

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF ALEXANDRIA, MINNESOTA
 ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Page No.
INTRODUCTORY SECTION	
Elected and Appointed Officials	9
 FINANCIAL SECTION	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	39
Statement of Revenues, Expenditures and Changes in Fund Balances	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	42
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	43
Proprietary Funds	
Statement of Net Position	44
Statement of Revenues, Expenses and Changes in Net Position	45
Statement of Cash Flows	46
Notes to the Financial Statements	47
 Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	94
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	94
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	95
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	95
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	96
Schedule of Employer's Fire Relief Association Contributions	97
Schedule of Employer's Funding Progress for Other Postemployment Benefit Plan	97

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CITY OF ALEXANDRIA, MINNESOTA
 ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Page No.
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Special Revenue Funds	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	102
General Fund	
Comparative Balance Sheets	105
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	106
Debt Service Funds	
Combining Balance Sheet	112
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	114
Capital Projects Funds	
Combining Balance Sheet	116
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	118
Tax Increment Financing Funds	
Combining Balance Sheet	120
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	126
Summary Financial Report -	
Revenues and Expenditures for General Operations - Governmental Funds	132
 SINGLE AUDIT AND OTHER REQUIRED REPORTS	
Independent Auditor's Report on	
Minnesota Legal Compliance	135
Independent Auditor's Report on Internal	
Control Over Financial Reporting and on	
Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in	
Accordance with <i>Government Auditing Standards</i>	136
Independent Auditor's Report on Compliance	
For Each Major Program and Report on Internal Control Over	
Compliance Required by the Uniform Guidance	138
Schedules of Expenditures of Federal Awards	140
Notes to Schedule of Expenditures of Federal Awards	141
Schedule of Findings, Responses and Questioned Costs	142
Corrective Action Plans	146
Schedule of Prior Year Findings	148

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INTRODUCTORY SECTION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF ALEXANDRIA, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

ELECTED

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

APPOINTED

Martin Schultz	City Administrator
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, 2016

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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, 2016, 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, 2016, 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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Other Matters

Required Supplementary Information

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

Other Information

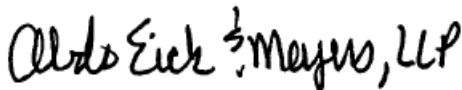
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 September 26, 2017, 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
Mankato, Minnesota
September 26, 2017

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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, 2016.

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 \$66,382,803 (net position). Of this amount, \$1,495,111 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$433,803, compared to an increase of \$5,301,608 in the previous year. Of this increase, business-type activities (enterprise funds) had a decrease of \$1,595 and governmental activities had an increase of \$435,398, 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 \$16,967,243, an increase of \$2,208,221 in comparison with a decrease of \$2,730,718 the prior year. The major increase was due to the 2016B Refunding Bond proceeds that have not been defeased of \$2,465,000. Approximately 24.4 percent the total fund balance, \$4,138,730, 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

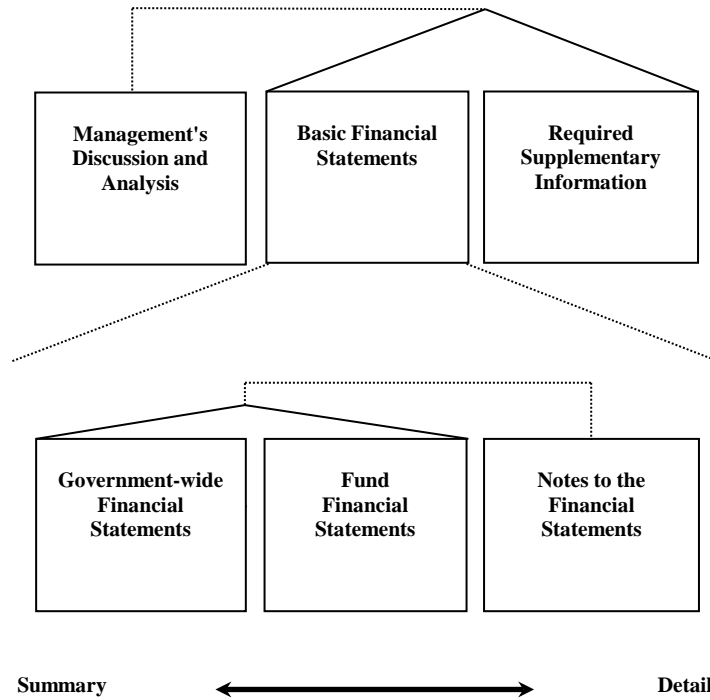


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 35 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 44 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 47 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 99 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$66,382,803 at the close of the most recent fiscal year.

A large portion of the City's net position (78.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Alexandria's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	\$ 24,586,114	\$ 23,421,592	\$ 1,164,522	\$ 748,210	\$ 819,565	\$ (71,355)
Capital assets	79,262,754	70,559,837	8,702,917	633,155	509,833	123,322
Total assets	103,848,868	93,981,429	9,867,439	1,381,365	1,329,398	51,967
Deferred outflows of resources	6,745,005	1,063,285	5,681,720	212,654	40,688	171,966
Long-term liabilities outstanding	41,710,604	27,008,646	14,701,958	621,114	385,984	235,130
Other liabilities	1,946,727	1,845,100	101,627	281,306	289,202	(7,896)
Total liabilities	43,657,331	28,853,746	14,803,585	902,420	675,186	227,234
Deferred inflows of resources	1,197,344	887,168	310,176	47,994	49,700	(1,706)
Net position						
Net investment in capital assets	51,751,336	48,842,479	2,908,857	548,820	509,833	38,987
Restricted	12,587,536	12,606,045	(18,509)	-	-	-
Unrestricted	1,400,326	3,855,276	(2,454,950)	94,785	135,367	(40,582)
Total net position	\$ 65,739,198	\$ 65,303,800	\$ 435,398	\$ 643,605	\$ 645,200	\$ (1,595)

An additional portion of the City's net position (19.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (2.3 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 \$1,595 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 21.7 percent, down from 23.5 in 2015.

The City's total net position increased by \$433,803, compared to an increase of \$5,301,608 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$1,595 while governmental activities had an increase of \$435,398.

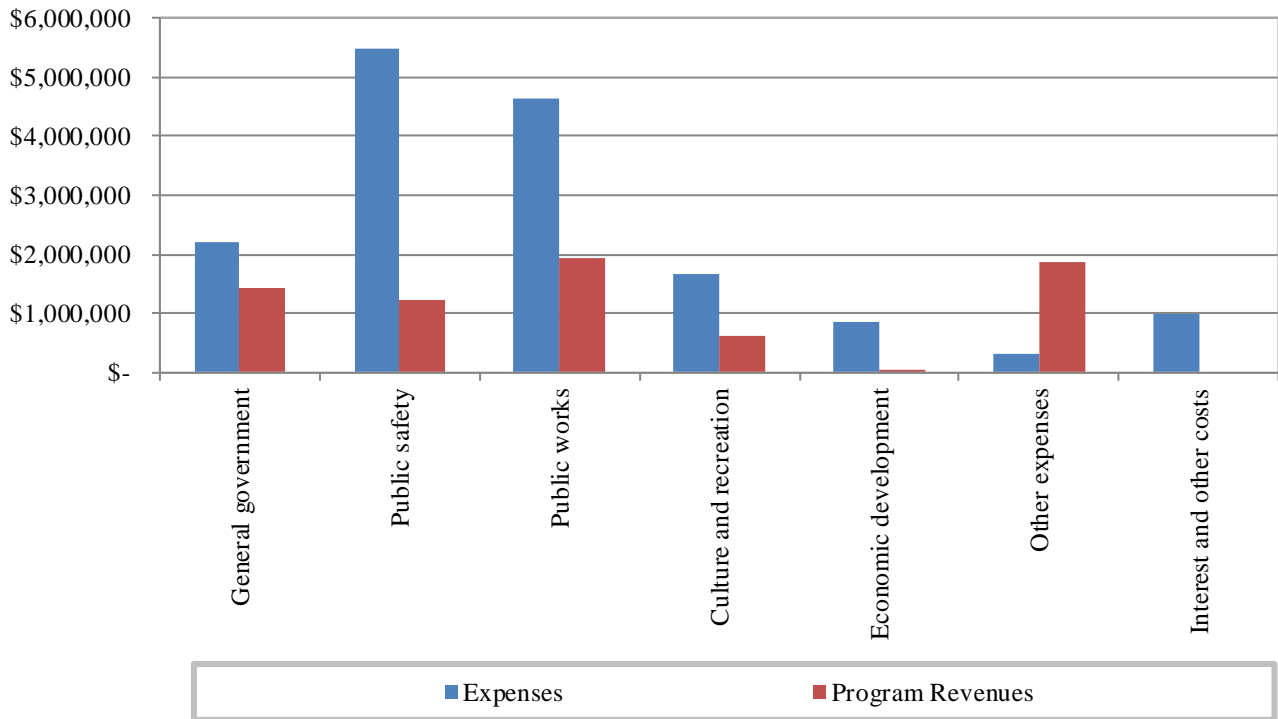
Governmental activities. The change in net position is described above and summarized as follows:

City of Alexandria's Changes in Net Position

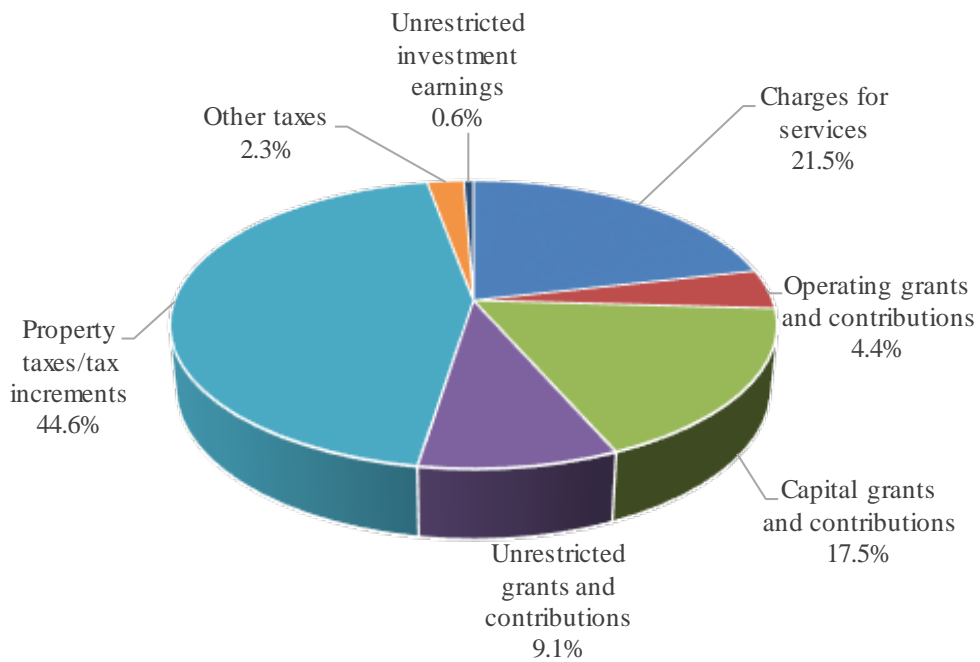
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 3,523,679	\$ 3,587,243	\$ (63,564)	\$ 5,445,750	\$ 5,184,129	\$ 261,621
Operating grants and contributions	727,511	591,143	136,368	2,185	-	2,185
Capital grants and contributions	2,866,608	6,094,379	(3,227,771)	-	-	-
General revenues						
Property taxes/tax increments	7,312,745	7,050,700	262,045	-	-	-
Other taxes	384,205	430,221	(46,016)	-	-	-
Grants and contributions not restricted to specific programs	1,484,464	1,470,684	13,780	-	-	-
Unrestricted investment earnings	102,791	126,453	(23,662)	109	101	8
Other revenues	2,714	5,558	(2,844)	-	-	-
Gain on sale of capital assets	371	33,524	(33,153)	800	-	800
Total revenues	16,405,088	19,389,905	(2,984,817)	5,448,844	5,184,230	264,614
Expenses						
General government	2,192,942	2,185,782	7,160	-	-	-
Public safety	5,491,498	3,869,546	1,621,952	-	-	-
Public works	4,645,292	4,782,704	(137,412)	-	-	-
Culture and recreation	1,671,429	1,601,129	70,300	-	-	-
Economic development	860,981	953,472	(92,491)	-	-	-
Other expenses	324,245	303,941	20,304	-	-	-
Interest and other costs	1,008,303	725,527	282,776	-	-	-
Liquor	-	-	-	5,225,439	4,850,426	375,013
Total expenses	16,194,690	14,422,101	1,772,589	5,225,439	4,850,426	375,013
Increase (decrease) in net position						
before transfers	210,398	4,967,804	(4,757,406)	223,405	333,804	(110,399)
Transfers	225,000	200,000	25,000	(225,000)	(200,000)	(25,000)
Change in net position	435,398	5,167,804	(4,732,406)	(1,595)	133,804	(135,399)
Net position - January 1	65,303,800	60,135,996	5,167,804	645,200	511,396	133,804
Net position - December 31	\$ 65,739,198	\$ 65,303,800	\$ 435,398	\$ 643,605	\$ 645,200	\$ (1,595)

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

Expenses and Program Revenues - Governmental Activities



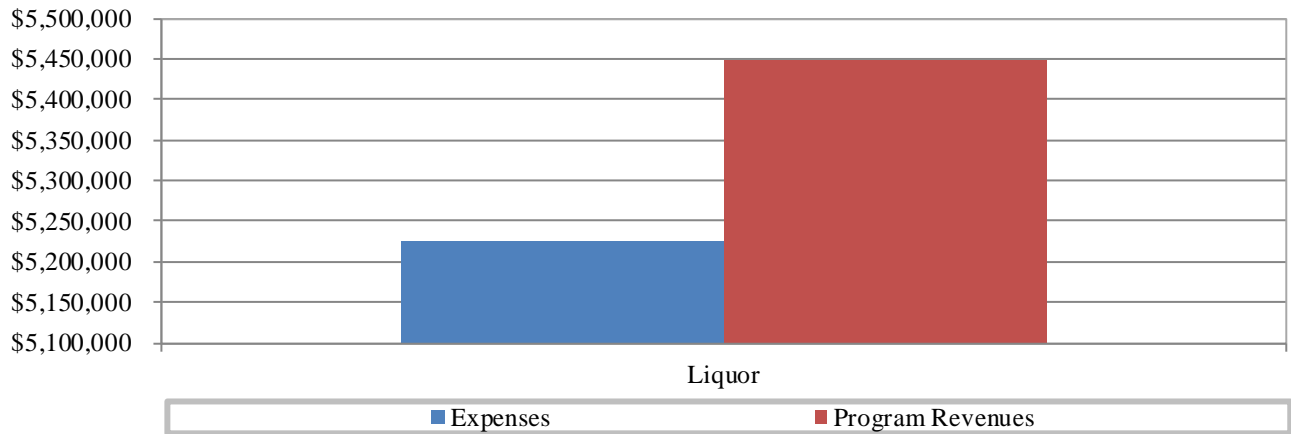
Revenues by Source - Governmental Activities



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

- Sales for business-type activities increased by \$261,621, or 5.0 percent during the year.
- Total expenses increased by approximately \$375,013 during 2016.
- 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 \$223,405 and \$333,804, 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 \$16,967,243, an increase of \$2,208,221 in comparison with a decrease of \$1,752,189 in the prior year. The major factor in this increase was due to the 2016B Refunding Bond proceeds that have not been defeased of \$2,465,000. Approximately 24.4 percent of the total fund balance amount, \$3,998,509 constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The *restricted* fund balance totals \$11,219,205; *committed* - \$1,549,824; *assigned* - \$140,221; and *nonspendable* - \$59,484.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$4,175,995. 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 47.3 percent of fund expenditures, while total fund balance represents 48.4 percent of that same amount.

