PRELIMINARY OFFICIAL STATEMENT DATED JULY 8, 2020

NEW ISSUE
BANK QUALIFIED

S&P Rating: Requested

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "TAX CONSIDERATIONS."

$2,375,000*

City of Alexandria, Minnesota

General Obligation Street Reconstruction Bonds, Series 2020A (the "Bonds")

(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each February 1 and August 1, commencing August 1, 2021

The Bonds will mature February 1 in the years and amounts* as follows:

2022	$140,000	2025	$150,000	2028	$155,000	2031	$160,000	2034	$170,000
2023	$150,000	2026	$155,000	2029	$155,000	2032	$165,000	2035	$170,000
2024	$150,000	2027	$155,000	2030	$160,000	2033	$165,000	2036	$175,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The City may elect on February 1, 2029, and on any day thereafter, to prepay Bonds due on or after February 1, 2030 at a price of par plus accrued interest.

The Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance various street reconstruction projects within the City.

Proposals shall be for not less than $2,351,250 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

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

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) Amalgamated Bank of Chicago, Chicago, Illinois will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about August 27, 2020.

PROPOSALS RECEIVED: Monday, July 27, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Council meeting commencing at 7:00 P.M., CT on Monday, July 27, 2020

bakertilly MUNICIPAL ADVISORS

Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* Preliminary; subject to change.

CITY OF ALEXANDRIA, MINNESOTA

City Council

Sara Carlson	Mayor
Bill Franzen	Council Member, Ward I
Roger Thalman	Council Member, Ward II
Bobbie Osterberg	Council Member, Ward III
David Benson	Council Member, Ward IV
Todd Jensen	Council Member, Ward V

City Administrator

Martin Schultz

Finance Director

Jane Blade

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Dorsey & Whitney LLP
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City or the Board from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City or the Board.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Board agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the City or the Board to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Board.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City or the Board and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE BOARD SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City or the Board. Neither the City nor the Board is responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

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THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$2,375,000*

CITY OF ALEXANDRIA, MINNESOTA

GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Bonds") will be received by the City of Alexandria, Minnesota (the "City") on Monday, July 27, 2020, (the "Sale Date") until 10:00.M., Central Time (the "Sale Time") at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Completed, signed proposals may be submitted to Baker Tilly MA by email to bondservice@bakertilly.com or by fax (651) 223-3046, and must be received prior to the Sale Time.

OR

(b) ***Electronic Bidding.*** Proposals may also be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal*. Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

> PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
> Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2021. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

2022	$140,000	2025	$150,000	2028	$155,000	2031	$160,000	2034	$170,000
2023	$150,000	2026	$155,000	2029	$155,000	2032	$165,000	2035	$170,000
2024	$150,000	2027	$155,000	2030	$160,000	2033	$165,000	2036	$175,000

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance various street reconstruction projects within the City.

BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

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

BIDDING PARAMETERS

Proposals shall be for not less than $2,351,250 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, third-party distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity," and "the public" does not include underwriters of the Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Bonds.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the District to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

<u>If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies</u>, the Purchaser will be required to deliver to the City at or prior to closing a certification, substantially in the form attached hereto as Exhibit A, as to the reasonably expected initial offering price as of the award date.

<u>If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied, the hold-the-offering price rule will apply.</u> The Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification substantially in the form attached hereto as Exhibit B, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and proposals submitted will not be subject to cancellation or withdrawal.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the City in the amount of $23,750 (the "Deposit") no later than 1:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The City specifically reserves the right to reject any proposal specifying municipal bond insurance, even though such proposal may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about August 27, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Bonds.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email bondservice@bakertilly.com. The Preliminary Official Statement will also be made available at https://go.bakertilly.com/bond-sales-calendar.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated June 22, 2020 BY ORDER OF THE CITY COUNCIL

/s/ Martin Schultz
City Administrator

EXHIBIT A

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]"), hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

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

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***. For purposes of this Issue Price Certificate:

(a) *City* means [DESCRIBE ISSUER].

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

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

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the City[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By:_____________________________________

Name:___________________________________

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(*Attached*)

EXHIBIT B

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED UNDERWRITERS

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (["[SHORT NAME OF UNDERWRITER]")][the "Representative")][, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group"),] hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. ***Initial Offering Price of the Bonds***. [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. ***First Price at which Sold to the Public.*** On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein][in Schedule C], if different].

3. ***Hold the Offering Price Rule***. [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]'s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. ***Defined Terms***. For purposes of this Issue Price Certificate:

(a) *Holding Period* means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) *City* means [DESCRIBE ISSUER].

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

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

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the City[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By:_______________________________________
_

Name:____________________________________
__

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

(*Attached*)

SCHEDULE B

PRICING WIRE

(*Attached*)

SCHEDULE C

SALES OF AT LEAST 10% OF MATURITY TO THE PUBLIC ON THE SALE DATE AT THE INITIAL OFFERING PRICE

(*Attached*)

OFFICIAL STATEMENT

$2,375,000*

CITY OF ALEXANDRIA, MINNESOTA

GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

General

This Official Statement contains certain information relating to the City of Alexandria, Minnesota (the "City") and its issuance of $2,375,000* General Obligation Street Reconstruction Bonds, Series 2020A (the "Bonds"). The Bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes.

Inquiries may be directed to Ms. Jane Blade, Finance Director, City of Alexandria, 704 Broadway Street, Alexandria, Minnesota 56308, by telephoning (320) 759-3625or by emailing jblade@alexandriamn.city. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing bondservice@bakertilly.com.

Potential Impacts Resulting from Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state, and local governments, including the City, continue efforts to contain and limit the spread COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the City and its ability to fund debt obligations, including the Bonds in accordance with its terms. The City is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the City or its financial position.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph h (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Resolution adopted on July 27, 2020, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

* *Preliminary; subject to change.*

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2021. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System." Amalgamated Bank of Chicago, Chicago, Illinois will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

<u>Optional Redemption</u>

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 475, Section 475.58 (subd. 3b). The proceeds of the Bonds will be used to finance costs of various street reconstruction projects as identified in the City's 5-Year Street Reconstruction plan (2020-2024).

SOURCES AND USES OF FUNDS

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	$2,375,000
Total Sources of Funds	$2,375,000
Uses of Funds:	
Deposit to Project Fund	$2,300,000
Costs of Issuance	51,250
Allowance for Discount Bidding	23,750
Total Uses of Funds	$2,375,000

SECURITY AND FINANCING

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will make its first levy for the Bonds in 2020 for collection in 2021. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

FUTURE FINANCING

The City does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, ("Bond Counsel"), based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes (ii) is not an item of tax preference for federal alternative minimum tax purposes; (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax basis. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder’s federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder’s other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder’s adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder’s adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF, OR TAX CONSIDERATIONS FOR, PURCHASING OR HOLDING THE BONDS.

BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

RATING

Application for a rating of the Bonds has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota, as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each document and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CITY PROPERTY VALUES

Trend of Values

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(a)]	Economic Market Value[(b)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2019/20	$1,582,917,300	N/A	N/A	$64,179,028	$1,491,215,772	$18,078,939
2018/19	1,516,605,100	95.4%	$1,589,225,818	65,560,355	1,424,627,445	17,273,028
2017/18	1,451,415,500	95.9	1,512,442,347	67,749,024	1,358,556,376	16,500,879
2016/17	1,390,579,700	96.5	1,442,226,862	68,577,884	1,297,418,116	15,798,239
2015/16	1,329,726,700	98.2	1,355,008,829	69,707,822	1,236,524,378	14,983,585

(a) *Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

(b) *Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

Source: Douglas County, Minnesota, June 2020, except as otherwise noted.

2019/20 Adjusted Taxable Net Tax Capacity: $18,078,939*

Real Estate:		
Commercial/Industrial, Railroad, and Public Utility	$ 7,868,380	41.0%
Residential Homestead	6,455,250	33.6
Residential Non-Homestead	3,305,317	17.2
Agricultural and Seasonal Recreational	1,402,016	7.3
Personal Property	172,489	0.9
2019/20 Net Tax Capacity	$19,203,452	100.0%
Less: Captured Tax Increment	(1,121,928)	
Transmission Lines	(2,585)	
2019/20 Adjusted Taxable Net Tax Capacity	$18,078,939	

* *Excludes mobile home valuation of $15,767.*

Source: Douglas County, Minnesota, June 2020.

Ten of the Largest Taxpayers in the City

Taxpayer	Type of Property	2019/20 Net Tax Capacity
Knute Nelson Senior Living	Residential	$ 420,623
Williams Pipeline Company	Pipeline	212,638
MFF Mortgage Borrower 9 LLC	Commercial Land/Buildings	187,206
Wal-Mart	Retail	176,632
Viking Plaza Shopping Center	Shopping Center	162,700
Menards, Inc.	Retail	148,546
The Legacy of Alexandria LLC	Commercial Land/Buildings	146,646
Aagard Properties	Industrial Land/Buildings	144,768
Douglas Machine Inc.	Packaging Machinery	140,950
Douglas County Hospital	Commercial Land/Buildings	128,236
Total		$1,868,945*

* *Represents 10.3% of the City's 2019/20 adjusted taxable net tax capacity.*

Source: Douglas County, Minnesota, June 2020.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2019/20 Estimated Market Value)	$47,489,139
Less: Outstanding Debt Subject to Limit	(8,770,000)
Legal Debt Margin as of August 27, 2020	$38,719,139

* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

NOTE: Certain types of debt are not subject to the legal debt limit.

General Obligation Debt Supported Solely by Taxes*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-20
9-15-10	$5,205,000	Capital Improvement Plan	2-1-2031	$3,485,000
9-15-14	1,470,000	Capital Improvement Plan Refunding	2-1-2030	950,000
8-25-16	500,000	Capital Improvement Plan	2-1-2037	455,000
8-25-16	1,795,000	Street Reconstruction	2-1-2032	1,505,000
8-27-20	2,375,000	Street Reconstruction (the Bonds)	2-1-2036	2,375,000
Total				$8,770,000

* *These issues are subject to the legal debt limit.*

General Obligation Special Assessment Debt,

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-20
8-15-11	$2,475,000	Improvements	2-1-2022	$ 665,000
9-1-13	5,490,000	Improvements	2-1-2024	2,560,000
9-15-14	2,900,000	Improvements	2-1-2026	1,685,000
9-15-14	1,325,000	Improvement Refunding	2-1-2025	285,000
Total				$5,195,000

General Obligation Tax Abatement Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-20
8-25-16	$4,765,000	Tax Abatement	2-1-2037	$4,620,000
8-25-16	780,000	Tax Abatement Refunding	2-1-2030	720,000
Total				$5,340,000

General Obligation Utility Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-20
8-1-02	$1,051,117	PFA – Water Tower	8-20-2022	$ 140,000
10-1-09	3,623,606	Drinking Water PFA Loan	8-20-2029	1,841,000
8-25-16	1,685,000	Utility Revenue Refunding	2-1-2028	1,390,000
Total				$3,371,000

Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-27-20
12-30-15	$5,395,000	Electric Utility Revenue	12-1-2035	$4,500,000
10-16-17	1,685,000	Electric Utility Revenue Refunding	12-1-2024	940,000
6-19-19	2,680,000	Electric Utility Revenue	12-1-2033	2,495,000
Total				$7,935,000

Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
Year	Principal	Principal & Interest(a)	Principal	Principal & Interest
2020 (at 8-27)	(Paid)	(Paid)	(Paid)	(Paid)
2021	$ 495,000	$ 739,721	$ 1,290,000	$ 1,411,476
2022	635,000	866,135	1,305,000	1,391,730
2023	670,000	883,310	985,000	1,041,366
2024	685,000	878,903	990,000	1,091,637
2025	695,000	868,298	340,000	351,375
2026	715,000	867,305	285,000	288,563
2027	730,000	860,681		
2028	745,000	852,588		
2029	755,000	838,393		
2030	780,000	837,988		
2031	705,000	737,758		
2032	330,000	347,550		
2033	195,000	207,964		
2034	200,000	209,775		
2035	200,000	206,380		
2036	205,000	207,676		
2037	30,000	30,356		
Total	$8,770,000(b)	$10,440,781	$5,195,000	$5,504,147

	G.O. Tax Abatement Debt		G.O. Utility Revenue Debt	
Year	Principal	Principal & Interest	Principal	Principal & Interest
2020 (at 8-27)	(Paid)	(Paid)	(Paid)	(Paid)
2021	$ 140,000	$ 262,524	$ 409,000	$ 492,469
2022	145,000	263,624	421,000	492,889
2023	320,000	431,649	360,000	419,969
2024	330,000	431,899	369,000	419,176
2025	335,000	426,924	379,000	419,135
2026	345,000	428,449	394,000	424,673
2027	355,000	431,449	404,000	425,813
2028	360,000	429,299	410,000	422,780
2029	370,000	431,999	225,000	230,501
2030	375,000	429,549		
2031	305,000	352,749		
2032	310,000	351,211		
2033	315,000	349,180		
2034	325,000	351,980		
2035	330,000	349,611		
2036	335,000	347,046		
2037	345,000	349,097		
Total	$5,340,000(c)	$6,418,239	$3,371,000	$3,747,405

(a) *Includes Bonds at an assumed average annual interest rate of 1.34%.*

(b) *78.7% of this debt will be retired within ten years.*

(c) *57.6% of this debt will be retired within ten years.*

Estimated Calendar Year Debt Service Payments Including the Bonds (Continued)

	Revenue Debt	
Year	Principal	Principal & Interest
2020 (at 8-27)	$ 535,000	$ 790,785
2021	545,000	785,835
2022	565,000	790,525
2023	590,000	799,645
2024	605,000	797,955
2025	420,000	595,555
2026	435,000	596,568
2027	450,000	596,708
2028	470,000	600,688
2029	490,000	602,788
2030	500,000	596,088
2031	525,000	604,038
2032	545,000	606,138
2033	565,000	607,218
2034	340,000	362,588
2035	355,000	366,538
Total	$7,935,000*	$10,099,660

* *64.3% of this debt will be retired within ten years.*

Other Debt Obligations

Operating Leases

The City entered into a lease for a diesel-powered backup generator with Douglas County (the "County") in 2011. The City paid $963.87 per month from July 1, 2011 to June 1, 2019. In addition, the City also paid $67.20 per month for 35 percent of the County's maintenance fee and 35 percent of the actual fuel cost. There has not been a new agreement entered into as of December 31, 2019, but the City is continuing with the services and will look into entering into a new contract in calendar year 2020.

