Annual Financial Report

City of Alexandria

Alexandria, Minnesota

For the Year Ended
December 31, 2017

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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City of Alexandria, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Alexandria, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2017

Elected

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

Appointed

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

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FINANCIAL SECTION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Alexandria, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Alexandria, Minnesota, (the City) as of and for the year ended December 31, 2017, 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, 2017, 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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P.O. Box 3166
Mankato, MN 56002-3166
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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 June 19, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 19, 2018

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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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $64,869,801 (net position). Of this amount, $3,083,786 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position decreased $1,513,002, compared to an increase of $433,803 in the previous year. Of this decrease, business-type activities (enterprise funds) had an increase of $958 and governmental activities had a decrease of $1,513,960, this is due to assets contributed to Alexandria Light and Power in the amount of $3,740,514.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $19,405,401, an increase of $2,438,158 in comparison with an increase of $2,208,221 the prior year. The major increase was due to the intergovernmental revenue in the capital project funds. Approximately 21.2 percent the total fund balance, $4,111,129, is available for spending at the City's discretion.

Overview of the Financial Statements

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

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

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

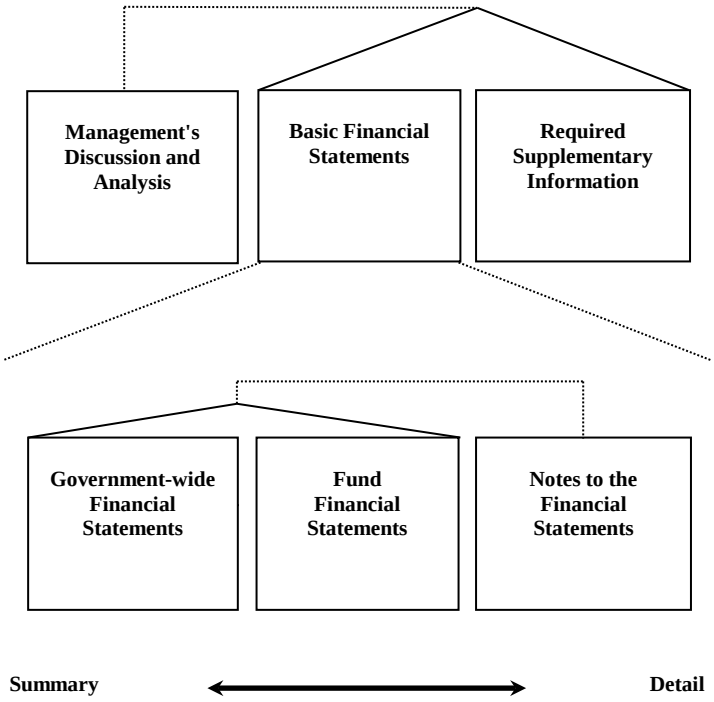


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, streets and parks	The activity the City operates similar to a private business is the liquor dispensary.
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City's assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. There are many additional non-financial factors to assess the overall health of the City, such as changes in the City's property tax base and the condition of the City's infrastructure and other capital assets.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, economic development, culture and recreation, interest on long-term debt and airport. The business-type activities of the City include a municipal liquor store. The City's water, electric and fiber utility operations are included as a component unit.

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

The government-wide financial statements can be found starting on page 31 of this report.

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund, and the Capital Projects fund, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its liquor store operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise fund which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found starting on page 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 102 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $64,869,801 at the close of the most recent fiscal year.

A large portion of the City's net position (76.4 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	$ 25,665,777	$ 24,586,114	$ 1,079,663	$ 949,538	$ 748,210	$ 201,328
Capital assets	74,582,679	79,262,754	(4,680,075)	569,675	633,155	(63,480)
Total Assets	100,248,456	103,848,868	(3,600,412)	1,519,213	1,381,365	137,848
Deferred outflows of resources	4,783,516	6,745,005	(1,961,489)	113,059	212,654	(99,595)
Liabilities						
Long-term liabilities outstanding	34,595,850	41,710,604	(7,114,754)	513,675	621,114	(107,439)
Other liabilities	1,139,945	1,946,727	(806,782)	364,836	281,306	83,530
Total Liabilities	35,735,795	43,657,331	(7,921,536)	878,511	902,420	(23,909)
Deferred inflows of resources	5,070,939	1,197,344	3,873,595	109,198	47,994	61,204
Net Position						
Net investment in capital assets	49,079,470	51,751,336	(2,671,866)	485,975	548,820	(62,845)
Restricted	12,220,570	12,587,536	(366,966)	-	-	-
Unrestricted	2,925,198	1,400,326	1,524,872	158,588	94,785	63,803
Total Net Position	$ 64,225,238	$ 65,739,198	$ (1,513,960)	$ 644,563	$ 643,605	$ 958

An additional portion of the City's net position (18.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (4.8 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 $958 in net position reported in connection with the City's business-type activities. The Municipal Liquor Dispensary fund's gross profit percentage has increased from the previous year, currently at 22.7 percent, up from 21.7 in 2016.

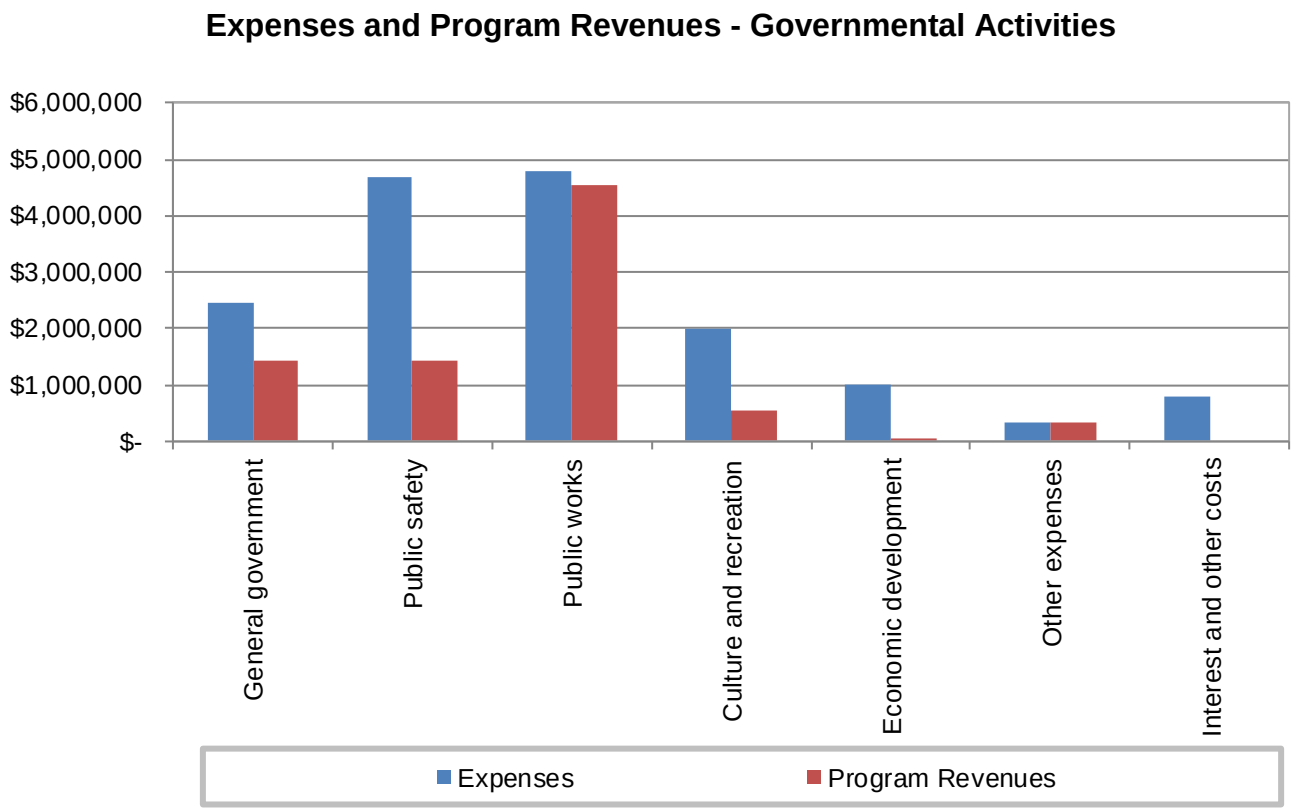
The City's total net position decreased by $1,513,002, compared to an increase of $433,803 in the previous year. Of this decrease, business-type activities (enterprise funds) had an increase of $958 while governmental activities had an decrease of $1,513,960.

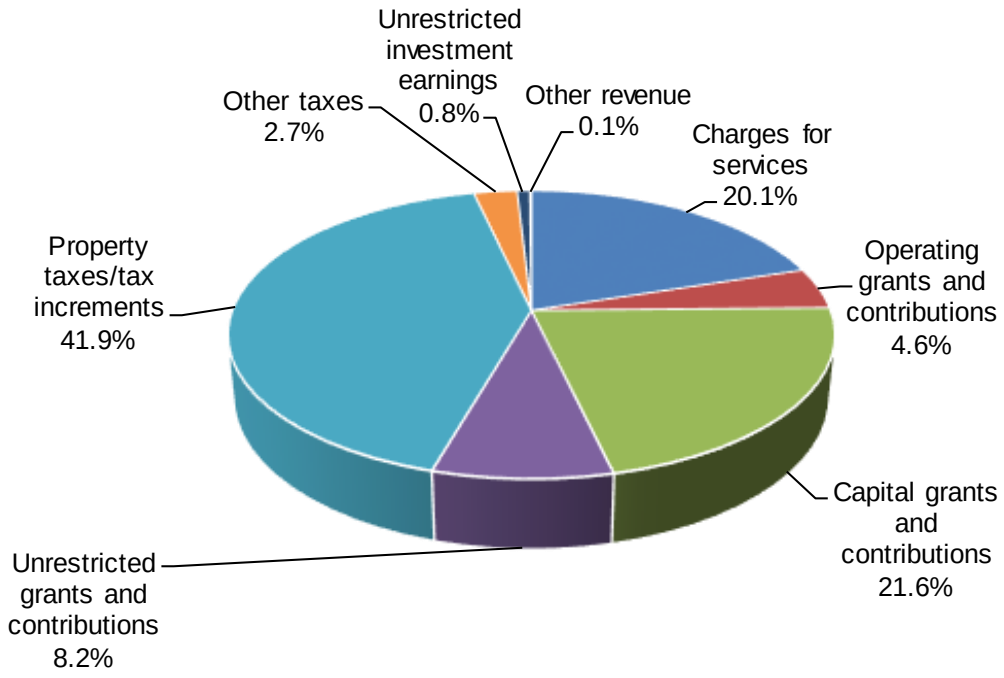
Governmental activities. The change in net position is described above and summarized as follows:

City of Alexandria's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 3,605,584	$ 3,523,679	$ 81,905	$ 5,654,612	$ 5,445,750	$ 208,862
Operating grants and contributions	824,523	727,511	97,012	-	2,185	(2,185)
Capital grants and contributions	3,860,439	2,866,608	993,831	-	-	-
General Revenues						
Property taxes/tax increments	7,511,003	7,312,745	198,258	-	-	-
Other taxes	474,498	384,205	90,293	-	-	-
Grants and contributions not restricted to specific programs	1,476,425	1,484,464	(8,039)	-	-	-
Unrestricted investment earnings	136,166	102,791	33,375	200	109	91
Other revenues	105,825	2,714	103,111	163	-	163
Gain on sale of capital assets	11,662	371	11,291	-	800	(800)
Total Revenues	18,006,125	16,405,088	1,601,037	5,654,975	5,448,844	206,131
Expenses						
General government	2,439,678	2,192,942	246,736	-	-	-
Public safety	4,670,619	5,491,498	(820,879)	-	-	-
Public works	4,795,204	4,645,292	149,912	-	-	-
Culture and recreation	1,981,792	1,671,429	310,363	-	-	-
Economic development	1,004,491	860,981	143,510	-	-	-
Other expenses	327,517	324,245	3,272	-	-	-
Interest and other costs	785,270	1,008,303	(223,033)	-	-	-
Liquor	-	-	-	5,429,017	5,225,439	203,578
Total Expenses	16,004,571	16,194,690	(190,119)	5,429,017	5,225,439	203,578
Increase (Decrease) in Net Position Before Transfers and Contributions	2,001,554	210,398	1,791,156	225,958	223,405	2,553
Transfers	225,000	225,000	-	(225,000)	(225,000)	-
Capital Contributions	(3,740,514)	-	(3,740,514)	-	-	-
Change in Net Position	(1,513,960)	435,398	(1,949,358)	958	(1,595)	2,553
Net Position - January 1	65,739,198	65,303,800	435,398	643,605	645,200	(1,595)
Net Position - December 31	$ 64,225,238	$ 65,739,198	$ (1,513,960)	$ 644,563	$ 643,605	$ 958

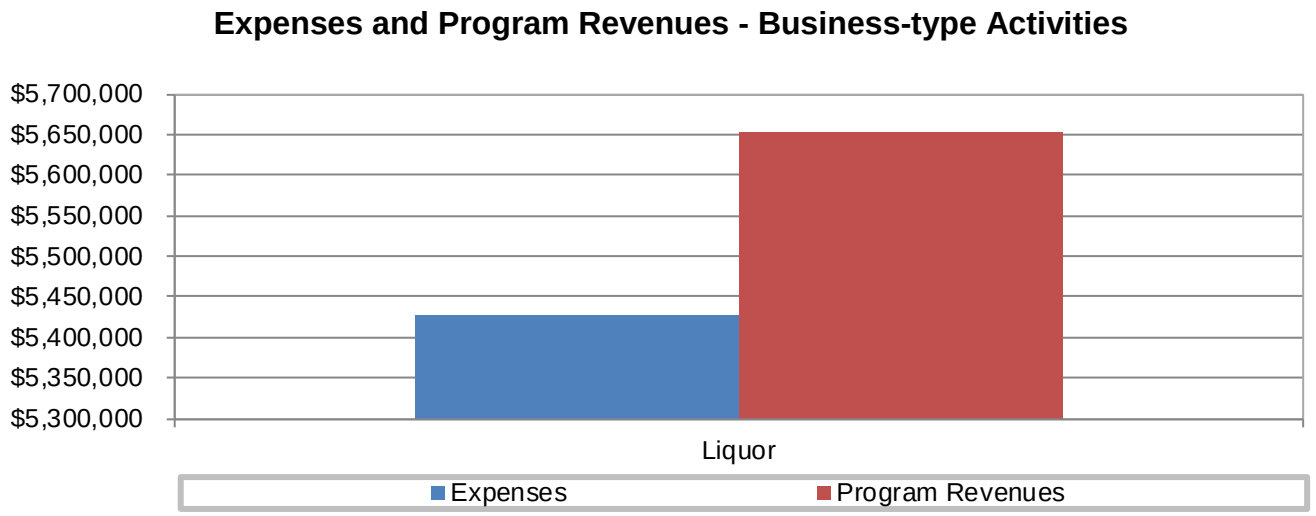
The following graphs depict various governmental activities and show the revenues and expenses directly related to those activities.