The fund balance of the City’s General fund decreased by \$1,256,685 during the current fiscal year. The key factors in this decrease was due to transfers to various capital project funds and total revenues exceeding budgeted amounts by \$41,378 while total expenditures were under budget by \$314,272.

The *Debt Service fund* has a total fund balance of \$7,988,800, 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 \$2,891,624. This increase is from 2016B Refunding Bond proceeds that have not been defeased of \$2,465,000.

The *Capital Project fund* has a total fund balance of \$2,219,565. The net increase in fund balance during the current year in the Capital Project fund was \$732,239. The major factor for this increase was the transfer from the General Fund and bond proceeds that have yet to be spent on capital projects.

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 \$94,785. The total decrease in net position for the funds was \$1,595. 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 \$41,378 and the expenditures budget was underspent by \$314,272.

Some highlights include:

- Building permit revenues for the year exceeded budget by \$20,600 due to an increase in permits issued for commercial projects and single family dwellings over the previous year.
- Township inspection fees exceeded budget by \$33,300 due to increased commercial building in Alexandria Township.
- Police State Aid and State Airport M & O funds received were more than budgeted by \$14,700 and \$12,600 respectively.
- Runestone Community Center revenues were \$526,700. Due to contract language changes for the timing of Ice Rental payments received by the School District, RCC revenues were under budget by \$37,000.
- In July of 2016 the City received the donation of a building at the Airport, the building's tenants continued to lease space from the City, therefore the lease revenue exceeded the budget by \$23,500.
- Amounts paid for water, sewer, electric and gas utilities for all City departments were \$70,500 under budget.
- Building and equipment repairs and maintenance expenditures for all City departments were \$29,200 under budget.
- Total payroll and related expenditures for the City's General fund were under budget by \$68,600. Overtime wages for the year came in under budget and a budgeted hire in the municipal clerk department did not take place in 2016.
- Insurance dividends of \$97,900 helped to keep insurance costs under budget.
- Lower prices at the gas pumps lead to a savings of \$80,000 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, 2016, amounts to \$79,895,909 (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 12.4 percent (a 12.3 percent increase for governmental activities and a 24.2 percent increase for business-type activities.)

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

- Playground equipment in City Parks - \$27,200
- John Deere tractor/mower with attachments - \$39,000
- 2016 Ford pick-up Public Works-Park \$26,500
- 2 – 2017 Ford Police Patrol vehicles - \$63,400
- 2016 GMC Fire Department Grass Rig - \$28,600
- Fire Department SCBA packs - \$105,100
- Runestone Community Center Dehumidification unit - \$181,400
- Outdoor LED Sign/Message Center at the RCC - \$26,400
- Street improvements including reconstruction of 50th Avenue, a section of 8th Avenue and Cardinal Lane, Local and Municipal State Aid Street Overlays, and reclaim of Rosewood Lane and the Victoria Heights section of the City - \$5,619,900

Additional information on the City's capital assets can be found in Note 3D starting on page 60 of this report.

City of Alexandria's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 2,887,179	\$ 2,887,179	\$ -	\$ 101,413	\$ 101,413	\$ -
Buildings	11,573,702	11,840,731	(267,029)	322,920	353,371	(30,451)
Improvements other than buildings	49,904,126	46,391,990	3,512,136	9,869	12,707	(2,838)
Machinery and equipment	2,624,164	2,561,684	62,480	198,953	42,342	156,611
Construction in progress	12,273,583	6,878,253	5,395,330	-	-	-
Total	\$ 79,262,754	\$ 70,559,837	\$ 8,702,917	\$ 633,155	\$ 509,833	\$ 123,322

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$29,292,129. Of this amount \$14,620,000 is general obligation improvement debt and \$14,570,000 is general obligation debt. All of the City's bonds are backed by the full faith and credit of the City.

City of Alexandria's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 14,570,000	\$ 7,110,000	\$ 7,460,000	\$ -	\$ -	\$ -
General obligation improvement bonds	14,620,000	14,190,000	430,000	-	-	-
Hangar loan	27,149	52,209	(25,060)	-	-	-
CHAP loans	74,980	97,376	(22,396)	-	-	-
Total	\$ 29,292,129	\$ 21,449,585	\$ 7,842,544	\$ -	\$ -	\$ -

The City's total debt increased \$7,842,544, or 36.6 percent during the current fiscal year. New debt was issued totaling \$9,525,000 and principal of \$1,682,456 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 66 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 2017 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 2017 budget but also considered a five-year (2017-2021) budget blueprint when discussing the 2017 budget.
- Property value increases and growth through new construction contributed to a 4.3% increase in tax capacity from 2016 to 2017.
- The overall property tax levy increased by 2.75% for 2017. The tax base growth within the City meant the average city tax rate decreased by approximately 2.5%.
- The unemployment rate in Alexandria is currently 3.0 percent. This compares to the State's unemployment rate of 3.6 percent. Alexandria has a pull factor index of 3.04, according to the most recent Retail Trade Analysis of Alexandria and Douglas County. This study was released in July 2015 and used data from 2013. Alexandria had the third highest pull factor in the state. 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, 2016

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CITY OF ALEXANDRIA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Alexandria Light and Power
ASSETS				
Cash and temporary investments	\$ 12,151,188	\$ 233,282	\$ 12,384,470	\$ 13,683,385
Restricted debt service reserve deposits	2,573,579	-	2,573,579	985,127
Receivables				
Interest	23,917	-	23,917	28,135
Delinquent taxes	105,400	-	105,400	-
Accounts, net of allowance	325,557	74,240	399,797	965,113
Notes and loans, net of allowance	493,576	-	493,576	-
Special assessments	5,575,107	-	5,575,107	1,326
Intergovernmental	1,628,259	-	1,628,259	-
Internal balances	445,157	(445,157)	-	-
Due from component unit	894,937	-	894,937	-
Inventories	-	846,780	846,780	1,194,964
Prepaid items	59,484	6,737	66,221	80,180
Pension asset	309,953	-	309,953	-
Other postemployment benefit	-	32,328	32,328	-
Capital assets				
Capital assets not being depreciated	15,160,762	101,413	15,262,175	1,789,878
Capital assets net of accumulated depreciation	64,101,992	531,742	64,633,734	54,065,198
TOTAL ASSETS	103,848,868	1,381,365	105,230,233	72,793,306
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	6,745,005	212,654	6,957,659	1,268,232
LIABILITIES				
Accounts and contracts payable	1,130,515	211,371	1,341,886	1,840,356
Due to other governments	294,682	55,500	350,182	560,367
Accrued interest payable	318,316	-	318,316	47,478
Accrued salaries payable	181,235	14,435	195,670	70,772
Due to primary government	-	-	-	894,937
Deposits payable	19,280	-	19,280	356,135
Unearned revenue	2,699	-	2,699	-
Noncurrent liabilities				
Due within one year	2,298,509	22,395	2,320,904	1,275,832
Due in more than one year	39,412,095	598,719	40,010,814	13,747,323
TOTAL LIABILITIES	43,657,331	902,420	44,559,751	18,793,200
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	1,197,344	47,994	1,245,338	383,182
NET POSITION				
Net investment in capital assets	51,751,336	548,820	52,300,156	47,957,377
Restricted for				
Debt service	9,357,131	-	9,357,131	985,127
Wellness	21,407	-	21,407	-
Capital outlay	761,842	-	761,842	-
Economic development	2,398,090	-	2,398,090	-
Sanitary sewer operations	49,066	-	49,066	-
Unrestricted	1,400,326	94,785	1,495,111	5,942,652
TOTAL NET POSITION	\$ 65,739,198	\$ 643,605	\$ 66,382,803	\$ 54,885,156

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,192,942	\$ 1,407,522	\$ 12,999	\$ 2,310
Public safety	5,491,498	659,628	582,169	-
Public works	4,645,292	722,955	5,373	1,219,436
Culture and recreation	1,671,429	557,201	55,860	-
Economic development	860,981	30,269	-	-
Airport	324,245	146,104	71,110	1,644,862
Interest and other costs	1,008,303	-	-	-
Total governmental activities	<u>16,194,690</u>	<u>3,523,679</u>	<u>727,511</u>	<u>2,866,608</u>
Business-type activities				
Liquor	<u>5,225,439</u>	<u>5,445,750</u>	<u>2,185</u>	<u>-</u>
Total primary government	<u>\$ 21,420,129</u>	<u>\$ 8,969,429</u>	<u>\$ 729,696</u>	<u>\$ 2,866,608</u>
Component unit				
Alexandria Light and Power	<u>\$ 25,331,050</u>	<u>\$ 27,966,998</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

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
\$ (770,111)		\$ (770,111)	
(4,249,701)		(4,249,701)	
(2,697,528)		(2,697,528)	
(1,058,368)		(1,058,368)	
(830,712)		(830,712)	
1,537,831		1,537,831	
(1,008,303)		(1,008,303)	
(9,076,892)		(9,076,892)	
-	\$ 222,496	222,496	
(9,076,892)	222,496	(8,854,396)	
			\$ 2,635,948
4,687,516	-	4,687,516	-
1,681,368	-	1,681,368	-
943,861	-	943,861	-
384,205	-	384,205	-
1,484,464	-	1,484,464	-
102,791	109	102,900	168,239
371	800	1,171	-
2,714	-	2,714	268,784
-	-	-	(1,045,076)
225,000	(225,000)	-	-
9,512,290	(224,091)	9,288,199	(608,053)
435,398	(1,595)	433,803	2,027,895
65,303,800	645,200	65,949,000	52,857,261
\$ 65,739,198	\$ 643,605	\$ 66,382,803	\$ 54,885,156

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, 2016

CITY OF ALEXANDRIA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Debt Service	Capital Projects
ASSETS			
Cash and temporary investments	\$ 3,481,794	\$ 5,390,671	\$ 1,669,295
Restricted debt service reserve deposits	-	2,573,579	-
Receivables			
Interest	18,211	5,706	-
Delinquent taxes	63,200	25,700	6,200
Accounts	167,676	-	124,388
Notes and loans, net of allowance	-	-	-
Special assessments	8,353	4,125,947	1,440,807
Intergovernmental	51,722	22,694	1,410,747
Due from other funds	54,116	-	-
Due from component unit	842,551	-	-
Advances to other funds	-	-	-
Prepaid items	59,484	-	-
TOTAL ASSETS	\$ 4,747,107	\$ 12,144,297	\$ 4,651,437
LIABILITIES			
Accounts payable	\$ 206,935	\$ 3,850	\$ 565,177
Contracts payable	-	-	335,032
Advance from other funds	-	-	80,631
Due to other governments	92,109	-	1,326
Due to component unit	-	-	-
Due to other funds	-	-	-
Accrued salaries payable	181,235	-	-
Deposits payable	19,280	-	-
Unearned revenue	-	-	2,699
TOTAL LIABILITIES	499,559	3,850	984,865
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	63,200	25,700	6,200
Unavailable revenue - special assessments	8,353	4,125,947	1,440,807
TOTAL DEFERRED INFLOWS OF RESOURCES	71,553	4,151,647	1,447,007
FUND BALANCES			
Nonspendable for			
Prepaid items	59,484	-	-
Restricted for			
Debt service	-	7,988,800	-
Wellness	21,407	-	-
Capital outlay	-	-	759,210
Economic development	-	-	-
Sanitary sewer operations	-	-	-
Committed for			
Capital outlay	-	-	1,320,134
Payment of benefits	-	-	-
Firefighter's retirement obligation	-	-	-
Economic development	-	-	-
Wellness	13,127	-	-
Assigned for			
Capital outlay	-	-	140,221
Unassigned	4,081,977	-	-
TOTAL FUND BALANCES	4,175,995	7,988,800	2,219,565
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,747,107	\$ 12,144,297	\$ 4,651,437

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

Other Governmental Funds	Total Governmental Funds
\$ 1,609,428	\$ 12,151,188
-	2,573,579
-	23,917
10,300	105,400
33,493	325,557
493,576	493,576
-	5,575,107
143,096	1,628,259
-	54,116
65,779	908,330
500,585	500,585
-	59,484
<u>\$ 2,856,257</u>	<u>\$ 24,399,098</u>
\$ 19,521	\$ 795,483
-	335,032
-	80,631
201,247	294,682
13,393	13,393
28,913	28,913
-	181,235
-	19,280
-	2,699
<u>263,074</u>	<u>1,751,348</u>
10,300	105,400
-	5,575,107
<u>10,300</u>	<u>5,680,507</u>
-	59,484
-	7,988,800
-	21,407
2,632	761,842
2,398,090	2,398,090
49,066	49,066
-	1,320,134
18,683	18,683
71,293	71,293
126,587	126,587
-	13,127
-	140,221
(83,468)	3,998,509
<u>2,582,883</u>	<u>16,967,243</u>
<u>\$ 2,856,257</u>	<u>\$ 24,399,098</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, 2016

Total fund balances - governmental funds	\$ 16,967,243
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.	309,953
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	79,262,754
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	(796,255)
Other postemployment benefit liability	(833,119)
Bonds payable	(29,190,000)
Loans payable	(102,129)
Bond premium and discount, net of accumulated amortization	(786,418)
Pension liability	(10,002,683)
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	105,400
Special assessments receivable	5,575,107
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of resources - pension resources	6,745,005
Deferred inflows of resources - pension resources	(1,197,344)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(318,316)</u>
Total net position - governmental activities	<u>\$ 65,739,198</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, 2016

	General	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 4,154,065	\$ 1,683,639	\$ 358,599
Payment in lieu of taxes	1,052,356	-	-
Special assessments	2,310	647,581	269,733
Licenses and permits	514,713	-	-
Intergovernmental	1,767,368	62,592	2,301,437
Charges for services	1,018,214	-	192,875
Fines and forfeits	118,278	-	-
Investment earnings	26,331	38,650	17,952
Other revenue	120,411	3,060	269,384
TOTAL REVENUES	8,774,046	2,435,522	3,409,980
EXPENDITURES			
Current			
General government	2,054,410	-	-
Public safety	3,603,364	-	-
Public works	1,348,897	-	4,620
Culture and recreation	1,409,390	-	-
Economic development	-	-	-
Airport	118,022	-	9,674
Capital outlay			
General government	875	-	1,265,672
Public safety	51,059	-	211,281
Public works	11,133	-	4,702,901
Culture and recreation	21,969	-	3,922,148
Airport	14,277	-	1,715,918
Debt service			
Principal	-	1,635,000	25,060
Interest and other	-	818,274	-
Bond issuance costs	-	166,026	-
TOTAL EXPENDITURES	8,633,396	2,619,300	11,857,274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	140,650	(183,778)	(8,447,294)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	12,178
Transfers in	242,263	314,479	2,091,463
Debt issued	-	2,465,000	7,060,000
Bond premium	-	295,923	116,346
Transfers out	(1,639,598)	-	(100,454)
TOTAL OTHER FINANCING SOURCES (USES)	(1,397,335)	3,075,402	9,179,533
NET CHANGE IN FUND BALANCES	(1,256,685)	2,891,624	732,239
FUND BALANCES, JANUARY 1	5,432,680	5,097,176	1,487,326
FUND BALANCES, DECEMBER 31	\$ 4,175,995	\$ 7,988,800	\$ 2,219,565

