

ANNUAL FINANCIAL REPORT

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Alexandria, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION
CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
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City of Alexandria, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2025

Elected

Name	Title	Term Expires
Bobbie Osterberg	Mayor	12/31/2028
Bill Franzen	Council	12/31/2026
Roger Thalman	Council	12/31/2026
Scott Allen	Council	12/31/2028
Nicole Mace	Council	12/31/2026
Carl Kvale	Council	12/31/2028

Appointed

Martin Schultz	City Administrator	
Kelsey Deling	HR Director	
Reed Heidelberger	City Assessor	
Mike Weber	Community Development Director	
Jane Blade	Finance Director	Retired 1/10/2025
Heather Koskiniemi	Finance Director	Effective 1/10/2025
Jeff Karrow	Fire Chief	
Andy Mellgren	Liquor Operations Manager	
Scott Kent	Chief of Police	
Bill Thoennes	Public Works Director - Parks and Facilities	
Dane Bosl	Public Works Director - Streets and Stormwater	
Vinnie Hennen	Runestone Community Center Manager	
Thomas Jacobson	City Attorney	
Brian Yavarow	City Engineer	Effective 3/31/2025
Lynn Timm	Building Official	Retired 7/25/2025
Mike Schmidt	Building Official	Effective 8/14/2025

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FINANCIAL SECTION
CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Alexandria, Minnesota

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in note 9 to the financial statements, the City restated beginning net position for the discretely presented component unit to correct an error in the previously issued financial statements. Our opinions were not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Schedule of Changes in the City's Total OPEB Liability and Related Ratios, and the respective budgetary comparison schedules and related note disclosures 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.



Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2026, 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.



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Management's Discussion and Analysis

As management of the City of Alexandria, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. This MD&A focuses on the financial activities of the primary government. Financial information for the discretely presented component unit, Board of Public Utilities DBA ALP Utilities, is reported separately in the government-wide financial statements. Readers seeking more detailed information about the component unit should refer to its separately issued financial statements.

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 explain and support the information in the financial statements. Figure 1 shows 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

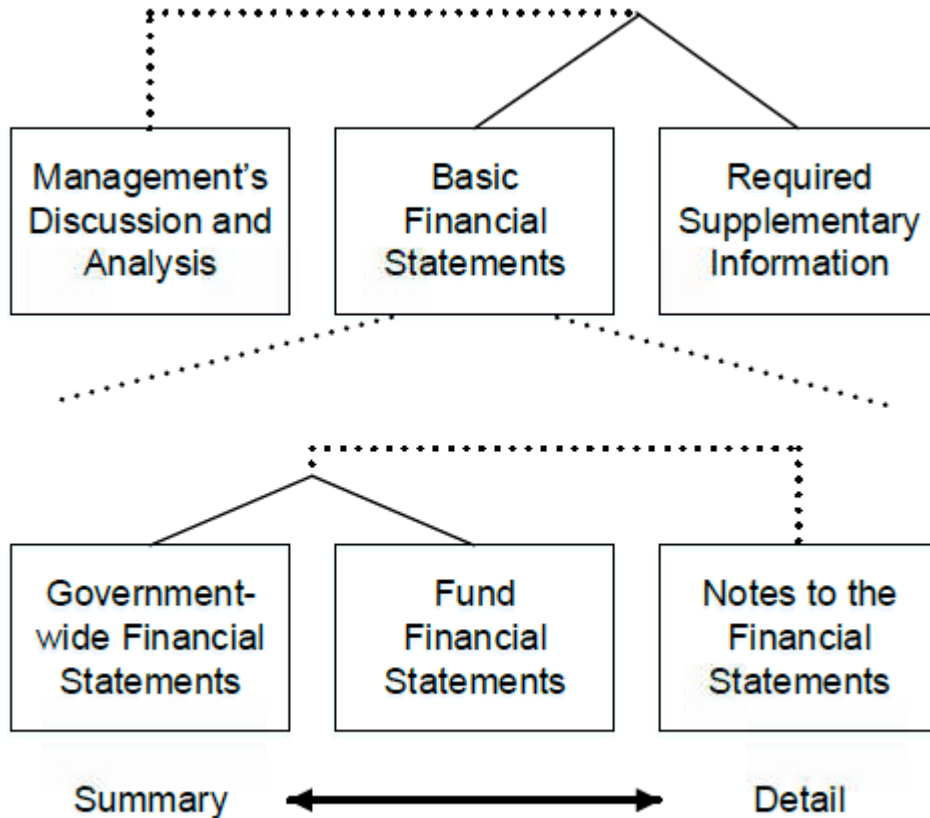


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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	Activities the City operates similar to private businesses such as the liquor store and storm sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during the 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 deferred outflows of resources and liabilities and deferred inflows of resources 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, culture and recreation, economic development, airport and interest on long-term debt. The business-type activities of the City include two municipal liquor stores and storm water utility. The City's water and electric 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 of 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 two types of proprietary funds. *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 and storm water 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 each of the enterprise funds, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 40 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 43 of this report.