Loans Payable

The City entered into a Homestead Assistance Program Loan on January 1, 2004 in the amount of $172,500 to finance capital improvements. As of December 31, 2019, the balance on the loan was $14,770. This loan will be paid from net revenues of governmental funds and has a final maturity of December 31, 2022.

Capital Leases

The City entered into a capital lease for public works vehicles on March 27, 2017. The annual debt service requirements as of December 31, 2019 were as follows:

Year Ending December 31	
2020	$ 65,708
2021	65,709
2022	11,384
Total	$142,801

Overlapping Debt

Taxing Unit[(a)]	2019/20 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 8-27-20[(b)]	Debt Applicable to Tax Capacity in City Percent	Amount
Douglas County	$61,220,729	$16,985,000[(c)]	29.5%	$ 5,010,575
ISD No. 206 (Alexandria)	49,991,816	83,645,000	36.2	30,279,490
Alexandria Lake Area Sanitary District	38,064,509	2,037,784	47.5	967,947
Total				$35,290,065

(a) *Only those units with outstanding general obligation debt are shown here.*

(b) *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

(c) *Excludes Douglas County's general obligation hospital refunding revenue bonds which are paid from net revenues of the County's hospital.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2019/20 Estimated Market Value ($1,582,971,300)	1.22%	3.51%
Per Capita (14,156 - 2019 MN State Demographer Estimate)	$1,364	$3,925

* *Excludes general obligation utility revenue debt, revenue debt, and other debt obligations.*

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in the City of Alexandria

	2015/16	2016/17	2017/18	2018/19	2019/20
Douglas County	49.017%	48.141%	47.234%	46.516%	46.449%
City of Alexandria	42.010	40.942	40.775	40.472	40.405
ISD No. 206 (Alexandria)[(a)]	22.572	17.621	22.439	22.758	21.379
Special Districts[(b)]	1.379	1.390	1.595	1.696	1.937
Total	114.978%	108.094%	112.043%	111.442%	110.170%

(a) *In addition, Independent School District No. 206 (Alexandria) has a 2019/20 market value tax rate of 0.16238% spread across the market value of property in support of an excess operating levy.*

(b) *Special Districts include the Douglas County Housing and Redevelopment Authority and the Lakes Area Economic Development Authority.*

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value.

Tax Levies and Collections

Levy/Collect	Net Levy*	Collected During Collection Year		Collected and/or Abated as of 12-31-19	
		Amount	Percent	Amount	Percent
2019/20	$7,349,898	(In Process of Collection)			
2018/19	7,006,918	$6,964,140	99.4%	$6,964,140	99.4%
2017/18	6,770,601	6,716,229	99.2	6,764,766	99.9
2016/17	6,469,670	6,429,753	99.4	6,466,225	99.9
2015/16	6,358,763	6,291,194	99.0	6,354,103	99.9

* *The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates.*

FUNDS ON HAND
As of May 31, 2020

Fund	Cash and Investments
General	$ 2,095,158
Special Revenue	2,566,873
Capital Projects	2,348,816
Debt Service:	
G.O. Debt Supported Solely by Taxes	477,628
G.O. Debt Supported Primarily by Special Assessments	2,343,476
Total	$9,831,951

INVESTMENTS

The City invests its funds in accordance with its investment policy and all federal, state and local regulations governing the investment of public funds. The Finance Director is charged with the responsibility of conducting investment transactions. As of May 31, 2020, the City had investments in the principal amount of $9,164,254. Funds are invested as follows:

	Amount	Percent of Portfolio
Money Market	$2,268,254	24.8%
Certificates of Deposit	3,941,000	43.0
Government Agencies:		
Federal Home Loan Bank (FHLB)	720,000	7.9
Federal Farm Credit Bank (FFCB)	1,025,000	11.2
Federal Home Loan Mortgage Corporation (Freddie Mac)	385,000	4.2
US Treasury Notes	150,000	1.6
Taxable Municipal Bonds	675,000	7.4
Total	$9,164,254	100.0%

GENERAL INFORMATION CONCERNING THE CITY

The City is located in north central Minnesota in Douglas County, 130 miles northwest of the Minneapolis/Saint Paul metropolitan area on Interstate 94. The City encompasses an area of 17.8 square miles (11,392 acres) and is the County seat of Douglas County.

Population

The City's population trend is shown below.

	Population	Percent Increase
2019 MN State Demographer Estimate	14,156	27.9%
2010 U.S. Census	11,070	25.5
2000 U.S. Census	8,820	12.5
1990 U.S. Census	7,838	3.0
1980 U.S. Census	7,608	--

Sources: Minnesota State Demographic Center, http://www.demography.state.mn.us/ and United States Census Bureau, http://www.census.gov/.

The City's approximate population by age group for the past five years is as follows:

Data Year/ Report Year	0-17	18-34	35-64	65 and Over
2019/20	2,782	2,726	4,484	2,809
2018/19	2,755	2,800	4,422	2,835
2017/18	2,670	2,824	4,363	2,823
2016/17	2,597	2,846	4,282	2,747
2015/16	2,569	2,856	4,187	2,674

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Transportation

The City is located on Interstate Highway 94, with State Highways 27 and 29 also serving the City. Rail service is provided by the Canadian Pacific Railway. Over-the-road freight transportation is readily available in addition to United Parcel Service. Air transportation is available at the Alexandria Municipal Airport which has two paved runways that are 4,099 and 5,100 feet long. Inter-City bus transportation is provided by Jefferson Lines. Additional public transit is provided by Rainbow Rider, a door-to-door bus service serving the Alexandria communities and the counties of Douglas, Pope, Stevens, Todd, and Traverse.

Economy

The City was named the Best Minnesota Town for 2019 by Minnesota Monthly. The number of lakes in and around the City, with their resorts and vacation properties, have made the area a major recreational and tourist attraction. Explore Minnesota estimated that tourism generated $120 million in retail sales for Douglas County in 2018.

Arrowwood Resort and Conference Center has 200 rooms, 16 townhouses, and 13 cottages encompassing 450 acres on Lake Darling and employs approximately 285 people. The Holiday Inn, located in the City, has 149 rooms, and together the two centers have 42,000 square feet of meeting space. These, together with an additional thirteen lodging facilities within the City, draw people from all over the country.

In addition to the variety of commercial concerns catering to the tourist trade, the City has a substantial industrial base, including an internationally known packaging equipment manufacturing cluster. The City has three industrial parks: Airport Industrial Park with 223 acres, Heritage Industrial Park with 106 acres, and Industrial Park North with 26 acres.

Major Employers of the Alexandria Area

Employer	Product/Service	Approximate Number of Employees
Alomere Health	Health Care	950
Douglas Machine Inc.	Packaging Equipment Manufacturing	700
Independent School District No. 206 (Alexandria)	K-12 Education	606
Alexandria Industries	Aluminum Extrusions/Precision Machining/ Finishing/Plastic Extrusions	446
Knute Nelson Memorial Home	Nursing Home/Assisted Living	493
3M Company	Abrasives Manufacturing	400
Douglas County	County Government	324
Central Specialties	Road Construction	300
Arrowwood Resort and Conference Center	Hotel/Conference Center	285
Brenton Engineering Company	Packaging Equipment Manufacturer	280
Donnelly Custom Manufacturing Company	Plastic Molding Manufacturer	225
SunOpta Incorporated (2 locations)	Dairy Product Manufacturer	200
Tastefully Simple	Gourmet Foods	197
Henry's Foods Inc.	Grocery Product Wholesalers	187
Alexandria Technical and Community College	Vocational School	185
Ecumen Bethany Community Home	Nursing Home/Assisted Living	180
PrimeWest Health	Health Insurance Provider	160
Sanford Health Broadway Clinic	Health Care	150
Galeon Nursing Home	Health Care	130
Aagard Group, LLC	Packaging Equipment Manufacturer	125
Alexandria Pro-Fab Co., Inc.	Manufacturing	125
Douglas Scientific	Manufacturing	112

* *Previously Douglas County Hospital*

Source: Alexandria Area Economic Development Corporation.

Labor Force Data

	Annual Average				May
	2016	2017	2018	2019	2020
Labor Force:					
City of Alexandria	6,319	6,348	7,470	7,448	8,088
Douglas County	20,112	20,245	21,089	21,028	22,498
State of Minnesota	3,033,406	3,057,014	3,070,223	3,109,647	3,060,535
Unemployment Rate:					
City of Alexandria	4.1%	3.7%	2.8%	3.4%	7.7%
Douglas County	3.5	3.3	2.8	3.3	6.3
State of Minnesota	3.9	3.4	2.9	3.2	9.4

Source: Minnesota Department of Employment and Economic Development, https://apps.deed.state.mn.us/lmi/laus/. 2020 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Alexandria

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$643,932	$358,928	$46,596
2018/19	615,371	353,531	46,942
2017/18	598,161	335,275	44,924
2016/17	N/A	305,248	42,233
2015/16	636,118	289,153	41,906

Douglas County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$1,134,249	$1,123,621	$53,992
2018/19	1,077,137	1,104,005	54,314
2017/18	931,363	1,049,011	51,633
2016/17	901,493	982,103	48,488
2015/16	1,081,403	935,983	46,881

The 2019/20 Median Household EBI for the State of Minnesota was $60,916. The 2019/20 Median Household EBI for the United States was $54,686.

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Permits Issued by the City

Year	New Single Family Residential Number	Value	New Commercial/Industrial Number	Value	Total Value* (All Permits)
2020 (to 5-31)	10	$2,491,015	7	$10,109,000	$19,658,451
2019	31	8,276,689	16	28,439,899	51,057,766
2018	36	9,431,755	7	9,681,259	48,358,110
2017	32	7,239,567	10	13,666,825	38,578,276
2016	27	5,359,339	11	12,443,856	43,991,025
2015	21	3,380,591	7	9,465,000	18,633,950
2014	10	1,789,375	6	3,879,156	13,905,740
2013	31	6,868,199	10	4,699,788	32,363,900
2012	14	2,995,108	13	16,288,767	39,939,185
2011	25	4,247,742	13	6,410,910	46,751,357
2010	20	3,010,406	13	4,827,306	46,130,617

* *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).*

Source: City of Alexandria.

Recent Development

Some of the larger City-permitted projects completed as of May 31, 2020 or currently underway within the City are as follows:

Project	Value
CI Construction	$2,573,000
Central Lakes Apartments	5,000,000
Four Seasons Car Wash	1,375,000
Aldi Foods Addition	1,100,000
Casey's Convenience Store	2,100,000
Ella's Salon	1,200,000
Douglas Machine	3,273,000
Einerson Dentistry	1,100,000
True Vision Eye Clinic	2,415,000
Alexandria Lakes Area Sanitary District	1,800,000
	$21,936,000

Financial Institutions

Banking and financial services of the City are provided by Bremer Bank, National Association. In addition, City residents are served by branches of Bell Bank; BlackRidge Bank; Glenwood State Bank (Incorporated); Neighborhood National Bank; U.S. Bank National Association; Vantage Bank; Viking Bank; and Wells Fargo Bank, National Association.

* *This does not purport to be a comprehensive list.*

Source: The City and the Federal Deposit Insurance Corporation, https://www.fdic.gov/.

Health Care Services

The following is a summary of health care facilities located in the City:

Facility	Type of Facility	No. of Beds
Alomere Health*	Hospital	127 Hospital 14 Infant Bassinets
Knute Nelson	Nursing Home	93 Nursing Home
Bethany on the Lake	Nursing Home	83 Nursing Home
Community Behavioral Health Hospital	Mental Health Services	16 Psychiatric
Prairiewood Home	Assisted Living	6 Supervised Living

* *Previously named Douglas County Hospital.*

Source: Minnesota Department of Health, http://www.health.state.mn.us/.

Education

Public Education

The following district serves the residents of the City:

School	Location	Grades	2019/20 Enrollment
Independent School District No. 206 (Alexandria)	City of Alexandria	K-12	4,236

Source: Minnesota Department of Education, http://education.state.mn.us/mde/index.html.

Non-Public Education

City residents are also served by the following private schools:

School	Location	Grades	2019/20 Enrollment
St. Mary's School	City of Alexandria	K-6	157
Zion Lutheran School	City of Alexandria	K-8	66
New Testament Christian	City of Alexandria	K-12	24

Source: Minnesota Department of Education, http://education.state.mn.us/mde/index.html.

Post-Secondary Education

Post-secondary education is available at the Alexandria Technical and Community College ("ATCC"), which is part of the Minnesota State university system. ATCC offers associate degrees, diplomas and certificates, and has an approximate enrollment of 3,900 full- and part-time students in more than 50 programs. In addition, ATCC provides adult education to community residents.

Source: Minnesota State Colleges and Universities, http://www.minnstate.edu/.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was incorporated in 1877 and is governed by provisions of a Home Rule Charter adopted in 1959 and amended in 1976. The governing body is comprised of the Mayor and five Council members, elected by ward. The Mayor and Council members are elected to staggered four-year terms of office. The City Council consists of the following members:

		Expiration of Term
Sara Carlson	Mayor	December 31, 2020
Bill Franzen	Council Member, Ward I	December 31, 2022
Roger Thalman	Council Member, Ward II	December 31, 2022
Bobbie Osterberg	Council Member, Ward III	December 31, 2020
David Benson	Council Member, Ward IV	December 31, 2022
Todd Jensen	Council Member, Ward V	December 31, 2020

The Administrator/Clerk-Treasurer is the chief administrative officer of the City and is appointed by the City Council for an indefinite period of time. Mr. Martin Schultz was appointed Administrator/Clerk-Treasurer in 2013. Ms. Jane Blade is the City's Finance Director.

