	152,255	801,417
Total general government	2,240,845	2,111,402	129,443	2,085,203
Public safety				
Police protection				
Personal services	2,331,650	2,328,955	2,695	2,199,608
Supplies	76,700	53,113	23,587	67,477
Other services and charges	251,850	217,116	34,734	223,498
Total police protection	2,660,200	2,599,184	61,016	2,490,583
Fire protection				
Personal services	25,800	23,733	2,067	21,204
Supplies	77,900	37,205	40,695	52,874
Other services and charges	197,130	196,650	480	156,344
Total fire protection	300,830	257,588	43,242	230,422
Fire marshall				
Personal services	90,500	87,946	2,554	87,369
Other services and charges	1,500	1,899	(399)	1,172
Total fire marshall	92,000	89,845	2,155	88,541
Building inspection				
Personal services	203,050	203,867	(817)	188,851
Supplies	6,300	3,545	2,755	5,122
Other services and charges	18,460	12,758	5,702	14,916
Total building inspection	227,810	220,170	7,640	208,889
Emergency management				
Personal services	2,935	-	2,935	2,898
Other services and charges	7,900	6,683	1,217	5,279
Total emergency management	10,835	6,683	4,152	8,177
Traffic signs and signals				
Personal services	62,200	93,191	(30,991)	50,718
Supplies	26,000	17,362	8,638	24,517
Other services and charges	26,000	20,909	5,091	21,753
Total traffic signs and signals	114,200	131,462	(17,262)	96,988

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015		2014	
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES - CONTINUED				
Current - Continued				
Public safety - Continued				
Animal control				
Other services and charges	\$ 25,500	\$ 25,513	\$ (13)	\$ 24,685
Total public safety	<u>3,431,375</u>	<u>3,330,445</u>	<u>100,930</u>	<u>3,148,285</u>
Public works				
Highways, streets and alleys				
Personal services	348,750	325,064	23,686	264,677
Supplies	109,400	65,244	44,156	110,436
Other services and charges	14,800	14,649	151	12,418
Total highways, streets and alleys	<u>472,950</u>	<u>404,957</u>	<u>67,993</u>	<u>387,531</u>
Engineering				
Other services and charges	40,000	48,306	(8,306)	47,850
Blacktop repair				
Personal services	69,400	48,929	20,471	65,987
Supplies	160,000	250,890	(90,890)	117,444
Other services and charges	-	-	-	1,848
Total blacktop repair	<u>229,400</u>	<u>299,819</u>	<u>(70,419)</u>	<u>185,279</u>
Dust control				
Supplies	8,500	6,489	2,011	-
Sidewalks and curbs				
Other services and charges	21,000	25,468	(4,468)	3,896
Snow and ice control				
Personal services	144,275	56,158	88,117	115,436
Supplies	70,000	48,840	21,160	88,915
Other services and charges	23,500	12,666	10,834	16,307
Total snow and ice control	<u>237,775</u>	<u>117,664</u>	<u>120,111</u>	<u>220,658</u>
Equipment maintenance				
Personal services	48,300	79,438	(31,138)	106,581
Supplies	23,075	16,187	6,888	22,055
Other services and charges	104,000	63,880	40,120	65,302
Total equipment maintenance	<u>175,375</u>	<u>159,505</u>	<u>15,870</u>	<u>193,938</u>
Weed eradication				
Personal services	7,125	21,179	(14,054)	18,881
Supplies	12,000	15,478	(3,478)	12,586
Total weed eradication	<u>19,125</u>	<u>36,657</u>	<u>(17,532)</u>	<u>31,467</u>
Street lighting				
Other services and charges	226,000	227,552	(1,552)	226,143
Total public works	<u>1,430,125</u>	<u>1,326,417</u>	<u>103,708</u>	<u>1,296,762</u>

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES - CONTINUED				
Current - Continued				
Culture and recreation				
Recreation				
Other services and charges	\$ 77,581	\$ 77,544	\$ 37	\$ 76,060
Runestone Community Center				
Personal services	324,800	334,017	(9,217)	303,924
Supplies	24,000	22,254	1,746	21,288
Other services and charges	302,400	306,425	(4,025)	269,765
Total Runestone Community Center	651,200	662,696	(11,496)	594,977
Baseball league				
Supplies	-	4,004	(4,004)	3,703
Other services and charges	-	17,662	(17,662)	18,708
Total baseball league	-	21,666	(21,666)	22,411
Senior citizens				
Other services and charges	12,500	12,500	-	-
Parks				
Personal services	534,450	522,467	11,983	506,214
Supplies	65,200	51,213	13,987	50,923
Other services and charges	119,000	84,835	34,165	101,982
Total parks	718,650	658,515	60,135	659,119
Total culture and recreation	1,459,931	1,432,921	27,010	1,352,567
Airport				
Airport operations				
Personal services	20,600	7,821	12,779	12,594
Supplies	10,000	5,398	4,602	7,563
Other services and charges	89,000	85,766	3,234	90,495
Total airport	119,600	98,985	20,615	110,652
Total current	8,681,876	8,300,170	381,706	7,993,469