Supplementary 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 110 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 at the close of the most recent fiscal year as shown below.

A large portion of the City’s net position 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		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	\$ 26,562,732	\$ 35,371,503	\$ (8,808,771)	\$ 3,725,629	\$ 4,122,934	\$ (397,305)
Capital assets	83,615,663	76,087,875	7,527,788	13,996,836	13,294,132	702,704
Total Assets	<u>110,178,395</u>	<u>111,459,378</u>	<u>(1,280,983)</u>	<u>17,722,465</u>	<u>17,417,066</u>	<u>305,399</u>
Deferred outflows of resources	<u>4,118,116</u>	<u>5,151,799</u>	<u>(1,033,683)</u>	<u>94,120</u>	<u>63,256</u>	<u>30,864</u>
Liabilities						
Long-term liabilities						
outstanding	32,621,641	34,141,404	(1,519,763)	1,036,967	1,223,878	(186,911)
Other liabilities	1,660,603	2,831,845	(1,171,242)	245,198	239,572	5,626
Total Liabilities	<u>34,282,244</u>	<u>36,973,249</u>	<u>(2,691,005)</u>	<u>1,282,165</u>	<u>1,463,450</u>	<u>(181,285)</u>
Deferred inflows of resources	<u>7,481,024</u>	<u>7,796,579</u>	<u>(315,555)</u>	<u>187,033</u>	<u>199,523</u>	<u>(12,490)</u>
Net Position						
Net investment in capital assets	57,846,276	57,209,220	637,056	13,395,552	12,505,752	889,800
Restricted	9,946,042	10,107,979	(161,937)	-	-	-
Unrestricted	4,740,925	4,524,150	216,775	2,951,835	3,311,597	(359,762)
Total Net Position	<u>\$ 72,533,243</u>	<u>\$ 71,841,349</u>	<u>\$ 691,894</u>	<u>\$ 16,347,387</u>	<u>\$ 15,817,349</u>	<u>\$ 530,038</u>
Net Position as a Percent of Total						
Net investment in capital assets	79.8 %	79.6 %		81.9 %	79.1 %	
Restricted	13.7	14.1		-	-	
Unrestricted	6.5	6.3		18.1	20.9	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

As shown in the table above, as of December 31, 2025, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. The City's total net position increased as a result of the financial performance of the governmental activities. The following sections of the MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental activities. Governmental activities increased the City's net position as shown below:

City of Alexandria's Changes in Net Position

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
Revenues								
Program Revenues								
Charges for services	\$ 4,145,465	\$ 3,809,857	\$ 335,608	\$ 8,420,292	\$ 8,826,010	\$ (405,718)	\$ 12,565,757	\$ 12,635,867
Operating grants and contributions	4,283,915	3,540,887	743,028	75,565	15,941	59,624	4,359,480	3,556,828
Capital grants and contributions	1,079,207	2,001,919	(922,712)	303,234	168,660	134,574	1,382,441	2,170,579
General Revenues								
Property taxes/tax increments	11,475,121	10,786,863	688,258	-	-	-	11,475,121	10,786,863
Other taxes	1,112,424	991,280	121,144	-	-	-	1,112,424	991,280
Grants and contributions not restricted to specific programs	1,946,988	2,037,904	(90,916)	-	-	-	1,946,988	2,037,904
Unrestricted investment earnings	796,789	937,223	(140,434)	69,597	68,317	1,280	866,386	1,005,540
Other revenues	2,633	10,639	(8,006)	-	-	-	2,633	10,639
Gain on sale of capital assets	-	394,813	(394,813)	-	-	-	-	394,813
Total Revenues	24,842,542	24,511,385	331,157	8,868,688	9,078,928	(210,240)	33,711,230	33,590,313
Expenses								
General government	3,414,691	3,272,470	142,221	-	-	-	3,414,691	3,272,470
Public safety	6,278,487	5,971,478	307,009	-	-	-	6,278,487	5,971,478
Public works	5,763,776	4,768,069	995,707	-	-	-	5,763,776	4,768,069
Culture and recreation	3,170,301	2,276,705	893,596	-	-	-	3,170,301	2,276,705
Economic development	4,395,367	2,107,697	2,287,670	-	-	-	4,395,367	2,107,697
Airport	814,425	661,437	152,988	-	-	-	814,425	661,437
Interest and other costs	943,231	888,820	54,411	-	-	-	943,231	888,820
Liquor	-	-	-	7,096,837	7,385,220	(288,383)	7,096,837	7,385,220
Storm water	-	-	-	612,183	597,047	15,136	612,183	597,047
Total Expenses	24,780,278	19,946,676	4,833,602	7,709,020	7,982,267	(273,247)	32,489,298	27,928,943
Changes in Net Position								
Before Transfers and Contributions	62,264	4,564,709	(4,502,445)	1,159,668	1,096,661	63,007	1,221,932	5,661,370
Transfers	802,590	600,647	201,943	(802,590)	(600,647)	(201,943)	-	-
Capital Contributions	(172,960)	(9,950)	(163,010)	172,960	9,950	163,010	-	-
Change in Net Position	691,894	5,155,406	(4,463,512)	530,038	505,964	24,074	1,221,932	5,661,370
Net Position - January 1	71,841,349	66,685,943	5,155,406	15,817,349	15,311,385	505,964	87,658,698	81,997,328
Net Position - December 31	\$ 72,533,243	\$ 71,841,349	\$ 691,894	\$ 16,347,387	\$ 15,817,349	\$ 530,038	\$ 88,880,630	\$ 87,658,698

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

Key elements of this increase are as follows:

- Increase in operating grants and contributions.
- Increase in property tax and tax increments.
- Increase in fund transfers.

Increases in operating grants and contributions

Operating grants and contributions increased primarily due to disbursements from the Minnesota Department of Employment and Economic Development (DEED) related to the Twenty-08 housing project. Total disbursements from MN DEED were approximately \$2.37 million.

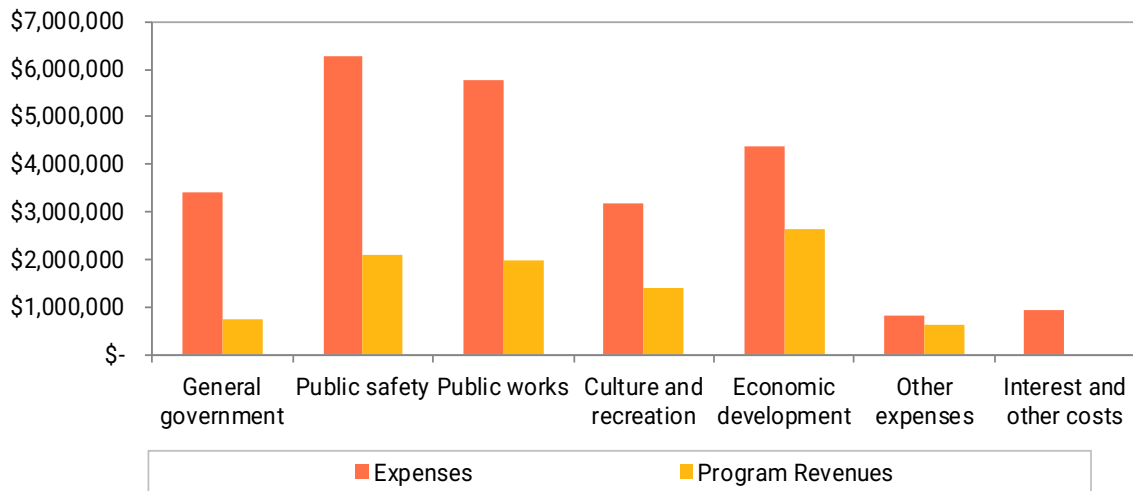
Increase in property tax and tax increments

Property tax and tax increments increased primarily driven by the 5.81% levy increase which resulted in a Current Ad Valorem increase of just under \$540,000. This total includes a required levy increase of \$49,778 for the Alexandria Lakes Area Sanitary District. In addition, several TIF District projects have recently been completed, generating approximately \$153,447 in additional increment revenue now being collected.