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

Other Governmental Funds	Totals
\$ 1,512,870	\$ 7,709,173
-	1,052,356
-	919,624
-	514,713
138,072	4,269,469
715,365	1,926,454
-	118,278
47,127	130,060
6,299	399,154
<u>2,419,733</u>	<u>17,039,281</u>
-	2,054,410
137,992	3,741,356
865,218	2,218,735
-	1,409,390
860,981	860,981
-	127,696
-	1,266,547
-	262,340
4,559	4,718,593
-	3,944,117
-	1,730,195
22,396	1,682,456
4,391	822,665
-	166,026
<u>1,895,537</u>	<u>25,005,507</u>
<u>524,196</u>	<u>(7,966,226)</u>
-	12,178
-	2,648,205
-	9,525,000
-	412,269
<u>(683,153)</u>	<u>(2,423,205)</u>
<u>(683,153)</u>	<u>10,174,447</u>
(158,957)	2,208,221
<u>2,741,840</u>	<u>14,759,022</u>
<u>\$ 2,582,883</u>	<u>\$ 16,967,243</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, 2016

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

Net change in fund balances - governmental funds	\$ 2,208,221
<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	11,799,254
Depreciation expense	(3,084,530)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position</p>	
	(11,807)
<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>	
Debt issued or incurred	(9,525,000)
Principal repayments	1,682,456
Premium on bonds issued, net of amortization expense	(369,060)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(1,433,570)
Direct aid contributions	15,660
<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>	
	(62,821)
<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	(12,600)
Special assessments	(617,206)
State grants	11,766
<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	(165,365)
	(165,365)
Change in net position - governmental activities	\$ 435,398

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, 2016

	<u>Budgeted Amounts</u>		Variance with Final Budget
	<u>Original and Final</u>	<u>Actual Amounts</u>	
REVENUES			
Taxes	\$ 4,254,625	\$ 4,154,065	\$ (100,560)
Payment in lieu of taxes	1,076,000	1,052,356	(23,644)
Special assessments	-	2,310	2,310
Licenses and permits	469,600	514,713	45,113
Intergovernmental	1,726,498	1,767,368	40,870
Charges for services	1,001,745	1,018,214	16,469
Fines and forfeits	121,000	118,278	(2,722)
Investment earnings	15,000	26,331	11,331
Other revenue	68,200	120,411	52,211
	<u>8,732,668</u>	<u>8,774,046</u>	<u>41,378</u>
EXPENDITURES			
Current			
General government	2,248,606	2,054,410	194,196
Public safety	3,628,340	3,603,364	24,976
Public works	1,436,725	1,348,897	87,828
Culture and recreation	1,462,297	1,409,390	52,907
Airport	115,700	118,022	(2,322)
Capital outlay			
General government	11,500	875	10,625
Public safety	30,500	51,059	(20,559)
Public works	4,500	11,133	(6,633)
Culture and recreation	7,500	21,969	(14,469)
Airport	2,000	14,277	(12,277)
	<u>8,947,668</u>	<u>8,633,396</u>	<u>314,272</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>(215,000)</u>	<u>140,650</u>	<u>355,650</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	225,000	242,263	17,263
Transfers out	(10,000)	(1,639,598)	(1,629,598)
	<u>215,000</u>	<u>(1,397,335)</u>	<u>(1,612,335)</u>
NET CHANGE IN FUND BALANCES			
	-	(1,256,685)	(1,256,685)
FUND BALANCES, JANUARY 1			
	<u>5,432,680</u>	<u>5,432,680</u>	<u>-</u>
FUND BALANCES, DECEMBER 31			
	<u>\$ 5,432,680</u>	<u>\$ 4,175,995</u>	<u>\$ (1,256,685)</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, 2016

	609 Downtown Liquor	610 Plaza Liquor	Totals
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 83,842	\$ 149,440	\$ 233,282
Receivables			
Accounts	29,409	44,831	74,240
Due from other funds	108,385	129,275	237,660
Inventories	390,142	456,638	846,780
Other postemployment benefit	5,779	26,549	32,328
Prepaid items	4,353	2,384	6,737
TOTAL CURRENT ASSETS	621,910	809,117	1,431,027
NONCURRENT ASSETS			
Capital assets			
Land	68,603	32,810	101,413
Buildings	439,516	574,029	1,013,545
Equipment	167,431	193,333	360,764
Other improvements	30,996	25,224	56,220
Less accumulated depreciation	(487,944)	(410,843)	(898,787)
TOTAL NONCURRENT ASSETS	218,602	414,553	633,155
TOTAL ASSETS	840,512	1,223,670	2,064,182
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	107,545	105,109	212,654
LIABILITIES			
CURRENT LIABILITIES			
Accounts and contracts payable	81,083	130,288	211,371
Due to other governments	21,911	33,589	55,500
Accrued salaries payable	6,648	7,787	14,435
Compensated absences payable	13,271	9,124	22,395
Due to other funds	141,362	121,501	262,863
Advance from other funds, current portion	-	28,450	28,450
TOTAL CURRENT LIABILITIES	264,275	330,739	595,014
NONCURRENT LIABILITIES,			
Compensated absences payable	24,706	13,072	37,778
Pension liability	283,683	277,258	560,941
Advance from other funds, net of current maturities	84,335	307,169	391,504
TOTAL NONCURRENT LIABILITIES	392,724	597,499	990,223
TOTAL LIABILITIES	656,999	928,238	1,585,237
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	24,272	23,722	47,994
NET POSITION			
Investment in capital assets	134,267	414,553	548,820
Unrestricted	132,519	(37,734)	94,785
TOTAL NET POSITION	\$ 266,786	\$ 376,819	\$ 643,605

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, 2016

	609 Downtown Liquor	610 Plaza Liquor	Totals
OPERATING REVENUES			
Sales	\$ 2,180,564	\$ 3,265,049	\$ 5,445,613
Cost of sales	<u>(1,679,581)</u>	<u>(2,583,380)</u>	<u>(4,262,961)</u>
TOTAL OPERATING REVENUES	<u>500,983</u>	<u>681,669</u>	<u>1,182,652</u>
OPERATING EXPENSES			
Personal services	352,510	319,372	671,882
Operating supplies and expenses	12,196	18,785	30,981
Insurance	6,867	9,480	16,347
Utilities	13,206	14,266	27,472
Depreciation and amortization	24,002	45,872	69,874
Other services and charges	<u>59,739</u>	<u>78,574</u>	<u>138,313</u>
TOTAL OPERATING EXPENSES	<u>468,520</u>	<u>486,349</u>	<u>954,869</u>
OPERATING INCOME	<u>32,463</u>	<u>195,320</u>	<u>227,783</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	1,105	1,080	2,185
Miscellaneous income	103	34	137
Investment income	42	67	109
Gain (loss) on sale of capital assets	-	800	800
Interest expense	<u>-</u>	<u>(7,609)</u>	<u>(7,609)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,250</u>	<u>(5,628)</u>	<u>(4,378)</u>
INCOME BEFORE TRANSFERS	33,713	189,692	223,405
TRANSFERS OUT	<u>(82,000)</u>	<u>(143,000)</u>	<u>(225,000)</u>
CHANGE IN NET POSITION	(48,287)	46,692	(1,595)
NET POSITION, JANUARY 1	<u>315,073</u>	<u>330,127</u>	<u>645,200</u>
NET POSITION, DECEMBER 31	<u>\$ 266,786</u>	<u>\$ 376,819</u>	<u>\$ 643,605</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, 2016

	609 Downtown Liquor	610 Plaza Liquor	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,170,369	\$ 3,220,813	\$ 5,391,182
Payments to suppliers and vendors	(1,758,025)	(2,720,318)	(4,478,343)
Payments to and on behalf of employees	(310,251)	(330,234)	(640,485)
Other receipts	103	34	137
	<u>102,196</u>	<u>170,295</u>	<u>272,491</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants received	1,105	1,080	2,185
Transfer out	(82,000)	(143,000)	(225,000)
	<u>(80,895)</u>	<u>(141,920)</u>	<u>(222,815)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(86,213)	(106,983)	(193,196)
Proceeds from sale of capital asset	-	800	800
Proceeds from advance	84,335	97,004	181,339
Principal paid on advance	-	(27,610)	(27,610)
Interest paid on advance	-	(7,609)	(7,609)
	<u>(1,878)</u>	<u>(44,398)</u>	<u>(46,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	42	67	109
	<u>19,465</u>	<u>(15,956)</u>	<u>3,509</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>19,465</u>	<u>(15,956)</u>	<u>3,509</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>64,377</u>	<u>165,396</u>	<u>229,773</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 83,842</u>	<u>\$ 149,440</u>	<u>\$ 233,282</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 32,463	\$ 195,320	\$ 227,783
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	24,002	45,872	69,874
Other income related to operations	103	34	137
(Increase) decrease in assets			
Accounts receivable	(9,928)	(12,520)	(22,448)
Due from other funds/departments	(267)	(31,716)	(31,983)
Inventories	(39,082)	11,944	(27,138)
Prepaid items	(1)	-	(1)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(88,130)	(83,836)	(171,966)
Increase (decrease) in liabilities			
Accounts and contracts payable	17,671	(32,564)	(14,893)
Due to other governments	2,880	1,850	4,730
Due to other funds/departments	32,096	2,937	35,033
Accrued salaries payable	1,275	992	2,267
Compensated absences payable	6,840	(9,007)	(2,167)
Pension liability	120,087	98,003	218,090
Other postemployment benefits (asset) liability	1,630	(14,751)	(13,121)
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	557	(2,263)	(1,706)
	<u>\$ 102,196</u>	<u>\$ 170,295</u>	<u>\$ 272,491</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, 2016

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, 2016

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, 2016

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.

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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources, liabilities, deferred inflows or resources, and net position/fund balance

Deposits and investments

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

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

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 58 and are valued using quoted market prices (Level 1 inputs).

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlement payments are made to the City during January, June and December each year.

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. The Board of Public Works accounts receivable of \$965,113 are recorded net of allowance for doubtful accounts of \$55,706 at December 31, 2016. 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 \$120,638 has been recorded related to these notes.

Due from other governments

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

Payment in lieu of taxes

The Board of Public Works is exempt from federal and state income taxes. However, the Board of Public Works makes 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.

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, 2016

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

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Assets	Years
Buildings	30 - 50
Other improvements	5 - 25
Furniture and equipment	5 - 25

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has 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, 2016

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.

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.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

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

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

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

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

Net position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

Beginning in 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.

B. Deficit fund equity

The following funds had fund equity deficits at December 31, 2016:

Fund	Amount
Special revenue	
Storm Water Utility	\$ 83,468

The above deficits will be eliminated through future storm water utility charges for services.

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;

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits was \$4,735,860 and the bank balance was \$5,498,970. Of the bank balance, \$500,000 was covered by federal depository insurance. Of the remaining balance, \$4,998,970 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 \$5,426,774 and the bank balance was \$5,482,695. The bank balance was covered by \$1,240,732 of federal depository insurance. The remaining balances were collateralized with securities held by pledging financial institution's trust department in the Board's name.

Investments

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

- *Credit Risk.* Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's does not have an investment policy but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. This risk is mitigated by most of the City's investments being in certificates of deposit at local banks.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years and mainly investing in investments with little exposure to declines in fair value.

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

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

At December 31, 2016, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1
Pooled investments at amortized costs				
Broker Money Market Funds	N/A	less than 6 months	\$ 10,932	
Non-pooled investments at amortized costs				
Non-negotiable certificates of deposit	N/A	1 to 3 years	250,000	
Non-pooled investments at fair value				
Government Agency Securities	N/A	1 to 3 years	988,620	\$ 988,620
Government Agency Securities	AAA	1 to 3 years	749,550	749,550
Government Agency Securities	N/A	more than 3 years	1,941,463	1,941,463
Government Agency Securities	Aaa	more than 3 years	494,100	494,100
Government Agency Securities	N/A	more than 3 years	2,566,523	2,566,523
Negotiable certificates of deposit	N/A	less than 6 months	249,022	249,022
Negotiable certificates of deposit	N/A	6 months to 1 year	746,148	746,148
Negotiable certificates of deposit	N/A	1 to 3 years	1,734,823	1,734,823
Negotiable certificates of deposit	N/A	more than 3 years	487,626	487,626
Total investments			<u>\$ 10,218,807</u>	<u>\$ 9,957,875</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, 2016

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)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled investments at amortized costs						
4M Fund	N/A	less than 6 months	\$ 5			
Non-pooled investments at amortized costs						
Money Market Funds	N/A	less than 6 months	374,369			
Non-pooled investments at fair value						
Government Agency Securities	Aaa	1 to 3 years	813,681	\$ 813,681	\$ -	\$ -
Government Agency Securities	Aaa	more than 3 years	986,625	986,625	-	-
Government Agency Securities	AAA	more than 3 years	5,037,999	5,037,999	-	-
Negotiable certificates of deposit	N/A	less than 6 months	200,026	-	200,026	-
Negotiable certificates of deposit	N/A	6 months to 1 year	400,024	-	400,024	-
Negotiable certificates of deposit	N/A	1 to 3 years	1,186,393	-	1,186,393	-
Negotiable certificates of deposit	N/A	more than 3 years	242,366	-	242,366	-
Total investments			\$ 9,241,488	\$ 6,838,305	\$ 2,028,809	\$ -

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	\$4,735,860	\$ 5,426,774	\$ 10,162,634
Investments	10,218,807	9,241,488	19,460,295
Cash on hand	3,382	250	3,632
Total	<u>\$ 14,958,049</u>	<u>\$ 14,668,512</u>	<u>\$ 29,626,561</u>
Cash and cash equivalents	\$ 12,384,470	\$ 13,683,385	\$ 26,067,855
Restricted debt service reserve deposits	2,573,579	985,127	3,558,706
Total	<u>\$ 14,958,049</u>	<u>\$ 14,668,512</u>	<u>\$ 29,626,561</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 is \$387,561.

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 \$32,000, at December 31, 2016 is \$106,015.