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES - CONTINUED				
Capital outlay				
General government	\$ 17,000	\$ 5,376	\$ 11,624	\$ 9,851
Public safety	38,500	65,791	(27,291)	22,551
Public works	5,500	3,938	1,562	13,056
Culture and recreation	10,000	13,814	(3,814)	14,310
Airport	3,000	4,164	(1,164)	1,039
Total capital outlay	<u>74,000</u>	<u>93,083</u>	<u>(19,083)</u>	<u>60,807</u>
TOTAL EXPENDITURES	<u>8,755,876</u>	<u>8,393,253</u>	<u>362,623</u>	<u>8,054,276</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(190,000)</u>	<u>474,448</u>	<u>664,448</u>	<u>1,139,985</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	209,145	9,145	228,642
Transfers out	<u>(10,000)</u>	<u>(2,462)</u>	<u>7,538</u>	<u>(534,814)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>190,000</u>	<u>206,683</u>	<u>16,683</u>	<u>(306,172)</u>
NET CHANGE IN FUND BALANCES	-	681,131	681,131	833,813
FUND BALANCES, JANUARY 1	<u>4,751,549</u>	<u>4,751,549</u>	-	<u>3,917,736</u>
FUND BALANCES, DECEMBER 31	<u>\$ 4,751,549</u>	<u>\$ 5,432,680</u>	<u>\$ 681,131</u>	<u>\$ 4,751,549</u>

CITY OF ALEXANDRIA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2015

	357 G.O. Municipal Bldg Refunding Bonds of 2002C	519 G.O. Improvement Bonds of 1995	521 G.O. Improvement Bonds of 1999	522 G.O. Improvement Bonds of 2002A
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Receivables				
Delinquent taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

523 G.O. Improvement Bonds of 2002B	524 G.O. Improvement Bonds of 2003A	525 G.O. Improvement Bonds of 2004A	526 G.O. Improvement Bonds of 2007B	527 G.O. Tax Abatement Bonds of 2009A	528 G.O. Improvement Bonds of 2009B	529 G.O. Capital Improvement Bonds of 2009C
\$ -	\$ -	\$ -	\$ 789,507	\$ 101,366	\$ -	\$ -
-	-	-	4,400	1,900	-	-
-	-	-	1,409,474	-	-	-
-	-	-	1,990	821	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,205,371</u>	<u>\$ 104,087</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 436	\$ 436	\$ -	\$ -
-	-	-	4,400	1,900	-	-
-	-	-	1,409,474	-	-	-
-	-	-	1,413,874	1,900	-	-
-	-	-	791,061	101,751	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,205,371</u>	<u>\$ 104,087</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALEXANDRIA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	530 G.O. Capital Improvement Bonds of 2010A	531 G.O. Improvement Bonds of 2011A	532 G.O. Improvement Refunding Bonds of 2011B	533 G.O. Improvement Bonds of 2013A
ASSETS				
Cash and temporary investments	\$ 568,600	\$ 648,395	\$ 292,893	\$ 1,762,382
Receivables				
Delinquent taxes	8,100	2,300	1,900	3,000
Special assessments	505,069	380,309	277,605	1,216,964
Intergovernmental	3,524	7,021	2,367	8,879
TOTAL ASSETS	<u>\$ 1,085,293</u>	<u>\$ 1,038,025</u>	<u>\$ 574,765</u>	<u>\$ 2,991,225</u>
LIABILITIES				
Accounts payable	\$ 2,205	\$ 436	-	\$ 436
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	8,100	2,300	1,900	3,000
Unavailable revenue - special assessments	505,069	380,309	277,605	1,216,964
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>513,169</u>	<u>382,609</u>	<u>279,505</u>	<u>1,219,964</u>
FUND BALANCES				
Restricted for debt service	<u>569,919</u>	<u>654,980</u>	<u>295,260</u>	<u>1,770,825</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,085,293</u>	<u>\$ 1,038,025</u>	<u>\$ 574,765</u>	<u>\$ 2,991,225</u>

534 G.O. Improvement Bonds of 2014A	535 G.O. Improvement Bonds of 2014B	Total
\$ 461,990	\$ 448,114	\$ 5,073,247
1,300	5,000	27,900
826,800	191,232	4,807,453
765	3,383	28,750
<u>\$ 1,290,855</u>	<u>\$ 647,729</u>	<u>\$ 9,937,350</u>
<u>\$ 436</u>	<u>\$ 436</u>	<u>\$ 4,821</u>
1,300	5,000	27,900
<u>826,800</u>	<u>191,232</u>	<u>4,807,453</u>
<u>828,100</u>	<u>196,232</u>	<u>4,835,353</u>
<u>462,319</u>	<u>451,061</u>	<u>5,097,176</u>
<u>\$ 1,290,855</u>	<u>\$ 647,729</u>	<u>\$ 9,937,350</u>