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

- Sales for business-type activities increased by $208,862, or 3.8 percent during the year.
- Total expenses increased by approximately $203,578 during 2017.
- 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 $225,958 and $223,405, respectively.



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $19,405,401, an increase of $2,438,158 in comparison with a decrease of $2,208,221 in the prior year. The major factor in this increase was due to intergovernmental revenue in the capital project funds. Approximately 21.2 percent of the total fund balance amount, $4,111,129 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The *restricted* fund balance totals $11,339,047; *committed* - $3,728,979; and *nonspendable* - $226,246.

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 $4,210,119. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.5 percent of fund expenditures, while total fund balance represents 47.6 percent of that same amount.

The fund balance of the City's General fund increased by $34,124 during the current fiscal year. The key factors in this increase was due to transfers to debt service and special revenue funds and total revenues exceeding budgeted amounts by $202,775 while total expenditures were under budget by $117,549.

The *Debt Service fund* has a total fund balance of $8,134,893, 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 $146,093.

The *Capital Project fund* has a total fund balance of $3,940,065. The net increase in fund balance during the current year in the Capital Project fund was $1,720,500. The major factor for this increase was the intergovernmental revenue 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 $158,588. The total increase in net position for the funds was $958. 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 $202,775 and the expenditures budget was underspent by $117,549.

Some highlights include:

- Building permit revenues for the year exceeded budget by $105,246 due to an increase in permits issued for commercial projects and single-family dwellings over the previous year.
- Township inspection fees exceeded budget by $19,000 due to increased building in Alexandria Township.
- Colder weather caused an increase in Franchise fees from Natural Gas, the total received for 2017 exceeded budget by $78,500.
- Police and Fire State Aid received were more than budgeted by $19,400 and $18,400 respectively.
- Runestone Community Center revenues were $523,000. RCC revenues were under budget by $114,000, due in part to the end of City run Hockey Fest tournaments and lower than expected Spring Ice sales. RCC expenditures were under budget also, by $46,000.
- Storm damage to City Airport property resulted in the receipt of $52,500 of insurance proceeds that were not included in the budget for 2017.
- A Federal grant awarded to the Fire Department resulted in Fire Department revenues exceeding their budget by $75,000 and related expenditures exceeding their budget by $64,000.
- Costs for blacktop repair and patching exceeded its budget by $24,000.
- Total payroll and related expenditures for the City's General fund were under budget by $90,900. Part-time wages for the year came in under budget and a budgeted hire in the administration department did not take place in 2017.
- Insurance premiums paid, net of dividends received of $23,000, exceeded budget by $46,000.
- Lower prices at the gas pumps lead to a savings of $38,000 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, 2017, amounts to $75,152,354 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 5.9 percent (a 5.9 percent decrease for governmental activities and a 10.0 percent decrease for business-type activities.)

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

- 6 Public Works vehicles - $338,089
- Summer Meadows Playground Equipment - $26,354
- City Hall Boiler & Temperature Controls - $217,573
- Runestone Community Center – Ice cover - $30,000
- Runestone Community Center West Rink floor and Dehumidification unit - $3,901,468
- City-wide Building and Lighting improvements - $386,538
- City-wide Traffic Light LED upgrades - $104,396
- Street improvements including reconstruction of portions of Geneva Road, Kenwood and Irving Streets, a Multi-Use Trail near Geneva Road, the Railroad Crossings at 6th and 8th Avenues, Local and Municipal State Aid Street Overlays, and new Path Pavers at Noonans Park - $2,276,960

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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	$ 2,887,179	$ 2,887,179	$ -	$ 101,413	$ 101,413	$ -
Buildings	15,054,466	11,573,702	3,480,764	275,992	322,920	(46,928)
Improvements Other than Buildings	49,987,391	49,904,126	83,265	7,031	9,869	(2,838)
Machinery and Equipment	2,963,762	2,624,164	339,598	185,239	198,953	(13,714)
Construction in Progress	3,689,881	12,273,583	(8,583,702)	-	-	-
Total	$ 74,582,679	$ 79,262,754	$ (4,680,075)	$ 569,675	$ 633,155	$ (63,480)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $27,278,425. Of this amount $13,040,000 is general obligation improvement debt and $14,185,000 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	$ 14,185,000	$ 14,570,000	$ (385,000)	$ -	$ -	$ -
General Obligation Improvement Bonds	13,040,000	14,620,000	(1,580,000)	-	-	-
Hangar Loan	2,089	27,149	(25,060)	-	-	-
CHAP Loans	51,336	74,980	(23,644)	-	-	-
Total	$ 27,278,425	$ 29,292,129	$ (2,013,704)	$ -	$ -	$ -

The City's total debt decreased $2,013,704, or 6.9 percent during the current fiscal year. New debt was issued totaling $0 and principal of $2,013,704 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 2018 budget.

- A significant guiding principle through consideration of the budget was the Strategic Plan. The updated plan was adopted in January 2018 through a process that began in September 2017. The strategic priorities in the plan are Operational Excellence, Long-Term Planning, Sustainable Infrastructure, Safe Community Economic Vitality, and Communications.
- The City Council reviewed not only the proposed 2018 budget but also considered a five-year (2018-2022) budget blueprint when discussing the 2018 budget.
- Property value increases and growth through new construction contributed to a 4.5% increase in tax capacity from 2017 to 2018.
- The overall property tax levy increased by 4.01% for 2018 The tax base growth within the City meant the average city tax rate decreased by approximately 0.4%.
- The unemployment rate in Alexandria is currently 3.0 percent. This compares to the State's unemployment rate of 3.1 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, 2017

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City of Alexandria, Minnesota
Statement of Net Position
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Board of Public Works
Assets				
Cash and temporary investments	$ 14,314,089	$ 432,462	$ 14,746,551	$ 12,607,701
Restricted debt service reserve deposits	2,522,324	-	2,522,324	923,273
Receivables				
Interest	39,369	-	39,369	39,223
Delinquent taxes	70,600	-	70,600	-
Accounts, net of allowance	278,517	79,053	357,570	864,856
Notes and loans, net of allowance	418,389	-	418,389	-
Special assessments	5,011,315	-	5,011,315	1,006
Intergovernmental	1,903,191	-	1,903,191	-
Internal balances	415,948	(415,948)	-	-
Due from component unit	115,741	-	115,741	-
Inventories	-	815,962	815,962	1,220,111
Prepaid items	226,246	5,324	231,570	77,889
Pension asset	350,048	-	350,048	-
Other postemployment benefit	-	32,685	32,685	-
Capital assets				
Capital assets not being depreciated	6,577,060	101,413	6,678,473	2,254,095
Capital assets net of accumulated depreciation	68,005,619	468,262	68,473,881	58,659,415
Total Assets	100,248,456	1,519,213	101,767,669	76,647,569
Deferred Outflows of Resources				
Deferred pension resources	4,783,516	113,059	4,896,575	656,615
Liabilities				
Accounts and contracts payable	577,071	298,806	875,877	1,640,383
Due to other governments	63,911	55,651	119,562	550,792
Accrued interest payable	311,532	-	311,532	41,937
Accrued salaries payable	146,933	10,379	157,312	88,973
Due to primary government	-	-	-	115,741
Deposits payable	21,052	-	21,052	347,980
Unearned revenue	19,446	-	19,446	-
Noncurrent liabilities				
Due within one year	4,306,844	22,531	4,329,375	1,451,489
Due in more than one year	30,289,006	491,144	30,780,150	11,752,673
Total Liabilities	35,735,795	878,511	36,614,306	15,989,968
Deferred Inflows of Resources				
Deferred pension resources	5,070,939	109,198	5,180,137	626,533
Net Position				
Net investment in capital assets	49,079,470	485,975	49,565,445	52,537,516
Restricted for				
Debt service	9,063,784	-	9,063,784	923,273
Wellness	21,515	-	21,515	-
Capital outlay	608,820	-	608,820	-
Economic development	2,519,551	-	2,519,551	-
Sanitary sewer operations	6,900	-	6,900	-
Unrestricted	2,925,198	158,588	3,083,786	7,226,894
Total Net Position	$ 64,225,238	$ 644,563	$ 64,869,801	$ 60,687,683

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

City of Alexandria, Minnesota
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 2,439,678	$ 1,341,302	$ 87,117	$ 8,437
Public safety	4,670,619	765,921	655,702	-
Public works	4,795,204	767,276	2,253	3,757,777
Culture and recreation	1,981,792	526,653	8,341	-
Economic development	1,004,491	28,829	-	-
Airport	327,517	175,603	71,110	94,225
Interest and other costs	785,270	-	-	-
Total Governmental Activities	16,004,571	3,605,584	824,523	3,860,439
Business-type Activities				
Liquor	5,429,017	5,654,612	-	-
Total Primary Government	$ 21,433,588	$ 9,260,196	$ 824,523	$ 3,860,439
Component Unit				
Board of Public Works	$ 25,026,493	$ 27,779,287	$ -	$ -

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
Capital contribution to component unit

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Alexandria Light and Power
$ (1,002,822)		$ (1,002,822)	
(3,248,996)		(3,248,996)	
(267,898)		(267,898)	
(1,446,798)		(1,446,798)	
(975,662)		(975,662)	
13,421		13,421	
(785,270)		(785,270)	
(7,714,025)		(7,714,025)	
-	$ 225,595	225,595	
(7,714,025)	225,595	(7,488,430)	
			$ 2,752,794
4,625,001	-	4,625,001	-
1,840,918	-	1,840,918	-
1,045,084	-	1,045,084	-
474,498	-	474,498	-
1,476,425	-	1,476,425	-
136,166	200	136,366	150,295
11,662	-	11,662	-
105,825	163	105,988	139,749
-	-	-	(980,825)
225,000	(225,000)	-	-
(3,740,514)	-	(3,740,514)	3,740,514
6,200,065	(224,637)	5,975,428	3,049,733
(1,513,960)	958	(1,513,002)	5,802,527
65,739,198	643,605	66,382,803	54,885,156
$ 64,225,238	$ 644,563	$ 64,869,801	$ 60,687,683

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

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FUND FINANCIAL STATEMENTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Alexandria, Minnesota
Balance Sheet
Governmental Funds
December 31, 2017

	General	Debt Service	Capital Projects
Assets			
Cash and temporary investments	$ 4,119,757	$ 5,581,169	$ 2,442,965
Restricted debt service reserve deposits	-	2,522,324	-
Receivables			
Interest	32,333	7,036	-
Delinquent taxes	41,600	17,500	4,200
Accounts	238,590	13,800	2,600
Notes and loans, net of allowance	-	-	-
Special assessments	6,796	3,687,923	1,316,596
Intergovernmental	32,591	15,414	1,852,296
Due from other funds	25,810	-	-
Due from component unit	88,699	-	-
Advances to other funds	-	-	-
Prepaid items	63,907	-	162,339
Total Assets	$ 4,650,083	$ 11,845,166	$ 5,780,996
Liabilities			
Accounts payable	$ 133,084	$ 4,850	$ 421,402
Advance from other funds	-	-	79,287
Due to other governments	63,911	-	-
Due to component unit	26,588	-	-
Accrued salaries payable	146,933	-	-
Deposits payable	21,052	-	-
Unearned revenue	-	-	19,446
Total Liabilities	391,568	4,850	520,135
Deferred Inflows of Resources			
Unavailable revenue - taxes	41,600	17,500	4,200
Unavailable revenue - special assessments	6,796	3,687,923	1,316,596
Total Deferred Inflows of Resources	48,396	3,705,423	1,320,796
Fund Balances			
Nonspendable for			
Prepaid items	63,907	-	162,339
Restricted for			
Debt service	-	8,134,893	-
Wellness	21,515	-	-
Capital outlay	-	-	606,154
Economic development	-	-	-
Committed for			
Capital outlay	-	-	3,171,572
Payment of benefits	-	-	-
Firefighter's retirement obligation	-	-	-
Economic development	-	-	-
Storm water operations	-	-	-
Wellness	13,568	-	-
Unassigned	4,111,129	-	-
Total Fund Balances	4,210,119	8,134,893	3,940,065
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,650,083	$ 11,845,166	$ 5,780,996