D. Capital assets

Primary Government

Capital asset activity for the primary government for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,887,179	\$ -	\$ -	\$ 2,887,179
Construction in progress	6,878,253	11,385,307	(5,989,977)	12,273,583
Total capital assets not being depreciated	<u>9,765,432</u>	<u>11,385,307</u>	<u>(5,989,977)</u>	<u>15,160,762</u>
Capital assets being depreciated				
Buildings	18,208,288	192,312	-	18,400,600
Improvements other than buildings	79,617,082	5,629,617	-	85,246,699
Machinery and equipment	9,503,068	581,995	(294,513)	9,790,550
Total capital assets being depreciated	<u>107,328,438</u>	<u>6,403,924</u>	<u>(294,513)</u>	<u>113,437,849</u>
Less accumulated depreciation for				
Buildings	(6,367,557)	(459,341)	-	(6,826,898)
Improvements other than buildings	(33,225,092)	(2,117,481)	-	(35,342,573)
Machinery and equipment	(6,941,384)	(507,708)	282,706	(7,166,386)
Total accumulated depreciation	<u>(46,534,033)</u>	<u>(3,084,530)</u>	<u>282,706</u>	<u>(49,335,857)</u>
Total capital assets being depreciated, net	<u>60,794,405</u>	<u>3,319,394</u>	<u>(11,807)</u>	<u>64,101,992</u>
Governmental activities capital assets, net	<u>\$ 70,559,837</u>	<u>\$ 14,704,701</u>	<u>\$ (6,001,784)</u>	<u>\$ 79,262,754</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	16,646	-	1,013,545
Equipment	202,388	176,550	(18,174)	360,764
Other improvements	56,220	-	-	56,220
Total capital assets being depreciated	<u>1,255,507</u>	<u>193,196</u>	<u>(18,174)</u>	<u>1,430,529</u>
Less accumulated depreciation for				
Buildings	(643,528)	(47,097)	-	(690,625)
Equipment	(160,046)	(19,939)	18,174	(161,811)
Other improvements	(43,513)	(2,838)	-	(46,351)
Total accumulated depreciation	<u>(847,087)</u>	<u>(69,874)</u>	<u>18,174</u>	<u>(898,787)</u>
Total capital assets being depreciated, net	<u>408,420</u>	<u>123,322</u>	<u>-</u>	<u>531,742</u>
Business-type activities capital assets, net	<u>\$ 509,833</u>	<u>\$ 123,322</u>	<u>\$ -</u>	<u>\$ 633,155</u>

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

Governmental activities		
General government		\$ 37,753
Public safety		414,703
Public works		2,190,828
Culture and recreation		242,400
Airport		198,846
Total depreciation expense - governmental activities		<u>\$ 3,084,530</u>
Business-type activities		
Municipal Liquor Dispensary		<u>\$ 69,874</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 are as follows:

Board of Public Works

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and land rights	\$ 131,476	\$ -	\$ -	\$ 131,476
Service territory acquired	234,533	-	-	234,533
Construction in progress	2,329,017	2,906,557	(3,811,705)	1,423,869
Total capital assets not being depreciated	2,695,026	2,906,557	(3,811,705)	1,789,878
Capital assets being depreciated				
Buildings and structures	2,472,091	29,237	-	2,501,328
Transmission plant	2,753,133	10,448	-	2,763,581
Distribution plant	77,571,619	3,333,264	(12,029)	80,892,854
General equipment	5,865,545	731,439	(52,536)	6,544,448
Total capital assets being depreciated	88,662,388	4,104,388	(64,565)	92,702,211
Less accumulated depreciation for				
Buildings and structures	(1,923,209)	(48,495)	-	(1,971,704)
Transmission plant	(958,687)	(83,437)	-	(1,042,124)
Distribution plant	(29,355,063)	(1,795,054)	972	(31,149,145)
General equipment	(4,213,623)	(299,521)	39,104	(4,474,040)
Total accumulated depreciation	(36,450,582)	(2,226,507)	40,076	(38,637,013)
Total capital assets being depreciated, net	52,211,806	1,877,881	(24,489)	54,065,198
Business-type activities capital assets, net	\$ 54,906,832	\$ 4,784,438	\$ (3,836,194)	\$ 55,855,076

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

Component unit	
Electric	\$ 1,259,270
Water	902,294
Fiber	64,943
Total depreciation expense - component unit	<u>\$ 2,226,507</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2016. 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,	\$ 5,330,105	\$ 114,659
Broadway Reconstruction	6,821,435	58,359
Phase 4 part 3 watermain, Geneva Rd reclaim and Multi-Use Trail construction, plans and specs	1,673,833	7,235
50th Avenue reconstruciton, plans, specs and construction	1,820,239	11,438
8th Ave Street and Storm Sewer plans and specs	1,019,494	20,884
2017 MSA street improvements, plans and specs	13,140	35,526
2017 local street improvements, plans and specs	19,376	35,984
Mill and Overlay Runway 4/22 and Airport pavements, design, specs and construction	1,563,609	152,373
Irving Street & Utility Reconstruction, plans and specs	16,196	26,424
2016 MSA street improvements, plans, specs and construction	844,262	44,698
Wal-Mart Frontage Road plans and specs	59,545	79,121
Rosewood Lane Ditch grading plans and specs	8,458	14,096
Birch Avenue Improvements plans and specs	18,520	79,436
Cardinal Lane paving and storm sewer	148,123	9,796
Victoria Heights/Rosewood Lane reclaim project	872,395	39,875
Guaranteed Energy Savings project	5,320,590	311,583
	<u>\$ 25,549,320</u>	<u>\$ 1,041,487</u>
Total	<u>\$ 25,549,320</u>	<u>\$ 1,041,487</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, 2016, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2017	\$ 13,572
2018	13,572
2019	6,186
Total minimum lease payments	<u>\$ 33,330</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Proprietary	
	Downtown Liquor	\$ 13,116
	Plaza Liquor	12,087
Proprietary	Proprietary	
Downtown Liquor	Plaza Liquor	129,275
Plaza Liquor	Downtown Liquor	108,385
General	Non-major	
	TIF District #25	28,913
		<u>28,913</u>
Net internal balance		<u>\$ 291,776</u>

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.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Revolving Loan	Municipal Liquor Dispensary	3.00 %	07/01/09	07/01/24	\$ 238,615
Revolving Loan	Municipal Liquor Dispensary	*	04/11/16	*	181,339
Revolving Loan	Airport Development	*	05/23/16	*	80,631
					<u>80,631</u>
Total					<u>\$ 500,585</u>

* Loan agreements will be finalized once the total project is complete in 2017.

A summary of total future interfund loan repayments follows, except for the loan from the Revolving Loan fund to the Municipal Liquor Dispensary for \$181,339 and the Airport Development fund for \$80,631 since they do not have a repayment agreement yet:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	32,073	3,147	35,220
2022 - 2024	87,444	3,542	90,986
	<u>87,444</u>	<u>3,542</u>	<u>90,986</u>
Total	<u>\$ 238,615</u>	<u>\$ 28,468</u>	<u>\$ 267,083</u>

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

Transfers made for the year ended December 31, 2016 are as follows:

Fund	Transfer In			
	General	Debt Service	Capital Projects	Total
Transfer out				
General	\$ -	\$ -	\$ 1,639,598	\$ 1,639,598
Capital Projects	-	100,454	-	100,454
Nonmajor governmental	17,263	214,025	451,865	683,153
Downtown Liquor	82,000	-	-	82,000
Plaza Liquor	143,000	-	-	143,000
Total transfers out	<u>\$ 242,263</u>	<u>\$ 314,479</u>	<u>\$ 2,091,463</u>	<u>\$ 2,648,205</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, 2016, 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 \$17,263.
- From the General fund to the Capital Project funds to transfer excess general fund reserves in the amount of \$1,639,598.
- From the Street Reconstruction fund to the G.O. Improvement Bonds 2016A to transfer 2013 and 2015 levies for street construction in the amount of \$100,454.
- From the Storm Water Utility fund to the Capital Project funds for the SW share of 2016 Street Improvements in the amount of \$8,386.
- From the Storm Water Utility fund to the Capital Project funds for the SW share of the Cardinal Lane Project in the amount of \$18,813.
- From the Storm Water Utility fund to the Capital Project funds for the 8th Avenue reconstruction storm water portion in the amount of \$424,666.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 925,000
G.O. Improvement Bonds of 2010A	5,205,000	1.50 - 5.00	09/15/10	02/01/31	4,495,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/30	1,310,000
G.O. Bonds of 2016A	7,060,000	2.00 - 3.00	08/25/16	02/01/37	7,060,000
G.O. Refunding Bonds of 2016B	780,000	2.00 - 3.00	08/25/16	02/01/30	<u>780,000</u>
Total General Obligation Bonds					<u>\$ 14,570,000</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
2017	\$ 385,000	\$ 426,455	\$ 811,455
2018	500,000	426,979	926,979
2019	1,350,000	394,878	1,744,878
2020	600,000	360,371	960,371
2021	635,000	342,206	977,206
2022 - 2026	4,130,000	1,347,039	5,477,039
2027 - 2031	4,695,000	631,133	5,326,133
2032 - 2036	1,900,000	147,615	2,047,615
2037	<u>375,000</u>	<u>4,453</u>	<u>379,453</u>
Total	<u>\$ 14,570,000</u>	<u>\$ 4,081,129</u>	<u>\$ 18,651,129</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 2,380,000
G.O. Improvement Bonds of 2011A	2,475,000	1.00 - 2.90	08/15/11	02/01/22	1,915,000
G.O. Improvement Bonds of 2013A	5,490,000	2.60 - 3.00	09/01/13	02/01/24	4,865,000
G.O. Improvement Bonds of 2014A	2,900,000	2.60 - 3.00	09/15/14	02/01/24	2,810,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/25	965,000
G.O. Refunding Bonds of 2016B	1,685,000	2.00 - 3.00	08/25/16	02/01/28	<u>1,685,000</u>
Total G.O. Improvement Bonds					<u>\$ 14,620,000</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
2017	\$ 1,580,000	\$ 392,805	\$ 1,972,805
2018	3,410,000	312,961	3,722,961
2019	1,515,000	233,530	1,748,530
2020	1,530,000	194,505	1,724,505
2021	1,445,000	155,201	1,600,201
2022 - 2026	4,760,000	283,272	5,043,272
2027 - 2028	380,000	7,600	387,600
Total	<u>\$ 14,620,000</u>	<u>\$ 1,579,874</u>	<u>\$ 16,199,874</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 74,980
MNDOT Airport Hangar loan	93,000	4.00 - 6.11	01/01/05	12/31/22	27,149
Total loans payable					<u>\$ 102,129</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
2017	\$ 48,778	\$ 3,304	\$ 52,082
2018	25,602	2,232	27,834
2019	11,855	1,262	13,117
2020	7,446	737	8,183
2021	5,417	375	5,792
2022	3,031	111	3,142
Total	<u>\$ 102,129</u>	<u>\$ 8,021</u>	<u>\$ 110,150</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 7,110,000	\$ 7,840,000	\$ (380,000)	\$ 14,570,000	\$ 385,000
General obligation improvement bonds	14,190,000	1,685,000	(1,255,000)	14,620,000	1,580,000
Bond discount	(16,804)	-	1,898	(14,906)	-
Bond premium	434,162	412,268	(45,106)	801,324	-
Total bonds payable	21,717,358	9,937,268	(1,678,208)	29,976,418	1,965,000
Hangar loan	52,209	-	(25,060)	27,149	25,060
CHAP loans	97,376	-	(22,396)	74,980	23,718
Other post employment benefits payable	735,170	97,949	-	833,119	-
Pension liability					
GERF	1,859,720	1,337,121	(177,081)	3,019,760	-
PEPFF	1,817,974	5,452,162	(287,213)	6,982,923	-
Compensated absences payable	728,839	431,031	(363,615)	796,255	284,731
Governmental activity long-term liabilities	<u>\$ 27,008,646</u>	<u>\$ 17,255,531</u>	<u>\$ (2,553,573)</u>	<u>\$ 41,710,604</u>	<u>\$ 2,298,509</u>
Business-type activities					
Pension liability					
GERF	\$ 342,851	\$ 264,232	\$ (46,142)	\$ 560,941	\$ -
Compensated absences payable	62,340	42,931	(45,098)	60,173	22,395
Business-type activity long-term liabilities	<u>\$ 405,191</u>	<u>\$ 307,163</u>	<u>\$ (91,240)</u>	<u>\$ 621,114</u>	<u>\$ 22,395</u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Crossover refunding

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

Discretely presented component unit

Board of Public Works

Revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Refunding Bonds of 2007A	\$ 6,310,000	4.00 - 4.125 %	06/15/07	12/01/24	\$ 2,260,000
Electric Utility Revenue Bonds of 2015A	5,395,000	2.00 - 3.25	12/30/15	12/01/35	<u>5,165,000</u>
Total Revenue Bonds					<u>\$ 7,425,000</u>

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

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
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	415,000	149,460	564,460
2022 - 2026	1,865,000	561,551	2,426,551
2027 - 2031	1,445,000	345,508	1,790,508
2032 - 2035	<u>1,345,000</u>	<u>109,680</u>	<u>1,454,680</u>
Total	<u>\$ 7,425,000</u>	<u>\$ 1,924,739</u>	<u>\$ 9,349,739</u>

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. Revenue notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue					
Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 396,000
G.O. Drinking Water					
Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	<u>2,540,000</u>
Total G.O. Revenue Notes					<u><u>\$ 2,936,000</u></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
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	254,000	49,744	303,744
2022 - 2026	1,068,000	157,242	1,225,242
2027 - 2029	<u>659,000</u>	<u>32,494</u>	<u>691,494</u>
Total	<u><u>\$ 2,936,000</u></u>	<u><u>\$ 503,680</u></u>	<u><u>\$ 3,439,680</u></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:

	Board of Public Works
Revenues	\$ 27,571,635
Principal and interest	1,305,430
Percentage of revenues	4.7%

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
Revenue bonds	\$ 8,185,000	\$ -	\$ (760,000)	\$ 7,425,000	\$ 770,000
G.O. revenue notes	3,159,000	-	(223,000)	2,936,000	229,000
Bond premium	30,442	-	(1,522)	28,920	-
Bonds payable	11,374,442	-	(984,522)	10,389,920	999,000
Compensated absences payable	985,116	347,350	(326,176)	1,006,291	276,832
Pension liability					
GERF	2,171,476	1,477,355	(198,042)	3,450,789	-
Other postemployment benefits	167,541	29,441	(20,827)	176,155	-
Business-type activity long-term liabilities	<u>\$ 14,698,575</u>	<u>\$ 1,854,146</u>	<u>\$ (1,529,567)</u>	<u>\$ 15,023,155</u>	<u>\$ 1,275,832</u>

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, 2016 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	\$ 278,734
Prairie Community Services - 1999C	07/01/99	07/01/19	1,038,906	165,054
St. Mary's Church School Project - 2005A	03/22/05	03/01/30	2,800,000	2,050,750
St. Mary's Church School Project - 2005B	11/29/05	11/01/30	1,200,000	453,546
Knute Nelson - Assisted Living Facility	06/08/06	06/01/27	4,300,000	2,694,261
Alexandria Area YMCA	12/15/08	06/15/20	6,000,000	1,316,972
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	2,814,798
ATCC Foundation	09/01/11	03/01/43	7,040,000	6,542,578

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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

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 2016. 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 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$198,124, \$191,394 and \$178,473, respectively. The Board of Public Works contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$200,269, \$196,803 and \$175,557, 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 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$278,811, \$243,780 and \$222,790, 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, 2016, the City reported a liability of \$3,580,701 for its proportionate share of the GERF's net pension liability. At December 31, 2016, the Board of Public Works reported a liability of \$3,450,789 for its proportionate share of the GERF's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$46,790 and with the Board of Public Works totaled \$45,116. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0441 percent which was an increase of 0.0016 percent from its proportion measured as of June 30, 2015. At June 30, 2016, the Board of Public Works proportionate share was 0.0425 percent which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$474,241 for its proportionate share of GERF's pension expense. For the year ended December 31, 2016, the Board of Public Works recognized pension expense of \$395,143 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$13,952 and the Board of Public Works recognized an additional \$13,452 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, the City and Board of Public Works reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary government		Component unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,798	\$ 298,246	\$ 11,150	\$ 283,088
Changes in actuarial assumptions	773,060	-	743,686	-
Net difference between projected and actual earnings on plan investments	406,779	-	387,888	-
Changes in proportion	66,412	8,115	24,905	100,094
Contributions to GERF subsequent to the measurement date	100,400	-	100,603	-
Total	\$ 1,357,449	\$ 306,361	\$ 1,268,232	\$ 383,182

Deferred outflows of resources totaling \$201,003 related to pensions resulting from the City's and Board of Public Works contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	Primary government	Component unit
2017	\$ 266,635	\$ 198,170
2018	187,843	120,487
2019	366,868	341,142
2020	129,342	124,648
2021	-	-
Thereafter	-	-

PEPPF pension costs

At December 31, 2016, the City reported a liability of \$6,982,923 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.1740 percent which was an increase of 0.0014 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$1,127,889 for its proportionate share of PEPFF's pension expense. The City also recognized \$15,660 for the year ended December 31, 2016, as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, 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	\$ 1,505	\$ 825,202
Changes in actuarial assumptions	4,126,434	-
Net difference between projected and actual earnings on plan investments	619,953	-
Changes in proportion	232,746	-
Contributions to PEPFF subsequent to the measurement date	141,616	-
	<u>5,122,254</u>	<u>825,202</u>
Total	<u>\$ 5,122,254</u>	<u>\$ 825,202</u>

Deferred outflows of resources totaling \$141,616 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 801,371
2018	801,372
2019	1,014,548
2020	848,005
2021	690,140
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERF and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF and PEPFF.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The following changes in actuarial assumptions occurred in 2016:

GERF

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

PEPFF

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	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 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent after.