CITY OF ALEXANDRIA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2015

	357 G.O. Municipal Bldg Refunding Bonds of 2002C	519 G.O. Improvement Bonds of 1995	521 G.O. Improvement Bonds of 1999	522 G.O. Improvement Bonds of 2002A
REVENUES				
Property taxes	\$ 169	\$ -	\$ 15	\$ 370
Special assessments	-	-	-	13,086
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	<u>169</u>	<u>-</u>	<u>15</u>	<u>13,456</u>
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>169</u>	<u>-</u>	<u>15</u>	<u>13,456</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(180,372)</u>	<u>(84,550)</u>	<u>(3,054)</u>	<u>(93,943)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(180,372)</u>	<u>(84,550)</u>	<u>(3,054)</u>	<u>(93,943)</u>
NET CHANGE IN FUND BALANCES	(180,203)	(84,550)	(3,039)	(80,487)
FUND BALANCES, JANUARY 1	<u>180,203</u>	<u>84,550</u>	<u>3,039</u>	<u>80,487</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

523 G.O. Improvement Bonds of 2002B	524 G.O. Improvement Bonds of 2003A	525 G.O. Improvement Bonds of 2004A	526 G.O. Improvement Bonds of 2007B	527 G.O. Tax Abatement Bonds of 2009A	528 G.O. Improvement Bonds of 2009B	529 G.O. Capital Improvement Bonds of 2009C
\$ 382	\$ 153	\$ 89	\$ 229,500	\$ 95,217	\$ 1,038	\$ 2,464
3,634	1,068	83,392	16,271	-	61,195	-
-	-	-	-	-	-	-
-	-	-	30	13	-	-
-	-	-	4,071	449	-	-
-	-	-	375	151	124	215
<u>4,016</u>	<u>1,221</u>	<u>83,481</u>	<u>250,247</u>	<u>95,830</u>	<u>62,357</u>	<u>2,679</u>
-	-	-	300,000	45,000	-	-
<u>1,650</u>	<u>-</u>	<u>-</u>	<u>126,661</u>	<u>40,289</u>	<u>-</u>	<u>-</u>
<u>1,650</u>	<u>-</u>	<u>-</u>	<u>426,661</u>	<u>85,289</u>	<u>-</u>	<u>-</u>
<u>2,366</u>	<u>1,221</u>	<u>83,481</u>	<u>(176,414)</u>	<u>10,541</u>	<u>62,357</u>	<u>2,679</u>
446,141	-	-	215,275	-	-	-
<u>-</u>	<u>(219,208)</u>	<u>(815,149)</u>	<u>-</u>	<u>-</u>	<u>(323,892)</u>	<u>(122,284)</u>
<u>446,141</u>	<u>(219,208)</u>	<u>(815,149)</u>	<u>215,275</u>	<u>-</u>	<u>(323,892)</u>	<u>(122,284)</u>
448,507	(217,987)	(731,668)	38,861	10,541	(261,535)	(119,605)
<u>(448,507)</u>	<u>217,987</u>	<u>731,668</u>	<u>752,200</u>	<u>91,210</u>	<u>261,535</u>	<u>119,605</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,061</u>	<u>\$ 101,751</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALEXANDRIA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	530 G.O. Capital Improvement Bonds of 2010A	531 G.O. Improvement Bonds of 2011A	532 G.O. Improvement Refunding Bonds of 2011B	533 G.O. Improvement Bonds of 2013A
REVENUES				
Property taxes	\$ 400,813	\$ 191,015	\$ 4,865	\$ 216,734
Special assessments	-	78,100	4,547	304,147
Intergovernmental				
Federal	63,768	-	-	-
State	53	-	26	29
Investment earnings	3,021	4,483	2,114	10,409
Miscellaneous	659	-	123,456	177
TOTAL REVENUES	<u>468,314</u>	<u>273,598</u>	<u>135,008</u>	<u>531,496</u>
EXPENDITURES				
Debt service				
Principal	235,000	90,000	640,000	250,000
Interest and other	197,798	49,144	11,950	159,392
TOTAL EXPENDITURES	<u>432,798</u>	<u>139,144</u>	<u>651,950</u>	<u>409,392</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,516</u>	<u>134,454</u>	<u>(516,942)</u>	<u>122,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	581,127	-	815,149	343,124
Transfers out	(446,141)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>134,986</u>	<u>-</u>	<u>815,149</u>	<u>343,124</u>
NET CHANGE IN FUND BALANCES	170,502	134,454	298,207	465,228
FUND BALANCES, JANUARY 1	<u>399,417</u>	<u>520,526</u>	<u>(2,947)</u>	<u>1,305,597</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 569,919</u></u>	<u><u>\$ 654,980</u></u>	<u><u>\$ 295,260</u></u>	<u><u>\$ 1,770,825</u></u>