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

Other Governmental Funds	Total Governmental Funds
$ 2,170,198	$ 14,314,089
-	2,522,324
-	39,369
7,300	70,600
23,527	278,517
418,389	418,389
-	5,011,315
2,890	1,903,191
-	25,810
67,121	155,820
469,425	469,425
-	226,246
$ 3,158,850	$ 25,435,095
$ 17,735	$ 577,071
-	79,287
-	63,911
13,491	40,079
-	146,933
-	21,052
-	19,446
31,226	947,779
7,300	70,600
-	5,011,315
7,300	5,081,915
-	226,246
54,268	8,189,161
-	21,515
2,666	608,820
2,519,551	2,519,551
-	3,171,572
17,279	17,279
77,458	77,458
87,396	87,396
361,706	361,706
-	13,568
-	4,111,129
3,120,324	19,405,401
$ 3,158,850	$ 25,435,095

The notes to the financial statements are in 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, 2017

Total Fund Balances - Governmental Funds	$	19,405,401
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.		350,048
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.		74,582,679
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		(854,838)
Other postemployment benefit liability		(843,763)
Bonds payable		(27,225,000)
Capital leases payable		(264,788)
Loans payable		(53,425)
Bond premium and discount, net of accumulated amortization		(743,209)
Pension liability		(4,610,827)
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		70,600
Special assessments receivable		5,011,315
Governmental funds do not report long-term amounts related to pensions		
Deferred outflows of resources - pension resources		4,783,516
Deferred inflows of resources - pension resources		(5,070,939)
Governmental funds do not report a liability for accrued interest until due and payable.		(311,532)
Total Net Position - Governmental Activities	$	64,225,238

The notes to the financial statements are in 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, 2017

	General	Debt Service	Capital Projects
Revenues			
Taxes	$ 4,129,020	$ 1,849,189	$ 362,594
Payment in lieu of taxes	991,763	-	-
Special assessments	8,437	578,701	236,995
Licenses and permits	590,620	-	-
Intergovernmental	1,868,446	60,566	3,289,561
Charges for services	1,023,755	-	191,646
Fines and forfeits	127,586	-	-
Investment earnings	11,790	66,288	31,995
Other revenue	201,539	17,729	380,892
Total Revenues	8,952,956	2,572,473	4,493,683
Expenditures			
Current			
General government	2,272,106	-	19,580
Public safety	3,749,889	-	-
Public works	1,235,585	-	1,006
Culture and recreation	1,379,364	-	-
Economic development	-	-	-
Airport	157,866	-	5,916
Capital outlay			
General government	2,031	-	261,489
Public safety	30,715	-	12,028
Public works	5,740	-	2,483,162
Culture and recreation	13,102	-	230,320
Airport	1,234	-	96,076
Debt service			
Principal	-	2,008,901	25,060
Interest and other	-	830,451	-
Bond issuance costs	-	1,666	-
Total Expenditures	8,847,632	2,841,018	3,134,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	105,324	(268,545)	1,359,046
Other Financing Sources (Uses)			
Sale of capital assets	-	1,000	101,079
Transfers in	246,952	413,638	967
Debt issued	-	-	308,689
Transfers out	(318,152)	-	(49,281)
Total Other Financing Sources (Uses)	(71,200)	414,638	361,454
Net Change in Fund Balances	34,124	146,093	1,720,500
Fund Balances, January 1	4,175,995	7,988,800	2,219,565
Fund Balances, December 31	$ 4,210,119	$ 8,134,893	$ 3,940,065

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

Other Governmental Funds	Totals
$ 1,679,704	$ 8,020,507
-	991,763
-	824,133
-	590,620
138,519	5,357,092
752,246	1,967,647
-	127,586
50,922	160,995
4,178	604,338
2,625,569	18,644,681
-	2,291,686
138,427	3,888,316
849,296	2,085,887
-	1,379,364
1,004,491	1,004,491
-	163,782
-	263,520
-	42,743
-	2,488,902
-	243,422
-	97,310
23,644	2,057,605
3,146	833,597
-	1,666
2,019,004	16,842,291
606,565	1,802,390
-	102,079
18,152	679,709
-	308,689
(87,276)	(454,709)
(69,124)	635,768
537,441	2,438,158
2,582,883	16,967,243
$ 3,120,324	$ 19,405,401

The notes to the financial statements are in 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, 2017

Amounts reported for governmental activities in the statement of activities are different because		
Net Change in Fund Balances - Governmental Funds	$	2,438,158
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Capital outlay		2,672,890
Depreciation expense		(3,320,367)
Capital contributions to component unit		(3,740,514)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		(292,084)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Debt issued or incurred		(308,689)
Principal repayments		2,057,605
Premium on bonds issued, net of amortization expense		43,209
Long-term pension activity is not reported in governmental funds.		
Pension expense		(419,784)
Direct aid contributions		15,840
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.		6,784
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes		(34,800)
Special assessments		(563,792)
State grants		811
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(69,227)
Change in Net Position - Governmental Activities	$	(1,513,960)

The notes to the financial statements are in 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, 2017

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 4,079,261	$ 4,129,020	$ 49,759
Payment in lieu of taxes	1,077,000	991,763	(85,237)
Special assessments	-	8,437	8,437
Licenses and permits	488,850	590,620	101,770
Intergovernmental	1,761,353	1,868,446	107,093
Charges for services	1,085,733	1,023,755	(61,978)
Fines and forfeits	117,500	127,586	10,086
Investment earnings	15,000	11,790	(3,210)
Other revenue	125,484	201,539	76,055
Total Revenues	8,750,181	8,952,956	202,775
Expenditures			
Current			
General government	2,384,350	2,272,106	112,244
Public safety	3,804,980	3,749,889	55,091
Public works	1,133,750	1,235,585	(101,835)
Culture and recreation	1,424,101	1,379,364	44,737
Airport	158,000	157,866	134
Capital outlay			
General government	10,500	2,031	8,469
Public safety	32,000	30,715	1,285
Public works	4,500	5,740	(1,240)
Culture and recreation	10,000	13,102	(3,102)
Airport	3,000	1,234	1,766
Total Expenditures	8,965,181	8,847,632	117,549
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,000)	105,324	320,324
Other Financing Sources (Uses)			
Transfers in	225,000	246,952	21,952
Transfers out	(10,000)	(318,152)	(308,152)
Total Other Financing Sources (Uses)	215,000	(71,200)	(286,200)
Net Change in Fund Balances	-	34,124	34,124
Fund Balances, January 1	4,175,995	4,175,995	-
Fund Balances, December 31	$ 4,175,995	$ 4,210,119	$ 34,124

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

City of Alexandria, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

	609 Downtown Liquor	610 Plaza Liquor	Totals
Assets			
Current Assets			
Cash and temporary investments	$ 99,842	$ 332,620	$ 432,462
Receivables			
Accounts	30,674	48,379	79,053
Due from other funds	76,537	77,574	154,111
Inventories	395,624	420,338	815,962
Other postemployment benefit	5,094	27,591	32,685
Prepaid items	5,324	-	5,324
Total Current Assets	613,095	906,502	1,519,597
Noncurrent Assets			
Capital assets			
Land	68,603	32,810	101,413
Buildings	439,516	574,029	1,013,545
Equipment	174,325	193,333	367,658
Other improvements	30,996	25,224	56,220
Less accumulated depreciation	(511,777)	(457,384)	(969,161)
Total Capital Assets (Net of Accumulated Depreciation)	201,663	368,012	569,675
Total Noncurrent Assets	201,663	368,012	569,675
Total Assets	814,758	1,274,514	2,089,272
Deferred Outflows of Resources			
Deferred pension resources	53,207	59,852	113,059
Liabilities			
Current Liabilities			
Accounts and contracts payable	108,132	190,674	298,806
Due to other governments	21,362	34,289	55,651
Accrued salaries payable	6,201	4,178	10,379
Compensated absences payable	12,493	10,038	22,531
Due to other funds	90,513	89,408	179,921
Advance from other funds, current portion	7,708	38,182	45,890
Total Current Liabilities	246,409	366,769	613,178
Noncurrent Liabilities,			
Compensated absences payable	27,803	16,707	44,510
Pension liability	210,205	236,429	446,634
Advance from other funds, net of current maturities	75,992	268,256	344,248
Total Noncurrent Liabilities	314,000	521,392	835,392
Total Liabilities	560,409	888,161	1,448,570
Deferred Inflows of Resources			
Deferred pension resources	51,398	57,800	109,198
Net Position			
Investment in capital assets	117,963	368,012	485,975
Unrestricted	138,195	20,393	158,588
Total Net Position	$ 256,158	$ 388,405	$ 644,563

The notes to the financial statements are in 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, 2017

	609 Downtown Liquor	**610** Plaza Liquor	Totals
Operating Revenues			
Sales	$ 2,277,762	$ 3,375,054	$ 5,652,816
Cost of sales	(1,755,537)	(2,616,861)	(4,372,398)
Total Operating Revenues	522,225	758,193	1,280,418
Operating Expenses			
Personal services	336,386	388,383	724,769
Operating supplies and expenses	7,718	12,956	20,674
Insurance	12,303	16,656	28,959
Utilities	12,408	13,051	25,459
Depreciation and amortization	23,833	46,541	70,374
Other services and charges	76,034	103,278	179,312
Total Operating Expenses	468,682	580,865	1,049,547
Operating Income	53,543	177,328	230,871
Nonoperating Revenues (Expenses)			
Miscellaneous income	870	1,089	1,959
Investment income	100	100	200
Interest expense	(141)	(6,931)	(7,072)
Total Nonoperating Revenues (Expenses)	829	(5,742)	(4,913)
Income Before Transfers	54,372	171,586	225,958
Transfers Out	(65,000)	(160,000)	(225,000)
Change in Net Position	(10,628)	11,586	958
Net Position, January 1	266,786	376,819	643,605
Net Position, December 31	$ 256,158	$ 388,405	$ 644,563

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

City of Alexandria, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	609 Downtown Liquor	610 Plaza Liquor	Totals
Cash Flows from Operating Activities			
Receipts from customers	$ 2,308,345	$ 3,423,207	$ 5,731,552
Payments to suppliers and vendors	(1,894,802)	(2,695,125)	(4,589,927)
Payments to and on behalf of employees	(325,843)	(349,979)	(675,822)
Other receipts	870	1,089	1,959
Net Cash Provided by Operating Activities	88,570	379,192	467,762
Cash Flows from Noncapital Financing Activities			
Transfer out	(65,000)	(160,000)	(225,000)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(7,529)	-	(7,529)
Principal paid on advance	-	(29,181)	(29,181)
Interest paid on advance	(141)	(6,931)	(7,072)
Net Cash Used by Capital And Related Financing Activities	(7,670)	(36,112)	(43,782)
Cash Flows from Investing Activities			
Interest received on cash and investments	100	100	200
Net Increase (Decrease) In Cash and Cash Equivalents	16,000	183,180	199,180
Cash and Cash Equivalents, January 1	83,842	149,440	233,282
Cash and Cash Equivalents, December 31	$ 99,842	$ 332,620	$ 432,462
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 53,543	$ 177,328	$ 230,871
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	23,833	46,541	70,374
Other income related to operations	870	1,089	1,959
(Increase) decrease in assets			
Accounts receivable	(1,265)	(3,548)	(4,813)
Due from other funds/departments	31,848	51,701	83,549
Inventories	(5,482)	36,300	30,818
Prepaid items	(971)	2,384	1,413
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	54,338	45,257	99,595
Increase (decrease) in liabilities			
Accounts and contracts payable	27,049	60,386	87,435
Due to other governments	(549)	700	151
Due to other funds/departments	(50,849)	(32,093)	(82,942)
Accrued salaries payable	(447)	(3,609)	(4,056)
Compensated absences payable	2,319	4,549	6,868
Pension liability	(73,478)	(40,829)	(114,307)
Other postemployment benefits (asset) liability	685	(1,042)	(357)
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	27,126	34,078	61,204
Net Cash Provided (Used) by Operating Activities	$ 88,570	$ 379,192	$ 467,762

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

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

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 $864,856 are recorded net of allowance for doubtful accounts of $55,057 at December 31, 2017. Accounts are considered past due based on how recently payments have been received. Accounts of customers who have terminated their electric service are considered uncollectible and charged-off if no payment has been received after 60 days. The Municipal Liquor Dispensary receivable is the total amount of credit card receivables at year end. No allowance for doubtful accounts has been provided for the City or the Municipal Liquor Dispensary because such amounts are not expected to be material.

Notes Receivable

Notes receivable represent the amount of revolving loans the City has made to other entities. An allowance account in the amount of $113,138 has been recorded related to these notes.