Services

The Police Department provides protective services to City residents with a 25-member full-time force. A full-time Fire Chief and 31-member volunteer force provides fire protection and contract services to portions of seven surrounding townships. The City maintains the Runestone Community Center, 24 parks, the Alexandria Airport, and a liquor dispensary, operating two off-sale stores. The City leases the Alexandria Municipal Airport to Alexandria Aviation, Inc.

The City provides water and electricity to its developed areas. Management of the municipal utility system, known as ALP Utilities, is under the control of the Board of Public Works. The Board consists of five members appointed to three-year terms by the City Council.

The municipal water system has a pumping capacity of 4,500 gallons per minute utilizing nine wells. The system has a ground and an elevated tower storage capacity totaling 2.2 million gallons. The average daily demand during 2019 was 1.8 million gallons per day with a peak demand of 2.6 million gallons per day. ALP Utilities water treatment plant has a peak demand capacity of 4.3 million gallons per day.

The municipal electric system has a service territory of approximately 34 square miles and serves 10,144 customers. The electric system has three substations. They are served by a 115kV transmission system that is served by the transmission grid from three directions. In 2014, a fourth transmission feed at 345kV was added to the immediate area. Total kWh sales for 2019 were 281,812,000 kWhs and the peak demand for 2019 was 58.9 megawatts.

The Alexandria Housing and Redevelopment Authority (HRA) manages a 106-unit apartment building for the elderly and disabled and a 24-unit family townhouse complex. The HRA assists in the development and directly develops single-family detached workforce housing and multi-family housing along with providing down payment assistance community wide for low to moderate income households. The HRA also administers the City Homestead Assistance Program (CHAP) for the City of Alexandria. A housing study is commissioned by the HRA every four years for the benefit of the HRA, the City and private developers.

The Alexandria Lake Area Sanitary District provides sanitary sewer services to residents of the City and portions of six townships. The District was founded in 1971 to protect the area's lake water quality from potential adverse pollution effects of the development of the shore lands. Approximately 250 miles of sewers are tributary to the treatment plant, with 55 miles of force main. The District finances its operations with user fees, plant expansion fees, and LGU tax allocations. The treatment plant was completed in 1977 and was expanded in 2007. The treatment plant capacity is 4.75 million gallons per day. The average daily demand is approximately 3.0 million gallons per day.

Youth and adult recreation services are provided by Alexandria Public Schools Community Education, the Alexandria Area YMCA and many private non-profit athletic organizations.

Economic development services are provided through the Alexandria Area Economic Development Commission created by special legislation. The Commission includes Alexandria, six surrounding townships, the City of Garfield, and Douglas County.

Labor Contracts

The status of labor contracts in the City are as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
LELS No. 291	18	December 31, 2020
LELS No. 301	5	December 31, 2020
IBEW Local No. 49	19	December 31, 2022
Subtotal	42	
Non-unionized employees	62*	
Total employees	104	

* *Excludes part-time and seasonal employees.*

Employee Pensions

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer public employee retirement systems. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by PEPFF. PERA provides retirement benefits and disability benefits, as well as benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after three years of credited service. The defined retirement benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

The City's contributions were equal to the contractually required obligations for each year as set by state statute. Contributions for the past five years are as follows:

	GERF	PEPFF
2019	$223,475	$345,991
2018	213,553	319,039
2017	204,890	304,579
2016	198,124	278,811
2015	191,394	243,780

Firefighter's Association

Firefighters of the City are members of the Alexandria Fire Relief Association (the "Association"). The Association is organized as a non-profit corporation by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Board of Directors is elected by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby state aids flow to the Association, tax levies are requested by the Association and are approved by the City, and the Association pays benefits directly to its members. As of December 31, 2018 (most recent information available), the plan covered 31 active fire fighters and five vested terminated fire fighters whose pension benefits are deferred.

Total contributions to the Association for the past five years are as follows:

2019	$159,187
2018	140,428
2017	136,992
2016	135,561
2015	161,845

For more information regarding the liability of the City with respect to its employees, please reference "Note 4, Defined Benefit Pension Plan – Statewide" and "Note 5, Defined Benefit Pension Plan – Fire Relief Association" and "Required Supplementary Information" of the City's Annual Financial Report for fiscal year ended December 31, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Source: City's 2019 Annual Financial Report.

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for GERF and PEPFF for the past five years are as follows:

	GERF		PEPFF	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2019	0.0409%	$2,261,269	0.1888%	$2,009,967
2018	0.0418	2,318,893	0.1828	1,948,460
2017	0.0420	2,681,252	0.1760	2,376,209
2016	0.0441	3,580,701	0.1740	6,982,923
2015	0.0425	2,202,572	0.1600	1,817,974

For more information regarding GASB 68 with respect to the City, please reference "Note 4, Defined Benefit Pension Plan – Statewide" City's Annual Financial Report for fiscal year ended December 31, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: City's Annual Financial Reports.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB").

The City operates a single-employer defined benefit healthcare plan that provides healthcare insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various employee groups. The following employees were covered by the benefit terms as of December 31, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	2
Active Plan Members	70
Total Plan Members	72

The City's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date. The discount rate used to measure the total OPEB liability was 3.71%.

The schedule of changes in the City's OPEB liability and related rations is as follows:

	2019	2018
Total OPEB liability		
Service cost	$ 39,353	$ 34,340
Interest	18,517	19,309
Differences between expected and actual experience	(139,314)	-0-
Change in assumptions	(4,309)	18,895
Benefit payments	(19,118)	(32,761)
Net change in total OPEB liability	$ (104,871)	40,783
Total OPEB liability – beginning of year	$ 529,634	$ 488,851
Total OPEB liability – end of year	$ 424,763	$ 529,634
Employee payroll	$4,684,169	$4,346,100
City's total OPEB liability as a percentage of covered employee payroll	9.07%	12.19%

For more information regarding the liability of the City with respect to its employees, please reference "Note 6. Postemployment Benefits other than Pensions" and "Required Supplementary Information" of the City's Annual Financial Report for fiscal year ended December 31, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: City's Annual Financial Reports.

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General Fund Budget Summary

	2019 Budget	2019 Actual	2020 Budget
Revenues:			
Taxes and Special Assessments	$4,613,769	$4,681,764	$4,987,615
Payment in Lieu of Taxes	1,029,000	995,798	1,009,000
Licenses and Permits	482,675	642,644	490,175
Intergovernmental Revenues	1,849,229	1,892,419	1,899,069
Charges for Services	1,031,668	1,007,628	1,036,919
Fines and Forfeits	109,000	109,538	109,000
Other Revenues	50,000	162,454	50,000
Transfers	93,300	117,528	98,300
Total Revenues	$9,483,641	$9,882,332	$9,920,078
Expenditures:			
General Government	$2,365,258	$2,343,072	$2,548,408
Public Safety	4,241,615	4,196,088	4,242,420
Public Works	1,228,441	1,345,866	1,420,807
Culture and Recreation	1,456,447	1,405,112	1,513,243
Other Expenditures	181,880	169,792	185,200
Transfers	10,000	160,189	10,000
Total Expenditures	$9,483,641	$9,620,119	$9,920,078
Net Change/Increase in Fund Balance		$ 262,213	

Sources: City's Annual Financial Reports and 2020 Budget.

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
Taxes	$4,118,007	$4,154,065	$4,129,020	$4,483,952	$4,676,660
Intergovernmental Revenues	1,736,849	1,758,050	1,868,446	1,901,811	1,892,419
Charges for Services	1,006,469	1,018,214	1,092,424	1,150,301	1,007,628
Payment in Lieu of Taxes	1,047,910	1,052,356	991,763	1,018,509	995,798
Licenses and Permits	667,749	514,713	590,620	679,004	642,644
Other Revenue	149,984	120,411	132,870	86,324	117,528

Sources: City's Annual Financial Reports.

PROPOSED FORM OF LEGAL OPINION

City of Alexandria
Alexandria, Minnesota

[Purchaser]
[City, State]

Re: $[PAR] General Obligation Street Reconstruction Bonds, Series 2020A
City of Alexandria, Douglas County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance, and sale by the City of Alexandria, Douglas County, Minnesota (the "City"), of its General Obligation Street Reconstruction Bonds, Series 2020A dated, as originally issued, as of August [__], 2020, in the total principal amount of $[PAR] (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and based upon laws, regulations, rulings and decisions in effect on the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from the collection of ad valorem taxes, which taxes are expected to produce amounts sufficient to pay the principal and interest on the Bonds when due; but, if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation as to rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

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

Dated: August [__], 2020.

Very truly yours,

APPENDIX II

CONTINUING DISCLOSURE CERTIFICATE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2020, the following financial information and operating data in respect of the City (the Disclosure Information):

(A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "City Property Values," "City Indebtedness," and "City Tax Rates, Levies, and Collections," which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure

Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact," as hereinafter defined):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
(G) modifications to rights of Bond holders, if material;
(H) Bond calls, if material and tender offers;
(I) defeasances;
(J) release, substitution, or sale of property securing repayment of the Bonds if material;
(K) rating changes;
(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(N) appointment of a successor or additional trustee or the change of name of a trustee, if material.
(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term "financial obligation" means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, an event is material if a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also material if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
(C) the termination of the obligations of the City under this section pursuant to subsection (d);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

(1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of

the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to $413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.
7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS

Property Type	Local Tax Payable 2016-2020
Residential Homestead (1a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to $500,000	1.00%
Over $500,000	1.25%
2-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to $150,000[c]	0.75%
Over $150,000[c]	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to $150,000	1.50%[a]
Over $150,000	2.00%[a]
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to $600,000	0.50%
$600,000 - $2,300,000	1.00%
Over $2,300,000	1.25%[a]
Seasonal Resorts (4c)	
Up to $500,000	1.00%[a]
Over $500,000	1.25%[a]
Non-Commercial (4c12)	
Up to $500,000	1.00%[a][b]
Over $500,000	1.25%[a][b]
Disabled Homestead (1b)	
Up to $50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Remainder of Farm	
Up to $1,880,000[d]	0.50%[b]
Over $1,880,000[d]	1.00%[b]
Non-homestead (2b)	1.00%[b]

[a] *State tax is applicable to these classifications.*

[b] *Exempt from referendum market value based taxes.*

[c] *Legislative increases, payable 2020. Historical valuations are: Payable 2019 - $139,000; Payable 2018 - $121,000; Payable 2017 - $115,000; and Payable 2016 - $106,000.*

[d] *Legislative increases, payable 2020. Historical valuations are: Payable 2019 - $1,900,000; Payable 2018 - $1,940,000; Payable 2017 - $2,050,000; and Payable 2016 - $2,140,000.*

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 – 0.40%; $76,000 to $500,000 – 1.00%; and over $500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

EXCERPT OF 2019 ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Annual Financial Reports for fiscal year ended December 31, 2019. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

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, 2019, 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 17, 2020

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, 2019.

Financial Highlights – Government-wide financial statements

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $65,752,550 (net position). Of this amount, $2,458,632 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased $1,318,780, compared to an increase of $2,039,712 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of $219,602 and governmental activities had an increase of $1,099,178, a majority of this increase relates to a $257,035 increase in governmental property taxes/tax increments and an increase of $362,340 is charges for services in the business-type activities.

Financial Highlights – Fund financial statements

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $13,713,092, a decrease of $624,758 in comparison with a decrease of $2,565,008 the prior year. The major factors in this decrease were due to the retirement of the 2009A GO Tax Abatement Bonds and capital project expenditures. Approximately 33.0 percent the total fund balance, $4,519,961, is available for spending at the City's discretion.

Overview of the Financial Statements

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

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

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

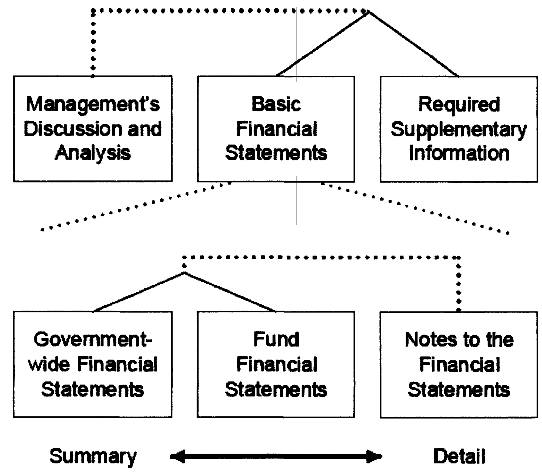


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 100 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $65,752,550 at the close of the most recent fiscal year.

A large portion of the City's net position (80.0 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	$ 21,720,704	$ 23,603,014	$ (1,882,310)	$ 1,186,670	$ 957,993	$ 228,677
Capital assets	73,572,541	75,020,048	(1,447,507)	480,708	514,695	(33,987)
Total Assets	95,293,245	98,623,062	(3,329,817)	1,667,378	1,472,688	194,690
Deferred outflows of resources	2,973,283	3,590,588	(617,305)	26,281	64,458	(38,177)
Liabilities						
Long-term liabilities outstanding	26,474,572	29,532,555	(3,057,983)	58,994	440,458	(381,464)
Other liabilities	890,483	912,374	(21,891)	587,180	238,958	348,222
Total Liabilities	27,365,055	30,444,929	(3,079,874)	646,174	679,416	(33,242)
Deferred inflows of resources	6,126,913	7,797,912	(1,670,999)	69,495	99,342	(29,847)
Net Position						
Net investment in capital assets	52,414,244	51,798,447	615,797	174,027	426,915	(252,888)
Restricted	10,705,647	10,931,521	(225,874)	-	-	-
Unrestricted	1,654,669	1,240,841	413,828	803,963	331,473	472,490
Total Net Position	$ 64,774,560	$ 63,970,809	$ 803,751	$ 977,990	$ 758,388	$ 219,602

An additional portion of the City's net position (16.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (3.7 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 $219,602 in net position reported in connection with the City's business-type activities. The Municipal Liquor Dispensary fund's gross profit percentage has decreased from the previous year, currently at 23.0 percent and was 23.4 in 2018.