534 G.O. Improvement Bonds of 2014A	535 G.O. Improvement Bonds of 2014B	Total
\$ 105,166	\$ 287,547	\$ 1,535,537
323,700	4,200	893,340
-	-	63,768
-	-	151
1,480	2,318	28,345
-	-	125,157
<u>430,346</u>	<u>294,065</u>	<u>2,646,298</u>
-	245,000	1,805,000
<u>56,757</u>	<u>53,297</u>	<u>696,938</u>
<u>56,757</u>	<u>298,297</u>	<u>2,501,938</u>
<u>373,589</u>	<u>(4,232)</u>	<u>144,360</u>
-	446,176	2,846,992
-	-	<u>(2,288,593)</u>
-	<u>446,176</u>	<u>558,399</u>
373,589	441,944	702,759
<u>88,730</u>	<u>9,117</u>	<u>4,394,417</u>
<u>\$ 462,319</u>	<u>\$ 451,061</u>	<u>\$ 5,097,176</u>

CITY OF ALEXANDRIA, MINNESOTA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2015

	230	232	233	237	238
	Fire Equipment	Park Equipment	Park Development	RCC Equipment	Public Works Equipment
ASSETS					
Cash and temporary investments	\$ 503,057	\$ -	\$ 25,211	\$ 16,381	\$ 141,632
Receivables					
Delinquent taxes	-	-	-	-	700
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	226
Prepaid items	59,854	-	-	-	-
TOTAL ASSETS	<u>\$ 562,911</u>	<u>\$ -</u>	<u>\$ 25,211</u>	<u>\$ 16,381</u>	<u>\$ 142,558</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-
Due to other governments	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	-	-	-	-	700
Unavailable revenue - special assessments	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
FUND BALANCES					
Nonspendable for					
Prepaid items	59,854	-	-	-	-
Restricted for					
Capital outlay	503,057	-	25,211	-	-
Committed for					
Capital outlay	-	-	-	16,381	141,858
Assigned for					
Capital outlay	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>562,911</u>	<u>-</u>	<u>25,211</u>	<u>16,381</u>	<u>141,858</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 562,911</u>	<u>\$ -</u>	<u>\$ 25,211</u>	<u>\$ 16,381</u>	<u>\$ 142,558</u>

239	240	401	402	403	406	514	Total Capital Projects
Police Equipment	IT Equipment	Capital Improvement	Municipal State Aid	Street Reconstruction	Airport Development	Revolving Improvement	
\$ 49,662	\$ 13,473	\$ 928,258	\$ (3,481,487)	\$ 62,227	\$ (185,136)	\$ 2,500,777	\$ 574,055
400	400	1,900	1,100	700	-	-	5,200
-	-	10,185	-	-	26,170	-	36,355
-	-	-	-	-	-	1,380,790	1,380,790
149	173	800	1,572,113	409	-	8,772	1,582,642
-	-	-	-	-	-	-	59,854
<u>\$ 50,211</u>	<u>\$ 14,046</u>	<u>\$ 941,143</u>	<u>\$ (1,908,274)</u>	<u>\$ 63,336</u>	<u>\$ (158,966)</u>	<u>\$ 3,890,339</u>	<u>\$ 3,638,896</u>
\$ -	\$ -	\$ 167,562	\$ 163,106	\$ 8,280	\$ 6,018	\$ 193,042	\$ 538,008
-	-	-	216,050	-	1,738	-	217,788
-	-	-	9,784	-	-	-	9,784
-	-	167,562	388,940	8,280	7,756	193,042	765,580
400	400	1,900	1,100	700	-	-	5,200
-	-	-	-	-	-	1,380,790	1,380,790
400	400	1,900	1,100	700	-	1,380,790	1,385,990
-	-	-	-	-	-	-	59,854
-	-	-	-	-	-	-	528,268
49,811	13,646	771,681	-	54,207	-	2,210,295	3,257,879
-	-	-	-	149	-	106,212	106,361
-	-	-	(2,298,314)	-	(166,722)	-	(2,465,036)
49,811	13,646	771,681	(2,298,314)	54,356	(166,722)	2,316,507	1,487,326
<u>\$ 50,211</u>	<u>\$ 14,046</u>	<u>\$ 941,143</u>	<u>\$ (1,908,274)</u>	<u>\$ 63,336</u>	<u>\$ (158,966)</u>	<u>\$ 3,890,339</u>	<u>\$ 3,638,896</u>

CITY OF ALEXANDRIA, MINNESOTA
 CAPITAL PROJECTS FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2015

	230	232	233	237	238
	Fire Equipment	Park Equipment	Park Development	RCC Equipment	Public Works Equipment
REVENUES					
Taxes	\$ 16	\$ 65	\$ -	\$ 26	\$ 30,325
Special assessments	-	-	-	-	-
Intergovernmental					
Federal	-	-	-	-	-
State	-	-	-	-	-
County	-	-	-	-	-
Charges for services	132,807	-	-	-	-
Investment earnings	3,986	-	560	150	1,224
Other revenue	550	3,330	12,449	-	-
TOTAL REVENUES	137,359	3,395	13,009	176	31,549
EXPENDITURES					
Current					
Public works	-	-	-	-	-
Airport	-	-	-	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	29,171	-	-	-	-
Public works	-	-	-	-	195,985
Culture and recreation	-	-	56,790	-	-
Airport	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
TOTAL EXPENDITURES	29,171	-	56,790	-	195,985
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	108,188	3,395	(43,781)	176	(164,436)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	1,777	-	-	-	4,750
Transfers in	-	-	-	-	280,874
Transfers out	-	(115,789)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,777	(115,789)	-	-	285,624
NET CHANGE IN FUND BALANCES	109,965	(112,394)	(43,781)	176	121,188
FUND BALANCES, JANUARY 1	452,946	112,394	68,992	16,205	20,670
FUND BALANCES, DECEMBER 31	<u>\$ 562,911</u>	<u>\$ -</u>	<u>\$ 25,211</u>	<u>\$ 16,381</u>	<u>\$ 141,858</u>