Due from Other Governments

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

Payment In Lieu of Taxes

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

Capital Contributions

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

Due to Other Governments

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

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

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

Interfund Receivables and Payables

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

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

Inventories and Prepaid Items

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

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

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

Restricted Assets

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

Capital Assets

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has 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, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

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

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Net Position

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

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

Note 3: Detailed Notes on all Funds

A.Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

Note 3: Detailed Notes on all Funds (Continued)

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

- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits was $1,625,073 and the bank balance was $2,144,377. Of the bank balance, $611,383 was covered by federal depository insurance. Of the remaining balance, $1,532,994 was collateralized with FHLB letters of credit held by the pledging financial institution's trust department in the City's name.

The carrying amount of deposits for the Board of Public Works DBA ALP Utilities, a discretely presented component unit, was $3,708,512 and the bank balance was $3,895,899. The bank balance was covered by $1,492,685 of federal depository insurance. The remaining balances were collateralized with FHLB letters of credit held by pledging financial institution's trust department in the Board's name.

Investments

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

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

At December 31, 2017, 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
Non-pooled Investments at Amortized Costs				
Money Market Funds	N/A	less than 6 months	$ 5,966,049	
Non-negotiable certificates of deposit	N/A	6 months to 1 year	250,000	
Broker Deposits	N/A	less than 6 months	2,500	
Non-pooled Investments at Fair Value				
Government Agency Securities	N/A	less than 6 months	1,738,806	$ 1,738,806
Government Agency Securities	N/A	6 months to 1 year	304,845	304,845
Government Agency Securities	AAA	1 to 3 years	1,748,287	1,748,287
Government Agency Securities	AAA	more than 3 years	500,790	500,790
Government Agency Securities	N/A	more than 3 years	1,675,901	1,675,901
Negotiable certificates of deposit	N/A	less than 6 months	989,526	989,526
Negotiable certificates of deposit	N/A	6 months to 1 year	495,486	495,486
Negotiable certificates of deposit	N/A	1 to 3 years	1,968,230	1,968,230
Total Investments			$ 15,640,420	$ 9,421,871

(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.

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	832,499			
Non-pooled Investments at Fair Value						
Government Agency Securities	Aaa	1 to 3 years	470,587	$ 470,587	$ -	$ -
Government Agency Securities	Aaa	more than 3 years	1,340,423	1,340,423	-	-
Government Agency Securities	AAA	more than 3 years	5,273,335	5,273,335	-	-
Negotiable certificates of deposit	N/A	6 months to 1 year	243,856	-	243,856	-
Negotiable certificates of deposit	N/A	1 to 3 years	935,913	-	935,913	-
Negotiable certificates of deposit	N/A	more than 3 years	725,594	-	725,594	-
Total Investments			$ 9,822,212	$ 7,084,345	$ 1,905,363	$ -

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	$ 1,625,073	$ 3,708,512	$ 5,333,585
Investments	15,640,420	9,822,212	25,462,632
Cash on Hand	3,382	250	3,632
Total	$ 17,268,875	$ 13,530,974	$ 30,799,849
Cash and Cash Equivalents	$ 14,746,551	$ 12,607,701	$ 27,354,252
Restricted Debt Service Reserve Deposits	2,522,324	923,273	3,445,597
Total	$ 17,268,875	$ 13,530,974	$ 30,799,849

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, 2017 is $332,516.

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 $24,500, at December 31, 2017 is $85,873.

D. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended December 31, 2017 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	12,273,583	3,689,881	(12,273,583)	3,689,881
Total Capital Assets not being Depreciated	15,160,762	3,689,881	(12,273,583)	6,577,060
Capital Assets being Depreciated				
Buildings	18,400,600	4,288,006	(275,000)	22,413,606
Improvements other than buildings	85,246,699	2,276,960	-	87,523,659
Machinery and equipment	9,790,550	860,695	(139,641)	10,511,604
Total Capital Assets Being Depreciated	113,437,849	7,425,661	(414,641)	120,448,869
Less Accumulated Depreciation for				
Buildings	(6,826,898)	(605,575)	73,333	(7,359,140)
Improvements other than buildings	(35,342,573)	(2,193,695)	-	(37,536,268)
Machinery and equipment	(7,166,386)	(521,097)	139,641	(7,547,842)
Total Accumulated Depreciation	(49,335,857)	(3,320,367)	212,974	(52,443,250)
Total Capital Assets Being Depreciated, Net	64,101,992	4,105,294	(201,667)	68,005,619
Governmental Activities Capital Assets, Net	$ 79,262,754	$ 7,795,175	$ (12,475,250)	$ 74,582,679

Note 3: Detailed Notes on all Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	$ 101,413	$ -	$ -	$ 101,413
Capital Assets being Depreciated				
Buildings	1,013,545	-	-	1,013,545
Equipment	360,764	6,894	-	367,658
Other improvements	56,220	-	-	56,220
Total Capital Assets Being Depreciated	1,430,529	6,894	-	1,437,423
Less Accumulated Depreciation for				
Buildings	(690,625)	(46,928)	-	(737,553)
Equipment	(161,811)	(20,608)	-	(182,419)
Other improvements	(46,351)	(2,838)	-	(49,189)
Total Accumulated Depreciation	(898,787)	(70,374)	-	(969,161)
Total Capital Assets Being Depreciated, Net	531,742	(63,480)	-	468,262
Business-type Activities Capital Assets, Net	$ 633,155	$ (63,480)	$ -	$ 569,675

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

Governmental Activities	
General government	$ 84,930
Public safety	381,738
Public works	2,285,686
Culture and recreation	369,648
Airport	198,365
Total Depreciation Expense - Governmental Activities	$ 3,320,367
Business-type Activities	
Municipal Liquor Dispensary	$ 70,374

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, 2017 are as follows:

Board of Public Works

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated				
Land and land rights	$ 131,476	$ -	$ -	$ 131,476
Srevice territory acquired	234,533	-	-	234,533
Construction in progress	1,423,869	3,029,776	(2,565,559)	1,888,086
Total Capital Assets Not Being Depreciated	1,789,878	3,029,776	(2,565,559)	2,254,095
Capital Assets Being Depreciated				
Buildings and structures	2,501,328	254,370	-	2,755,698
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	80,892,854	6,103,925	-	86,996,779
General equipment	6,544,448	540,037	(193,968)	6,890,517
Total Capital Assets Being Depreciated	92,702,211	6,898,332	(193,968)	99,406,575
Less Accumulated Depreciation For				
Buildings and structures	(1,971,704)	(59,385)	-	(2,031,089)
Transmission plant	(1,042,124)	(83,542)	-	(1,125,666)
Distribution plant	(31,149,145)	(1,841,185)	-	(32,990,330)
General equipment	(4,474,040)	(314,505)	188,470	(4,600,075)
Total Accumulated Depreciation	(38,637,013)	(2,298,617)	188,470	(40,747,160)
Total Capital Assets Being Depreciated, Net	54,065,198	4,599,715	(5,498)	58,659,415
Business-Type Activities Capital Assets, Net	$ 55,855,076	$ 7,629,491	$ (2,571,057)	$ 60,913,510

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

Component unit	
Electric	$ 1,317,540
Water	912,481
Fiber	68,596
Total Depreciation Expense - Component Unit	$ 2,298,617

Note 3: Detailed Notes on all Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2017. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2018 Local Street Improvements, Plans and Specs	$ 21,187	$ 43,017
Mill and Overlay Runway 4/22 and Airport Pavements, Design, Specs and Construction	1,661,168	54,814
Wal-Mart Frontage Road / Birch Ave, Plans, Specs, construction	1,067,508	40,323
RCC Parking Lot Paving, Plans, Specs & Construction Observation	25,414	92,058
Agnes Blvd/Curt Felt Dr Street Recon and Trail, Plans, Specs Construction Observation, Easements	86,427	109,049
Total	$ 2,861,704	$ 339,261

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, 2017, were as follows:

Year Ending December 31	Governmental Activities
2018	$ 13,572
2019	6,186
Total Minimum Lease Payments	$ 19,758

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, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	
	Downtown Liquor	$ 12,939
	Plaza Liquor	12,871
Proprietary	Proprietary	
Downtown Liquor	Plaza Liquor	76,537
Plaza Liquor	Downtown Liquor	77,574
Net Internal Balance		$ 179,921

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

Advances from/to Other Funds

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

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Revolving Loan	Plaza Liquor Dispensary	3.00 %	07/01/09	07/01/24	$ 210,165
Revolving Loan	Plaza Liquor Dispensary	2.00	04/11/16	11/01/27	96,273
Revolving Loan	Downtown Liquor Dispensary	2.00	04/11/16	11/01/27	83,700
Revolving Loan	Airport Development	0.00	05/23/16	11/01/22	79,287
Total					$ 469,425

A summary of total future interfund loan repayments follows:

Year Ending December 31,	Advances from/to Other Funds Principal	Interest	Total
2018	$ 62,016	$ 9,352	$ 71,368
2019	63,243	8,126	71,369
2020	64,503	6,866	71,369
2021	65,798	5,571	71,369
2022	65,785	4,240	70,025
2023 - 2027	148,080	6,130	154,210
Total	$ 469,425	$ 40,285	$ 509,710

Note 3: Detailed Notes on all Funds (Continued)

Interfund Transfers

Transfers made for the year ended December 31, 2017 are as follows:

	Transfer In				
Fund	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
Transfer Out					
General	$ -	$ 300,000	$ -	$ 18,152	$ 318,152
Capital Projects	-	49,281	-	-	49,281
Nonmajor governmental	21,952	64,357	967	-	87,276
Downtown Liquor	65,000	-	-	-	65,000
Plaza Liquor	160,000	-	-	-	160,000
Total Transfers Out	$ 246,952	$ 413,638	$ 967	$ 18,152	$ 679,709

During the year, reoccurring transfers are used to 1) transfer a portion of the profits from the Downtown Liquor and Plaza Liquor fund to the General fund and 2) transfer funds to cover bond and lease payments. Further, during the year ended December 31, 2017, 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 $21,952.
- From the General fund to the EDA Development fund to cover TIF consulting fees in the amount of $18,152.
- From the General fund to the G.O. Capital Improvement Bonds 2010A fund to transfer excess general fund reserves in the amount of $300,000.
- From the Storm Water Utility fund to the Capital Project funds for the 8th Avenue reconstruction storm water portion in the amount of $967.

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	$ 875,000
G.O. Improvement Bonds of 2010A	5,205,000	1.50 - 5.00	09/15/10	02/01/31	4,250,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/30	1,220,000
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	780,000
Total General Obligation Bonds					$ 14,185,000

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
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	640,000	323,121	963,121
2023 - 2027	4,420,000	1,209,472	5,629,472
2028 - 2032	4,240,000	492,073	4,732,073
2033 - 2037	1,800,000	105,573	1,905,573
Total	$ 14,185,000	$ 3,654,673	$ 17,839,673

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	02/01/18	$ 2,055,000
G.O. Improvement Bonds of 2011A	2,475,000	1.00 - 2.90	08/15/11	02/01/22	1,615,000
G.O. Improvement Bonds of 2013A	5,490,000	2.60 - 3.00	09/01/13	02/01/24	4,385,000
G.O. Improvement Bonds of 2014A	2,900,000	2.60 - 3.00	09/15/14	02/01/24	2,515,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/25	785,000
G.O. Refunding Bonds of 2016B	1,685,000	2.00 - 3.00	08/25/16	02/01/28	1,685,000
Total G.O. Improvement Bonds					$ 13,040,000

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

Year Ending December 31,	General Obligation Improvement Bonds Governmental Activities Principal	Interest	Total
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	1,465,000	115,730	1,580,730
2023 - 2027	3,485,000	173,241	3,658,241
2028	190,000	1,900	191,900
Total	$ 13,040,000	$ 1,187,068	$ 14,227,068

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	$ 51,336
MNDOT Airport Hangar loan	93,000	4.00 - 6.11	01/01/05	12/31/18	2,089
Total Loans Payable					$ 53,425

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

Year Ending December 31,	Loans Payable Governmental Activities Principal	Interest	Total
2018	$ 25,603	$ 2,232	$ 27,835
2019	11,855	1,262	13,117
2020	7,446	737	8,183
2021	5,426	375	5,801
2022	3,095	111	3,206
Total	$ 53,425	$ 4,717	$ 58,142

Capital Leases Payable

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2017 Capital Lease for Public Works Vehicles	$ 308,689	2.48 %	03/27/17	03/27/22	$ 264,788

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

Year Ending December 31,	Capital Lease Governmental Activities Principal	Interest	Total
2018	$ 59,819	$ 5,890	$ 65,709
2019	61,319	4,389	65,708
2020	62,857	2,851	65,708
2021	64,434	1,275	65,709
2022	16,359	68	16,427
Total	$ 264,788	$ 14,473	$ 279,261

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 14,570,000	$ -	$ (385,000)	$ 14,185,000	$ 500,000
General obligation improvement bonds	14,620,000	-	(1,580,000)	13,040,000	3,410,000
Bond discount	(14,906)	-	1,898	(13,008)	-
Bond premium	801,324	-	(45,107)	756,217	-
Total Bonds Payable	29,976,418	-	(2,008,209)	27,968,209	3,910,000
Hangar Loan	27,149	-	(25,060)	2,089	2,089
CHAP Loans	74,980	-	(23,644)	51,336	23,514
Capital Lease	-	308,689	(43,901)	264,788	59,819
Other Post Employment benefits payable	833,119	10,644	-	843,763	-
Pension Liability					
GERF	3,019,760	-	(785,142)	2,234,618	-
PEPFF	6,982,923	-	(4,606,714)	2,376,209	-
Compensated Absences payable	796,255	490,268	(431,685)	854,838	311,422
Governmental Activity Long-term Liabilities	$ 41,710,604	$ 809,601	$ (7,924,355)	$ 34,595,850	$ 4,306,844
Business-Type Activities					
Pension Liability					
GERF	$ 560,941	$ 28,929	$ (143,236)	$ 446,634	$ -
Compensated Absences payable	60,173	36,341	(29,473)	67,041	22,531
Business-type Activity Long-term Liabilities	$ 621,114	$ 65,270	$ (172,709)	$ 513,675	$ 22,531