The City's total net position increased by $1,318,780, compared to an increase of $2,039,712 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of $219,602 while governmental activities had an increase of $1,099,178.

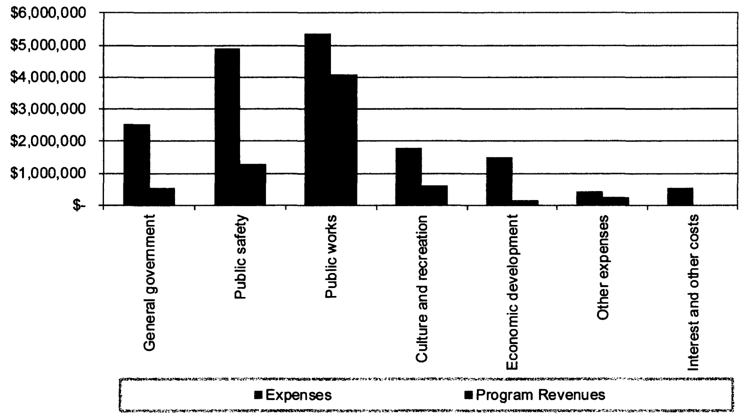
Governmental activities. The change in net position is described above and summarized as follows:

City of Alexandria's Changes in Net Position

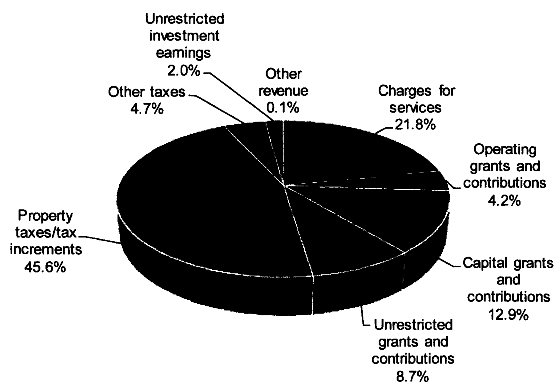
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 3,894,179	$ 3,861,466	$ 32,713	$ 6,258,679	$ 5,896,339	$ 362,340
Operating grants and contributions	759,672	726,009	33,663	724	2,786	(2,062)
Capital grants and contributions	2,300,100	1,786,221	513,879	-	-	-
General Revenues						
Property taxes/tax increments	8,157,023	7,899,988	257,035	-	-	-
Other taxes	835,715	858,280	(22,565)	-	-	-
Grants and contributions not restricted to specific programs	1,552,270	1,520,465	31,805	-	-	-
Unrestricted investment earnings	357,726	187,026	170,700	328	264	64
Other revenues	26,190	2,008	24,182	-	-	-
Gain on sale of capital assets	20,212	46,594	(26,382)	-	-	-
Total Revenues	17,903,087	16,888,057	1,015,030	6,259,731	5,899,389	360,342
Expenses						
General government	2,530,170	2,506,224	23,946	-	-	-
Public safety	4,882,736	4,492,696	390,040	-	-	-
Public works	5,368,542	4,150,847	1,217,695	-	-	-
Culture and recreation	1,768,923	1,658,948	109,975	-	-	-
Economic development	1,494,791	1,384,080	110,711	-	-	-
Other expenses	425,496	444,572	(19,076)	-	-	-
Interest and other costs	558,251	588,376	(30,125)	-	-	-
Liquor	-	-	-	5,815,129	5,521,991	293,138
Total Expenses	17,028,909	15,225,743	1,803,166	5,815,129	5,521,991	293,138
Increase (Decrease) in Net Position Before Transfers and Contributions	874,178	1,662,314	(788,136)	444,602	377,398	67,204
Transfers	225,000	225,000	-	(225,000)	(225,000)	-
Change in Net Position	1,099,178	1,887,314	(788,136)	219,602	152,398	67,204
Net Position - January 1	63,970,809	64,586,038	(615,229)	758,388	605,990	152,398
Prior Period Adjustment (Note 9)	(295,427)	(2,502,543)	2,207,116	-	-	-
Net Position - December 31	$ 64,774,560	$ 63,970,809	$ 803,751	$ 977,990	$ 758,388	$ 219,602

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

Expenses and Program Revenues - Governmental Activities



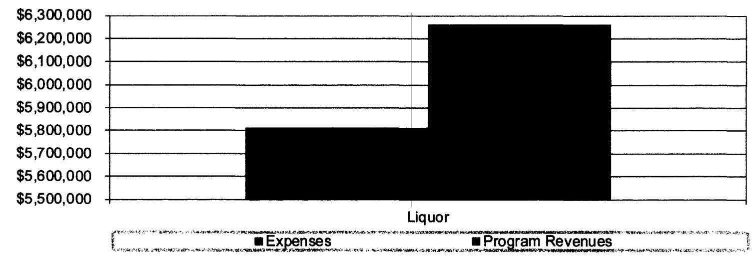
Revenues by Source - Governmental Activities



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

- Sales for business-type activities increased by $362,340, or 6.1 percent during the year.
- Total expenses increased by approximately $293,138 during 2019.
- 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 $444,602 and $377,398, respectively.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $13,713,092, a decrease of $624,758 in comparison with a decrease of $2,565,008 in the prior year. The major factors in this decrease were due to the retirement of the 2009A GO Tax Abatement Bonds and capital project expenditures. Approximately 33.0 percent of the total fund balance amount, $4,519,961 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The *restricted* fund balance totals $7,981,586; *committed* - $1,034,822; *assigned* - $107,746; and *nonspendable* - $68,977.

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 $4,665,893. 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 48.0 percent of 2019 fund expenditures, while total fund balance represents 49.3 percent of that same amount.

The fund balance of the City's General fund increased by $262,213 during the current fiscal year. The key factors to this net increase are listed on the following page under General Fund Budgetary Highlights.

The *Debt Service fund* has a total fund balance of $5,147,778, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was $842,737. The key factor in this decrease was due to the retirement of the 2009A GO Tax Abatement Bonds.

The *Capital Project fund* has a total fund balance of $107,746. The net decrease in fund balance during the current year in the Capital Project fund was $238,932. The key factors for this decrease were planned capital asset purchases and capital project expenditures incurred before revenue from the State can be recognized.

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

Unassigned net position of the enterprise funds at the end of the year amounted to $803,963. The total increase in net position for the funds was $219,602. 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 $351,132 and the expenditures budget was underspent by $13,711.

Some highlights include:

- Building permit revenues for the year exceeded budget by $146,500 due to an increase in permits issued for commercial projects and single-family dwellings over the previous year.
- Colder weather caused an increase in Franchise fees from Natural Gas, the total received for 2019 exceeded budget by $71,500.
- An additional reimbursement amount received from the State in 2019 for Fire Department training caused the revenue account to exceed the amount budgeted by $27,000.
- Payment in lieu of taxes from ALP Utilities was $33,500 less than the amount budgeted, this payment is partially based on kwh sold and is reflecting a reduction due to decreased electricity sales to consumers.
- Investment earnings were over budget by $112,500, due in part to the $95,000 book adjustment to unrealized gain on investments required by GASB Statement No. 31: Accounting and Financial Reporting for Certain Investments and for External Investment Pools. It is important to note that the adjustment is based on the market value of the investments as of December 31, 2019; the City's investments when purchased are intended to the held to maturity, therefore not affected by market fluctuations.
- Proceeds from Charitable Gambling exceeded its budget by $21,000
- Runestone Community Center revenues were $587,000, which was $38,000 under budget. RCC expenditures were under budget by $5,000.
- Total payroll and related expenditures for the City's General fund were under budget by $35,000.
- Due to unexpected repairs, the Fire Department equipment repairs and maintenance account exceeded its budget by $23,000.
- Consultant fees for the Building Department were $12,000 over budget due to continued increase in the number of stormwater inspections required by MS4 permits.
- Electric Utilities for all departments were over budget by $26,500 due to an increase in the number of street lights the City is responsible for and a rate increase.
- A City Council approved transfer, of $150,000, from the General fund to a Capital Project fund for the Nevada Street project was not included in the budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to $74,053,249 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities and roads. The total decrease in the City's investment in capital assets for the current fiscal year was 2.0 percent (a 1.9 percent decrease for governmental activities and a 6.6 percent decrease for business-type activities.)

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

- Runestone Community Center Zamboni - $57,400
- Runestone Community Center HVAC Unit - $41,311
- Street Department Vac-Con Truck - $50,610
- Street Department Skid Steer - $35,093
- Street Department Ford F350 - $31,219
- Playground Equipment, Woodland Park - $27,061
- Building Department GMC Canyon - $25,281
- Fire Department Re-Roof Project - $90,505
- Fire Department Edraulic Rescue Tools - $29,902
- Street Improvements including reconstruction of portions of Agnes Boulevard, construction of Garden Drive, and completion of the 29th/44th Ave ADA sidewalk - $1,563,826

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

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	$ 2,887,179	$ 2,887,179	$ -	$ 101,413	$ 101,413	$ -
Buildings	12,545,290	14,717,071	(2,171,781)	211,194	231,531	(20,337)
Improvements Other than Buildings	49,768,139	50,475,819	(707,680)	14,318	18,120	(3,802)
Machinery and Equipment	6,293,513	4,892,022	1,401,491	153,783	163,631	(9,848)
Construction in Progress	2,078,420	2,047,957	30,463	-	-	-
Total	$ 73,572,541	$ 75,020,048	$ (1,447,507)	$ 480,708	$ 514,695	$ (33,987)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $20,450,000. Of this amount $8,115,000 is general obligation improvement debt and $12,335,000 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Bonds	$ 12,335,000	$ 13,685,000	$ (1,350,000)	$ -	$ -	$ -
General Obligation Improvement Bonds	8,115,000	9,630,000	(1,515,000)	-	-	-
CHAP Loans	14,770	28,000	(13,230)	-	-	-
Total	$ 20,464,770	$ 23,343,000	$ (2,878,230)	$ -	$ -	$ -

The City's total debt decreased $2,878,230, or 12.3 percent during the current fiscal year. No new debt was issued during the year and principal of $2,878,230 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 $45,498,153, which is significantly greater than the City's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

The Budget Committee and then the City Council looked comprehensively at a number of external and internal factors in crafting the 2020 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 2020 budget but also considered a five-year (2020-2024) budget blueprint when discussing the 2020 budget.

- Property value increases and growth through new construction contributed to a 4.3% increase in tax capacity from 2019 to 2020.

- The overall property tax levy increased by 4.50% for 2020. The tax base growth within the City meant the average city tax rate remained essentially the same.

- Alexandria has a pull factor index of 3.09, according to the 2016 Retail Trade Analysis of Alexandria prepared by the University of Minnesota Extension Center for Community Vitality. This study was released in September 2018 and used data from 2016. The pull factor compares local taxable sales per capita to that of the state. A pull factor greater than 1.0 indicates that businesses are pulling in customers from outside the community. Alexandria ranked #1 statewide in the index of "pulling power" of the eleven cities outside the metro area with populations between 9,300 and 17,400. Those population numbers represent cities +/- 30% of the population of Alexandria.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Alexandria, 704 Broadway, Alexandria, Minnesota 56308.

City of Alexandria, Minnesota
Statement of Net Position
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	ALP Utilities
Assets				
Cash and temporary investments	$ 14,537,354	$ 533,368	$ 15,070,722	$ 17,050,519
Restricted debt service reserve deposits	-	-	-	865,543
Receivables				
Interest	33,729	-	33,729	30,886
Delinquent taxes	68,300	-	68,300	-
Accounts, net of allowance	512,482	49,635	562,117	888,013
Notes and loans, net of allowance	914,000	-	914,000	-
Special assessments	4,102,561	-	4,102,561	2,625
Intergovernmental	735,196	-	735,196	64,040
Internal balances	341,393	(341,393)	-	-
Due (to) from component unit	144,040	(3,976)	140,064	-
Inventories	-	949,036	949,036	1,282,503
Prepaid items	68,977	-	68,977	161,332
Net pension asset	262,672	-	262,672	-
Capital assets				
Capital assets not being depreciated	4,965,599	101,413	5,067,012	2,252,976
Capital assets net of accumulated depreciation	68,606,942	379,295	68,986,237	60,744,005
Total Assets	95,293,245	1,667,378	96,960,623	83,342,442
Deferred Outflows of Resources				
Deferred pension resources	2,939,901	25,886	2,965,787	190,010
Deferred other postemployment benefit resources	33,382	395	33,777	1,442
Total Deferred Outflows of Resouces	2,973,283	26,281	2,999,564	191,452
Liabilities				
Accounts and contracts payable	386,785	195,567	582,352	1,599,853
Due to other governments	55,961	59,358	115,319	570,174
Accrued interest payable	220,622	-	220,622	49,502
Accrued salaries payable	174,998	13,335	188,333	84,062
Due to primary government	-	-	-	140,064
Deposits payable	31,888	-	31,888	365,302
Unearned revenue	20,229	-	20,229	-
Noncurrent liabilities				
Due within one year	2,604,718	27,387	2,632,105	1,068,912
Due in more than one year	19,492,775	31,607	19,524,382	10,458,706
Net pension liability	3,960,328	310,908	4,271,236	2,283,384
Other postemployment benefits liablity	416,751	8,012	424,763	55,829
Total Liabilities	27,365,055	646,174	28,011,229	16,675,788
Deferred Inflows of Resources				
Deferred pension resources	3,720,224	69,351	3,789,575	456,810
Deferred other postemployment benefit resources	126,134	144	126,278	35,051
Advance from other government	2,280,555	-	2,280,555	-
Total Deferred Inflows of Resouces	6,126,913	69,495	6,196,408	491,861
Net Position				
Net investment in capital assets	52,414,244	174,027	52,588,271	55,120,281
Restricted for				
Debt service	7,871,839	-	7,871,839	865,543
Wellness	20,984	-	20,984	-
Capital outlay	2,768	-	2,768	-
Economic development	2,810,056	-	2,810,056	-
Unrestricted	1,654,669	803,963	2,458,632	10,380,421
Total Net Position	$ 64,774,560	$ 977,990	$ 65,752,550	$ 66,366,245