239	240	401	402	403	406	514	Total Capital Projects
Police Equipment	IT Equipment	Capital Improvement	Municipal State Aid	Street Reconstruction	Airport Development	Revolving Improvement	
\$ 20,228	\$ 20,708	\$ 101,699	\$ 50,863	\$ 50,423	\$ -	\$ -	\$ 274,353
-	-	-	-	-	-	579,642	579,642
-	-	2,047	902,420	-	-	-	904,467
-	3	13	1,489,073	-	-	-	1,489,089
-	-	-	100,000	-	-	-	100,000
-	-	-	-	-	98,987	-	231,794
335	68	-	-	149	-	40,308	46,780
-	-	161	1,663,526	-	-	-	1,680,016
<u>20,563</u>	<u>20,779</u>	<u>103,920</u>	<u>4,205,882</u>	<u>50,572</u>	<u>98,987</u>	<u>619,950</u>	<u>5,306,141</u>
-	-	983	-	-	-	5,142	6,125
-	-	-	-	-	6,976	-	6,976
-	19,083	10,000	-	-	-	-	29,083
1,369	-	17,145	-	-	-	-	47,685
-	-	2,000	3,731,105	46,098	-	3,592,953	7,568,141
-	-	177,838	-	-	-	-	234,628
-	-	-	-	-	59,089	-	59,089
-	-	-	-	-	25,060	-	25,060
<u>1,369</u>	<u>19,083</u>	<u>207,966</u>	<u>3,731,105</u>	<u>46,098</u>	<u>91,125</u>	<u>3,598,095</u>	<u>7,976,787</u>
<u>19,194</u>	<u>1,696</u>	<u>(104,046)</u>	<u>474,777</u>	<u>4,474</u>	<u>7,862</u>	<u>(2,978,145)</u>	<u>(2,670,646)</u>
-	-	26,997	-	-	-	-	33,524
-	-	-	64,322	49,882	-	30,988	426,066
-	-	(10,867)	(49,882)	-	-	(343,124)	(519,662)
-	-	16,130	14,440	49,882	-	(312,136)	(60,072)
19,194	1,696	(87,916)	489,217	54,356	7,862	(3,290,281)	(2,730,718)
<u>30,617</u>	<u>11,950</u>	<u>859,597</u>	<u>(2,787,531)</u>	<u>-</u>	<u>(174,584)</u>	<u>5,606,788</u>	<u>4,218,044</u>
<u>\$ 49,811</u>	<u>\$ 13,646</u>	<u>\$ 771,681</u>	<u>\$ (2,298,314)</u>	<u>\$ 54,356</u>	<u>\$ (166,722)</u>	<u>\$ 2,316,507</u>	<u>\$ 1,487,326</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2015

	390 EDA Development Fund	388 TIF District #12	392 TIF District #15
ASSETS			
Cash and temporary investments	\$ 29,997	\$ 7,632	\$ 666
Receivables			
Accounts	3,150	-	-
Notes, net of allowance	-	-	-
Intergovernmental	-	-	-
	\$ 33,147	\$ 7,632	\$ 666
TOTAL ASSETS			
	\$ 33,147	\$ 7,632	\$ 666
LIABILITIES			
Accounts payable	\$ 7,668	\$ -	\$ -
Due to other funds	-	-	-
	7,668	-	-
TOTAL LIABILITIES			
	7,668	-	-
FUND BALANCES			
Restricted for economic development	25,479	7,632	666
	25,479	7,632	666
TOTAL LIABILITIES AND FUND BALANCES			
	\$ 33,147	\$ 7,632	\$ 666

393 TIF District #16	394 TIF District #17	395 TIF District #18	397 TIF District #21	398 TIF District #22	399 TIF District #23	295 TIF District #25
\$ 3,919	\$ 34,962	\$ -	\$ -	\$ 261	\$ 10,442	\$ -
-	7,166	-	-	-	-	-
-	-	-	-	-	-	8,290
-	-	-	-	-	-	-
<u>\$ 3,919</u>	<u>\$ 42,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 10,442</u>	<u>\$ 8,290</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	21,138
-	-	-	-	-	-	21,138
3,919	42,128	-	-	261	10,442	(12,848)
<u>\$ 3,919</u>	<u>\$ 42,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 10,442</u>	<u>\$ 8,290</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	294 TIF District #26	293 TIF District #27	292 TIF District #29
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 195,983	\$ 323	\$ 913
Receivables			
Accounts	-	-	-
Notes, net of allowance	97,154	-	-
Intergovernmental	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 293,137</u></u>	<u><u>\$ 323</u></u>	<u><u>\$ 913</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	-	-
FUND BALANCES			
Restricted for economic development	<u>293,137</u>	<u>323</u>	<u>913</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 293,137</u></u>	<u><u>\$ 323</u></u>	<u><u>\$ 913</u></u>