Note 3: Detailed Notes on all Funds (Continued)

Crossover Refunding

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

Discretely Presented Component Unit

Board of Public Works

Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Revenue Bonds of 2015A	5,395,000	2.00 - 3.25	12/30/15	12/01/35	4,945,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	1,685,000
Total Revenue Bonds					$ 6,630,000

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

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2018	$ 795,000	$ 171,759	$ 966,759
2019	395,000	150,075	545,075
2020	405,000	141,835	546,835
2021	410,000	133,385	543,385
2022	425,000	124,825	549,825
2023 - 2027	1,680,000	496,179	2,176,179
2028 - 2032	1,495,000	303,238	1,798,238
2033 - 2035	1,025,000	66,943	1,091,943
Total	$ 6,630,000	$ 1,588,239	$ 8,218,239

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	$ 335,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,372,000
Total G.O. Revenue Notes					$ 2,707,000

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

Year Ending December 31,	G.O. Revenue Notes		
	Principal	Interest	Total
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	261,000	42,889	303,889
2023 - 2027	1,021,000	130,465	1,151,465
2028 - 2029	445,000	16,382	461,382
Total	$ 2,707,000	$ 428,192	$ 3,135,192

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	$ 27,354,808
Principal and Interest	3,014,119
Percentage of Revenues	11.0%

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bonds	$ 7,425,000	$ 1,685,000	$ (2,480,000)	$ 6,630,000	$ 795,000
G.O. Revenue Notes	2,936,000	-	(229,000)	2,707,000	236,000
Bond Premium	28,920	-	(1,522)	27,398	-
Bonds Payable	10,389,920	1,685,000	(2,710,522)	9,364,398	1,031,000
Compensated Absences Payable	1,006,291	355,901	(521,952)	971,223	420,489
Pension Liability					
GERF	3,450,789	3	(763,156)	2,687,636	-
Other Postemployment Benefits	176,155	7,846	(3,096)	180,905	-
Business-type Activity Long-term Liabilities	$ 15,023,155	$ 2,048,750	$ (3,998,726)	$ 13,204,162	$ 1,451,489

Conduit Debt Obligation

The City has set forth a policy statement in an effort to be consistent with its use to Industrial Development Bonds within the City's jurisdiction. It is the judgement of the Council that tax exempt financing is to be used on a selective basis to encourage certain development that offers a benefit to the City has a whole, including significant employment and housing opportunities. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The conduit debt obligation for the year ended December 31, 2017 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	$ 172,228
Prairie Community Services - 1999C	07/01/99	07/01/19	1,038,906	101,986
St. Mary's Church School Project - 2005A	03/22/05	03/01/30	2,800,000	1,912,050
St. Mary's Church School Project - 2005B	11/29/05	11/01/30	1,200,000	307,219
Knute Nelson - Assisted Living Facility	06/08/06	06/01/27	4,300,000	2,472,478
Alexandria Area YMCA	12/15/08	06/15/20	6,000,000	1,264,631
Knute Nelson Project	07/08/10	07/08/25	4,500,000	2,515,721
ATCC Foundation	09/01/11	03/01/43	7,040,000	6,379,866

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were $204,890, $198,124 and $191,394, respectively. The Board of Public Works contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were $207,978, $200,269 and $196,803, 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 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were $304,579, $278,811 and $243,780, 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, 2017, the City reported a liability of $2,681,252 for its proportionate share of the GERF's net pension liability. At December 31, 2017, the Board of Public Works reported a liability of $2,687,636 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 2017. 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 $33,741 and with the Board of Public Works totaled $33,825. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0420 percent which was a decrease of 0.0021 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Board of Public Works proportionate share was 0.0421 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $125,395 for its proportionate share of GERF's pension expense. For the year ended December 31, 2017, the Board of Public Works recognized pension expense of $298,617 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional $2,520 and the Board of Public Works recognized an additional $2,526 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

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

At December 31, 2017, 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	$ 88,286	$ 175,914	$ 88,608	$ 174,233
Changes in Actuarial Assumptions	444,608	268,796	446,421	269,436
Net Difference Between Projected And Actual Earnings on Plan Investments	-	109,888	-	114,526
Changes in Proportion	44,275	100,091	16,603	68,338
Contributions to GERF Subsequent To the Measurement Date	102,219	-	104,983	-
Total	$ 679,388	$ 654,689	$ 656,615	$ 626,533

Deferred outflows of resources totaling $207,202 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, 2018. 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
2018	$ (30,738)	$ (62,384)
2019	148,286	158,271
2020	(81,254)	(56,703)
2021	(113,814)	(114,085)

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of $2,376,209 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1760 percent which was an increase of 0.0020 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $189,857 for its proportionate share of PEPFF's pension expense. The City also recognized $15,840 for the year ended December 31, 2017, as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

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

At December 31, 2017, 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	$ 55,725	$ 650,393
Changes in Actuarial Assumptions	3,303,304	3,373,628
Net Difference Between Projected and Actual Earnings on Plan Investments	-	200,092
Changes in Proportion	211,439	-
Contributions to PEPFF Subsequent To the Measurement Date	154,126	-
Total	$ 3,724,594	$ 4,224,113

Deferred outflows of resources totaling $154,126 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	$ (35,883)
2019	177,293
2020	10,751
2021	(147,873)
2022	(657,933)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for 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 the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 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 most recent five-year experience study for PEPFF was completed in 2016.

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

The following changes in actuarial assumptions occurred in 2016:

GERF

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

PEPFF

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

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	39.00 %	5.10 %
International stocks	19.00	5.30
Bonds	20.00	0.75
Alternative assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 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.

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	$ 4,158,822	$ 2,681,252	$ 1,471,593
Component unit	4,168,723	2,687,636	1,475,097

	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	4,475,096	2,376,209	643,463

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Alexandria Fire Department (the Department) are covered by a defined benefit plan administered by the Alexandria Fire Department Relief Association (the Association). As of December 31, 2016, the plan covered 30 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $135,561 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2017, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

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

D. Pension Costs

At December 31, 2017, the City reported a net pension liability (asset) of ($350,048) for the plan. The net pension liability (asset) was measured as of December 31, 2016. 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, 2016. 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	$ 2,204,850	$ 2,514,803	$ (309,953)
Changes for the Year			
Service cost	93,902	-	93,902
Interest on pension liability (asset)	172,406	-	172,406
Differences between expected and actual experience	(228,614)	-	(228,614)
Changes in assumptions	31,842	-	31,842
Changes of benefit terms	246,769	-	246,769
Contributions (State and local)	-	136,992	(136,992)
Net investment income	-	225,208	(225,208)
Administrative expenses	-	(5,800)	5,800
Total Net Changes	316,305	356,400	(40,095)
Ending Balance December 31, 2016	$ 2,521,155	$ 2,871,203	$ (350,048)

For the year ended December 31, 2017 the City recognized pension expense of $132,828.

At December 31, 2017, the City reported deferred inflows of resources and deferred outflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	28,268	98,379
Net Difference Between Projected and Actual Earnings on Plan Investments	$ 327,333	$ -
Difference Between Expected and Actual Liability	-	202,956
Contributions to Plan Subsequent To the Measurement Date	136,992	-
Total	$ 492,593	$ 301,335

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

Deferred outflows of resources totaling $136,992 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2018	$ 84,400
2019	84,400
2020	51,840
2021	(43,227)
2022	(37,480)
Thereafter	(85,667)

E. Actuarial Assumptions

The total pension liability at December 31, 2016 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Discount Rate	7.00%
Inflation Rate	2.75%
Investment Rate of Return	7.00%
20 Year Municipal Bond Yield	3.78%

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	55.90 %	5.58 %
International Equity	19.29	5.71
Fixed Income	5.30	2.27
Real Estate and Alternatives	0.48	4.44
Cash and Equivalents	19.03	0.84
Total	100.00 %	

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
Defined Benefit Plan	$ (277,493)	$ (350,048)	$ (420,789)

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.

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 2017 was $1,475,487 which accounted for 16 percent of General fund revenues.

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

D. Commitments and Contingencies

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The City estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the City. No Liability or provision of loss has been recorded in the December 31, 2017 financial statements in relation to any of these matters.

E. Joint Powers Agreement

Lakes Area Recreation was established by an agreement between the City of Alexandria, Minnesota, Independent School District No. 206, and the Alexandria and LaGrande Townships, pursuant to authority contained in *Minnesota Statutes* Section 471.59. The Lakes Area Recreation Board is responsible for legislative and fiscal control of the program. The majority of the Recreation Program's funding is provided by patron fees and local government contributions. The financial statements are audited and available for inspection. Per the agreement, in 2017, the annual contribution was $71,748 and the City also contributed $7,500 for the Life Guards at Le Homme Dieu beach.

The Flood Water Control Board was established by an agreement between the City of Alexandria, Douglas County, Alexandria Township, LaGrande Township, and Alexandria Lakes Area Sanitary District to prevent, control and abate water quality and flooding in the City watersheds. Per the agreement, in 2017, 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 2017 the City paid TIF administration fees of $49,979 to the Alexandria Area Economic Development Commission.

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

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

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

Note 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 $61,250 and $53,567 in matching funds to the plan for the year ended December 31, 2017 and 2016, respectively.

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	$ 58,906	$ 11,259	$ 70,165
Interest on Net OPEB Obligation	28,028	6,165	34,193
Adjustment to Annual Required Contribution	(43,540)	(9,578)	(53,118)
Annual OPEB Cost (Expense)	43,394	7,846	51,240
Contributions Made	(33,107)	(3,095)	(36,202)
Increase (Decrease) in Net OPEB Obligation	10,287	4,751	15,038
Net OPEB Obligation - Beginning of Year	800,791	176,154	976,945
Net OPEB Obligation - End of Year	$ 811,078	$ 180,905	$ 991,983

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 2017 and the preceding two fiscal years were as follows:

Primary Government

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	$ 43,394	70.7 %	$ 811,078
12/31/16	151,472	48.4	800,791
12/31/15	149,597	44.3	715,963

Component Unit - Board of Public Works

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	$ 7,846	39.4 %	$ 180,905
12/31/16	29,441	70.7	176,155
12/31/15	29,101	51.4	167,541

Funded Status and Funding Progress. As of January 1, 2017, 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, 2017 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.

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, 2017 was 30 years.

Note 7: Tax Abatements

As of December 31, 2017, the City has thirty three agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

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

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

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

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

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

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

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

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

Note 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.

Note 7: Tax Abatements (Continued)

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

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

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

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

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

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

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

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

Note 7: Tax Abatements (Continued)

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

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

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

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

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

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

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

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

Note 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.

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated the fiscal year
Tax Abatement Agreements			
Alexandria Veterinary Clinic			$ -
Hoven-Anderson Properties			4,474
Lakes Hotel Group			-
Viking Plaza Associates			6,324
Tax Increment Districts (PAYGO)			
TIF #12	23.923 %	$ 12,005	2,872
TIF #15	23.571	3,639	858
TIF #16	23.571	9,976	2,351
TIF #17	23.923	49,080	11,741
TIF #22	24.080	-	-
TIF #23	21.620	60,406	13,060
TIF #25	34.126	8,783	2,997
TIF #26	34.126	92,526	31,575
TIF #27	32.203	5,350	1,723
TIF #29	35.200	13,710	4,826
TIF #32	34.218	13,286	4,546
TIF #34	30.124	-	-
TIF #36	30.124	15,270	4,600
TIF #37	30.124	14,418	4,343
TIF #38	30.124	75,690	22,801
TIF #39	30.648	12,780	3,917
TIF #40	33.898	20,195	6,846
TIF #41	33.898	126,969	43,040
TIF #42	33.898	178,283	60,434
TIF #43	33.898	60,317	20,446
TIF #44	33.898	31,672	10,736
TIF #45	33.898	20,004	6,781
TIF #46	32.862	9,726	3,196
TIF #47	43.282	123,405	53,412
TIF #48	43.282	17,572	7,606
TIF #49	44.256	71,238	31,527
TIF #50	43.614	(1,374)	(599)
TIF #51	43.614	56,914	24,822
TIF #53	42.010	-	-
			$ 391,256

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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

City

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

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

Discretely Presented Component Unit - Board of Public Works

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0421 %	$ 2,687,636	33,825	$ 2,721,461	$ 2,714,643	99.0 %	78.2 %
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	130.8	68.9
06/30/15	0.0419	2,171,475	-	2,171,475	2,421,840	89.7	78.2

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

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

City

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

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

Discretely Presented Component Unit - Board of Public Works

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

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

Changes in Actuarial Assumptions

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

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

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

Changes in Plan Provisions

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

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

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

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.