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

City of Alexandria, Minnesota
Statement of Activities
For the Year Ended December 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	ALP Utilities
Primary Government								
Governmental Activities								
General government	$ 2,530,170	$ 535,892	$ 17,367	$ 5,104	$ (1,971,807)		$ (1,971,807)	
Public safety	4,882,736	641,651	637,772	-	(3,603,313)		(3,603,313)	
Public works	5,368,542	1,749,340	31,598	2,294,996	(1,292,608)		(1,292,608)	
Culture and recreation	1,768,923	599,108	15,602	-	(1,154,213)		(1,154,213)	
Economic development	1,494,791	147,913	-	-	(1,346,878)		(1,346,878)	
Airport	425,496	220,275	57,333	-	(147,888)		(147,888)	
Interest and other costs	558,251	-	-	-	(558,251)		(558,251)	
Total Governmental Activities	17,028,909	3,894,179	759,672	2,300,100	(10,074,958)		(10,074,958)	
Business-type Activities								
Liquor	5,815,129	6,258,679	724	-	-	$ 444,274	444,274	
Total Primary Government	$ 22,844,038	$ 10,152,858	$ 760,396	$ 2,300,100	(10,074,958)	444,274	(9,630,684)	
Component Unit								
ALP Utilities	$ 26,199,272	$ 28,757,028	$ -	$ -				$ 2,557,756
General Revenues								
Property taxes, levied for general purposes					5,337,447	-	5,337,447	-
Property taxes, levied for debt service					1,694,805	-	1,694,805	-
Tax increments					1,124,771	-	1,124,771	-
Lodging Tax					341,513	-	341,513	-
Franchise taxes					494,202	-	494,202	-
Grants and contributions not restricted to specific programs					1,552,270	-	1,552,270	-
Unrestricted investment earnings					357,726	328	358,054	382,020
Gain on sale of capital assets					20,212	-	20,212	-
Other revenues					26,190	-	26,190	134,158
Transfers					225,000	(225,000)	-	-
Total General Revenues and Transfers					11,174,136	(224,672)	10,949,464	516,178
Change in Net Position					1,099,178	219,602	1,318,780	3,073,934
Net Position, January 1					63,970,809	758,388	64,729,197	63,292,311
Prior period adjustment (Note 9)					(295,427)	-	(295,427)	-
Net Position, December 31					$ 64,774,560	$ 977,990	$ 65,752,550	$ 66,366,245

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

FUND FINANCIAL STATEMENTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Alexandria, Minnesota
Balance Sheet
Governmental Funds
December 31, 2019

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 4,647,361	$ 5,131,800	$ 2,305,654	$ 2,452,539	$ 14,537,354
Receivables					
Interest	33,729	-	-	-	33,729
Delinquent taxes	40,300	17,200	4,600	6,200	68,300
Accounts	181,575	-	281,162	49,745	512,482
Notes and loans, net of allowance	-	-	-	914,000	914,000
Special assessments	2,406	2,927,483	1,172,672	-	4,102,561
Intergovernmental	47,979	19,779	661,795	5,643	735,196
Due from other funds	34,712	-	-	-	34,712
Due from component unit	82,436	-	-	75,154	157,590
Advances to other funds	-	-	-	353,716	353,716
Prepaid items	68,977	-	-	-	68,977
Total Assets	$ 5,139,475	$ 8,096,262	$ 4,425,883	$ 3,856,997	$ 21,518,617
Liabilities					
Accounts payable	$ 160,537	$ 3,801	$ 179,883	$ 42,564	$ 386,785
Advance from other funds	-	-	47,035	-	47,035
Due to other governments	52,953	-	-	3,008	55,961
Due to component unit	-	-	-	13,550	13,550
Accrued salaries payable	174,998	-	-	-	174,998
Deposits payable	31,888	-	-	-	31,888
Unearned revenue	10,500	-	9,729	-	20,229
Total Liabilities	430,876	3,801	236,647	59,122	730,446
Deferred Inflows of Resources					
Unavailable revenue - taxes	40,300	17,200	4,600	6,200	68,300
Unavailable revenue - special assessments	2,406	2,927,483	1,172,672	-	4,102,561
Unavailable revenue - intergovernmental	-	-	623,663	-	623,663
Advance from other government	-	-	2,280,555	-	2,280,555
Total Deferred Inflows of Resources	42,706	2,944,683	4,081,490	6,200	7,075,079
Fund Balances					
Nonspendable for					
Prepaid items	68,977	-	-	-	68,977
Restricted for					
Debt service	-	5,147,778	-	-	5,147,778
Wellness	20,984	-	-	-	20,984
Capital outlay	-	-	-	2,768	2,768
Economic development	-	-	-	2,810,056	2,810,056
Committed for					
Payment of benefits	-	-	-	1,263	1,263
Firefighter's retirement obligation	-	-	-	95,262	95,262
Economic development	-	-	-	85,913	85,913
Storm water operations	-	-	-	814,533	814,533
Wellness	37,851	-	-	-	37,851
Assigned for					
Capital outlay	-	-	107,746	-	107,746
Unassigned	4,538,081	-	-	(18,120)	4,519,961
Total Fund Balances	4,665,893	5,147,778	107,746	3,791,675	13,713,092
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,139,475	$ 8,096,262	$ 4,425,883	$ 3,856,997	$ 21,518,617

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

City of Alexandria, Minnesota
Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds
December 31, 2019

Total Fund Balances - Governmental Funds	$	13,713,092
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.		262,672
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.		73,572,541
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		(924,426)
Other postemployment benefit liability		(416,751)
Bonds payable		(20,450,000)
Capital leases payable		(138,607)
Loans payable		(14,770)
Bond premium and discount, net of accumulated amortization		(569,690)
Net pension liability		(3,960,328)
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		68,300
Special assessments receivable		4,102,561
Intergovernmental receivable		623,663
Governmental funds do not report long-term amounts related to pensions and other post employment benefits		
Deferred outflows of resources - pension resources		2,939,901
Deferred outflows of resources - other post employment benefits		33,382
Deferred inflows of resources - pension resources		(3,720,224)
Deferred inflows of resources - other post employment benefits		(126,134)
Governmental funds do not report a liability for accrued interest until due and payable.		(220,622)
Total Net Position - Governmental Activities	$	64,774,560

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

City of Alexandria, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Revenues					
Taxes	$ 4,676,660	$ 1,782,114	$ 493,452	$ 2,051,656	$ 9,003,882
Payment in lieu of taxes	995,798	-	-	-	995,798
Special assessments	5,104	440,556	221,939	-	667,599
Licenses and permits	642,644	-	-	-	642,644
Intergovernmental	1,892,419	56,039	1,138,462	146,977	3,233,897
Charges for services	1,007,628	-	238,901	933,900	2,180,429
Fines and forfeits	109,538	-	-	-	109,538
Investment earnings	162,454	74,410	62,798	90,467	390,129
Other revenue	117,528	3,994	432,103	1,615	555,240
Total Revenues	9,609,773	2,357,113	2,587,655	3,224,615	17,779,156
Expenditures					
Current					
General government	2,339,381	-	3,818	-	2,343,199
Public safety	4,162,400	-	-	146,910	4,309,310
Public works	1,345,866	-	5,885	877,945	2,229,696
Culture and recreation	1,395,887	-	-	-	1,395,887
Economic development	-	-	-	1,494,791	1,494,791
Airport	169,792	-	5,662	-	175,454
Capital outlay					
General government	3,691	-	51,132	-	54,823
Public safety	33,688	-	171,371	-	205,059
Public works	-	-	2,557,281	1,191	2,558,472
Culture and recreation	9,225	-	269,589	-	278,814
Airport	-	-	11,090	-	11,090
Debt service					
Principal	-	2,931,361	-	13,231	2,944,592
Interest and other	-	648,332	-	1,295	649,627
Total Expenditures	9,459,930	3,579,693	3,075,828	2,535,363	18,650,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	149,843	(1,222,580)	(488,173)	689,252	(871,658)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	21,900	-	21,900
Transfers in	272,559	379,843	417,382	30,189	1,099,973
Transfers out	(160,189)	-	(190,041)	(524,743)	(874,973)
Total Other Financing Sources (Uses)	112,370	379,843	249,241	(494,554)	246,900
Net Change in Fund Balances	262,213	(842,737)	(238,932)	194,698	(624,758)
Fund Balances, January 1	4,403,680	5,990,515	346,678	3,596,977	14,337,850
Fund Balances, December 31	$ 4,665,893	$ 5,147,778	$ 107,746	$ 3,791,675	$ 13,713,092

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

City of Alexandria, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities are different because		
Net Change in Fund Balances - Governmental Funds	$	(624,758)
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		2,229,309
Depreciation expense		(3,369,664)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		(11,725)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments		2,944,592
Premium on bonds issued, net of amortization expense		55,591
Long-term pension activity is not reported in governmental funds.		
Pension expense		(239,958)
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.		35,785
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		(27,200)
Special assessments		(462,775)
Capital contributions from other governments/developers		563,663
State grants		30,031
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		(23,713)
Change in Net Position - Governmental Activities	$	1,099,178

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

City of Alexandria, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 4,613,769	$ 4,676,660	$ 62,891
Payment in lieu of taxes	1,029,000	995,798	(33,202)
Special assessments	-	5,104	5,104
Licenses and permits	482,675	642,644	159,969
Intergovernmental	1,849,229	1,892,419	43,190
Charges for services	1,031,668	1,007,628	(24,040)
Fines and forfeits	109,000	109,538	538
Investment earnings	50,000	162,454	112,454
Other revenue	93,300	117,528	24,228
Total Revenues	9,258,641	9,609,773	351,132
Expenditures			
Current			
General government	2,354,758	2,339,381	15,377
Public safety	4,214,615	4,162,400	52,215
Public works	1,223,441	1,345,866	(122,425)
Culture and recreation	1,446,447	1,395,887	50,560
Airport	178,880	169,792	9,088
Capital outlay			
General government	10,500	3,691	6,809
Public safety	27,000	33,688	(6,688)
Public works	5,000	-	5,000
Culture and recreation	10,000	9,225	775
Airport	3,000	-	3,000
Total Expenditures	9,473,641	9,459,930	13,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,000)	149,843	364,843
Other Financing Sources (Uses)			
Transfers in	225,000	272,559	47,559
Transfers out	(10,000)	(160,189)	(150,189)
Total Other Financing Sources (Uses)	215,000	112,370	(102,630)
Net Change in Fund Balances	-	262,213	262,213
Fund Balances, January 1	4,403,680	4,403,680	-
Fund Balances, December 31	$ 4,403,680	$ 4,665,893	$ 262,213

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

City of Alexandria, Minnesota
Municipal Liquor Dispensary
Statement of Net Position
Proprietary Funds
December 31, 2019

	609 Downtown Liquor	610 Plaza Liquor	Totals
Assets			
Current Assets			
Cash and temporary investments	$ 154,994	$ 378,374	$ 533,368
Receivables			
Accounts	21,064	28,571	49,635
Due from other funds	-	869	869
Inventories	459,081	489,955	949,036
Total Current Assets	635,139	897,769	1,532,908
Noncurrent Assets			
Capital assets			
Land	68,603	32,810	101,413
Buildings	439,516	598,361	1,037,877
Equipment	174,325	198,813	373,138
Other improvements	45,487	25,224	70,711
Less accumulated depreciation	(554,818)	(547,613)	(1,102,431)
Total Capital Assets (Net of Accumulated Depreciation)	173,113	307,595	480,708
Total Assets	808,252	1,205,364	2,013,616
Deferred Outflows of Resources			
Deferred pension resources	11,457	14,429	25,886
Deferred other postemployment benefit resources	292	103	395
Total Deferred Outflows of Resouces	11,749	14,532	26,281
Liabilities			
Current Liabilities			
Accounts and contracts payable	65,999	129,568	195,567
Due to other governments	23,278	36,080	59,358
Accrued salaries payable	6,664	6,671	13,335
Compensated absences payable	15,527	11,860	27,387
Due to component unit	1,813	2,163	3,976
Due to other funds	18,460	17,121	35,581
Advance from other funds, current portion	11,919	40,354	52,273
Total Current Liabilities	143,660	243,817	387,477
Noncurrent Liabilities			
Compensated absences payable	19,401	12,206	31,607
Other postemployment benefits	4,392	3,620	8,012
Net pension liability	137,610	173,298	310,908
Advance from other funds, net of current maturities	65,760	188,648	254,408
Total Noncurrent Liabilities	227,163	377,772	604,935
Total Liabilities	370,823	621,589	992,412
Deferred Inflows of Resources			
Deferred pension resources	30,695	38,656	69,351
Deferred other postemployment benefit resources	6	138	144
Total Deferred Inflows of Resouces	30,701	38,794	69,495
Net Position			
Net investment in capital assets	95,434	78,593	174,027
Unrestricted	323,043	480,920	803,963
Total Net Position	$ 418,477	$ 559,513	$ 977,990