G. Pension liability sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF			
Primary government	\$ 5,085,657	\$ 3,580,701	\$ 2,341,027
Component unit	4,901,143	3,450,789	2,256,092
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF	9,775,165	6,982,923	4,701,449

H. Pension plan fiduciary net position

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

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$135,561 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2016, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

D. Pension costs

At December 31, 2016, the City reported a net pension liability (asset) of (\$309,953) for the plan. The net pension liability (asset) was measured as of December 31, 2015. 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, 2015. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance January 1, 2016	\$ 2,075,383	\$ 2,838,035	\$ (762,652)
Changes for the year			
Service cost	99,006	-	99,006
Interest on pension liability (asset)	115,843	-	115,843
Changes in assumptions	(129,171)	-	(129,171)
Changes of benefit terms	180,109	-	180,109
Actuarial experience (gains)/losses	-	-	-
Projected investment return	-	-	-
Contributions (State and local)	-	135,561	(135,561)
Net investment income	-	(316,113)	316,113
Contributions (employer)	-	-	-
Nonemployer contributions	-	-	-
Adjustment to initial asset transfer	-	-	-
(Gain)/loss	-	-	-
Benefit payments	(136,320)	(136,320)	-
Administrative expenses	-	(6,360)	6,360
Total net changes	129,467	(323,232)	452,699
Ending balance December 31, 2016	\$ 2,204,850	\$ 2,514,803	\$ (309,953)

For the year ended December 31, 2016, the City recognized pension expense of \$348,001.

At December 31, 2016, 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	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 477,956	\$ -
Changes in proportion	-	113,775
Total	\$ 477,956	\$ 113,775

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED

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

2017	\$ 112,233
2018	112,233
2019	112,233
2020	79,673
2021	(15,396)
Thereafter	(36,795)

E. Actuarial assumptions

The total pension liability at December 31, 2015 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Discount rate	7.50%
Inflation rate	2.75%
Investment rate of return	7.50%
20 year municipal bond yield	3.57%

There were no changes in actuarial assumptions in 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	54.44 %	5.58 %
International equity	20.73	5.71
Fixed income	5.31	2.27
Real estate and alternatives	0.48	4.44
Cash and equivalents	<u>19.04</u>	0.84
Total	<u><u>100.00 %</u></u>	

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

F. Discount rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

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

	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
Defined benefit plan	\$ (239,327)	\$ (309,953)	\$ (378,690)

H. Pension plan fiduciary net position

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

Note 6: 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, 2016

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 2016 was \$1,471,798 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, 2016 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 2016, the annual contribution was \$71,748 and the City also contributed \$7,500 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 2016, 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 2016 the City paid TIF administration fees of \$45,736 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, 2016

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 \$53,567 and \$50,234 in matching funds to the plan for the year ended December 31, 2016 and 2015, respectively.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 164,237	\$ 32,429	\$ 196,666
Interest on net OPEB obligation	28,638	6,702	35,340
Adjustment to annual required contribution	<u>(41,403)</u>	<u>(9,690)</u>	<u>(51,093)</u>
Annual OPEB cost (expense)	151,472	29,441	180,913
Contributions made	<u>(66,644)</u>	<u>(20,827)</u>	<u>(87,471)</u>
Increase (decrease) in net OPEB obligation	84,828	8,614	93,442
Net OPEB obligation - beginning of year	<u>715,963</u>	<u>167,541</u>	<u>883,504</u>
Net OPEB obligation - end of year	<u>\$ 800,791</u>	<u>\$ 176,155</u>	<u>\$ 976,946</u>

CITY OF ALEXANDRIA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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 2016 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
12/31/16	\$ 151,472	48.4 %	\$ 800,791
12/31/15	149,597	44.3	715,963
12/31/14	148,643	53.6	630,566

Component Unit - Board of Public Works

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	\$ 29,441	70.7 %	\$ 176,155
12/31/15	29,101	51.4	167,541
12/31/14	28,583	35.3	153,406

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, 2016

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, 2016 was 30 years.

I. Subsequent event

On March 29, 2017 the City entered into a lease purchase agreement in the amount of \$308,689 to finance the purchase of public works vehicles.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: TAX ABATEMENTS

As of December 31, 2016, the City has thirty three agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

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

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

The City entered into a tax abatement agreement on October 18, 2016 with Lakes Hotel Group (the Developer) in which the developer incurs costs for construction of a hotel. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$400,000 or fifty percent of the total cost of the public improvements (whichever occurs first) over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of October 18, 2026. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on May 12, 2014 with Viking Plaza Associates (the Developer) in which the developer incurs costs for construction of a retail center. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$67,792 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of May 12, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #12) on July 18, 1996 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$177,538 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #15) on July 28, 1997 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$91,342 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #16) on August 25, 1997 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$299,805 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #17) on December 8, 1997 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$3,073,677 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: TAX ABATEMENTS - CONTINUED

The City entered into a tax increment financing agreement (TIF #22) on October 23, 2000 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$540,768 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #23) on May 14, 2001 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$2,268,412 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #25) on July 22, 2002 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$331,478 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #26) on October 28, 2002 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$3,055,482 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #27) on April 28, 2003 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$186,942 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #29) on March 2, 2004 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$498,308 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #32) on January 24, 2005 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$583,663 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #34) on March 27, 2006 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$432,687 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #36) on January 22, 2007 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$126,162 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: TAX ABATEMENTS - CONTINUED

The City entered into a tax increment financing agreement (TIF #37) on April 23, 2007 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$367,827 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #38) on June 11, 2007 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$480,788 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #39) on July 23, 2007 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$1,190,420 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #40) on July 23, 2007 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$329,626 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #41) on August 11, 2008 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$1,220,694 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #42) on December 22, 2008 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$5,748,258 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #43) on March 9, 2009 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$1,732,642 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #44) on May 11, 2009 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$259,543 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #45) on July 25, 2011 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$287,933 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: TAX ABATEMENTS - CONTINUED

The City entered into a tax increment financing agreement (TIF #46) on July 23, 2012 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$165,099 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #47) on August 27, 2012 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$4,149,674 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #48) on November 13, 2012 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$573,496 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #49) on May 28, 2013 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$591,992 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #50) on February 23, 2015 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$20,973,472 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #51) on April 13, 2015 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$715,433 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: TAX ABATEMENTS - CONTINUED

The City entered into a tax increment financing agreement (TIF #53) on November 14, 2016 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$706,229 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

	<u>City Tax Rate (Year of Establishment)</u>	<u>District Tax Capacity</u>	<u>Amount of taxes abated the fiscal year</u>
Tax abatement agreements			
Alexandria Veterinary Clinic			\$ 5,250
Hoven-Anderson Properties			4,560
Lakes Hotel Group			-
Viking Plaza Associates			5,617
Tax Increment Districts (PAYGO)			
TIF #12	23.923 %	\$ 11,692	2,797
TIF #15	23.571	3,450	813
TIF #16	23.571	9,974	2,351
TIF #17	23.923	48,460	11,593
TIF #22	24.080	-	-
TIF #23	21.620	60,406	13,060
TIF #25	34.126	6,860	2,341
TIF #26	34.126	92,526	31,575
TIF #27	32.203	5,534	1,782
TIF #29	35.200	14,512	5,108
TIF #32	34.218	14,282	4,887
TIF #34	30.124	10,592	3,191
TIF #36	30.124	16,366	4,930
TIF #37	30.124	18,113	5,456
TIF #38	30.124	80,114	24,134
TIF #39	30.648	13,574	4,160
TIF #40	33.898	19,188	6,504
TIF #41	33.898	122,379	41,484
TIF #42	33.898	163,250	55,338
TIF #43	33.898	36,792	12,472
TIF #44	33.898	31,660	10,732
TIF #45	33.898	9,702	3,289
TIF #46	32.862	10,366	3,406
TIF #47	43.282	62,512	27,056
TIF #48	43.282	16,716	7,235
TIF #49	44.256	71,874	31,809
TIF #50	43.614	-	-
TIF #51	43.614	1,940	846
TIF #53	42.010	-	-
			<u>\$ 333,778</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016

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
06/30/16	0.0441 %	\$ 3,580,701	\$ -	\$ 3,580,701	\$ 2,454,920	145.9 %	68.9 %
06/30/15	0.0425	2,202,572	-	2,202,572	2,686,933	82.0	78.2

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
06/30/16	0.0425 %	\$ 3,450,789	\$ -	\$ 3,450,789	\$ 2,638,344	130.8 %	78.2 %
06/30/15	0.0419	2,171,475	-	2,171,475	2,421,840	89.7	78.2

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

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

City

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)	
12/31/16	\$ 198,124	\$ 198,124	\$ -	\$ 2,641,653	7.5 %	
12/31/15	191,394	191,394	-	2,551,920	7.5	

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

Discretely presented component unit - Board of Public Works

Year Ending	Required Supplementary Information				
	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)
12/31/16	\$ 200,269	\$ 200,269	\$ -	\$ 2,670,258	7.5 %
12/31/15	193,803	193,803	-	2,584,040	7.5

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

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

Fiscal Year Ending	Required Supplementary Information						
	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
06/30/16	0.1740 %	\$ 6,982,923	\$ -	\$ 6,982,923	\$ 1,680,278	415.6 %	63.9 %
06/30/15	0.1600	1,817,974	-	1,817,974	1,421,679	127.9	86.6

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

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

Year Ending	Required Supplementary Information				
	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)
12/31/16	\$ 278,811	\$ 278,811	\$ -	\$ 1,721,056	16.2 %
12/31/15	243,780	243,780	-	1,504,815	16.2

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

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total pension liability		
Service cost	\$ 99,006	\$ 96,356
Interest	115,843	108,195
Changes of benefit terms	180,109	-
Changes of assumptions	(129,171)	-
Benefit payments, including refunds of employee contributions	(136,320)	-
Net change in total pension liability	129,467	204,551
Total pension liability - January 1	2,075,383	1,870,832
Total pension liability - December 31	\$ 2,204,850	\$ 2,075,383
Plan fiduciary net position		
Contributions - state	135,561	161,845
Net investment income	(316,113)	(14,218)
Benefit payments, including refunds of employee contributions	(136,320)	-
Administrative expense	(6,360)	(10,400)
Net change in plan fiduciary net position	(323,232)	137,227
Plan fiduciary net position - January 1	2,838,035	2,700,808
Plan fiduciary net position - December 31 (b)	\$ 2,514,803	\$ 2,838,035
Fire Relief's net pension liability (asset) - December 31 (a-b)	\$ (309,953)	\$ (762,652)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	114.06%	136.75%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

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

Changes of assumptions. None in 2016.

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

CITY OF ALEXANDRIA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)
	(a)	(b)	(a-b)
12/31/16	\$ 135,561	\$ 135,561	\$ -
12/31/15	129,243	129,243	-
12/31/14	161,845	161,845	-

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, 2016

CITY OF ALEXANDRIA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	215 Crime Prevention/ Bike Safety	228 Storm Water Utility	229 Employee Benefit	231 Firemen's Relief
ASSETS				
Cash and temporary investments	\$ 2,632	\$ (129,821)	\$ 18,486	\$ 71,209
Receivables				
Delinquent taxes	-	-	300	200
Accounts	-	-	-	-
Notes and loans, net of allowance	-	-	-	-
Intergovernmental	-	-	197	137,076
Due from component unit	-	65,779	-	-
Advances to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,632</u></u>	<u><u>\$ (64,042)</u></u>	<u><u>\$ 18,983</u></u>	<u><u>\$ 208,485</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,033	\$ -	\$ -
Due to other governments	-	-	-	136,992
Due to component unit	-	13,393	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>19,426</u>	<u>-</u>	<u>136,992</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	300	200
	<u>-</u>	<u>-</u>	<u>300</u>	<u>200</u>
FUND BALANCES				
Restricted for				
Capital outlay	2,632	-	-	-
Economic development	-	-	-	-
Sanitary sewer operations	-	-	-	-
Committed for				
Payment of benefits	-	-	18,683	-
Firefighter's retirement obligation	-	-	-	71,293
Economic development	-	-	-	-
Unassigned	-	(83,468)	-	-
	<u>-</u>	<u>(83,468)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>2,632</u>	<u>(83,468)</u>	<u>18,683</u>	<u>71,293</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 2,632</u></u>	<u><u>\$ (64,042)</u></u>	<u><u>\$ 18,983</u></u>	<u><u>\$ 208,485</u></u>

234 Planning Commission Development	235 Sanitary Sewer District	245 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
\$ 47,291	\$ 43,243	\$ 79,296	\$ 904,289	\$ 572,803	\$ 1,609,428
-	9,800	-	-	-	10,300
-	-	-	-	33,493	33,493
-	-	-	387,561	106,015	493,576
-	5,823	-	-	-	143,096
-	-	-	-	-	65,779
-	-	-	500,585	-	500,585
<u>\$ 47,291</u>	<u>\$ 58,866</u>	<u>\$ 79,296</u>	<u>\$ 1,792,435</u>	<u>\$ 712,311</u>	<u>\$ 2,856,257</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,488	\$ 19,521
-	-	-	-	64,255	201,247
-	-	-	-	-	13,393
-	-	-	-	28,913	28,913
-	-	-	-	106,656	263,074
-	9,800	-	-	-	10,300
-	-	-	-	-	2,632
-	-	-	1,792,435	605,655	2,398,090
-	49,066	-	-	-	49,066
-	-	-	-	-	18,683
-	-	-	-	-	71,293
47,291	-	79,296	-	-	126,587
-	-	-	-	-	(83,468)
<u>47,291</u>	<u>49,066</u>	<u>79,296</u>	<u>1,792,435</u>	<u>605,655</u>	<u>2,582,883</u>
<u>\$ 47,291</u>	<u>\$ 58,866</u>	<u>\$ 79,296</u>	<u>\$ 1,792,435</u>	<u>\$ 712,311</u>	<u>\$ 2,856,257</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, 2016

	215 Crime Prevention/ Bike Safety	228 Storm Water Utility	229 Employee Benefit	231 Firemen's Relief
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ 20,284	\$ 213
Tax increments	-	-	-	-
Intergovernmental				
State	-	-	3	137,992
Charges for service	-	712,365	-	-
Investment earnings	23	2,835	195	610
Other revenue				
Contributions and donations	-	-	-	5,000
Other	-	-	31	-
	<u>23</u>	<u>715,200</u>	<u>20,513</u>	<u>143,815</u>
EXPENDITURES				
Current				
Public safety	-	-	-	137,992
Public works	-	241,207	-	-
Economic development	-	-	-	-
Capital outlay				
Public works	-	4,559	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
	<u>-</u>	<u>245,766</u>	<u>-</u>	<u>137,992</u>
	<u>23</u>	<u>469,434</u>	<u>20,513</u>	<u>5,823</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(665,890)</u>	<u>(17,263)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	23	(196,456)	3,250	5,823
FUND BALANCES, JANUARY 1	<u>2,609</u>	<u>112,988</u>	<u>15,433</u>	<u>65,470</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 2,632</u></u>	<u><u>\$ (83,468)</u></u>	<u><u>\$ 18,683</u></u>	<u><u>\$ 71,293</u></u>