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

Schedule of Employer's Fire Relief Association Contributions

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

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

Schedule of 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)
01/01/17	$ -	$ 516,861	$ 516,861	- %	$6,992,374	7.4 %
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, 2017

City of Alexandria, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2017

	215 Crime Prevention/ Bike Safety	228 Storm Water Utility	229 Employee Benefit	231 Firemen's Relief
Assets				
Cash and temporary investments	$ 2,666	$ 321,913	$ 17,189	$ 77,425
Receivables				
Delinquent taxes	-	-	200	200
Accounts	-	193	-	-
Notes and loans, net of allowance	-	-	-	-
Intergovernmental	-	-	90	33
Due from component unit	-	67,121	-	-
Advances to other funds	-	-	-	-
Total Assets	$ 2,666	$ 389,227	$ 17,479	$ 77,658
Liabilities				
Accounts payable	$ -	$ 14,030	$ -	$ -
Due to component unit	-	13,491	-	-
Total Liabilities	-	27,521	-	-
Deferred Inflows of Resources				
Unavailable revenue - taxes	-	-	200	200
Fund Balances				
Restricted for				
Capital outlay	2,666	-	-	-
Economic development	-	-	-	-
Debt service	-	-	-	-
Committed for				
Payment of benefits	-	-	17,279	-
Firefighter's retirement obligation	-	-	-	77,458
Economic development	-	-	-	-
Storm water operations	-	361,706	-	-
Total Fund Balances	2,666	361,706	17,279	77,458
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,666	$ 389,227	$ 17,479	$ 77,658

234 Planning Commission Development	235 Sanitary Sewer District	245 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
$ 10,519	$ 51,502	$ 80,312	$ 1,028,010	$ 580,662	$ 2,170,198
-	6,900	-	-	-	7,300
-	-	-	-	23,334	23,527
-	-	-	332,516	85,873	418,389
1	2,766	-	-	-	2,890
-	-	-	-	-	67,121
-	-	-	469,425	-	469,425
$ 10,520	$ 61,168	$ 80,312	$ 1,829,951	$ 689,869	$ 3,158,850
$ 3,436	$ -	$ -	$ 269	$ -	$ 17,735
-	-	-	-	-	13,491
3,436	-	-	269	-	31,226
-	6,900	-	-	-	7,300
-	-	-	-	-	2,666
-	-	-	1,829,682	689,869	2,519,551
-	54,268	-	-	-	54,268
-	-	-	-	-	17,279
-	-	-	-	-	77,458
7,084	-	80,312	-	-	87,396
-	-	-	-	-	361,706
7,084	54,268	80,312	1,829,682	689,869	3,120,324
$ 10,520	$ 61,168	$ 80,312	$ 1,829,951	$ 689,869	$ 3,158,850

City of Alexandria, Minnesota

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

For the Year Ended December 31, 2017

	215 Crime Prevention/ Bike Safety	228 Storm Water Utility	229 Employee Benefit	231 Firemen's Relief
Revenues				
Taxes				
Property taxes	$ -	$ -	$ 20,158	$ 5,078
Tax increments	-	-	-	-
Intergovernmental				
State	-	-	3	138,428
Charges for service	-	750,746	-	-
Investment earnings	34	2,107	328	1,085
Miscellaneous				
Loan payments received	-	-	-	-
Other	-	-	59	1
Total Revenues	34	752,853	20,548	144,592
Expenditures				
Current				
Public safety	-	-	-	138,427
Public works	-	242,355	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	-	242,355	-	138,427
Excess (Deficiency) of Revenues Over (Under) Expenditures	34	510,498	20,548	6,165
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(65,324)	(21,952)	-
Total Other Financing Sources (Uses)	-	(65,324)	(21,952)	-
Net Change in Fund Balances	34	445,174	(1,404)	6,165
Fund Balances, January 1	2,632	(83,468)	18,683	71,293
Fund Balances, December 31	$ 2,666	$ 361,706	$ 17,279	$ 77,458

234 Planning Commission Development	235 Sanitary Sewer District	245 Tree Preservation	297/298 Revolving Loan	Tax Increment Financing Total	Total Nonmajor Special Revenue
$ 1	$ 609,383	$ -	$ -	$ -	$ 634,620
-	-	-	-	1,045,084	1,045,084
-	88	-	-	-	138,519
-	-	-	-	1,500	752,246
362	1,054	1,016	37,247	7,689	50,922
-	-	-	-	2,500	2,500
-	1,618	-	-	-	1,678
363	612,143	1,016	37,247	1,056,773	2,625,569
-	-	-	-	-	138,427
-	606,941	-	-	-	849,296
40,570	-	-	-	963,921	1,004,491
-	-	-	-	23,644	23,644
-	-	-	-	3,146	3,146
40,570	606,941	-	-	990,711	2,019,004
(40,207)	5,202	1,016	37,247	66,062	606,565
-	-	-	-	18,152	18,152
-	-	-	-	-	(87,276)
-	-	-	-	18,152	(69,124)
(40,207)	5,202	1,016	37,247	84,214	537,441
47,291	49,066	79,296	1,792,435	605,655	2,582,883
$ 7,084	$ 54,268	$ 80,312	$ 1,829,682	$ 689,869	$ 3,120,324

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City of Alexandria, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 4,119,757	$ 3,481,794
Receivables		
Interest	32,333	18,211
Delinquent taxes	41,600	63,200
Accounts	238,590	167,676
Special assessments	6,796	8,353
Intergovernmental	32,591	51,722
Due from other funds	25,810	54,116
Due from component unit	88,699	842,551
Prepaid items	63,907	59,484
Total Assets	$ 4,650,083	$ 4,747,107
Liabilities		
Accounts payable	$ 133,084	$ 206,935
Due to other governments	63,911	92,109
Due to component unit	26,588	-
Accrued salaries payable	146,933	181,235
Deposits payable	21,052	19,280
Total Liabilities	391,568	499,559
Deferred Inflows of Resources		
Unavailable revenue - taxes	41,600	63,200
Unavailable revenue - special assessments	6,796	8,353
Total Deferred Inflows of Resources	48,396	71,553
Fund Balances		
Nonspendable for		
Prepaid items	63,907	59,484
Restricted for		
Wellness	21,515	21,407
Committed for		
Wellness	13,568	13,127
Unassigned	4,111,129	4,081,977
Total Fund Balances	4,210,119	4,175,995
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,650,083	$ 4,747,107

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, 2017

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

	2017			2016
	Budgeted Amounts			
	Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Property taxes	$ 3,683,261	$ 3,654,522	$ (28,739)	$ 3,769,860
Franchise taxes	396,000	474,498	78,498	384,205
Total taxes	4,079,261	4,129,020	49,759	4,154,065
Payment in lieu of taxes	1,077,000	991,763	(85,237)	1,052,356
Special assessments	-	8,437	8,437	2,310
Licenses and permits				
Business licenses	82,950	74,330	(8,620)	82,990
Nonbusiness licenses	30,900	36,044	5,144	36,166
Building permits	375,000	480,246	105,246	395,557
Total licenses and permits	488,850	590,620	101,770	514,713
Intergovernmental				
Federal				
Other Federal grants	10,000	89,832	79,832	9,318
State				
Local government aid	1,475,493	1,475,487	(6)	1,471,798
Property tax credits and aids	-	527	527	533
Police aid	173,000	192,438	19,438	173,645
Fire aid	5,000	23,428	18,428	4,800
Airport maintenance	71,110	71,110	-	71,110
Other State aids	26,750	15,624	(11,126)	36,164
Total state	1,751,353	1,778,614	27,261	1,758,050
Total intergovernmental	1,761,353	1,868,446	107,093	1,767,368
Charges for services				
General government	180,100	201,567	21,467	193,054
Public safety	241,933	265,637	23,704	269,689
Public works	26,000	28,172	2,172	21,257
Culture and recreation	637,700	528,379	(109,321)	534,214
Total charges for services	1,085,733	1,023,755	(61,978)	1,018,214
Fines and forfeits	117,500	127,586	10,086	118,278
Investment earnings	15,000	11,790	(3,210)	26,331
Other revenue				
Leases	70,484	68,669	(1,815)	41,732
Contributions and donations	-	2,185	2,185	1,350
Other	55,000	130,685	75,685	77,329
Total other revenue	125,484	201,539	76,055	120,411
Total Revenues	8,750,181	8,952,956	202,775	8,774,046

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, 2017

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

	2017			2016
	Budgeted Amount			
	Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures				
Current				
General government				
Mayor and Council				
Personal services	$ 48,500	$ 49,001	$ (501)	$ 44,052
Other services and charges	99,800	76,087	23,713	48,452
Total mayor and council	148,300	125,088	23,212	92,504
Administration				
Personal services	588,625	556,562	32,063	497,164
Supplies	300	230	70	51
Other services and charges	21,900	22,693	(793)	15,932
Total administration	610,825	579,485	31,340	513,147
Elections				
Personal services	-	-	-	25,537
Supplies	1,200	-	1,200	790
Other services and charges	-	-	-	3,414
Total elections	1,200	-	1,200	29,741
Community development				
Personal services	137,950	136,900	1,050	131,067
Other services and charges	200	-	200	97
Total city planner	138,150	136,900	1,250	131,164
Planning and zoning				
Personal services	3,150	3,122	28	3,122
Other services and charges	1,975	2,394	(419)	3,355
Total planning and zoning	5,125	5,516	(391)	6,477
Assessor				
Personal services	172,800	172,313	487	169,522
Supplies	-	149	(149)	161
Other services and charges	4,000	3,553	447	2,238
Total assessor	176,800	176,015	785	171,921
Legal and accounting				
Supplies	3,500	2,289	1,211	2,822
Other services and charges	458,500	420,523	37,977	415,240
Total legal and accounting	462,000	422,812	39,188	418,062
Human resources				
Personal services	68,150	67,831	319	67,923
Supplies	300	23	277	725
Other services and charges	4,050	3,863	187	347
Total human resources	72,500	71,717	783	68,995
Employee wellness				
Personal services	-	869	(869)	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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	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	$ 57,500	$ 480	$ 57,020	$ 298
Supplies	17,500	15,067	2,433	17,391
Other services and charges	694,450	738,157	(43,707)	603,927
Total other general government	769,450	753,704	15,746	621,616
Total General Government	2,384,350	2,272,106	112,244	2,054,410
Public safety				
Police protection				
Personal services	2,664,025	2,704,659	(40,634)	2,522,401
Supplies	65,250	54,286	10,964	48,057
Other services and charges	229,700	203,062	26,638	222,032
Total police protection	2,958,975	2,962,007	(3,032)	2,792,490
Fire protection				
Personal services	150,100	142,416	7,684	137,948
Supplies	48,750	13,615	35,135	32,809
Other services and charges	202,600	266,921	(64,321)	190,670
Total fire protection	401,450	422,952	(21,502)	361,427
Fire marshall				
Personal services	-	-	-	38,552
Other services and charges	-	-	-	418
Total fire marshall	-	-	-	38,970
Building				
Personal services	216,750	219,802	(3,052)	213,126
Supplies	3,625	3,619	6	3,033
Other services and charges	56,530	43,042	13,488	20,392
Total building	276,905	266,463	10,442	236,551
Emergency management				
Other services and charges	8,500	6,255	2,245	16,759
Traffic signs and signals				
Personal services	103,550	53,612	49,938	104,512
Supplies	18,000	11,927	6,073	10,784
Other services and charges	12,500	8,504	3,996	21,370
Total traffic signs and signals	134,050	74,043	60,007	136,666

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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budgeted Amount			
	Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Current (Continued)				
Animal control				
Other services and charges	$ 25,100	$ 18,169	$ 6,931	$ 20,501
Total public safety	3,804,980	3,749,889	55,091	3,603,364
Public works				
Highways, streets and alleys				
Personal services	346,950	437,439	(90,489)	404,147
Supplies	79,400	57,292	22,108	73,356
Other services and charges	16,500	16,330	170	10,469
Total highways, streets and alleys	442,850	511,061	(68,211)	487,972
Engineering				
Other services and charges	50,000	79,470	(29,470)	57,251
Blacktop repair				
Personal services	59,300	2,675	56,625	8,006
Supplies	110,000	134,424	(24,424)	183,179
Other services and charges	2,000	-	2,000	-
Total blacktop repair	171,300	137,099	34,201	191,185
Dust control				
Supplies	3,000	3,658	(658)	-
Sidewalks and curbs				
Other services and charges	29,500	38,185	(8,685)	48,482
Snow and ice control				
Personal services	66,475	110,385	(43,910)	67,349
Supplies	70,000	71,645	(1,645)	98,399
Other services and charges	23,500	15,331	8,169	17,667
Total snow and ice control	159,975	197,361	(37,386)	183,415
Equipment maintenance				
Personal services	88,725	69,689	19,036	69,257
Supplies	19,600	19,214	386	17,254
Other services and charges	74,550	68,275	6,275	59,556
Total equipment maintenance	182,875	157,178	25,697	146,067
Weed eradication				
Personal services	22,250	15,680	6,570	7,376
Supplies	12,000	9,794	2,206	9,321
Total weed eradication	34,250	25,474	8,776	16,697
Street lighting				
Other services and charges	60,000	86,099	(26,099)	217,828
Total Public Works	1,133,750	1,235,585	(101,835)	1,348,897