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

City of Alexandria, Minnesota
Municipal Liquor Dispensary
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	609 Downtown Liquor	610 Plaza Liquor	Totals
Operating Revenues			
Sales	$ 2,459,036	$ 3,798,870	$ 6,257,906
Cost of sales	(1,879,567)	(2,937,999)	(4,817,566)
Total Operating Revenues	579,469	860,871	1,440,340
Operating Expenses			
Personel services	278,543	358,575	637,118
Operating supplies and expenses	9,033	19,463	28,496
Insurance	14,070	18,629	32,699
Utilities	12,397	14,651	27,048
Depreciation and amortization	20,104	43,695	63,799
Other services and charges	68,520	131,631	200,151
Total Operating Expenses	402,667	586,644	989,311
Operating Income	176,802	274,227	451,029
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	320	404	724
Miscellaneous income	325	448	773
Investment income	174	154	328
Interest expense	(1,574)	(6,678)	(8,252)
Total Nonoperating Revenues (Expenses)	(755)	(5,672)	(6,427)
Income Before Transfers	176,047	268,555	444,602
Transfers Out	(35,000)	(190,000)	(225,000)
Change in Net Position	141,047	78,555	219,602
Net Position, January 1	277,430	480,958	758,388
Net Position, December 31	$ 418,477	$ 559,513	$ 977,990

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

City of Alexandria, Minnesota

Municipal Liquor Dispensary
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	609 Downtown Liquor	610 Plaza Liquor	Totals
Cash Flows from Operating Activities			
Receipts from customers	$ 2,454,394	$ 3,797,475	$ 6,251,869
Payments to suppliers and vendors	(1,974,833)	(3,082,668)	(5,057,501)
Payments to and on behalf of employees	(331,101)	(358,763)	(689,864)
Other receipts	325	448	773
Net Cash Provided by Operating Activities	148,785	356,492	505,277
Cash Flows from Noncapital Financing Activities			
Grants received	320	404	724
Transfers out	(35,000)	(190,000)	(225,000)
Net Cash Used by Noncapital Financing Activities	(34,680)	(189,596)	(224,276)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(29,812)	(29,812)
Principal paid on advance	(10,101)	(39,254)	(49,355)
Interest paid on advance	(1,574)	(6,678)	(8,252)
Net Cash Used by Capital and Related Financing Activities	(11,675)	(75,744)	(87,419)
Cash Flows from Investing Activities			
Interest received on cash and investments	174	154	328
Net Increase (Decrease) In Cash and Cash Equivalents	102,604	91,306	193,910
Cash and Cash Equivalents, January 1	52,390	287,068	339,458
Cash and Cash Equivalents, December 31	$ 154,994	$ 378,374	$ 533,368
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 176,802	$ 274,227	$ 451,029
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	20,104	43,695	63,799
Other income related to operations	325	448	773
(Increase) decrease in assets			
Accounts receivable	(5,449)	(3,493)	(8,942)
Due from other funds/departments	807	2,098	2,905
Inventories	1,091	12,280	13,371
Prepaid items	5,431	1,823	7,254
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	20,703	17,603	38,306
Deferred other postemployment benefit resources	(125)	(4)	(129)
Increase (decrease) in liabilities			
Accounts and contracts payable	1,011	22,827	23,838
Due to other governments	2,544	1,452	3,996
Due to other funds/departments	(3,136)	(840)	(3,976)
Due to component unit	1,813	2,163	3,976
Accrued salaries payable	662	806	1,468
Compensated absences payable	(10,725)	240	(10,485)
Pension liability	(44,738)	(8,323)	(53,061)
Other postemployment benefits liability	734	268	1,002
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(19,075)	(10,916)	(29,991)
Deferred other postemployment benefit resources	6	138	144
Net Cash Provided (Used) by Operating Activities	$ 148,785	$ 356,492	$ 505,277

The notes to the financial statements are an 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. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2019:

- Governmental Agency Securities of $3,453,641 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of $3,473,980 are valued using a matrix pricing model (Level 2 inputs)

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 $888,013 are recorded net of allowance for doubtful accounts of $56,215 at December 31, 2019. 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 $105,729 has been recorded related to these notes.

Due from Other Governments

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

Payment In Lieu of Taxes

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

Capital Contributions

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

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

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

Deferred Outflows of Resources

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

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and component unit financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

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

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2018. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief	Total All
	GERP	PEPFP	Association	Plans
Pension expense - Primary Government	$ 269,753	$ 471,669	$ 200,824	$ 942,246
Pension expense - Component Unit	283,873	-	-	283,873

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 four sources: taxes, special assessments, intergovernmental and advance from other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2019:

Fund	Amount
Special Revenue	
Sanitary Sewer District	$ 18,120

The above deficits will be eliminated through future property tax revenue.

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.

Note 3: Detailed Notes on all Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was $7,433,071 and the bank balance was $7,593,624. Of the bank balance, $665,416 was covered by federal depository insurance. The remaining balance was collateralized with FHLB letters of credit held by the pledging financial institution's trust department in the City's name.

The carrying amount of deposits for the Board of Public Works DBA ALP Utilities, a discretely presented component unit, was $8,391,798 and the bank balance was $8,471,968. The bank balance was covered by $1,244,900 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.

Note 3: Detailed Notes on all Funds (Continued)

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.

At December 31, 2019, 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	Fair Value Measurement Using Level 2
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	$ 206,648		
Non-negotiable certificates of deposit	N/A	6 months to 1 year	500,000		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	less than 6 months	149,952	$ 149,952	$ -
Government Agency Securities	AAA	1 to 3 years	983,955	983,955	-
Government Agency Securities	AAA	more than 3 years	2,319,734	2,319,734	-
Negotiable certificates of deposit	N/A	less than 6 months	496,485	-	496,485
Negotiable certificates of deposit	N/A	6 months to 1 year	989,715	-	989,715
Negotiable certificates of deposit	N/A	1 to 3 years	1,987,780	-	1,987,780
Total Investments			$ 7,634,269	$ 3,453,641	$ 3,473,980

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

Discretely Presented Component Unit

Board of Public Works

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Fair Value Measurement Using Level 2
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 6 months	$ 5		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	298,413		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 to 5 years	4,875,950	$ 4,875,950	$ -
Government Agency Securities	AAA	1 to 5 years	1,483,283	-	-
Government Agency Securities	AAA	5 to 10 years	414,261	-	-
Negotiable certificates of deposit	N/A	1 to 5 years	2,452,102	-	2,452,102
Total Investments			$ 9,524,014	$ 4,875,950	$ 2,452,102

Note 3: Detailed Notes on all Funds (Continued)

Cash on Hand

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

Cash and Investments Summary

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

	Primary Government	Component Unit Board of Public Works	Total Reporting Entity
Deposits	$ 7,433,071	$ 8,391,798	$ 15,824,869
Investments	7,634,269	9,524,014	17,158,283
Cash on Hand	3,382	250	3,632
Total	$ 15,070,722	$ 17,916,062	$ 32,986,784
Cash and Cash Equivalents	$ 15,070,722	$ 17,050,519	$ 32,121,241
Restricted Debt Service Reserve Deposits	-	865,543	865,543
Total	$ 15,070,722	$ 17,916,062	$ 32,986,784

B. Operating Lease Receivable

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

C. Loans Receivable

The City has loaned funds to various local businesses. These notes will be paid back with monthly payments at interest rates ranging from 1 to 6 percent. The balance of these loans, net of an allowance of $84,729, at December 31, 2019 is $843,000.

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 $21,000, at December 31, 2019 is $71,000.

Note 3: Detailed Notes on all Funds (Continued)

D. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended December 31, 2019 was as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Governmental Activities					
Capital Assets not being Depreciated					
Land	$ 2,887,179	$ -	$ -	$ -	$ 2,887,179
Construction in progress	2,047,957	-	2,079,566	(2,049,103)	2,078,420
Total Capital Assets not being Depreciated	4,935,136	-	2,079,566	(2,049,103)	4,965,599
Capital Assets being Depreciated					
Buildings	22,596,547	(1,750,963)	92,826	(56,102)	20,882,308
Improvements other than buildings	90,085,874	-	1,668,421	(40,839)	91,713,456
Machinery and equipment	12,737,107	1,750,963	437,599	(343,510)	14,582,159
Total Capital Assets Being Depreciated	125,419,528	-	2,198,846	(440,451)	127,177,923
Less Accumulated Depreciation for					
Buildings	(7,879,476)	24,966	(538,610)	56,102	(8,337,018)
Improvements other than buildings	(39,610,055)	(148,638)	(2,227,463)	40,839	(41,945,317)
Machinery and equipment	(7,845,085)	(171,755)	(603,591)	331,785	(8,288,646)
Total Accumulated Depreciation	(55,334,616)	(295,427)	(3,369,664)	428,726	(58,570,981)
Total Capital Assets Being Depreciated, Net	70,084,912	(295,427)	(1,170,818)	(11,725)	68,606,942
Governmental Activities Capital Assets, Net	$ 75,020,048	$ (295,427)	$ 908,748	$ (2,060,828)	$ 73,572,541

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2019

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	24,332	-	1,037,877
Equipment	367,658	5,480	-	373,138
Other improvements	70,711	-	-	70,711
Total Capital Assets Being Depreciated	1,451,914	29,812	-	1,481,726
Less Accumulated Depreciation for				
Buildings	(782,014)	(44,669)	-	(826,683)
Equipment	(204,027)	(15,328)	-	(219,355)
Other improvements	(52,591)	(3,802)	-	(56,393)
Total Accumulated Depreciation	(1,038,632)	(63,799)	-	(1,102,431)
Total Capital Assets Being Depreciated, Net	413,282	(33,987)	-	379,295
Business-type Activities Capital Assets, Net	$ 514,695	$ (33,987)	$ -	$ 480,708

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

Governmental Activities	
General government	$ 106,095
Public safety	382,757
Public works	2,268,030
Culture and recreation	362,999
Airport	249,783
Total Depreciation Expense - Governmental Activities	$ 3,369,664
Business-type Activities	
Municipal Liquor Dispensary	$ 63,799

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2019 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	255,813	-	-	255,813
Construction in progress	1,933,597	3,087,111	(3,155,021)	1,865,687
Total Capital Assets not Being Depreciated	2,320,886	3,087,111	(3,155,021)	2,252,976
Capital Assets Being Depreciated				
Buildings and structures	2,755,698	75,337	-	2,831,035
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	90,149,993	2,982,512	-	93,132,505
General equipment	7,103,418	678,168	(185,257)	7,596,329
Total Capital Assets Being Depreciated	102,772,690	3,736,017	(185,257)	106,323,450
Less Accumulated Depreciation for				
Buildings and structures	(2,088,014)	(54,824)	-	(2,142,838)
Transmission plant	(1,209,208)	(83,543)	-	(1,292,751)
Distribution plant	(34,988,226)	(2,096,306)	-	(37,084,532)
General equipment	(4,896,092)	(348,489)	185,257	(5,059,324)
Total Accumulated Depreciation	(43,181,540)	(2,583,162)	185,257	(45,579,445)
Total Capital Assets Being Depreciated, Net	59,591,150	1,152,855	-	60,744,005
Business-type Activities Capital Assets, Net	$ 61,912,036	$ 4,239,966	$ (3,155,021)	$ 62,996,981

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

Component unit	
Electric	$ 1,486,231
Water	1,015,790
Fiber	81,141
Total Depreciation Expense - Component Unit	$ 2,583,162

Note 3: Detailed Notes on all Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2019. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2019 Local Street Improvement Project - plans, specs, construction observation	$ 332,543	$ 104,994
Kinkead Drive Improvements, plans, specs, construction and observation	72,576	5,821
Deerwood Drive-Scenic Hights Road, plans, specs, construction observation	79,228	94,838
44th Ave Extension to South Broadway - plans, specs, construction observation	127,893	115,193
18th Ave Reconstruction - plans, specs, construction observation	64,492	372,866
Nevada Street Reconstruction Project - plans, specs, construction observation	81,376	229,514
2020 Local Street Improvement Project - plans, specs, construction observation	10,648	57,172
2020 Street Reconstruction Project - plans, specs, construction observation	58,500	391,500
Airport GPS Approach	11,090	7,510
8th Ave Reconstruction - plans, specs, construction observation	344,213	6,515
Total	$ 1,182,559	$ 1,385,923

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. There has not been a new agreement entered into as of December 31, 2019, but they are continuing with the services and will look into entering into a new contract in 2020.

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

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, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	
	Downtown Liquor	$ 17,591
	Plaza Liquor	17,121
Proprietary	Proprietary	
Plaza Liquor	Downtown Liquor	869
Net Internal Balance		$ 35,581

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

Advances from/to Other Funds

The advances from/to other funds relate to capital projects and energy savings project. This will be retired from net revenues.