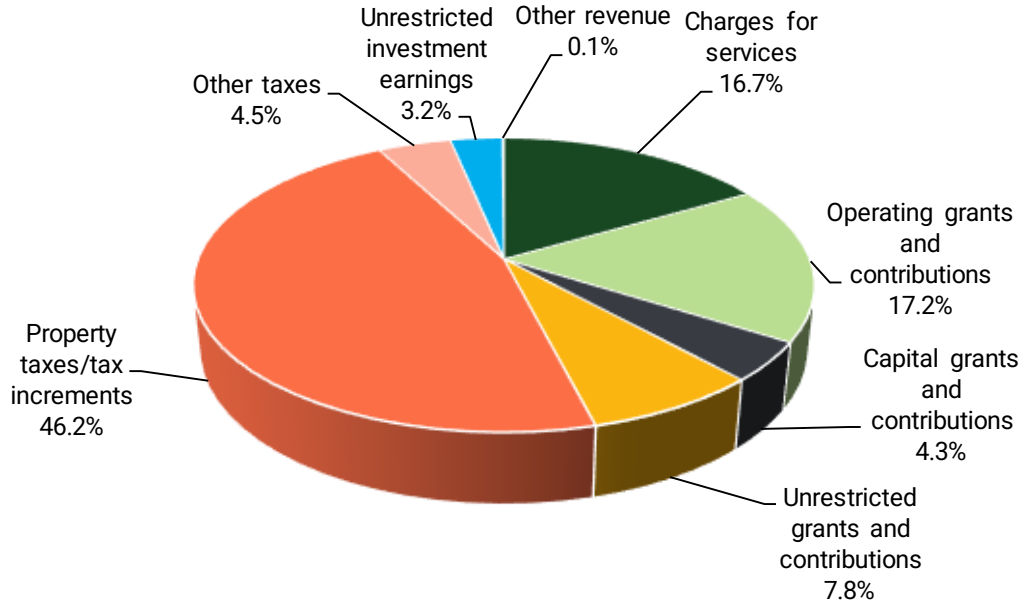
Increase in fund transfers

The increase in fund transfers is due to a one-time transfer of \$200,000 from the Liquor Store Fund to support Park Development.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

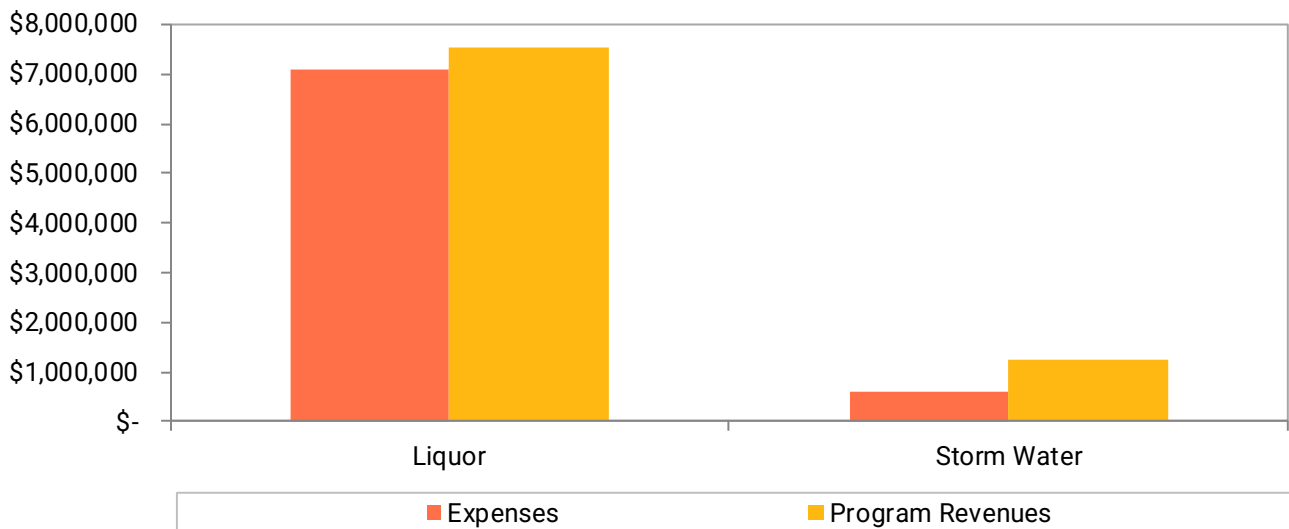


Business-type activities. Business-type activities increased the City’s net position, as shown in the changes in net position table. Key elements of this increase are as follows:

The increase in capital grants and contributions reflects a one-time \$200,000 transfer from the Liquor Store Fund to support park development.