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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budgeted Amount			
	Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Current (Continued)				
Culture and recreation				
Recreation				
Other services and charges	$ 80,001	$ 79,248	$ 753	$ 79,248
Runestone Community Center				
Personal services	364,500	347,223	17,277	338,936
Supplies	23,500	16,428	7,072	17,914
Other services and charges	236,500	214,836	21,664	249,078
Total Runestone Community Center	624,500	578,487	46,013	605,928
KN Stadium				
Personal services	5,800	1,926	3,874	-
Supplies	4,000	-	4,000	919
Other services and charges	18,500	15,172	3,328	9,884
Total KN Stadium	28,300	17,098	11,202	10,803
Senior citizens				
Other services and charges	12,500	12,500	-	12,500
Parks				
Personal services	524,200	532,297	(8,097)	540,503
Supplies	51,000	68,619	(17,619)	47,651
Other services and charges	103,600	91,115	12,485	112,757
Total parks	678,800	692,031	(13,231)	700,911
Total Culture and Recreation	1,424,101	1,379,364	44,737	1,409,390
Airport				
Airport operations				
Personal services	14,400	8,740	5,660	10,421
Supplies	8,000	4,099	3,901	4,127
Other services and charges	135,600	145,027	(9,427)	103,474
Total airport	158,000	157,866	134	118,022
Total Current	8,905,181	8,794,810	110,371	8,534,083

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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budgeted Amount			
	Original and Final	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)				
Capital outlay				
General government	$ 10,500	$ 2,031	$ 8,469	$ 875
Public safety	32,000	30,715	1,285	51,059
Public works	4,500	5,740	(1,240)	11,133
Culture and recreation	10,000	13,102	(3,102)	21,969
Airport	3,000	1,234	1,766	14,277
Total capital outlay	60,000	52,822	7,178	99,313
Total Expenditures	8,965,181	8,847,632	117,549	8,633,396
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,000)	105,324	320,324	140,650
Other Financing Sources (Uses)				
Transfers in	225,000	246,952	21,952	242,263
Transfers out	(10,000)	(318,152)	(308,152)	(1,639,598)
Total Other Financing Sources (Uses)	215,000	(71,200)	(286,200)	(1,397,335)
Net Change in Fund Balances	-	34,124	34,124	(1,256,685)
Fund Balances, January 1	4,175,995	4,175,995	-	5,432,680
Fund Balances, December 31	$ 4,175,995	$ 4,210,119	$ 34,124	$ 4,175,995

City of Alexandria, Minnesota
Debt Service Funds
Combined Balance Sheet
December 31, 2017

	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	$ 680,332	$ 112,066	$ 1,017,425	$ 565,684
Restricted debt service reserve deposits	-	-	-	-
Receivables				
Interest	-	-	-	-
Delinquent taxes	2,500	1,100	4,300	2,300
Accounts	-	-	-	-
Special assessments	1,136,246	-	736,158	254,172
Intergovernmental	1,002	410	4,565	1,750
Total Assets	$ 1,820,080	$ 113,576	$ 1,762,448	$ 823,906
Liabilities				
Accounts payable	$ 383	$ 383	$ 1,786	$ 383
Deferred Inflows of Resources				
Unavailable revenue - taxes	2,500	1,100	4,300	2,300
Unavailable revenue - special assessments	1,136,246	-	736,158	254,172
Total Deferred Inflows of Resources	1,138,746	1,100	740,458	256,472
Fund Balances				
Restricted for debt service	680,951	112,093	1,020,204	567,051
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,820,080	$ 113,576	$ 1,762,448	$ 823,906

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	538 Public Works 2017 Lease/ Purchase	Total
$ 1,710,002	$ 709,191	$ 482,993	$ 232,660	$ 70,776	$ 40	$ 5,581,169
-	-	-	-	2,522,324	-	2,522,324
-	-	-	-	7,036	-	7,036
2,300	1,900	2,900	200	-	-	17,500
-	-	-	-	13,800	-	13,800
855,752	606,746	98,849	-	-	-	3,687,923
4,057	1,470	1,229	931	-	-	15,414
$ 2,572,111	$ 1,319,307	$ 585,971	$ 233,791	$ 2,613,936	$ 40	$ 11,845,166
$ 383	$ 383	$ 383	$ 383	$ 383	$ -	$ 4,850
2,300	1,900	2,900	200	-	-	17,500
855,752	606,746	98,849	-	-	-	3,687,923
858,052	608,646	101,749	200	-	-	3,705,423
1,713,676	710,278	483,839	233,208	2,613,553	40	8,134,893
$ 2,572,111	$ 1,319,307	$ 585,971	$ 233,791	$ 2,613,936	$ 40	$ 11,845,166

City of Alexandria, Minnesota

Debt Service Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended December 31, 2017

	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	$ 221,447	$ 90,926	$ 395,672	$ 209,039
Special assessments	14,709	-	32,224	80,934
Intergovernmental				
Federal	-	-	60,362	-
State	32	13	87	-
Investment earnings	6,937	777	5,971	4,923
Other revenue	650	-	848	-
Total Revenues	243,775	91,716	495,164	294,896
Expenditures				
Debt service				
Principal	325,000	50,000	245,000	300,000
Interest and other	96,733	37,311	186,081	42,251
Bond issuance costs	-	-	-	-
Total Expenditures	421,733	87,311	431,081	342,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,958)	4,405	64,083	(47,355)
Other Financing Sources (Uses)				
Sale of capital assets	-	1,000	-	-
Transfers in	-	-	300,000	-
Total Other Financing Sources (Uses)	-	1,000	300,000	-
Net Change in Fund Balances	(177,958)	5,405	364,083	(47,355)
Fund Balances, January 1	858,909	106,688	656,121	614,406
Fund Balances, December 31	$ 680,951	$ 112,093	$ 1,020,204	$ 567,051

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	538 Public Works 2017 Lease/ Purchase	Total
$ 227,367	$ 215,212	$ 274,369	$ 215,157	$ -	$ -	$ 1,849,189
246,293	149,244	55,297	-	-	-	578,701
-	-	-	-	-	-	60,362
33	-	-	39	-	-	204
18,301	6,218	4,484	1,221	17,416	40	66,288
919	635	877	-	13,800	-	17,729
492,913	371,309	335,027	216,417	31,216	40	2,572,473
480,000	295,000	270,000	-	-	43,901	2,008,901
137,139	59,733	50,233	155,390	60,200	5,380	830,451
-	-	-	833	833	-	1,666
617,139	354,733	320,233	156,223	61,033	49,281	2,841,018
(124,226)	16,576	14,794	60,194	(29,817)	(49,241)	(268,545)
-	-	-	-	-	-	1,000
-	-	-	-	64,357	49,281	413,638
-	-	-	-	64,357	49,281	414,638
(124,226)	16,576	14,794	60,194	34,540	40	146,093
1,837,902	693,702	469,045	173,014	2,579,013	-	7,988,800
$ 1,713,676	$ 710,278	$ 483,839	$ 233,208	$ 2,613,553	$ 40	$ 8,134,893

City of Alexandria, Minnesota
Capital Projects Funds
Combining Balance Sheet
December 31, 2017

	230	233	237	238	239	240
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment	IT Equipment
Assets						
Cash and temporary investments	$ 505,944	$ 50,224	$ 9,246	$ 129,506	$ 76,026	$ 47,069
Receivables						
Delinquent taxes	100	200	100	900	400	400
Accounts	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	44	130	65	330	176	221
Prepaid items	127,994	-	-	-	-	-
Total Assets	$ 634,082	$ 50,554	$ 9,411	$ 130,736	$ 76,602	$ 47,690
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ 10,509	$ 5,036
Advance from other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total Liabilities	-	-	-	-	10,509	5,036
Deferred Inflows of Resources						
Unavailable revenue - taxes	100	200	100	900	400	400
Unavailable revenue - special assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	100	200	100	900	400	400
Fund Balances						
Nonspendable for						
Prepaid items	127,994	-	-	-	-	-
Restricted for						
Capital outlay	505,972	50,354	-	-	-	-
Committed for						
Capital outlay	16	-	9,311	129,836	65,693	42,254
Assigned for						
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	633,982	50,354	9,311	129,836	65,693	42,254
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 634,082	$ 50,554	$ 9,411	$ 130,736	$ 76,602	$ 47,690

401	402	403	404	405	406	408	514	
Capital Improvement	Municipal State Aid	2016 Street Reconstruction	Local Street Overlay	Future Street Reconstruction	Airport Development	Energy Project	Revolving Improvement	Total Capital Projects
$ 2,035,247	$ (3,115,514)	$ 147,264	$ (17,335)	$ 49,753	$ (136,202)	$ 10,177	$ 2,651,560	$ 2,442,965
600	900	500	-	-	100	-	-	4,200
-	-	-	-	-	2,600	-	-	2,600
-	-	-	-	-	-	-	1,316,596	1,316,596
4,168	1,614,322	1	-	223	230,075	-	2,541	1,852,296
34,345	-	-	-	-	-	-	-	162,339
$ 2,074,360	$ (1,500,292)	$ 147,765	$ (17,335)	$ 49,976	$ 96,573	$ 10,177	$ 3,970,697	$ 5,780,996
$ 9,867	$ 181,989	$ 30,471	$ 3,852	$ -	$ 150,725	$ -	$ 28,953	$ 421,402
-	-	-	-	-	79,287	-	-	79,287
-	-	-	-	-	19,446	-	-	19,446
9,867	181,989	30,471	3,852	-	249,458	-	28,953	520,135
600	900	500	-	-	100	-	-	4,200
-	-	-	-	-	-	-	1,316,596	1,316,596
600	900	500	-	-	100	-	1,316,596	1,320,796
34,345	-	-	-	-	-	-	-	162,339
-	-	-	-	49,828	-	-	-	606,154
2,029,548	-	-	-	-	-	-	2,464,237	4,740,895
-	-	116,794	-	148	-	10,177	160,911	288,030
-	(1,683,181)	-	(21,187)	-	(152,985)	-	-	(1,857,353)
2,063,893	(1,683,181)	116,794	(21,187)	49,976	(152,985)	10,177	2,625,148	3,940,065
$ 2,074,360	$ (1,500,292)	$ 147,765	$ (17,335)	$ 49,976	$ 96,573	$ 10,177	$ 3,970,697	$ 5,780,996

City of Alexandria, Minnesota
Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2017

	230	233	237	238	239	240
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment	IT Equipment
Revenues						
Taxes	$ 10,101	$ 30,088	$ 15,016	$ 75,110	$ 40,193	$ 50,323
Special assessments	-	-	-	-	-	-
Intergovernmental						
Federal	-	-	-	-	-	-
State	1	4	2	-	-	7
Charges for services	92,233	-	-	-	-	-
Investment earnings	5,889	667	100	-	611	397
Other revenue	16	51	8,320	151	90	-
Total Revenues	108,240	30,810	23,438	75,261	40,894	50,727
Expenditures						
Current						
General government	-	-	-	-	-	19,580
Public works	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Capital outlay						
General government	-	-	-	-	-	26,409
Public safety	-	-	-	-	12,028	-
Public works	-	-	-	369,230	-	-
Culture and recreation	-	26,354	40,025	-	-	-
Airport	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Total Expenditures	-	26,354	40,025	369,230	12,028	45,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	108,240	4,456	(16,587)	(293,969)	28,866	4,738
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	7,512	3,150	-
Transfers in	-	-	-	-	-	-
Debt issued	-	-	-	308,689	-	-
Transfers out	-	-	-	(49,281)	-	-
Total Other Financing Sources (Uses)	-	-	-	266,920	3,150	-
Net Change in Fund Balances	108,240	4,456	(16,587)	(27,049)	32,016	4,738
Fund Balances, January 1	525,742	45,898	25,898	156,885	33,677	37,516
Fund Balances, December 31	$ 633,982	$ 50,354	$ 9,311	$ 129,836	$ 65,693	$ 42,254

401	402	403	404	405	406	408	514	
Capital Improvement	Municipal State Aid	2016 Street Reconstruction	Local Street Overlay	Future Street Reconstruction	Airport Development	Energy Project	Revolving Improvement	Total Capital Projects
$ 1,116	$ 75,324	$ 450	$ -	$ 49,828	$ 15,045	$ -	$ -	$ 362,594
-	-	-	-	-	-	-	236,995	236,995
-	967,819	-	-	-	80,990	-	-	1,048,809
-	2,227,501	-	-	-	13,237	-	-	2,240,752
-	-	-	-	-	99,413	-	-	191,646
-	-	-	-	-	-	-	24,331	31,995
312	114,784	88,651	-	148	-	55,797	112,572	380,892
1,428	3,385,428	89,101	-	49,976	208,685	55,797	373,898	4,493,683
-	-	-	-	-	-	-	-	19,580
-	-	-	-	-	-	-	1,006	1,006
-	-	-	-	-	5,916	-	-	5,916
-	-	-	-	-	-	235,080	-	261,489
-	-	-	-	-	-	-	-	12,028
273,642	1,811,986	5,450	21,187	-	-	-	1,667	2,483,162
81,560	-	-	-	-	-	82,381	-	230,320
-	-	-	-	-	96,076	-	-	96,076
-	-	-	-	-	25,060	-	-	25,060
355,202	1,811,986	5,450	21,187	-	127,052	317,461	2,673	3,134,637
(353,774)	1,573,442	83,651	(21,187)	49,976	81,633	(261,664)	371,225	1,359,046
-	-	90,417	-	-	-	-	-	101,079
-	-	967	-	-	-	-	-	967
-	-	-	-	-	-	-	-	308,689
-	-	-	-	-	-	-	-	(49,281)
-	-	91,384	-	-	-	-	-	361,454
(353,774)	1,573,442	175,035	(21,187)	49,976	81,633	(261,664)	371,225	1,720,500
2,417,667	(3,256,623)	(58,241)	-	-	(234,618)	271,841	2,253,923	2,219,565
$ 2,063,893	$ (1,683,181)	$ 116,794	$ (21,187)	$ 49,976	$ (152,985)	$ 10,177	$ 2,625,148	$ 3,940,065