234 Planning Commission Development	235 Sanitary Sewer District	245 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
\$ 14	\$ 548,498	\$ -	\$ -	\$ -	\$ 569,009
-	-	-	-	943,861	943,861
-	77	-	-	-	138,072
-	-	-	-	3,000	715,365
592	1,129	684	36,933	4,126	47,127
-	-	-	-	-	5,000
-	1,268	-	-	-	1,299
<u>606</u>	<u>550,972</u>	<u>684</u>	<u>36,933</u>	<u>950,987</u>	<u>2,419,733</u>
-	-	-	-	-	137,992
-	624,011	-	-	-	865,218
50,041	-	-	-	810,940	860,981
-	-	-	-	-	4,559
-	-	-	-	22,396	22,396
-	-	-	-	4,391	4,391
<u>50,041</u>	<u>624,011</u>	<u>-</u>	<u>-</u>	<u>837,727</u>	<u>1,895,537</u>
<u>(49,435)</u>	<u>(73,039)</u>	<u>684</u>	<u>36,933</u>	<u>113,260</u>	<u>524,196</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(683,153)</u>
(49,435)	(73,039)	684	36,933	113,260	(158,957)
<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>\$ 47,291</u>	<u>\$ 49,066</u>	<u>\$ 79,296</u>	<u>\$ 1,792,435</u>	<u>\$ 605,655</u>	<u>\$ 2,582,883</u>

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CITY OF ALEXANDRIA, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and temporary investments	\$ 3,481,794	\$ 4,701,886
Receivables		
Interest	18,211	20,138
Delinquent taxes	63,200	71,700
Accounts	167,676	140,974
Special assessments	8,353	4,070
Intergovernmental	51,722	41,273
Due from other funds	54,116	44,725
Due from component unit	842,551	814,175
Prepaid items	59,484	56,708
TOTAL ASSETS	\$ 4,747,107	\$ 5,895,649
LIABILITIES		
Accounts payable	\$ 206,935	\$ 179,631
Due to other governments	92,109	41,861
Accrued salaries payable	181,235	145,069
Deposits payable	19,280	18,815
Due to other funds	-	1,434
Unearned revenue	-	389
TOTAL LIABILITIES	499,559	387,199
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	63,200	71,700
Unavailable revenue - special assessments	8,353	4,070
TOTAL DEFERRED INFLOWS OF RESOURCES	71,553	75,770
FUND BALANCES		
Nonspendable for		
Prepaid items	59,484	56,708
Restricted for		
Wellness	21,407	28,132
Committed for		
Wellness	13,127	9,437
Unassigned	4,081,977	5,338,403
TOTAL FUND BALANCES	4,175,995	5,432,680
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,747,107	\$ 5,895,649

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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
REVENUES				
Taxes				
Property taxes	\$ 3,765,125	\$ 3,769,860	\$ 4,735	\$ 3,687,786
Franchise taxes	489,500	384,205	(105,295)	430,221
Total taxes	<u>4,254,625</u>	<u>4,154,065</u>	<u>(100,560)</u>	<u>4,118,007</u>
Payment in lieu of taxes	<u>1,076,000</u>	<u>1,052,356</u>	<u>(23,644)</u>	<u>1,047,910</u>
Special assessments	<u>-</u>	<u>2,310</u>	<u>2,310</u>	<u>2,738</u>
Licenses and permits				
Business licenses	64,750	82,990	18,240	78,540
Nonbusiness licenses	29,850	36,166	6,316	37,711
Building permits	<u>375,000</u>	<u>395,557</u>	<u>20,557</u>	<u>551,498</u>
Total licenses and permits	<u>469,600</u>	<u>514,713</u>	<u>45,113</u>	<u>667,749</u>
Intergovernmental				
Federal				
Other Federal grants	<u>7,500</u>	<u>9,318</u>	<u>1,818</u>	<u>12,948</u>
State				
Local government aid	1,471,793	1,471,798	5	1,469,871
Property tax credits and aids	-	533	533	486
Police aid	159,000	173,645	14,645	159,512
Fire aid	4,000	4,800	800	5,756
Airport maintenance	58,505	71,110	12,605	68,029
Other State aids	<u>25,700</u>	<u>36,164</u>	<u>10,464</u>	<u>20,247</u>
Total State	<u>1,718,998</u>	<u>1,758,050</u>	<u>39,052</u>	<u>1,723,901</u>
Total intergovernmental	<u>1,726,498</u>	<u>1,767,368</u>	<u>40,870</u>	<u>1,736,849</u>
Charges for services				
General government	170,600	193,054	22,454	197,023
Public safety	238,930	269,689	30,759	214,395
Public works	7,000	21,257	14,257	12,011
Culture and recreation	<u>585,215</u>	<u>534,214</u>	<u>(51,001)</u>	<u>583,040</u>
Total charges for services	<u>1,001,745</u>	<u>1,018,214</u>	<u>16,469</u>	<u>1,006,469</u>
Fines and forfeits	<u>121,000</u>	<u>118,278</u>	<u>(2,722)</u>	<u>109,146</u>
Investment earnings	<u>15,000</u>	<u>26,331</u>	<u>11,331</u>	<u>28,849</u>
Other revenue				
Leases	18,200	41,732	23,532	20,173
Contributions and donations	-	1,350	1,350	4,200
Other	<u>50,000</u>	<u>77,329</u>	<u>27,329</u>	<u>125,611</u>
Total other revenue	<u>68,200</u>	<u>120,411</u>	<u>52,211</u>	<u>149,984</u>
TOTAL REVENUES	<u>8,732,668</u>	<u>8,774,046</u>	<u>41,378</u>	<u>8,867,701</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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES				
Current				
General government				
Mayor and Council				
Personal services	\$ 44,350	\$ 44,052	\$ 298	\$ 44,052
Other services and charges	52,800	48,452	4,348	48,170
Total Mayor and Council	97,150	92,504	4,646	92,222
Administration				
Personal services	498,700	497,164	1,536	463,988
Supplies	300	51	249	441
Other services and charges	16,400	15,932	468	15,982
Total administration	515,400	513,147	2,253	480,411
Elections				
Personal services	25,000	25,537	(537)	-
Supplies	1,200	790	410	175
Other services and charges	4,100	3,414	686	-
Total elections	30,300	29,741	559	175
City planner				
Personal services	126,950	131,067	(4,117)	125,681
Other services and charges	925	97	828	194
Total city planner	127,875	131,164	(3,289)	125,875
Planning and zoning				
Personal services	3,150	3,122	28	3,122
Other services and charges	2,800	3,355	(555)	1,627
Total planning and zoning	5,950	6,477	(527)	4,749
Assessor				
Personal services	163,100	169,522	(6,422)	162,560
Supplies	-	161	(161)	-
Other services and charges	4,500	2,238	2,262	4,044
Total assessor	167,600	171,921	(4,321)	166,604
Legal and accounting				
Supplies	3,500	2,822	678	2,675
Other services and charges	446,000	415,240	30,760	426,658
Total legal and accounting	449,500	418,062	31,438	429,333
Human resources				
Personal services	65,450	67,923	(2,473)	42,684
Supplies	100	725	(625)	234
Other services and charges	3,700	347	3,353	1,820
Total human resources	69,250	68,995	255	44,738
Employee wellness				
Personal services	-	783	(783)	-

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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Budgeted Amount Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES - CONTINUED				
Current - Continued				
General government - Continued				
Other general government				
Personal services	\$ 87,000	\$ 298	\$ 86,702	\$ 2,734
Supplies	18,500	17,391	1,109	15,454
Other services and charges	680,081	603,927	76,154	749,107
Total other general government	785,581	621,616	163,965	767,295
Total general government	2,248,606	2,054,410	194,196	2,111,402
Public safety				
Police protection				
Personal services	2,524,850	2,522,401	2,449	2,328,955
Supplies	71,200	48,057	23,143	53,113
Other services and charges	247,550	222,032	25,518	217,116
Total police protection	2,843,600	2,792,490	51,110	2,599,184
Fire protection				
Personal services	122,475	137,948	(15,473)	23,733
Supplies	62,900	32,809	30,091	37,205
Other services and charges	197,430	190,670	6,760	196,650
Total fire protection	382,805	361,427	21,378	257,588
Fire marshal				
Personal services	24,825	38,552	(13,727)	87,946
Other services and charges	1,500	418	1,082	1,899
Total fire marshal	26,325	38,970	(12,645)	89,845
Building				
Personal services	205,950	213,126	(7,176)	203,867
Supplies	5,800	3,033	2,767	3,545
Other services and charges	21,660	20,392	1,268	12,758
Total building	233,410	236,551	(3,141)	220,170
Emergency management				
Other services and charges	7,900	16,759	(8,859)	6,683
Traffic signs and signals				
Personal services	56,700	104,512	(47,812)	93,191
Supplies	26,000	10,784	15,216	17,362
Other services and charges	26,500	21,370	5,130	20,909
Total traffic signs and signals	109,200	136,666	(27,466)	131,462

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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES - CONTINUED				
Current - Continued				
Animal control				
Other services and charges	\$ 25,100	\$ 20,501	\$ 4,599	\$ 25,513
Total public safety	<u>3,628,340</u>	<u>3,603,364</u>	<u>24,976</u>	<u>3,330,445</u>
Public works				
Highways, streets and alleys				
Personal services	280,250	404,147	(123,897)	325,064
Supplies	95,400	73,356	22,044	65,244
Other services and charges	16,000	10,469	5,531	14,649
Total highways, streets and alleys	<u>391,650</u>	<u>487,972</u>	<u>(96,322)</u>	<u>404,957</u>
Engineering				
Other services and charges	50,000	57,251	(7,251)	48,306
Blacktop repair				
Personal services	78,425	8,006	70,419	48,929
Supplies	160,000	183,179	(23,179)	250,890
Other services and charges	2,000	-	2,000	-
Total blacktop repair	<u>240,425</u>	<u>191,185</u>	<u>49,240</u>	<u>299,819</u>
Dust control				
Supplies	3,500	-	3,500	6,489
Sidewalks and curbs				
Other services and charges	21,000	48,482	(27,482)	25,468
Snow and ice control				
Personal services	133,950	67,349	66,601	56,158
Supplies	70,000	98,399	(28,399)	48,840
Other services and charges	23,500	17,667	5,833	12,666
Total snow and ice control	<u>227,450</u>	<u>183,415</u>	<u>44,035</u>	<u>117,664</u>
Equipment maintenance				
Personal services	120,275	69,257	51,018	79,438
Supplies	23,075	17,254	5,821	16,187
Other services and charges	99,000	59,556	39,444	63,880
Total equipment maintenance	<u>242,350</u>	<u>146,067</u>	<u>96,283</u>	<u>159,505</u>
Weed eradication				
Personal services	21,350	7,376	13,974	21,179
Supplies	12,000	9,321	2,679	15,478
Total weed eradication	<u>33,350</u>	<u>16,697</u>	<u>16,653</u>	<u>36,657</u>
Street lighting				
Other services and charges	227,000	217,828	9,172	227,552
Total public works	<u>1,436,725</u>	<u>1,348,897</u>	<u>87,828</u>	<u>1,326,417</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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	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	\$ 77,747	\$ 79,248	\$ (1,501)	\$ 77,544
Runestone Community Center				
Personal services	334,200	338,936	(4,736)	334,017
Supplies	23,500	17,914	5,586	22,254
Other services and charges	296,800	249,078	47,722	306,425
Total Runestone Community Center	654,500	605,928	48,572	662,696
KN Stadium				
Supplies	-	919	(919)	4,004
Other services and charges	-	9,884	(9,884)	17,662
Total KN Stadium	-	10,803	(10,803)	21,666
Senior citizens				
Other services and charges	12,500	12,500	-	12,500
Parks				
Personal services	541,950	540,503	1,447	522,467
Supplies	57,850	47,651	10,199	51,213
Other services and charges	117,750	112,757	4,993	84,835
Total parks	717,550	700,911	16,639	658,515
Total culture and recreation	1,462,297	1,409,390	52,907	1,432,921
Airport				
Airport operations				
Personal services	17,600	10,421	7,179	7,821
Supplies	8,500	4,127	4,373	5,398
Other services and charges	89,600	103,474	(13,874)	85,766
Total airport	115,700	118,022	(2,322)	98,985
Total current	8,891,668	8,534,083	357,585	8,300,170

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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Budgeted Amount	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original and Final			
EXPENDITURES - CONTINUED				
Capital outlay				
General government	\$ 11,500	\$ 875	\$ 10,625	\$ 5,376
Public safety	30,500	51,059	(20,559)	65,791
Public works	4,500	11,133	(6,633)	3,938
Culture and recreation	7,500	21,969	(14,469)	13,814
Airport	2,000	14,277	(12,277)	4,164
Total capital outlay	<u>56,000</u>	<u>99,313</u>	<u>(43,313)</u>	<u>93,083</u>
TOTAL EXPENDITURES	<u>8,947,668</u>	<u>8,633,396</u>	<u>314,272</u>	<u>8,393,253</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(215,000)</u>	<u>140,650</u>	<u>355,650</u>	<u>474,448</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	242,263	17,263	209,145
Transfers out	<u>(10,000)</u>	<u>(1,639,598)</u>	<u>(1,629,598)</u>	<u>(2,462)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,000</u>	<u>(1,397,335)</u>	<u>(1,612,335)</u>	<u>206,683</u>
NET CHANGE IN FUND BALANCES	-	(1,256,685)	(1,256,685)	681,131
FUND BALANCES, JANUARY 1	<u>5,432,680</u>	<u>5,432,680</u>	<u>-</u>	<u>4,751,549</u>
FUND BALANCES, DECEMBER 31	<u>\$ 5,432,680</u>	<u>\$ 4,175,995</u>	<u>\$ (1,256,685)</u>	<u>\$ 5,432,680</u>

CITY OF ALEXANDRIA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2016

	526 G.O. Improvement Bonds of 2007B	527 G.O. Tax Abatement Bonds of 2009A	530 G.O. Capital Improvement Bonds of 2010A	531 G.O. Improvement Bonds of 2011A
ASSETS				
Cash and temporary investments	\$ 856,912	\$ 106,020	\$ 653,449	\$ 612,091
Restricted debt service reserve deposits	-	-	-	-
Receivables				
Interest	-	-	-	-
Delinquent taxes	3,800	1,500	5,400	3,500
Special assessments	1,147,402	-	758,124	311,838
Intergovernmental	2,269	940	4,346	2,587
TOTAL ASSETS	\$ 2,010,383	\$ 108,460	\$ 1,421,319	\$ 930,016
LIABILITIES				
Accounts payable	\$ 272	\$ 272	\$ 1,674	\$ 272
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	3,800	1,500	5,400	3,500
Unavailable revenue - special assessments	1,147,402	-	758,124	311,838
TOTAL DEFERRED INFLOWS OF RESOURCES	1,151,202	1,500	763,524	315,338
FUND BALANCES				
Restricted for debt service	858,909	106,688	656,121	614,406
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,010,383	\$ 108,460	\$ 1,421,319	\$ 930,016