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Nonmajor governmental	Plaza Liquor Dispensary	3.00 %	07/01/09	07/01/24	$ 150,641
Nonmajor governmental	Plaza Liquor Dispensary	2.00	04/11/16	11/01/27	78,361
Nonmajor governmental	Downtown Liquor Dispensary	2.00	04/11/16	11/01/27	68,127
Nonmajor governmental	Downtown Liquor Dispensary	2.00	06/11/18	05/01/22	9,552
Nonmajor governmental	Capital Projects	0.00	05/23/16	11/01/22	47,035
Total					$ 353,716

A summary of total future interfund loan repayments follows:

Year Ending December 31,	Advances from/to Other Funds Principal	Interest	Total
2020	$ 68,399	$ 7,021	$ 75,420
2021	69,773	5,648	75,421
2022	67,465	4,249	71,714
2023	52,370	2,873	55,243
2024	39,027	1,541	40,568
2025 - 2027	56,682	1,716	58,398
Total	$ 353,716	$ 23,048	$ 376,764

Note 3: Detailed Notes on all Funds (Continued)

Interfund Transfers

Transfers made for the year ended December 31, 2019 are as follows:

	Transfers In				
Fund	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
Transfers Out					
General	$ -	$ -	$ 150,000	$ 10,189	$ 160,189
Capital Projects	748	189,293	-	-	190,041
Nonmajor governmental	46,811	190,550	267,382	20,000	524,743
Downtown Liquor	35,000	-	-	-	35,000
Plaza Liquor	190,000	-	-	-	190,000
Total Transfers Out	$ 272,559	$ 379,843	$ 417,382	$ 30,189	$ 1,099,973

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, 2019, the government made the following one-time transfers:

- From the Revolving Improvement fund to the General fund to correct an expense that was paid out of the incorrect fund in the prior year in the amount $748.
- From the General fund to the Plans and Studies fund to cover City Hall needs assessment in the amount of $10,189.
- From the TIF District #26 fund to the TIF District #25 fund to eliminate a negative cash balance in the amount of $20,000.
- From the Stormwater fund to the Public Works Equipment fund for the purchase of a street vacuum truck in the amount of $50,000.
- From the Employee Benefit fund to the General fund to cover expenses related to vacation and sick leave payments for employee retirements and separations in the amount of $46,811.
- From the Energy Project fund to the GO Bonds 2016A to close the Energy Project fund in the amount of $2,177
- From the 2016 Street Reconstruction fund to the GO Bonds 2016A fund to close the 2016 Reconstruction fund in the amount of $116,793
- From the Stormwater fund to the Municipal State Aid fund to cover costs related to the Agnes Boulevard and 8th Avenue East projects in the amount of $74,240.
- From the Stormwater fund to the Local Street Overlay fund to cover Glacier Avenue project costs in the amount of $8,877.

G. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds. General obligation bonds currently outstanding are as follows:

Note 3: Detailed Notes on all Funds (Continued)

Primary Government Debt

General Obligation Improvement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2010A	$ 5,205,000	1.50 - 5.00 %	09/15/10	02/01/31	$ 3,745,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/30	1,040,000
G.O. Bonds of 2016A	7,060,000	2.00 - 3.00	08/25/16	02/01/37	6,770,000
G.O. Refunding Bonds of 2016B	780,000	2.00 - 3.00	08/25/16	02/01/30	780,000
Total General Obligation Bonds					$ 12,335,000

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
2020	$ 600,000	$ 360,371	$ 960,371
2021	635,000	342,206	977,206
2022	640,000	323,121	963,121
2023	840,000	299,084	1,139,084
2024	865,000	270,789	1,135,789
2025 - 2029	4,635,000	923,300	5,558,300
2030 - 2034	3,020,000	275,038	3,295,038
2035 - 2037	1,100,000	38,908	1,138,908
Total	$ 12,335,000	$ 2,832,817	$ 15,167,817

Note 3: Detailed Notes on all Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2011A	$ 2,475,000	1.00 - 2.90 %	08/15/11	02/01/22	$ 990,000
G.O. Improvement Bonds of 2013A	5,490,000	2.60 - 3.00	09/01/13	02/01/24	3,180,000
G.O. Improvement Bonds of 2014A	2,900,000	2.60 - 3.00	09/15/14	02/01/24	1,960,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/25	445,000
G.O. Refunding Bonds of 2016B	1,685,000	2.00 - 3.00	08/25/16	02/01/28	1,540,000
Total G.O. Improvement Bonds					$ 8,115,000

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
2020	$ 1,530,000	$ 194,505	$ 1,724,505
2021	1,445,000	155,201	1,600,201
2022	1,465,000	115,730	1,580,730
2023	1,150,000	80,491	1,230,491
2024	1,160,000	48,738	1,208,738
2025 - 2028	1,365,000	45,912	1,410,912
Total	$ 8,115,000	$ 640,577	$ 8,755,577

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2019

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	$ 14,770

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

Year Ending December 31,	Loans Payable Governmental Activities Principal	Interest	Total
2020	$ 7,447	$ 737	$ 8,184
2021	5,385	375	5,760
2022	1,938	112	2,050
Total	$ 14,770	$ 1,224	$ 15,994

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	$ 138,607

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

Year Ending December 31,	Capital Lease Governmental Activities Principal	Interest	Total
2020	$ 62,857	$ 2,851	$ 65,708
2021	64,434	1,275	65,709
2022	11,316	68	11,384
Total	$ 138,607	$ 4,194	$ 142,801

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 13,685,000	$ -	$ (1,350,000)	$ 12,335,000	$ 600,000
General obligation improvement bonds	9,630,000	-	(1,515,000)	8,115,000	1,530,000
Bond discount	(11,110)	-	6,926	(4,184)	-
Bond premium	636,391	-	(62,517)	573,874	-
Total Bonds Payable	23,940,281	-	(2,920,591)	21,019,690	2,130,000
CHAP Loans	28,000	-	(13,230)	14,770	7,447
Capital Lease	204,969	-	(66,362)	138,607	62,857
Compensated Absences payable	933,297	498,524	(507,395)	924,426	404,414
Governmental Activity Long-term Liabilities	$ 25,106,547	$ 498,524	$ (3,507,578)	$ 22,097,493	$ 2,604,718
Business-type Activities					
Compensated Absences Payable	$ 69,479	$ 41,244	$ (51,729)	$ 58,994	$ 27,387

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Unit

Board of Public Works

Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Revenue Bonds of 2015A	5,395,000	2.00 - 3.25	12/30/15	12/01/35	4,500,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	940,000
Electric Utility Revenue Bonds of 2019A	2,680,000	4.00 - 5.00	06/19/19	12/01/33	2,495,000
Total Revenue Bonds					$ 7,935,000

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

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2020	$ 535,000	$ 255,785	$ 790,785
2021	545,000	240,835	785,835
2022	565,000	225,525	790,525
2023	590,000	209,645	799,645
2024	605,000	192,955	797,955
2025 - 2029	2,265,000	727,305	2,992,305
2030 - 2034	2,475,000	301,068	2,776,068
2035	355,000	11,537	366,537
Total	$ 7,935,000	$ 2,164,655	$ 10,099,655

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	$ 207,000
G.O. Drinking Water					
Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,022,000
Total G.O. Revenue Notes					$ 2,229,000

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

Year Ending December 31,	G.O. Revenue Notes Principal	Interest	Total
2020	$ 248,000	$ 56,435	$ 304,435
2021	254,000	49,744	303,744
2022	261,000	42,889	303,889
2023	195,000	35,844	230,844
2024	199,000	31,076	230,076
2025 - 2029	1,072,000	79,927	1,151,927
Total	$ 2,229,000	$ 295,915	$ 2,524,915

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

	Board of Public Works
Revenues	$ 28,307,089
Principal and Interest	1,096,170
Percentage of Revenues	3.9%

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
Revenue bonds	$ 5,835,000	$ 2,680,000	$ (580,000)	$ 7,935,000	$ 535,000
G.O. revenue notes	2,471,000	-	(242,000)	2,229,000	248,000
Bond premium	25,876	394,657	(27,833)	392,700	-
Total Bonds Payable	8,331,876	3,074,657	(849,833)	10,556,700	783,000
Compensated Absences Payable	924,113	342,710	(295,905)	970,918	285,912
Business-type Activity Long-term Liabilities	$ 9,255,989	$ 3,417,367	$ (1,145,738)	$ 11,527,618	$ 1,068,912

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, 2019 was as follows:

Issued to	Issue Date	Maturity Date	Amount Issued	Balance at Year End
St. Mary's Church School Project - 2005A	03/22/05	03/01/30	$ 2,800,000	$ 1,631,805
Knute Nelson - Assisted Living Facility	06/08/06	06/01/27	4,300,000	2,008,492
Alexandria Area YMCA	12/15/08	06/15/20	6,000,000	1,012,475
Knute Nelson Project	07/08/10	07/08/25	4,500,000	1,890,416
ATCC Foundation	09/01/11	03/01/43	7,040,000	6,033,018

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

Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP 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 state statute and can only be modified by the state legislature.

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

GERP Benefits

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

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

PEPFP Benefits

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

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase-will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were $223,475, $213,553 and $204,890, respectively. The Board of Public Works contributions to the GERF for the years ending December 31, 2019, 2018 and 2017 were $227,298, $209,286 and $207,978, respectively. The City's and Board of Public Works contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were $345,991, $319,039 and $304,579, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of $2,261,269 for its proportionate share of the General Employees Fund's net pension liability. At December 31, 2019, the Board of Public Works reported a liability of $2,283,384 for its proportionate share of the GERF's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $70,330 and with the Board of Public Works totaled $70,997. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's and Board of Public Works proportionate share of the net pension liability was based on the City's and Board of Public Works contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0409 percent which was a decrease of 0.0009 percent from its proportion measured as of June 30, 2018. At June 30, 2019, the Board of Public Works proportionate share was 0.0413 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability	$ 2,261,269
State of Minnesota's proportionate share of the net pension liability associated with the City	70,330
Total	$ 2,331,599
Board of Public Works proportionate share of the net pension liability	$ 2,283,384
State of Minnesota's proportionate share of the net pension liability associated with the Board of Public Works	70,997
Total	$ 2,354,381

For the year ended December 31, 2019, the City recognized pension expense of $264,486 for its proportionate share of the General Employees Plan's pension expense. For the year ended December 31, 2019, the Board of Public Works recognized pension expense of $278,556 for its proportionate share of General Employees Fund pension expense. In addition, the City recognized $5,267 and the Board of Public Works recognized $5,317 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

At December 31, 2019, the City and Board of Public Works reported its proportionate share of the General Employees Plan'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	$ 72,070	$ 1,022	$ 68,140	$ 1,482
Changes in Actuarial Assumptions	4,167	185,149	2,273	184,646
Net Difference Between Projected and Actual Earnings on Plan Investments	-	237,765	-	235,603
Changes in Proportion	-	80,456	4,667	35,079
Contributions Paid to PERA Subsequent To the Measurement Date	112,032	-	114,930	-
Total	$ 188,269	$ 504,392	$ 190,010	$ 456,810

The $226,962 reported as deferred outflows of resources related to pensions resulting from the City's and Board of Public Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Primary government	Component unit
2020	$ (168,637)	$ (140,905)
2021	(201,708)	(200,601)
2022	(61,499)	(43,904)
2023	3,689	3,680

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of $2,009,967 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.1888 percent which was an increase of 0.0060 percent from its proportionate share measured as of June 30, 2018.

The City also recognized $25,488 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay $4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay $9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of $446,181 for its proportionate share of the Police and Fire Plan's pension expense.

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

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan'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	$ 85,496	$ 337,262
Changes in Actuarial Assumptions	1,704,910	2,261,175
Net Difference Between Projected and Actual Earnings on Plan Investments	-	395,538
Changes in Proportion	266,686	-
Contributions Paid to PERA Subsequent To the Measurement Date	176,918	-
Total	$ 2,234,010	$ 2,993,975

The $176,918 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ (50,615)
2021	(209,247)
2022	(720,762)
2023	28,470
2022	15,271

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan..

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	100.00 %	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the City's 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%)
General Employees Fund			
Primary government	$ 3,717,405	$ 2,261,269	$ 1,058,940
Component unit	3,753,761	2,283,384	1,069,296
Police and Fire Fund	4,393,414	2,009,967	39

I. Pension Plan Fiduciary Net Position

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

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, 2018, the plan covered 29 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 $144,910 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2019, 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, 2019, the City reported a net pension liability (asset) of ($262,672) for the plan. The net pension liability (asset) was measured as of December 31, 2018. 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, 2018. 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, 2018	$ 2,517,016	$ 3,283,070	$ (766,054)
Changes for the Year			
Service cost	96,974	-	96,974
Interest on pension liability (asset)	170,466	-	170,466
Differences between expected and actual experience	(81,151)	-	(81,151)
Changes in assumptions	43,549	-	43,549
Changes of benefit terms	50,831	-	50,831
Contributions (State and local)	-	159,187	(159,187)
Net investment income	-	(375,550)	375,550
Benefit payments	(357,537)	(357,537)	-
Administrative expenses	-	(6,350)	6,350
Total Net Changes	(76,868)	(580,250)	503,382
Ending Balance December 31, 2018	$ 2,440,148	$ 2,702,820	$ (262,672)

For the year ended December 31, 2019 the City recognized pension expense of $200,824.

At December 31, 2019, 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	$ 59,748	$ 67,587
Net Difference Between Projected and Actual Earnings on Plan Investments	338,850	-
Difference Between Expected and Actual Liability	-	223,621
Contributions to Plan Subsequent To the Measurement Date	144,910	-
Total	$ 543,508	$ 291,208

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

Deferred outflows of resources totaling $144,910 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2020	$	92,258
2021		(2,809)
2022		2,938
2023		79,547
2024		(32,336)
Thereafter		(32,208)

E. Actuarial Assumptions

The total pension liability at December 31, 2019 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	6.50%
Inflation Rate	2.50%
Investment Rate of Return	6.50%
20 Year Municipal Bond Yield	3.71%

The actuarial assumptions changed from the prior valuation. The expected investment return and discount rate decreased from 7.00 percent to 6.50 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	55.00 %	4.95 %
International Equity	20.00	5.24
Fixed Income	5.00	1.99
Real Estate and Alternatives	5.00	4.19
Cash and Equivalents	15.00	0.58
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 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
Defined Benefit Plan	$ (187,656)	$ (262,672)	$ (335,612)

H. Pension Plan Fiduciary Net Position

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

Note 6: Postemployment Benefits other than Pensions

A. Plan Description

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

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	2
Active Plan Members	70
Total Plan Members	72

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended December 31, 2019, the City's average contribution rate was 9.07 percent of covered-employee payroll. For the year 2019, the City directly contributed $13,183 to the Plan, while implicit contributions totaled $5,210.