City of Alexandria, Minnesota

Tax Increment Financing Funds

Combining Balance Sheet (Continued on the Following Pages)

December 31, 2017

	390 EDA Development Fund	**388** TIF District #12	**392** TIF District #15	**393** TIF District #16
Assets				
Cash and temporary investments	$ 25,325	$ 1,376	$ 1,010	$ -
Receivables				
Accounts	23,334	-	-	-
Notes, net of allowance	-	-	-	-
Total Assets	$ 48,659	$ 1,376	$ 1,010	$ -
Fund Balances				
Restricted for economic development	$ 48,659	$ 1,376	$ 1,010	$ -

394 TIF District #17	**398** TIF District #22	**295** TIF District #25	**294** TIF District #26	**293** TIF District #27
$ 50,385	$ -	$ (25,024)	$ 352,971	$ 939
-	-	-	-	-
-	-	13,574	72,299	-
$ 50,385	$ -	$ (11,450)	$ 425,270	$ 939
$ 50,385	$ -	$ (11,450)	$ 425,270	$ 939

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Balance Sheet (Continued)
December 31, 2017

	292 TIF District #29	**289** TIF District #32	**287** TIF District #34	**286** TIF District #36
Assets				
Cash and temporary investments	$ 1,657	$ 1,909	$ -	$ 1,457
Receivables				
Accounts	-	-	-	-
Notes, net of allowance	-	-	-	-
Total Assets	$ 1,657	$ 1,909	$ -	$ 1,457
Fund Balances				
Restricted for economic development	$ 1,657	$ 1,909	$ -	$ 1,457

285 TIF District #37	**284** TIF District #38	**283** TIF District #39	**282** TIF District #40	**281** TIF District #41
$ 7,413	$ -	$ 9,449	$ 14	$ 228
-	-	-	-	-
-	-	-	-	-
$ 7,413	$ -	$ 9,449	$ 14	$ 228
$ 7,413	$ -	$ 9,449	$ 14	$ 228

City of Alexandria, Minnesota
Tax Increment Funds
Combining Balance Sheet (Continued)
December 31, 2017

	279 TIF District #42	**278** TIF District #43	**280** TIF District #44	**277** TIF District #45
Cash and temporary investments	$ 23,352	$ 44	$ -	$ 4,143
Receivables				
Accounts	-	-	-	-
Notes, net of allowance	-	-	-	-
Total Assets	$ 23,352	$ 44	$ -	$ 4,143
Restricted for economic development	$ 23,352	$ 44	$ -	$ 4,143

276 TIF District #46	**275** TIF District #47	**274** TIF District #48	**273** TIF District #49	**272** TIF District #51	Total
$ 14	$ 123,923	$ 15	$ 62	$ -	$ 580,662
-	-	-	-	-	23,334
-	-	-	-	-	85,873
$ 14	$ 123,923	$ 15	$ 62	$ -	$ 689,869
$ 14	$ 123,923	$ 15	$ 62	$ -	$ 689,869

City of Alexandria, Minnesota

Tax Increment Financing Funds

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

For the Year Ended December 31, 2017

	390 EDA Development Fund	**388** TIF District #12	**392** TIF District #15	**393** TIF District #16
Revenues				
Tax increments	$ 23,762	$ 13,024	$ 3,948	$ 10,823
Charges for services	1,500	-	-	-
Investment earnings	555	30	14	-
Miscellaneous				
Loan payments received	-	-	-	-
Total Revenues	25,817	13,054	3,962	10,823
Expenditures				
Current				
Economic development	18,537	14,445	3,751	17,164
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	18,537	14,445	3,751	17,164
Excess (Deficiency) Of Revenues Over (Under) Expenditures	7,280	(1,391)	211	(6,341)
Other Financing Sources (Uses)				
Transfers In	18,152	-	-	-
Net Change In Fund Balances	25,432	(1,391)	211	(6,341)
Fund Balances, January 1	23,227	2,767	799	6,341
Fund Balances, December 31	$ 48,659	$ 1,376	$ 1,010	$ -

394 TIF District #17	**398** TIF District #22	**295** TIF District #25	**294** TIF District #26	**293** TIF District #27
$ 53,245	$ -	$ 8,727	$ 100,528	$ 5,198
-	-	-	-	-
607	-	-	3,488	7
-	-	2,500	-	-
53,852	-	11,227	104,016	5,205
52,258	261	1,501	11,974	4,520
-	-	5,692	17,952	-
-	-	786	2,360	-
52,258	261	7,979	32,286	4,520
1,594	(261)	3,248	71,730	685
-	-	-	-	-
1,594	(261)	3,248	71,730	685
48,791	261	(14,698)	353,540	254
$ 50,385	$ -	$ (11,450)	$ 425,270	$ 939

City of Alexandria, Minnesota

Tax Increment Financing Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance ()Continued

For the Year Ended December 31, 2017

	292 TIF District #29	**289** TIF District #32	**287** TIF District #34	**286** TIF District #36
Revenues				
Tax increments	$ 13,492	$ 12,303	$ -	$ 13,212
Charges for services	-	-	-	-
Investment earnings	25	16	-	24
Miscellaneous				
Loan payments received	-	-	-	-
Total Revenues	13,517	12,319	-	13,236
Expenditures				
Current				
Economic development	13,142	12,072	-	12,891
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	13,142	12,072	-	12,891
Excess (Deficiency) Of Revenues Over (Under) Expenditures	375	247	-	345
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Net Change In Fund Balances	375	247	-	345
Fund Balances, January 1	1,282	1,662	-	1,112
Fund Balances, December 31	$ 1,657	$ 1,909	$ -	$ 1,457

285 TIF District #37	**284** TIF District #38	**283** TIF District #39	**282** TIF District #40	**281** TIF District #41
$ 15,361	$ 65,490	$ 11,520	$ 18,558	$ 116,676
-	-	-	-	-
99	-	112	14	96
-	-	-	-	-
15,460	65,490	11,632	18,572	116,772
14,825	65,467	10,423	18,513	116,676
-	-	-	-	-
-	-	-	-	-
14,825	65,467	10,423	18,513	116,676
635	23	1,209	59	96
-	-	-	-	-
635	23	1,209	59	96
6,778	(23)	8,240	(45)	132
$ 7,413	$ -	$ 9,449	$ 14	$ 228

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, 2017

	279 TIF District #42	**278** TIF District #43	**280** TIF District #44	**277** TIF District #45
Tax increments	$ 162,654	$ 55,427	$ 29,104	$ 9,514
Charges for services	-	-	-	-
Investment earnings	479	44	-	51
Miscellaneous				
Loan payments received	-	-	-	-
Total Revenues	163,133	55,471	29,104	9,565
Current				
Economic development	173,312	55,415	29,029	8,562
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	173,312	55,415	29,029	8,562
Over (Under) Expenditures	(10,179)	56	75	1,003
Transfers in	-	-	-	-
	(10,179)	56	75	1,003
	33,531	(12)	(75)	3,140
	$ 23,352	$ 44	$ -	$ 4,143

276 TIF District #46	**275** TIF District #47	**274** TIF District #48	**273** TIF District #49	**272** TIF District #51	Total
$ 10,551	$ 133,877	$ 19,063	$ 77,283	$ 61,744	$ 1,045,084
-	-	-	-	-	1,500
14	1,999	15	-	-	7,689
-	-	-	-	-	2,500
10,565	135,876	19,078	77,283	61,744	1,056,773
11,277	139,877	19,002	77,283	61,744	963,921
-	-	-	-	-	23,644
-	-	-	-	-	3,146
11,277	139,877	19,002	77,283	61,744	990,711
(712)	(4,001)	76	-	-	66,062
-	-	-	-	-	18,152
(712)	(4,001)	76	-	-	84,214
726	127,924	(61)	62	-	605,655
$ 14	$ 123,923	$ 15	$ 62	$ -	$ 689,869

City of Alexandria, Minnesota

Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2017 and 2016

	Total 2017	Total 2016	Percent Increase (Decrease)
Revenues			
Taxes	$ 8,020,507	$ 7,709,173	4.04 %
Payment in lieu of taxes	991,763	1,052,356	(5.76)
Special assessments	824,133	919,624	(10.38)
Licenses and permits	590,620	514,713	14.75
Intergovernmental	5,357,092	4,269,469	25.47
Charges for services	1,967,647	1,926,454	2.14
Fines and forfeits	127,586	118,278	7.87
Investment earnings	160,995	130,060	23.79
Miscellaneous	604,338	399,154	51.40
Total Revenues	$ 18,644,681	$ 17,039,281	9.42 %
Per Capita	$ 1,373	$ 1,277	7.53 %
Expenditures			
Current			
General government	$ 2,291,686	$ 2,054,410	11.55 %
Public safety	3,888,316	3,741,356	3.93
Public works	2,085,887	2,218,735	(5.99)
Culture and recreation	1,379,364	1,409,390	(2.13)
Economic development	1,004,491	860,981	16.67
Miscellaneous	163,782	127,696	28.26
Capital outlay			
General government	263,520	1,266,547	(79.19)
Public safety	42,743	262,340	(83.71)
Public works	2,488,902	4,718,593	(47.25)
Culture and recreation	243,422	3,944,117	(93.83)
Miscellaneous	97,310	1,730,195	(94.38)
Debt service			
Principal	2,057,605	1,682,456	22.30
Interest and other charges	833,597	822,665	1.33
Bond issuance costs	1,666	166,026	(99.00)
Total Expenditures	$ 16,842,291	$ 25,005,507	(32.65) %
Per Capita	$ 1,241	$ 1,874	(33.81) %
Total Long-term Indebtedness	$ 27,278,425	$ 29,292,129	(6.87) %
Per Capita	2,009	2,196	(8.49)
General Fund Balance - December 31	$ 4,210,119	$ 4,175,995	0.82 %
Per Capita	310	313	(0.93)

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, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

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

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

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 19, 2018

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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

Honorable Mayor and City Council
City of Alexandria, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2018.

The City's basic financial statements include the operations of Alexandria Light and Power for the year ended December 31, 2017. 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 2017-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

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

The City's Responses to Findings

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

Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 19, 2018

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2017. 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, 2017.

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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 item 2017-001 that we consider to be significant deficiency.

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

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 19, 2018

City of Alexandria, Minnesota
Schedule Ofr Expenditure of Federal Award Programs
For the Year Ended December 31, 2017

Federal Funding Source	Administering Department	Program Name	Catalog of Federal Domestic Assistance Number	Expended Directly
U.S. Department of Agriculture	Forest Service	Cooperative Forestry Assistance	10.664	$ 3,000
U.S. Department of Defense	National Guard Bureau	National Guard Military Operations and Maintenance	12.401	360
U.S. Department of Transportation	Federal Aviation Administration	Airport Improvement Program	20.106	80,990
U.S. Department of Transportation	Federal Highway Administration	Highway Planning and Construction	20.205	638,226
U.S. Department of Transportation	National Highway Traffic Safety Administration	State and Community Highway Safety	20.600	4,544
U.S. Department of Transportation	National Highway Traffic Safety Administration	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	7,786
U.S. Department of Transportation	National Highway Traffic Safety Administration	National Priority Safety Programs	20.616	2,487
U.S. Department of Homeland Security	Federal Emergency Management Agency	Assistance to Firefighters Grant	97.044	75,387
	Total Expended			$ 812,780

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, 2017. 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, 2017, 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, 2017

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?	No
Noncompliance material to financial statements noted?	No

Federal Awards

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

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

Section II - Financial Statement Findings

A significant deficiency (finding 2017-001) relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Schedule of Prior Year Audit Findings

There was a prior year audit finding and is included below in the Schedule of Prior Year Audit Findings.

Finding	Description
2017-001	**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. In 2018, the City also added an additional finance department staff member and implemented a new Enterprise Resource Planning System (ERP).

Finding	Description
2017-001	**Segregation of Duties (Continued)**

Internal Control Over Cash Receipts

Cause: As a result of the small number of staff, the Finance Clerk prepares the deposit and takes the deposit to the bank and the Finance Director maintains receipts journals.

Recommendation: While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly receipt information and reviewing the bank reconciliation.

Management Response:

The City has already taken measures to 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. In 2018, the City also added an additional finance department staff member and implemented a new Enterprise Resource Planning System (ERP).

Internal Control Over Investment Transactions

Cause: As a result of the number of staff, the City Administrator receives investment statements in the mail and reviews the monthly investment statements, and the Finance Director initiates investment transactions, maintains investment subledger and spreadsheet, maintains and post activity to the general ledger and reconciles investment accounts.

Recommendation: It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

The City has already taken measures to 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. In 2018, the City also added an additional finance department staff member and implemented a new Enterprise Resource Planning System (ERP).

CITY OF ALEXANDRIA

704 Broadway,
Alexandria, MN 56308
320-763-6678
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2017-001 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

Jane Blade
Finance Director

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.

Updated progress since prior year:

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

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.

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.

Finding	Description
2016-001	**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.

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.

Updated Progress Since Prior Year:

The City has adopted written policies and procedures sufficient to comply with the Uniform Guidance requirements.