289 TIF District #32	288 TIF District #33	287 TIF District #34	286 TIF District #36	285 TIF District #37	284 TIF District #38	283 TIF District #39
\$ 1,395	\$ -	\$ -	\$ 757	\$ 5,213	\$ 52	\$ 6,657
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	357
<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757</u>	<u>\$ 5,213</u>	<u>\$ 52</u>	<u>\$ 7,014</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,395	-	-	757	5,213	52	7,014
<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757</u>	<u>\$ 5,213</u>	<u>\$ 52</u>	<u>\$ 7,014</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	282 TIF District #40	281 TIF District #41	279 TIF District #42	278 TIF District #43
ASSETS				
Cash and temporary investments	\$ 19	\$ 137	\$ 33,225	\$ 42
Receivables				
Accounts	-	-	-	-
Notes, net of allowance	-	-	-	-
Intergovernmental	-	-	-	-
	<u>\$ 19</u>	<u>\$ 137</u>	<u>\$ 33,225</u>	<u>\$ 42</u>
TOTAL ASSETS	<u>\$ 19</u>	<u>\$ 137</u>	<u>\$ 33,225</u>	<u>\$ 42</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for economic development	<u>19</u>	<u>137</u>	<u>33,225</u>	<u>42</u>
	<u>\$ 19</u>	<u>\$ 137</u>	<u>\$ 33,225</u>	<u>\$ 42</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19</u>	<u>\$ 137</u>	<u>\$ 33,225</u>	<u>\$ 42</u>

280 TIF District #44	277 TIF District #45	276 TIF District #46	275 TIF District #47	274 TIF District #48	273 TIF District #49	Total
\$ -	\$ 2,066	\$ 2,134	\$ 68,202	\$ 2	\$ 85	\$ 405,084
-	-	-	-	-	-	10,316
-	-	-	-	-	-	105,444
-	-	-	-	-	-	357
<u>\$ -</u>	<u>\$ 2,066</u>	<u>\$ 2,134</u>	<u>\$ 68,202</u>	<u>\$ 2</u>	<u>\$ 85</u>	<u>\$ 521,201</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,668
-	-	-	-	-	-	21,138
-	-	-	-	-	-	28,806
-	2,066	2,134	68,202	2	85	492,395
<u>\$ -</u>	<u>\$ 2,066</u>	<u>\$ 2,134</u>	<u>\$ 68,202</u>	<u>\$ 2</u>	<u>\$ 85</u>	<u>\$ 521,201</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FINANCING FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2015

	390 EDA Development Fund	388 TIF District #12	392 TIF District #15
REVENUES			
Tax increments	\$ 38,116	\$ 13,306	\$ 3,926
Charges for services	1,500	-	-
Investment earnings	242	131	10
TOTAL REVENUES	<u>39,858</u>	<u>13,437</u>	<u>3,936</u>
EXPENDITURES			
Current			
Economic development	24,701	24,406	3,805
Debt service			
Principal	-	-	-
Interest and other	-	-	-
TOTAL EXPENDITURES	<u>24,701</u>	<u>24,406</u>	<u>3,805</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,157	(10,969)	131
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	15,157	(10,969)	131
FUND BALANCES, JANUARY 1	<u>10,322</u>	<u>18,601</u>	<u>535</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 25,479</u></u>	<u><u>\$ 7,632</u></u>	<u><u>\$ 666</u></u>

393 TIF District #16	394 TIF District #17	395 TIF District #18	397 TIF District #21	398 TIF District #22	399 TIF District #23	295 TIF District #25
\$ 11,355	\$ 57,330	\$ 11,888	\$ 2,971	\$ 26,407	\$ 59,534	\$ 6,129
-	-	-	-	-	-	-
38	470	-	-	262	130	-
<u>11,393</u>	<u>57,800</u>	<u>11,888</u>	<u>2,971</u>	<u>26,669</u>	<u>59,664</u>	<u>6,129</u>
11,211	51,806	14,447	4,434	71,571	56,632	2,345
-	-	-	-	-	-	5,179
-	-	-	-	-	-	1,272
<u>11,211</u>	<u>51,806</u>	<u>14,447</u>	<u>4,434</u>	<u>71,571</u>	<u>56,632</u>	<u>8,796</u>
182	5,994	(2,559)	(1,463)	(44,902)	3,032	(2,667)
-	-	-	-	2,462	-	-
182	5,994	(2,559)	(1,463)	(42,440)	3,032	(2,667)
<u>3,737</u>	<u>36,134</u>	<u>2,559</u>	<u>1,463</u>	<u>42,701</u>	<u>7,410</u>	<u>(10,181)</u>
<u>\$ 3,919</u>	<u>\$ 42,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 10,442</u>	<u>\$ (12,848)</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FINANCING FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	294 TIF District #26	293 TIF District #27	292 TIF District #29
REVENUES			
Tax increments	\$ 71,177	\$ 5,326	\$ 14,184
Charges for services	-	-	-
Investment earnings	1,494	10	23
TOTAL REVENUES	<u>72,671</u>	<u>5,336</u>	<u>14,207</u>
EXPENDITURES			
Current			
Economic development	16,594	5,401	13,841
Debt service			
Principal	16,185	-	-
Interest and other	3,877	-	-
TOTAL EXPENDITURES	<u>36,656</u>	<u>5,401</u>	<u>13,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36,015	(65)	366
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	36,015	(65)	366
FUND BALANCES, JANUARY 1	<u>257,122</u>	<u>388</u>	<u>547</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 293,137</u></u>	<u><u>\$ 323</u></u>	<u><u>\$ 913</u></u>