Note 6: Postemployment Benefits other than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of $424,763 was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31,2018. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.71%
20-Year Municpal Bond Yeild	3.71%
Inflation Rate	2.50%
Salary Increases	3.25%
Medical Trend Rate	6.40% in 2019, gradually decreasing over several decades to an ultimatre rate of 4.00% in 2075 and later years.

The discount rate used to measure the total OPEB liability was 3.71 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017 and other adjustments.

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

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 6: Postemployment Benefits other than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2018	$ 529,634
Changes for the Year:	
Service cost	39,353
Interest	18,517
Differences between expected and actual experience	(139,314)
Changes in assumptions or other inputs	(4,309)
Benefit payments	(19,118)
Net Changes	(104,871)
Balances at December 31, 2019	$ 424,763

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims cost were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA Police & Fire Plan to the rates used in the 7/1/2018 valuation.
- The inflation assumption was changed from 2.75% to 2.5% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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

- None

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current discount rate:

1 Percent Decrease (2.71%)	Current (3.71%)	1 Percent Increase (4.71%)
$ 452,061	$ 424,763	$ 397,756

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trent Rates that is 1-percentage point lower (5.40 percent decreasing to 3.00 percent) or 1-percentage-point higher (7.40 percent increasing to 5.00 percent) than the current **cost trend** rate:

1 Percent Decrease (5.4% decreasing to 3%)	Healthcare Cost Trend Rates (6.4% decreasing to 4%)	1 Percent Increase (7.4% decreasing to 5%)
$ 377,432	$ 424,763	$ 480,600

Note 6: Postemployment Benefits other than Pensions (Continued)

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

For the year ended December 31, 2019, the City recognized OPEB expense of $33,600. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 122,489
Changes in actuarial assumptions	15,383	3,789
Contributions to OPEB subsequent to the measurement date.	18,394	-
Total	$ 33,777	$ 126,278

Deferred outflows of resources totaling $18,394 resulted from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31	
2020	$ (15,089)
2021	(15,089)
2022	(15,089)
2023	(15,089)
2024	(15,089)
Thereafter	(35,450)

Note 7: Other Information

A. Risk Management

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

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

Note 7: Other Information (Continued)

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.

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 2019 was $1,521,419 which accounted for 15.8 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, 2019 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 LaGrand 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 2019, the annual contribution was $74,622 and the City also contributed $7,500 for the Life Guards at Le Homme Dieu beach. By unanimous consent the joint powers agreement between the City of Alexandria, Townships of Alexandria and LaGrand and Independent School District #206 for the operation of Lakes Area Recreation will be terminated with a dissolution date of December, 31 2019.

The Flood Water Control Board was established by an agreement between the City of Alexandria, Douglas County, Alexandria Township, LaGrand Township, and Alexandria Lakes Area Sanitary District to prevent, control and abate water quality and flooding in the City watersheds. Per the agreement, in 2019, 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 2019 the City paid TIF administration fees of $55,505 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 LaGrand 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.

Note 7: Other Information (Continued)

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.

The Minnesota Internet Crimes Against Children Task Force is an agreement between The State of Minnesota, Department of Public Safety, Bureau of Criminal Apprehension and The City of Alexandria Police Department to utilize state and federal laws to investigate and prosecute crimes committed against children and the criminal exploitation on children that is committed and/or facilitated by or through the use of computers.

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 $64,743 and $62,743 in matching funds to the plan for the year ended December 31, 2019 and 2018, respectively.

H. Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. The City's assets may have seen unrealized market losses as of June 17, 2020. However, City management is unable to determine the long term material impact to its asset values.

Note 7: Other Information (Continued)

I. Subsequent Event – ERIP

On May 26, 2020 the Council approved an Early Retirement Incentive Program (ERIP). This early retirement incentive program would allow workers to retire on or before October 31st while maintaining medical coverage (through the City's plan or another using funds deposited into the employee's VEBA in the amount of $1,106.25) for up to sixty (60) months or until the time they turn 65. The City has determined that additional time will be needed to facilitate the smooth transition of the duties of the City's department heads who choose to participate in the ERIP.

Note 8: Tax Abatements

As of December 31, 2019, 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 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 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 #17) on December 8, 1997 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $3,073,677 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #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 #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.

Note 8: Tax Abatements (Continued)

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

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

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

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

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

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

Note 8: Tax Abatements (Continued)

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 #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.

The City entered into a tax increment financing agreement (TIF #52) on April 13, 2015 with a developer on in which the developer incurs costs for a multi-family development consisting of a thirty six unit structure. 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 estimated amount of bonds to be issued is $600,000. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 8: Tax Abatements (Continued)

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

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated this fiscal year
Tax Abatement Agreements			
Hoven-Anderson Properties			$ 4,539
Viking Plaza Associates			6,650
Tax Increment Districts (PAYGO)			
TIF #12	23.923 %	$ 13,230	3,165
TIF #15	23.571	4,079	961
TIF #17	23.923	63,712	15,242
TIF #25	34.126	9,936	3,391
TIF #26	34.126	119,726	40,858
TIF #32	34.218	12,374	4,234
TIF #36	30.124	17,136	5,162
TIF #37	30.124	19,244	5,797
TIF #39	30.648	13,044	3,998
TIF #40	33.898	23,423	7,940
TIF #41	33.898	140,807	47,731
TIF #42	33.898	200,573	67,990
TIF #43	33.898	67,607	22,917
TIF #44	33.898	32,306	10,951
TIF #45	33.828	9,090	3,075
TIF #46	32.862	9,692	3,185
TIF #47	43.282	141,751	61,353
TIF #48	43.282	18,929	8,193
TIF #49	44.256	723,884	320,362
TIF #50	43.614	(1,374)	(599)
TIF #51	43.614	85,366	37,232
TIF #52	42.010	26,147	10,984
TIF #53	42.010	22,961	9,646
			$ 704,956

Note 9: Prior Period Adjustment

There was a prior period adjustment made to correct accumulated depreciation for the governmental activities totaling $295,427.

City of Alexandria, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General 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
06/30/19	0.0409 %	$ 2,261,269	$ 70,330	$ 2,331,599	$ 2,893,901	80.6 %	80.2 %
06/30/18	0.0418	2,318,893	76,115	2,395,008	2,802,281	85.5	79.5
06/30/17	0.0420	2,681,252	33,741	2,714,993	2,707,621	99.0	75.9
06/30/16	0.0441	3,580,701	46,790	3,627,491	2,454,920	145.9	68.9
06/30/15	0.0425	2,202,572	-	2,202,572	2,686,933	82.0	78.2

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

Discretely Presented Component Unit - Board of Public Works

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0413 %	$ 2,283,384	70,997	$ 2,354,381	$ 2,920,727	78.2 %	80.2 %
06/30/18	0.0412	2,285,607	74,881	2,360,488	2,767,756	82.6	79.5
06/30/17	0.0421	2,687,636	33,825	2,721,461	2,714,643	100.3	75.9
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	132.5	68.9
06/30/15	0.0419	2,171,475	-	2,171,475	2,421,840	89.7	78.2

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

Schedule of employer's PERA contributions - General Employees 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)
12/31/19	$ 223,475	$ 223,475	$ -	$ 2,979,664	7.5 %
12/31/18	213,553	213,553	-	2,847,367	7.5
12/31/17	204,890	204,890	-	2,731,866	7.5
12/31/16	198,124	198,124	-	2,641,653	7.5
12/31/15	191,394	191,394	-	2,551,920	7.5

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

Discretely Presented Component Unit - Board of Public Works

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	$ 227,298	$ 227,298	$ -	$ 3,030,635	7.5 %
12/31/18	209,286	209,286	-	2,790,474	7.5
12/31/17	207,978	207,978	-	2,773,043	7.5
12/31/16	200,269	200,269	-	2,670,258	7.5
12/31/15	193,803	193,803	-	2,584,036	7.5

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

Notes to the Required Supplementary Information - General Employee Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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

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

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

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

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

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

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

Schedule of Employer's Share of PERA Net Pension Liability - 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
06/30/19	0.1888 %	$ 2,009,967	$ -	$ 2,009,967	$ 1,991,868	100.9 %	89.3 %
06/30/18	0.1828	1,948,460	-	1,948,460	1,926,385	101.1	88.8
06/30/17	0.1760	2,376,209	-	2,376,209	1,802,895	131.8	85.4
06/30/16	0.1740	6,982,923	-	6,982,923	1,680,278	415.6	63.9
06/30/15	0.1600	1,817,974	-	1,817,974	1,421,679	127.9	86.6

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

Schedule of Employer's PERA Contributions - 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)
12/31/19	$ 345,991	$ 345,991	$ -	$ 2,041,246	17.0 %
12/31/18	319,039	319,039	-	1,969,377	16.2
12/31/17	304,579	304,579	-	1,880,119	16.2
12/31/16	278,811	278,811	-	1,721,056	16.2
12/31/15	243,780	243,780	-	1,504,815	16.2

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

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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

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

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

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

Changes in Plan Provisions

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing $9.0 million state contribution. New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 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 postretirement 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 5.60 percent per annum to 7.50 percent per annum.

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.

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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

	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability					
Service cost	$ 96,974	$ 92,744	$ 93,902	$ 99,006	$ 96,356
Interest	170,466	172,323	172,406	115,843	108,195
Changes of benefit terms	50,831	35,092	246,769	180,109	-
Differences between expected and actual experience	(81,151)	-	(228,614)	-	-
Changes of assumptions	43,549	-	31,842	(129,171)	-
Benefit payments, including refunds of employee contributions	(357,537)	(304,298)	-	(136,320)	-
Net Change in Total Pension Liability	(76,868)	(4,139)	316,305	129,467	204,551
Total Pension Liability - January 1	2,517,016	2,521,155	2,204,850	2,075,383	1,870,832
Total Pension Liability - December 31	$ 2,440,148	$ 2,517,016	$ 2,521,155	$ 2,204,850	$ 2,075,383
Plan Fiduciary Net Position					
Contributions - state	159,187	140,428	136,992	135,561	161,845
Net investment income	(375,550)	583,315	225,208	(316,113)	(14,218)
Benefit payments, including refunds of employee contributions	(357,537)	(304,298)	-	(136,320)	-
Administrative expense	(6,350)	(7,578)	(5,800)	(6,360)	(10,400)
Net Change in Plan Fiduciary Net Position	(580,250)	411,867	356,400	(323,232)	137,227
Plan Fiduciary Net Position - January 1	3,283,070	2,871,203	2,514,803	2,838,035	2,700,808
Plan Fiduciary Net Position - December 31 (B)	$ 2,702,820	$ 3,283,070	$ 2,871,203	$ 2,514,803	$ 2,838,035
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (262,672)	$ (766,054)	$ (350,048)	$ (309,953)	$ (762,652)
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)	110.76%	130.44%	113.88%	114.06%	136.75%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) As a Percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

Changes in Actuarial Assumptions

2019 - The expected investment return and discount rate decreased from 7.00% to 6.50% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%.

Changes in Benefits

2019 - The annual lump sum amount increased from $7,880 to $8,077.

2018 - The annual lump sum benefit increased from $7,225 to $7,880 effective December 11, 2017.

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/19	$ 159,187	$ 159,187	$ -
12/31/18	140,428	140,428	-
12/31/17	136,992	136,992	-
12/31/16	135,561	135,561	-
12/31/15	129,243	129,243	-
12/31/14	161,845	161,845	-

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

Schedule of changes in the City's OPEB Liability and related ratios

	2019	2018
Total OPEB liability		
Service cost	$ 39,353	$ 34,340
Interest	18,517	19,309
Differences between expected and actual experience	(139,314)	
Changes in assumptions	(4,309)	19,895
Benefit payments	(19,118)	(32,761)
Net change in total OPEB liability	(104,871)	40,783
Total OPEB liability - beginning	529,634	488,851
Total OPEB liability - ending	$ 424,763	$ 529,634
Employee payroll	$ 4,684,169	$ 4,346,100
City's total OPEB liability as a percentage of covered employee payroll	9.07 %	12.19 %

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

Benefit Changes:

In 2019, there were no benefit changes.
In 2018, there were no benefit changes.

Changes in Assumptions:

In 2019, the following assumption changes:
The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
Healthcare trend rates were reset to reflect updated cost increase expectations.
Medical per capita claims cost were updated to reflect recent experience.
Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.
Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA Police & Fire Plan to the rates used in the 7/1/2018 valuation.
The inflation assumption was changed from 2.75% to 2.5% based on an updated historical analysis of inflation rates and forward-looking market expectations.
In 2018, the following assumption changes:
The discount rate was changed from 3.50% to 3.31%.

PROPOSAL SALE DATE: July 27, 2020

City of Alexandria, Minnesota

$2,375,000* General Obligation Street Reconstruction Bonds, Series 2020A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $_________________ (which may not be less than $2,351,250) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2022	_______%	_______%	_______%	2030	_______%	_______%	_______%
2023	_______%	_______%	_______%	2031	_______%	_______%	_______%
2024	_______%	_______%	_______%	2032	_______%	_______%	_______%
2025	_______%	_______%	_______%	2033	_______%	_______%	_______%
2026	_______%	_______%	_______%	2034	_______%	_______%	_______%
2027	_______%	_______%	_______%	2035	_______%	_______%	_______%
2028	_______%	_______%	_______%	2036	_______%	_______%	_______%
2029	_______%	_______%	_______%				

Designation of Term Maturities

Years of Term Maturities _______________ _______________
_______________ _______________

In making this offer on the sale date of July 27, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated July 8, 2020 including the City's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________________

TRUE INTEREST RATE: ______________ %

The Bidder ☐ will not ☐ will purchase municipal bond insurance from _________________.

Account Members

____
Account Manager

By: ___________________________

Phone: _________________________

....

The foregoing proposal has been accepted by the City.

Attest: _______________________________ Date: ________________________________

....

* *Preliminary; subject to change.*

Phone: 651-223-3000
Fax: 651-223-3046
Email: bondservice@bakertilly.com