Total expenses for business-type activities decreased due to a combination of reduced capital project activity in the Stormwater Fund and a significant decline in goods purchased for resale in the Liquor Funds.

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. The table below outlines the governmental fund balances for the year ending December 31, 2025:

	General Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 50,965	\$ -	\$ 1,257	\$ -	\$ 52,222	\$ 55,075	\$ (2,853)
Restricted	464,952	2,799,261	1,065,525	4,412,618	8,742,356	17,083,774	(8,341,418)
Committed	44,190	-	5,931,606	316,983	6,292,779	5,964,793	327,986
Unassigned	8,159,273	-	(4,866,596)	-	3,292,677	2,130,550	1,162,127
	<u>\$ 8,719,380</u>	<u>\$ 2,799,261</u>	<u>\$ 2,131,792</u>	<u>\$ 4,729,601</u>	<u>\$ 18,380,034</u>	<u>\$ 25,234,192</u>	<u>\$ (6,854,158)</u>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances as shown above, an increase in comparison with the prior year.

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 is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 50,965	\$ 17,685	\$ 33,280
Restricted	464,952	601,873	(136,921)
Committed	44,190	42,453	1,737
Unassigned	8,159,273	7,482,095	677,178
Total	<u>\$ 8,719,380</u>	<u>\$ 8,144,106</u>	<u>\$ 575,274</u>
General Fund expenditures	\$ 13,624,369	\$ 12,425,342	
Unassigned as a percent of expenditures	59.9%	60.2%	
Total Fund Balance as a percent of expenditures	64.0%	65.5%	

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

Other major governmental fund analysis is shown below:

	December 31, 2025	December 31, 2024	Increase (Decrease)
Debt Service fund	\$ 2,799,261	\$ 3,133,211	\$ (333,950)
<i>The Debt Service fund decrease in fund balance during the year was due to scheduled principal and interest payments made on bonds during the year.</i>			
Capital Projects fund	\$ 2,131,792	\$ 9,641,042	\$ (7,509,250)
<i>The Capital Projects fund decrease during the year was due to the Runestone Community Center project.</i>			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Downtown Liquor	\$ 852,822	\$ 888,084	\$ (35,262)
<i>The decrease primarily is attributed to the transfer to the General fund during the year.</i>			
Plaza Liquor	\$ 1,393,445	\$ 1,485,592	\$ (92,147)
<i>The decrease primarily is attributed to the transfer to the General fund during the year.</i>			
Storm Water Utility	\$ 14,101,120	\$ 13,443,673	\$ 657,447
<i>The increase primarily is attributed to capital grants and contributions received in the current year.</i>			

General Fund Budgetary Highlights

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 12,799,349	\$ 13,656,760	\$ 857,411
Expenditures	13,294,349	13,624,369	(330,020)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,000)	32,391	527,391
Other Financing Sources (Uses) Transfers in	495,000	542,883	47,883
Net Change in Fund Balances	-	575,274	575,274
Fund Balances, January 1	-	8,144,106	8,144,106
Fund Balances, December 31	\$ -	\$ 8,719,380	\$ 8,719,380

The City's General fund budget was not amended during the year. Revenues exceeded expectations and the expenditures were over the budgeted amounts as shown above.

Some highlights include:

- Building permit revenues for the year exceeded budget by \$409,688 due to an increase in permits issued for commercial projects and single-family dwellings over the previous year.
- Township inspection fees exceeded budget by \$22,960 due to increased levels of construction in Alexandria Township.
- Runestone Community Center revenues totaled \$815,235, coming in \$13,768 below budget, while RCC expenditures exceeded budget by \$51,640.
- Personnel expenditures were approximately \$82,000 over budget, primarily because Police and IT department positions were funded through Police and Fire Aid.
- Citywide building repair and maintenance costs were over budget by \$49,039, largely due to improvements made to the Airport's Arrival/Departure building. The unbudgeted portion of this project is being funded by an ARPA grant received by the City.
- Investment earnings exceeded budget by \$308,900, including more than \$110,000 attributable to the required year-end market value adjustment under GASB Statement No. 31. This adjustment reflects market value as of December 31, 2025; however, the City's investments are intended to be held to maturity and are not impacted by short-term market fluctuations.
- Colder weather and other contributing factors increased Natural Gas franchise fee revenues, though total receipts for 2025 were still \$64,375 under budget.
- Citywide motor fuel expenditures were \$48,327 under budget, primarily due to warmer weather.
- Citywide federal revenues exceeded budget by \$33,802, largely due to the ARPA grant received for the airport.
- General Fund transfer revenues were \$156,388 over budget, driven mainly by the allocation of Public Safety Aid and Limited Funds to support IT and Police Department wages.
- Insurance premium expenditures were \$102,917 under budget.
- Citywide contracted services exceeded budget by \$56,924, primarily due to outsourcing commercial plan review following an employee retirement that created a temporary staffing gap.

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, 2025, is shown in the table below (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities and roads.

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

- Parks Department, Knute Nelson Ballfield – Press Box, Concession & Restrooms - \$1,128,571
- Parks Department, Fillmore Park Ballfield Improvements - \$130,650.00
- Parks Department, 2025 Bobcat UW56 Tool Cat - \$76,045
- General Government, Child Card Pods 1514 & 1516 Lake St - \$438,072
- Fire Department – Two Slip-on Tanker Units - \$74,936
- Fire Department – Apparatus Room Floor Renovation - \$190,613
- PrimeWest Health Runestone Community Center, Expansion & Renovation - \$13,918,383.16
- Airport – Bellanca Building Roof Replacement - \$139,565
- Street Department, 2024 Elgin Pelican Street Sweeper - \$324,542
- Street Department, 2025 Skid Steer Loader - \$83,800
- Street Department, Westbrook Estates - \$577,531
- Street Improvements, Pioneer Road Overly 34th to 50th – \$365,808
- Storm Sewer Improvements – Voyager Drive Culvert Replacement - \$84,834
- Storm Water Retention Pond - PrimeWest Health Runestone Community Center - \$316,527.50
- Street Improvements – 36th Ave, Minnesota St, 41st Ave and Iowa St - \$580,550

Additional information on the City's capital assets can be found in Note 3C starting on page 56 of this report.

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

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 3,579,486	\$ 3,579,486	\$ -	\$ 101,413	\$ 101,413	\$ -	\$ 3,680,899	\$ 3,680,899	\$ -
Buildings	26,035,532	11,353,412	14,682,120	39,857	47,914	(8,057)	26,075,389	11,401,326	14,674,063
Improvements Other than Buildings	43,614,850	43,295,269	319,581	12,947,615	12,558,118	389,497	56,562,465	55,853,387	709,078
Machinery and Equipment	7,952,615	7,760,934	191,681	485,085	170,253	314,832	8,437,700	7,931,187	506,513
Lease Equipment (Intangible Right to Use Asset)	142,641	274,913	(132,272)	-	-	-	142,641	274,913	(132,272)
Construction in Progress	2,290,539	9,823,861	(7,533,322)	422,866	416,434	6,432	2,713,405	10,240,295	(7,526,890)
Total	\$ 83,615,663	\$ 76,087,875	\$ 7,527,788	\$ 13,996,836	\$ 13,294,132	\$ 702,704	\$ 97,612,499	\$ 89,382,007	\$ 8,230,492
Percent increase (decrease)			9.9%			5.3%			9.2%

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding as shown below. 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			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 23,080,000	\$ 24,085,000	\$ (1,005,000)	\$ -	\$ -	\$ -	\$ 23,080,000	\$ 24,085,000	\$ (1,005,000)
General Obligation Improvement Bonds	285,000	625,000	(340,000)	565,000	740,000	(175,000)	850,000	1,365,000	(515,000)
Hangar Loan	608,107	643,363	(35,256)	-	-	-	608,107	643,363	(35,256)
Financed Purchase Arrangements	2,163,846	1,730,322	433,524	-	-	-	2,163,846	1,730,322	433,524
Leases	148,495	287,221	(138,726)	-	-	-	148,495	287,221	(138,726)
Total	\$ 26,285,448	\$ 27,370,906	\$ (1,085,458)	\$ 565,000	\$ 740,000	\$ (175,000)	\$ 26,850,448	\$ 28,110,906	\$ (1,260,458)
Percent increase (decrease)			-4.0%			-23.6%			-4.5%

The City's total debt decreased during the current fiscal year as shown above.