289 TIF District #32	288 TIF District #33	287 TIF District #34	286 TIF District #36	285 TIF District #37	284 TIF District #38	283 TIF District #39
\$ 13,214	\$ 14,166	\$ 9,349	\$ 14,157	\$ 14,209	\$ 65,081	\$ 6,039
-	-	-	-	-	-	-
26	-	-	41	97	-	68
<u>13,240</u>	<u>14,166</u>	<u>9,349</u>	<u>14,198</u>	<u>14,306</u>	<u>65,081</u>	<u>6,107</u>
12,967	14,333	9,349	15,817	17,576	65,156	5,939
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>12,967</u>	<u>14,333</u>	<u>9,349</u>	<u>15,817</u>	<u>17,576</u>	<u>65,156</u>	<u>5,939</u>
273	(167)	-	(1,619)	(3,270)	(75)	168
-	-	-	-	-	-	-
273	(167)	-	(1,619)	(3,270)	(75)	168
<u>1,122</u>	<u>167</u>	<u>-</u>	<u>2,376</u>	<u>8,483</u>	<u>127</u>	<u>6,846</u>
<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757</u>	<u>\$ 5,213</u>	<u>\$ 52</u>	<u>\$ 7,014</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FINANCING FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	282 TIF District #40	281 TIF District #41	279 TIF District #42
REVENUES			
Tax increments	\$ 14,660	\$ 107,473	\$ 148,533
Charges for services	-	-	-
Investment earnings	19	136	492
TOTAL REVENUES	<u>14,679</u>	<u>107,609</u>	<u>149,025</u>
EXPENDITURES			
Current			
Economic development	14,684	107,504	148,607
Debt service			
Principal	-	-	-
Interest and other	-	-	-
TOTAL EXPENDITURES	<u>14,684</u>	<u>107,504</u>	<u>148,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5)	105	418
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	(5)	105	418
FUND BALANCES, JANUARY 1	<u>24</u>	<u>32</u>	<u>32,807</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 19</u></u>	<u><u>\$ 137</u></u>	<u><u>\$ 33,225</u></u>

278 TIF District #43	280 TIF District #44	277 TIF District #45	276 TIF District #46	275 TIF District #47	274 TIF District #48	273 TIF District #49	Total
\$ 32,878	\$ 28,533	\$ 11,110	\$ 11,959	\$ 64,356	\$ 6,032	\$ 84,639	\$ 968,037
-	-	-	-	-	-	-	1,500
42	-	23	24	293	2	85	4,158
<u>32,920</u>	<u>28,533</u>	<u>11,133</u>	<u>11,983</u>	<u>64,649</u>	<u>6,034</u>	<u>84,724</u>	<u>973,695</u>
32,883	28,533	10,074	10,838	6,511	6,032	84,639	892,636
-	-	-	-	-	-	-	21,364
-	-	-	-	-	-	-	5,149
<u>32,883</u>	<u>28,533</u>	<u>10,074</u>	<u>10,838</u>	<u>6,511</u>	<u>6,032</u>	<u>84,639</u>	<u>919,149</u>
37	-	1,059	1,145	58,138	2	85	54,546
-	-	-	-	-	-	-	2,462
37	-	1,059	1,145	58,138	2	85	57,008
5	-	1,007	989	10,064	-	-	435,387
<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 2,066</u>	<u>\$ 2,134</u>	<u>\$ 68,202</u>	<u>\$ 2</u>	<u>\$ 85</u>	<u>\$ 492,395</u>