532 G.O. Improvement Refunding Bonds of 2011B	533 G.O. Improvement Bonds of 2013A	534 G.O. Improvement Bonds of 2014A	535 G.O. Improvement Bonds of 2014B	536 G.O. Bonds of 2016A	537 G.O. Refunding Bonds of 2016B	Total
\$ -	\$ 1,832,712	\$ 691,123	\$ 465,449	\$ 172,915	\$ -	\$ 5,390,671
-	-	-	-	-	2,573,579	2,573,579
-	-	-	-	-	5,706	5,706
-	4,200	2,700	4,600	-	-	25,700
-	1,043,871	720,415	144,297	-	-	4,125,947
-	5,462	2,851	3,868	371	-	22,694
<u>\$ -</u>	<u>\$ 2,886,245</u>	<u>\$ 1,417,089</u>	<u>\$ 618,214</u>	<u>\$ 173,286</u>	<u>\$ 2,579,285</u>	<u>\$ 12,144,297</u>
<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 272</u>	<u>\$ 272</u>	<u>\$ 272</u>	<u>\$ 272</u>	<u>\$ 3,850</u>
-	4,200	2,700	4,600	-	-	25,700
-	1,043,871	720,415	144,297	-	-	4,125,947
-	1,048,071	723,115	148,897	-	-	4,151,647
-	1,837,902	693,702	469,045	173,014	2,579,013	7,988,800
<u>\$ -</u>	<u>\$ 2,886,245</u>	<u>\$ 1,417,089</u>	<u>\$ 618,214</u>	<u>\$ 173,286</u>	<u>\$ 2,579,285</u>	<u>\$ 12,144,297</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, 2016

	526 G.O. Improvement Bonds of 2007B	527 G.O. Tax Abatement Bonds of 2009A	530 G.O. Capital Improvement Bonds of 2010A	531 G.O. Improvement Bonds of 2011A
REVENUES				
Property taxes	\$ 223,159	\$ 92,957	\$ 279,150	\$ 207,776
Special assessments	53,610	-	15,949	87,621
Intergovernmental				
Federal	-	-	62,426	-
State	32	13	39	-
Investment earnings	4,188	478	4,975	3,747
Other revenue	456	189	797	-
TOTAL REVENUES	<u>281,445</u>	<u>93,637</u>	<u>363,336</u>	<u>299,144</u>
EXPENDITURES				
Debt service				
Principal	315,000	50,000	240,000	290,000
Interest and other	112,622	38,700	195,197	49,718
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	<u>427,622</u>	<u>88,700</u>	<u>435,197</u>	<u>339,718</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(146,177)</u>	<u>4,937</u>	<u>(71,861)</u>	<u>(40,574)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	214,025	-	158,063	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>214,025</u>	<u>-</u>	<u>158,063</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	67,848	4,937	86,202	(40,574)
FUND BALANCES, JANUARY 1	<u>791,061</u>	<u>101,751</u>	<u>569,919</u>	<u>654,980</u>
FUND BALANCES, DECEMBER 31	<u>\$ 858,909</u>	<u>\$ 106,688</u>	<u>\$ 656,121</u>	<u>\$ 614,406</u>

532 G.O. Improvement Refunding Bonds of 2011B	533 G.O. Improvement Bonds of 2013A	534 G.O. Improvement Bonds of 2014A	535 G.O. Improvement Bonds of 2014B	536 G.O. Bonds of 2016A	537 G.O. Refunding Bonds of 2016B	Total
\$ 22	\$ 324,941	\$ 220,587	\$ 284,548	\$ 50,499	\$ -	\$ 1,683,639
15,505	253,576	160,108	61,212	-	-	647,581
-	-	-	-	-	-	62,426
29	46	-	-	7	-	166
-	12,931	3,947	2,214	464	5,706	38,650
387	436	213	582	-	-	3,060
<u>15,943</u>	<u>591,930</u>	<u>384,855</u>	<u>348,556</u>	<u>50,970</u>	<u>5,706</u>	<u>2,435,522</u>
-	375,000	90,000	275,000	-	-	1,635,000
153,140	149,853	63,472	55,572	-	-	818,274
-	-	-	-	107,166	58,860	166,026
<u>153,140</u>	<u>524,853</u>	<u>153,472</u>	<u>330,572</u>	<u>107,166</u>	<u>58,860</u>	<u>2,619,300</u>
<u>(137,197)</u>	<u>67,077</u>	<u>231,383</u>	<u>17,984</u>	<u>(56,196)</u>	<u>(53,154)</u>	<u>(183,778)</u>
-	-	-	-	100,454	-	472,542
-	-	-	-	-	2,465,000	2,465,000
-	-	-	-	128,756	167,167	295,923
(158,063)	-	-	-	-	-	(158,063)
<u>(158,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,210</u>	<u>2,632,167</u>	<u>3,075,402</u>
(295,260)	67,077	231,383	17,984	173,014	2,579,013	2,891,624
295,260	1,770,825	462,319	451,061	-	-	5,097,176
<u>\$ -</u>	<u>\$ 1,837,902</u>	<u>\$ 693,702</u>	<u>\$ 469,045</u>	<u>\$ 173,014</u>	<u>\$ 2,579,013</u>	<u>\$ 7,988,800</u>

CITY OF ALEXANDRIA, MINNESOTA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2016

	230	233	237	238	239
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment
ASSETS					
Cash and temporary investments	\$ 525,704	\$ 45,749	\$ 25,823	\$ 156,474	\$ 33,428
Receivables					
Delinquent taxes	100	200	100	900	500
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	38	149	75	411	249
TOTAL ASSETS	<u>\$ 525,842</u>	<u>\$ 46,098</u>	<u>\$ 25,998</u>	<u>\$ 157,785</u>	<u>\$ 34,177</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	100	200	100	900	500
Unavailable revenue - special assessments	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>100</u>	<u>200</u>	<u>100</u>	<u>900</u>	<u>500</u>
FUND BALANCES					
Restricted for					
Capital outlay	525,742	45,898	-	-	-
Committed for					
Capital outlay	-	-	25,898	156,885	33,677
Assigned for					
Capital outlay	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>525,742</u>	<u>45,898</u>	<u>25,898</u>	<u>156,885</u>	<u>33,677</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 525,842</u>	<u>\$ 46,098</u>	<u>\$ 25,998</u>	<u>\$ 157,785</u>	<u>\$ 34,177</u>

240	401	402	403	406	408	514	Total Capital Projects
IT Equipment	Capital Improvement	Municipal State Aid	Street Reconstruction	Airport Development	Energy Project	Revolving Improvement	
\$ 37,143	\$ 2,424,236	\$ (3,083,764)	\$ (82,821)	\$ (1,474,710)	\$ 659,558	\$ 2,402,475	\$ 1,669,295
500	1,900	1,200	700	100	-	-	6,200
-	-	-	106,869	13,879	3,640	-	124,388
-	-	-	-	-	-	1,440,807	1,440,807
373	1,103	18,074	79	1,384,212	-	5,984	1,410,747
<u>\$ 38,016</u>	<u>\$ 2,427,239</u>	<u>\$ (3,064,490)</u>	<u>\$ 24,827</u>	<u>\$ (76,519)</u>	<u>\$ 663,198</u>	<u>\$ 3,849,266</u>	<u>\$ 4,651,437</u>
\$ -	\$ 7,672	\$ 190,933	\$ 82,368	\$ 3,771	\$ 127,223	\$ 153,210	\$ 565,177
-	-	-	-	70,898	264,134	-	335,032
-	-	-	-	-	-	1,326	1,326
-	-	-	-	80,631	-	-	80,631
-	-	-	-	2,699	-	-	2,699
-	7,672	190,933	82,368	157,999	391,357	154,536	984,865
500	1,900	1,200	700	100	-	-	6,200
-	-	-	-	-	-	1,440,807	1,440,807
500	1,900	1,200	700	100	-	1,440,807	1,447,007
-	-	-	-	-	187,570	-	759,210
37,516	2,417,667	-	-	-	80,630	2,117,343	4,869,616
-	-	-	-	-	3,641	136,580	140,221
-	-	(3,256,623)	(58,241)	(234,618)	-	-	(3,549,482)
37,516	2,417,667	(3,256,623)	(58,241)	(234,618)	271,841	2,253,923	2,219,565
<u>\$ 38,016</u>	<u>\$ 2,427,239</u>	<u>\$ (3,064,490)</u>	<u>\$ 24,827</u>	<u>\$ (76,519)</u>	<u>\$ 663,198</u>	<u>\$ 3,849,266</u>	<u>\$ 4,651,437</u>

CITY OF ALEXANDRIA, MINNESOTA
 CAPITAL PROJECTS FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	230	233	237	238	239
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment
REVENUES					
Taxes	\$ 5,103	\$ 20,082	\$ 10,053	\$ 50,454	\$ 30,355
Special assessments	-	-	-	-	-
Intergovernmental					
Federal	-	-	-	-	-
State	1	3	1	-	-
Charges for services	93,731	-	-	-	-
Investment earnings	4,274	259	173	1,102	422
Other revenue	-	27,580	25,710	27,361	6,485
TOTAL REVENUES	103,109	47,924	35,937	78,917	37,262
EXPENDITURES					
Current					
Public works	-	-	-	-	-
Airport	-	-	-	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	148,331	-	-	-	53,396
Public works	-	-	-	65,915	-
Culture and recreation	-	27,237	28,520	-	-
Airport	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
TOTAL EXPENDITURES	148,331	27,237	28,520	65,915	53,396
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(45,222)	20,687	7,417	13,002	(16,134)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	8,053	-	2,100	2,025	-
Transfers in	-	-	-	-	-
Bond premium	-	-	-	-	-
Debt issued	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,053	-	2,100	2,025	-
NET CHANGE IN FUND BALANCES	(37,169)	20,687	9,517	15,027	(16,134)
FUND BALANCES, JANUARY 1	562,911	25,211	16,381	141,858	49,811
FUND BALANCES, DECEMBER 31	<u>\$ 525,742</u>	<u>\$ 45,898</u>	<u>\$ 25,898</u>	<u>\$ 156,885</u>	<u>\$ 33,677</u>

240	401	402	403	406	408	514	Total Capital Projects
IT Equipment	Capital Improvement	Municipal State Aid	Street Reconstruction	Airport Development	Energy Project	Revolving Improvement	
\$ 40,335	\$ 116,341	\$ 75,756	\$ 78	\$ 10,042	\$ -	\$ -	\$ 358,599
-	-	-	-	-	-	269,733	269,733
-	-	240,456	-	1,303,030	-	-	1,543,486
6	16	594,291	-	163,633	-	-	757,951
-	-	-	-	99,144	-	-	192,875
167	-	-	-	-	-	11,555	17,952
-	203	102	102	178,200	3,641	-	269,384
<u>40,508</u>	<u>116,560</u>	<u>910,605</u>	<u>180</u>	<u>1,754,049</u>	<u>3,641</u>	<u>281,288</u>	<u>3,409,980</u>
-	-	-	1,040	-	-	3,580	4,620
-	-	-	-	9,674	-	-	9,674
16,638	-	-	-	-	1,249,034	-	1,265,672
-	-	-	-	-	9,554	-	211,281
-	-	1,877,300	2,373,039	-	27,542	359,105	4,702,901
-	19,755	-	-	-	3,846,636	-	3,922,148
-	-	-	-	1,706,581	9,337	-	1,715,918
-	-	-	-	25,060	-	-	25,060
<u>16,638</u>	<u>19,755</u>	<u>1,877,300</u>	<u>2,374,079</u>	<u>1,741,315</u>	<u>5,142,103</u>	<u>362,685</u>	<u>11,857,274</u>
<u>23,870</u>	<u>96,805</u>	<u>(966,695)</u>	<u>(2,373,899)</u>	<u>12,734</u>	<u>(5,138,462)</u>	<u>(81,397)</u>	<u>(8,447,294)</u>
-	-	-	-	-	-	-	12,178
-	1,639,598	8,386	515,083	-	80,630	18,813	2,262,510
-	-	-	51,673	-	64,673	-	116,346
-	-	-	1,795,000	-	5,265,000	-	7,060,000
-	(90,417)	-	(100,454)	(80,630)	-	-	(271,501)
-	<u>1,549,181</u>	<u>8,386</u>	<u>2,261,302</u>	<u>(80,630)</u>	<u>5,410,303</u>	<u>18,813</u>	<u>9,179,533</u>
23,870	1,645,986	(958,309)	(112,597)	(67,896)	271,841	(62,584)	732,239
<u>13,646</u>	<u>771,681</u>	<u>(2,298,314)</u>	<u>54,356</u>	<u>(166,722)</u>	<u>-</u>	<u>2,316,507</u>	<u>1,487,326</u>
<u>\$ 37,516</u>	<u>\$ 2,417,667</u>	<u>\$ (3,256,623)</u>	<u>\$ (58,241)</u>	<u>\$ (234,618)</u>	<u>\$ 271,841</u>	<u>\$ 2,253,923</u>	<u>\$ 2,219,565</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2016

	390 EDA Development Fund	388 TIF District #12	392 TIF District #15	393 TIF District #16
ASSETS				
Cash and temporary investments	\$ 8,588	\$ 2,842	\$ 874	\$ 6,416
Receivables				
Accounts	26,327	-	-	-
Notes, net of allowance	-	-	-	-
TOTAL ASSETS	<u>\$ 34,915</u>	<u>\$ 2,842</u>	<u>\$ 874</u>	<u>\$ 6,416</u>
LIABILITIES				
Accounts payable	\$ 11,688	\$ 75	\$ 75	\$ 75
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	11,688	75	75	75
FUND BALANCES				
Restricted for economic development	<u>23,227</u>	<u>2,767</u>	<u>799</u>	<u>6,341</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,915</u>	<u>\$ 2,842</u>	<u>\$ 874</u>	<u>\$ 6,416</u>

394 TIF District #17	398 TIF District #22	399 TIF District #23	295 TIF District #25
\$ 41,700	\$ 261	\$ 63,439	\$ -
7,166	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,290</u>
<u><u>\$ 48,866</u></u>	<u><u>\$ 261</u></u>	<u><u>\$ 63,439</u></u>	<u><u>\$ 14,290</u></u>
\$ 75	\$ -	\$ -	\$ 75
-	-	63,439	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>28,913</u>
75	-	63,439	28,988
<u>48,791</u>	<u>261</u>	<u>-</u>	<u>(14,698)</u>
<u><u>\$ 48,866</u></u>	<u><u>\$ 261</u></u>	<u><u>\$ 63,439</u></u>	<u><u>\$ 14,290</u></u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	294 TIF District #26	293 TIF District #27	292 TIF District #29	289 TIF District #32
ASSETS				
Cash and temporary investments	\$ 261,890	\$ 329	\$ 1,357	\$ 1,737
Receivables				
Accounts	-	-	-	-
Notes, net of allowance	91,725	-	-	-
TOTAL ASSETS	\$ 353,615	\$ 329	\$ 1,357	\$ 1,737
LIABILITIES				
Accounts payable	\$ 75	\$ 75	\$ 75	\$ 75
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	75	75	75	75
FUND BALANCES				
Restricted for economic development	353,540	254	1,282	1,662
TOTAL LIABILITIES AND FUND BALANCES	\$ 353,615	\$ 329	\$ 1,357	\$ 1,737

287 TIF District #34	286 TIF District #36	285 TIF District #37	284 TIF District #38	283 TIF District #39
\$ 891	\$ 1,187	\$ 6,853	\$ 52	\$ 8,315
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 891</u>	<u>\$ 1,187</u>	<u>\$ 6,853</u>	<u>\$ 52</u>	<u>\$ 8,315</u>
\$ 75	\$ 75	\$ 75	\$ 75	\$ 75
816	-	-	-	-
-	-	-	-	-
891	75	75	75	75
-	1,112	6,778	(23)	8,240
<u>\$ 891</u>	<u>\$ 1,187</u>	<u>\$ 6,853</u>	<u>\$ 52</u>	<u>\$ 8,315</u>