CITY OF ALEXANDRIA, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 7,551,172	\$ 7,228,698	4.46 %
Payment in lieu of taxes	1,047,910	1,066,692	(1.76)
Special assessments	1,475,720	1,944,190	(24.10)
Licenses and permits	667,749	487,356	37.01
Intergovernmental	4,428,971	3,779,481	17.18
Charges for services	1,786,218	1,728,533	3.34
Fines and forfeits	109,146	109,684	(0.49)
Investment earnings (loss)	156,660	(233,099)	N/A
Miscellaneous	1,956,380	561,130	248.65
TOTAL REVENUES	\$ 19,179,926	\$ 16,672,665	15.04 %
Per Capita	\$ 1,438	\$ 1,278	12.49 %
EXPENDITURES			
Current			
General government	\$ 2,111,402	\$ 2,156,129	(2.07) %
Public safety	3,465,006	2,932,131	18.17
Public works	2,504,828	1,683,874	48.75
Public transit	-	25,000	(100.00)
Culture and recreation	1,432,921	1,322,086	8.38
Economic development	953,472	-	N/A
Miscellaneous	105,961	2,790,852	(96.20)
Capital outlay			
General government	34,459	-	N/A
Public safety	113,476	104,500	8.59
Public works	7,578,908	7,801,664	(2.86)
Culture and recreation	248,442	183,591	35.32
Miscellaneous	63,253	470,222	(86.55)
Debt service			
Principal	1,851,424	1,974,872	(6.25)
Interest and other charges	702,087	668,511	5.02
TOTAL EXPENDITURES	\$ 21,165,639	\$ 22,113,432	(4.29) %
Per Capita	\$ 1,587	\$ 1,695	(6.40) %
Total Long-term Indebtedness	\$ 21,449,585	\$ 23,218,479	(7.62) %
Per Capita	1,608	1,780	(9.66)
General Fund Balance - December 31	\$ 5,432,680	\$ 4,751,549	14.33 %
Per Capita	407	364	11.81

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.

**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2016.

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.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
August 11, 2016



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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 11, 2016.

The City's basic financial statements include the operations of Alexandria Light and Power for the year ended December 31, 2015. 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, Responses and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

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 other 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, Responses and Questioned Costs. 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
August 11, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Alexandria, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Alexandria's, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

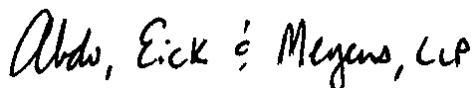
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Responses as item 2015-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
August 11, 2016

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CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF EXPENDITURE OF FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Funding Source	Administering Department	Program Name	Catalog of Federal Domestic Assistance Number	Expended Directly
U.S. Department of Justice Direct Programs	Bureau of Justice Assistance	Bulletproof Vest Partnership Program	16.607	\$ 2,798
U.S. Department of Transportation	Federal Highway Administration	Highway Planning and Construction	20.205	904,467
U.S. Department of Transportation	National Highway Traffic Safety Administration	State and Community Highway Safety	20.600	2,966
U.S. Department of Transportation	National Highway Traffic Safety Administration	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	5,998
U.S. Department of Transportation	National Highway Traffic Safety Administration	National Priority Safety Programs	20.616	<u>5,392</u>
	Total Expended			<u>\$ 921,621</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1: Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Alexandria, Minnesota, (the City) for the year ended December 31, 2015. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of significant accounting policies for expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through entity identifying numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect cost rate

During the year ended December 31, 2015, the City did not elect to use the 10 percent de minimis indirect cost rate.

CITY OF ALEXANDRIA, MINNESOTA
 SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	CFDA No.
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding Description

2015-001 **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 payroll

Cause: As a result of the small number of staff, the Administrative Assistant sets up and maintains employee records, runs the payroll, prepares the checks, issues check to employees and/or initiate the payroll transfer for direct deposit, prepares payroll tax returns, and maintains payroll records.

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 monitor all financial information. Additional controls might include having someone other than the Administrative Assistant or Finance Director maintain and control checks and issue checks or initiate the payroll transfer for direct deposit.

Management response:

The City has already taken measures to attempt to comply even though the number of Finance staff they employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. Staff procedures include a review of the payroll registers by the Finance Director before issuance of the payroll checks to employees. Posting of the payroll journals to the City's general ledgers is done by the Finance Director.

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding Description

2015-001 **Segregation of duties - Continued**

Internal control over disbursements

Cause: As a result of the small number of staff, the Finance Clerk maintains control of the check stock, sets up and maintains vendors, matches invoices to purchase orders and receiving reports, prepares checks, mails checks to vendors, maintains the accounts payable records, and posts transactions to the general ledger.

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 monitor all financial information. Additional controls might include having someone other than the Finance Clerk or Finance Director maintain and control checks and mail checks to vendors.

Management response:

The City has already taken measures to attempt to comply even though the number of Finance staff they employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. Staff procedures include the Finance Director's daily on-line review of activity in the bank accounts. The Finance Directors also reviews the cancelled checks received with the bank statements for items such as voided checks and inconsistencies in the check number sequence and unusual payees. The City's check stock is kept in the vault which is locked at the end of each business day. Each month the City Council approves the disbursements and is provided a review of financial information and budget comparisons.

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.

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 attempt to comply even though the number of Finance staff they employ is limited. 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 Finance Director receives investment statements in the mail, 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 attempt to comply even though the number of Finance staff they employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. Staff procedures 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.8-11-14). The Council receives a monthly investment report.