CITY OF ALEXANDRIA, MINNESOTA
TAX INCREMENT FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	282 TIF District #40	281 TIF District #41	279 TIF District #42	278 TIF District #43	280 TIF District #44
ASSETS					
Cash and temporary investments	\$ 30	\$ 207	\$ 33,606	\$ 63	\$ -
Receivables					
Accounts	-	-	-	-	-
Notes, net of allowance	-	-	-	-	-
TOTAL ASSETS	<u>\$ 30</u>	<u>\$ 207</u>	<u>\$ 33,606</u>	<u>\$ 63</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 75	\$ 75	\$ 75	\$ 75	\$ 75
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	75	75	75	75	75
FUND BALANCES					
Restricted for economic development	<u>(45)</u>	<u>132</u>	<u>33,531</u>	<u>(12)</u>	<u>(75)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30</u>	<u>\$ 207</u>	<u>\$ 33,606</u>	<u>\$ 63</u>	<u>\$ -</u>

277 TIF District #45	276 TIF District #46	275 TIF District #47	274 TIF District #48	273 TIF District #49	Total
\$ 3,215	\$ 801	\$ 127,999	\$ 14	\$ 137	\$ 572,803
-	-	-	-	-	33,493
-	-	-	-	-	106,015
<u>\$ 3,215</u>	<u>\$ 801</u>	<u>\$ 127,999</u>	<u>\$ 14</u>	<u>\$ 137</u>	<u>\$ 712,311</u>
\$ 75	\$ 75	\$ 75	\$ 75	\$ 75	\$ 13,488
-	-	-	-	-	64,255
-	-	-	-	-	28,913
75	75	75	75	75	106,656
<u>3,140</u>	<u>726</u>	<u>127,924</u>	<u>(61)</u>	<u>62</u>	<u>605,655</u>
<u>\$ 3,215</u>	<u>\$ 801</u>	<u>\$ 127,999</u>	<u>\$ 14</u>	<u>\$ 137</u>	<u>\$ 712,311</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, 2016

	390 EDA Development Fund	388 TIF District #12	392 TIF District #15	393 TIF District #16
REVENUES				
Tax increments	\$ 5,259	\$ 13,507	\$ 3,986	\$ 11,522
Charges for services	3,000	-	-	-
Investment earnings	179	54	9	50
TOTAL REVENUES	8,438	13,561	3,995	11,572
EXPENDITURES				
Current				
Economic development	10,690	18,426	3,862	9,150
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
TOTAL EXPENDITURES	10,690	18,426	3,862	9,150
NET CHANGE IN FUND BALANCES	(2,252)	(4,865)	133	2,422
FUND BALANCES, JANUARY 1	25,479	7,632	666	3,919
FUND BALANCES, DECEMBER 31	<u>\$ 23,227</u>	<u>\$ 2,767</u>	<u>\$ 799</u>	<u>\$ 6,341</u>

394 TIF District #17	398 TIF District #22	399 TIF District #23	295 TIF District #25
\$ 55,983	\$ -	\$ 63,439	\$ 6,815
-	-	-	-
340	-	-	-
<u>56,323</u>	<u>-</u>	<u>63,439</u>	<u>6,815</u>
49,660	-	73,881	2,188
-	-	-	5,440
-	-	-	1,037
<u>49,660</u>	<u>-</u>	<u>73,881</u>	<u>8,665</u>
6,663	-	(10,442)	(1,850)
<u>42,128</u>	<u>261</u>	<u>10,442</u>	<u>(12,848)</u>
<u>\$ 48,791</u>	<u>\$ 261</u>	<u>\$ -</u>	<u>\$ (14,698)</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, 2016

	294 TIF District #26	293 TIF District #27	292 TIF District #29	289 TIF District #32
REVENUES				
Tax increments	\$ 89,895	\$ 5,377	\$ 14,281	\$ 13,225
Charges for services	-	-	-	-
Investment earnings	1,913	6	16	20
TOTAL REVENUES	<u>91,808</u>	<u>5,383</u>	<u>14,297</u>	<u>13,245</u>
EXPENDITURES				
Current				
Economic development	11,095	5,452	13,928	12,978
Debt service				
Principal	16,956	-	-	-
Interest and other	3,354	-	-	-
TOTAL EXPENDITURES	<u>31,405</u>	<u>5,452</u>	<u>13,928</u>	<u>12,978</u>
NET CHANGE IN FUND BALANCES	60,403	(69)	369	267
FUND BALANCES, JANUARY 1	<u>293,137</u>	<u>323</u>	<u>913</u>	<u>1,395</u>
FUND BALANCES, DECEMBER 31	<u>\$ 353,540</u>	<u>\$ 254</u>	<u>\$ 1,282</u>	<u>\$ 1,662</u>

287 TIF District #34	286 TIF District #36	285 TIF District #37	284 TIF District #38	283 TIF District #39
\$ 9,512	\$ 14,160	\$ 15,672	\$ 69,318	\$ 12,236
-	-	-	-	-
-	14	58	-	60
<u>9,512</u>	<u>14,174</u>	<u>15,730</u>	<u>69,318</u>	<u>12,296</u>
9,512	13,819	14,165	69,393	11,070
-	-	-	-	-
-	-	-	-	-
<u>9,512</u>	<u>13,819</u>	<u>14,165</u>	<u>69,393</u>	<u>11,070</u>
-	355	1,565	(75)	1,226
-	757	5,213	52	7,014
<u>\$ -</u>	<u>\$ 1,112</u>	<u>\$ 6,778</u>	<u>\$ (23)</u>	<u>\$ 8,240</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, 2016

	282 TIF District #40	281 TIF District #41	279 TIF District #42	278 TIF District #43	280 TIF District #44
REVENUES					
Tax increments	\$ 17,632	\$ 112,458	\$ 148,938	\$ 33,810	\$ 29,093
Charges for services	-	-	-	-	-
Investment earnings	11	70	382	21	-
TOTAL REVENUES	<u>17,643</u>	<u>112,528</u>	<u>149,320</u>	<u>33,831</u>	<u>29,093</u>
EXPENDITURES					
Current					
Economic development	17,707	112,533	149,014	33,885	29,168
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
TOTAL EXPENDITURES	<u>17,707</u>	<u>112,533</u>	<u>149,014</u>	<u>33,885</u>	<u>29,168</u>
NET CHANGE IN FUND BALANCES	(64)	(5)	306	(54)	(75)
FUND BALANCES, JANUARY 1	<u>19</u>	<u>137</u>	<u>33,225</u>	<u>42</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ (45)</u>	<u>\$ 132</u>	<u>\$ 33,531</u>	<u>\$ (12)</u>	<u>\$ (75)</u>

277 TIF District #45	276 TIF District #46	275 TIF District #47	274 TIF District #48	273 TIF District #49	Total
\$ 11,208	\$ 11,975	\$ 72,217	\$ 19,311	\$ 83,032	\$ 943,861
-	-	-	-	-	3,000
29	28	802	12	52	4,126
<u>11,237</u>	<u>12,003</u>	<u>73,019</u>	<u>19,323</u>	<u>83,084</u>	<u>950,987</u>
10,163	13,411	13,297	19,386	83,107	810,940
-	-	-	-	-	22,396
-	-	-	-	-	4,391
<u>10,163</u>	<u>13,411</u>	<u>13,297</u>	<u>19,386</u>	<u>83,107</u>	<u>837,727</u>
1,074	(1,408)	59,722	(63)	(23)	113,260
2,066	2,134	68,202	2	85	492,395
<u>\$ 3,140</u>	<u>\$ 726</u>	<u>\$ 127,924</u>	<u>\$ (61)</u>	<u>\$ 62</u>	<u>\$ 605,655</u>

CITY OF ALEXANDRIA, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 7,709,173	\$ 7,551,172	2.09 %
Payment in lieu of taxes	1,052,356	1,047,910	0.42
Special assessments	919,624	1,475,720	(37.68)
Licenses and permits	514,713	667,749	(22.92)
Intergovernmental	4,269,469	4,428,971	(3.60)
Charges for services	1,926,454	1,786,218	7.85
Fines and forfeits	118,278	109,146	8.37
Investment earnings	130,060	156,660	(16.98)
Miscellaneous	399,154	1,956,380	(79.60)
	<u>\$ 17,039,281</u>	<u>\$ 19,179,926</u>	(11.16) %
TOTAL REVENUES			
Per Capita	\$ 1,277	\$ 1,455	(12.21) %
EXPENDITURES			
Current			
General government	\$ 2,054,410	\$ 2,111,402	(2.70) %
Public safety	3,741,356	3,465,006	7.98
Public works	2,218,735	2,504,828	(11.42)
Culture and recreation	1,409,390	1,432,921	(1.64)
Economic development	860,981	953,472	(9.70)
Miscellaneous	127,696	105,961	20.51
Capital outlay			
General government	1,266,547	34,459	3,575.52
Public safety	262,340	113,476	131.19
Public works	4,718,593	7,578,908	(37.74)
Culture and recreation	3,944,117	248,442	1,487.54
Miscellaneous	1,730,195	63,253	2,635.36
Debt service			
Principal	1,682,456	1,851,424	(9.13)
Interest and other charges	822,665	702,087	17.17
Bond issuance costs	166,026	-	N/A
	<u>\$ 25,005,507</u>	<u>\$ 21,165,639</u>	18.14 %
TOTAL EXPENDITURES			
Per Capita	\$ 1,874	\$ 1,606	16.74 %
Total Long-term Indebtedness	\$ 29,292,129	\$ 21,449,585	36.56 %
Per Capita	2,196	1,627	34.94
General Fund Balance - December 31	\$ 4,175,995	\$ 5,432,680	(23.13) %
Per Capita	313	412	(24.04)

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, 2016

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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2017.

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

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

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
September 26, 2017



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 26, 2017.

The City's basic financial statements include the operations of Alexandria Light and Power for the year ended December 31, 2016. 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 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

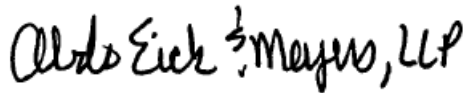
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-002.

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
Mankato, Minnesota
September 26, 2017



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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

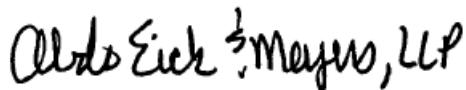
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

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
September 26, 2017

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Funding Source	Administering Department	Program Name	Catalog of Federal Domestic Assistance Number	Expended Directly
U.S. Department of Transportation	Federal Aviation Administration	Airport Improvement Program	20.106	\$ 1,303,029
U.S. Department of Transportation	Federal Highway Administration	Highway Planning and Construction	20.205	240,456
U.S. Department of Transportation	National Highway Traffic Safety Administration	State and Community Highway Safety	20.600	4,166
U.S. Department of Transportation	National Highway Traffic Safety Administration	National Priority Safety Programs	20.616	<u>7,066</u>
	Total Expended			<u><u>\$ 1,554,717</u></u>

CITY OF ALEXANDRIA, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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, 2016, 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, 2016

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

<i>Identification of Major Programs/Projects</i>	<u>CFDA No.</u>
Airport Improvement Program	20.106
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 or material weaknesses that are required to be reported in accordance with the Uniform Guidance. Noncompliance with the provisions of laws, regulations, contracts or grant agreements related to a major program have been identified and are reported in the Independent Auditor's Report on Compliance for Each Major Program on Internal Control Over Compliance Required by Uniform Guidance as finding 2016-002.

Section IV - Schedule of Prior Year Audit Findings

A Corrective Action Plan is required because there was a finding 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, 2016

Finding Description

2016-001 **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, 2016

Finding Description

2016-001 **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.

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Description

2016-002 Uniform Guidance written policies and procedures

Condition: During our audit, we discovered the City did not develop written procedures as required by the Uniform Guidance for the following:

- Determination of Allowable of Costs - §200.302(b)(7)
- Time and Effort - §200.430(a)
- Cash Management of Federal Funds - §200.302(b)(6)
- Conflict of Interest - §200.318(c)(1-2)

The City must also ensure that existing written procedures are in compliance with:

- General Procurement Standards - §200.318-.326
- Equipment Management Requirements - §200.313

Criteria: The City must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Cause: The City did not have these written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.

Effect: The City was out of compliance with this requirements.

Recommendation: The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.

Management response:

The City will establish written policies and procedures to ensure future compliance with the Uniform Guidance requirements.



SARA CARLSON, Mayor

COUNCIL MEMBERS:

- VIRGIL BATESOLE, *First Ward*
- BOB KUHLMAN, *Second Ward*
- BOBBIE OSTERBERG, *Third Ward*
- DAVID BENSON, *Fourth Ward*
- TODD JENSEN, *Fifth Ward*

- MARTIN D. SCHULTZ,
Administrator
- REED HEIDELBERGER,
Assessor
- KARIN TANK
Asst. Admin/HR Director
- THOMAS A. JACOBSON,
Attorney
- RICHARD WYFFELS,
Chief of Police
- MICHAEL J. WEBER,
*Community Development
Director*
- TIM SCHOONHOVEN,
Engineer
- JANE M. BLADE,
Finance Director
- JEFF KARROW,
Fire Chief
- ANDREW MELLGREN,
Liquor Operations
- BILL THOENNES
*Public Works Div. Director
Parks & Facilities*
- DANE BOSL
*Public Works Div. Director
Streets & Stormwater*
- VINNIE HENNEN,
RCC Manager

704 Broadway
 Alexandria, MN 56308
 (320) 763-6678
 Fax (320) 763-3511
 Website:
www.ci.alexandria.mn.us

2016-001 Segregation of duties

CORRECTIVE ACTION PLAN (CAP):

1.Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2.Actions Planned in Response to Finding:

The City will continue to take measures to comply even though the number of Finance staff is limited.

3.Official Responsible for Ensuring CAP:

Jane Blade, Finance Director, is the official responsible for ensuring corrective action of the compliance finding.

4.Planned Completion Date for CAP:

Continual.

5.Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Jane Blade
Finance Director



SARA CARLSON, Mayor

COUNCIL MEMBERS:

VIRGIL BATESOLE, *First Ward*
BOB KUHLMAN, *Second Ward*
BOBBIE OSTERBERG, *Third Ward*
DAVID BENSON, *Fourth Ward*
TODD JENSEN, *Fifth Ward*

MARTIN D. SCHULTZ,
Administrator

REED HEIDELBERGER,
Assessor

KARIN TANK
Asst. Admin/HR Director

THOMAS A. JACOBSON,
Attorney

RICHARD WYFFELS,
Chief of Police

MICHAEL J. WEBER,
*Community Development
Director*

TIM SCHOONHOVEN,
Engineer

JANE M. BLADE,
Finance Director

JEFF KARROW,
Fire Chief

ANDREW MELLGREN,
Liquor Operations

BILL THOENNES
*Public Works Div. Director
Parks & Facilities*

DANE BOSL
*Public Works Div. Director
Streets & Stormwater*

VINNIE HENNEN,
RCC Manager

704 Broadway
Alexandria, MN 56308
(320) 763-6678
Fax (320) 763-3511
Website:
www.ci.alexandria.mn.us

2016-002 Uniform Guidance written policies and procedures

CORRECTIVE ACTION PLAN (CAP):

1.Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2.Actions Planned in Response to Finding:

The City will establish policies and procedures to ensure future compliance with the Uniform Guidance.

3.Official Responsible for Ensuring CAP:

Jane Blade, Finance Director, is the official responsible for ensuring corrective action of the compliance finding.

4.Planned Completion Date for CAP:

The planned completion date is December 31, 2017.

5.Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Jane Blade
Finance Director

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Updated progress since prior year:

No progress has been made to address this finding since the prior year.

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Updated progress since prior year:

No progress has been made to address this finding since the prior year.

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.

Updated progress since prior year:

No progress has been made to address this finding since the prior year.

CITY OF ALEXANDRIA, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Description

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

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.

Updated progress since prior year:

No progress has been made to address this finding since the prior year.