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.

Taxable Market Value	3 percent	Net Debt Applicable to Limit	Over/ (Under) Limit
\$ 2,505,955,489	\$ 75,178,665	\$ 23,080,000	\$ (52,098,665)

Additional information on the City's long-term debt can be found in Note 3F starting on page 61 of this report.

Currently Known Facts, Decisions, or Conditions

The Budget Committee and then the City Council looked comprehensively at a number of external and internal factors in crafting the 2026 budget.

- As is customary, the City Council reviewed not only the proposed 2026 budget but also considered a multi-year projection when discussing the 2026 budget.
- Property value increases and growth through new construction contributed to a 7.5% increase in tax capacity from 2025 to 2026.
- The overall property tax levy increased by 5.90% for 2026.
- Alexandria has a pull factor index of 2.80, according to the 2022 Retail Trade Analysis of Alexandria prepared by the University of Minnesota Extension Center for Community Vitality. This study was released in May 2024 and used data from 2022. 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.
- The City Council, staff, and community stakeholders held a two-day strategic planning session on February 23 and 24, 2026. The plan covers the years 2026-2030. The plan outlines a five-year practical vision, with annual implementation steps. Key strategic directions identified in the plan are Engaging the Community, Managing Foundational Growth, and Strengthening Financial Resilience.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Alexandria, Minnesota
Statement of Net Position
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Board of Public Utilities
Assets				
Cash and temporary investments	\$ 18,518,661	\$ 2,510,946	\$ 21,029,607	\$ 30,161,697
Restricted debt service reserve deposits	-	-	-	1,661,862
Receivables				
Interest	80,449	-	80,449	129,803
Delinquent taxes	156,721	-	156,721	-
Accounts, net of allowance	274,020	67,270	341,290	3,722,182
Settlement	-	-	-	671,320
Notes and loans, net of allowance	2,011,570	-	2,011,570	-
Leases	910,555	-	910,555	-
Special assessments	3,064,455	-	3,064,455	704
Intergovernmental	191,067	-	191,067	-
Internal balances	(8,843)	8,179	(664)	-
Due from component unit	74,710	65,532	140,242	-
Inventories	-	1,073,702	1,073,702	2,298,455
Prepaid items	52,222	-	52,222	95,302
Land held for resale	201,411	-	201,411	-
Net pension asset	1,035,734	-	1,035,734	-
Capital assets				
Capital assets not being depreciated/amortized	5,870,025	524,279	6,394,304	18,414,701
Capital assets net of accumulated depreciation/amortization	77,745,638	13,472,557	91,218,195	69,980,792
Total Assets	<u>110,178,395</u>	<u>17,722,465</u>	<u>127,900,860</u>	<u>127,136,818</u>
Deferred Outflows of Resources				
Deferred pension resources	3,581,630	89,227	3,670,857	283,976
Deferred other postemployment benefit resources	536,486	4,893	541,379	5,426
Total Deferred Outflows of Resources	<u>4,118,116</u>	<u>94,120</u>	<u>4,212,236</u>	<u>289,402</u>
Liabilities				
Accounts and contracts payable	813,153	158,035	971,188	2,336,560
Due to other governments	15,650	74,181	89,831	1,131,114
Accrued interest payable	439,486	4,708	444,194	60,203
Accrued salaries payable	104,892	8,274	113,166	54,811
Due to primary government	-	-	-	140,242
Deposits payable	186,109	-	186,109	463,033
Other current liabilities	-	-	-	238,686
Unearned revenue	101,313	-	101,313	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	2,146,911	248,295	2,395,206	1,342,152
Other postemployment benefits liability	12,857	99	12,956	-
Due in more than one year				
Long-term liabilities	26,075,121	489,366	26,564,487	15,502,806
Net pension liability	3,355,345	291,292	3,646,637	1,195,469
Other postemployment benefits liability	1,031,407	7,915	1,039,322	28,869
Total Liabilities	<u>34,282,244</u>	<u>1,282,165</u>	<u>35,564,409</u>	<u>22,493,945</u>
Deferred Inflows of Resources				
Deferred lease resources	914,474	-	914,474	-
Deferred pension resources	4,609,482	183,770	4,793,252	886,806
Deferred other postemployment benefit resources	174,488	3,263	177,751	32,940
Advance from other government	1,782,580	-	1,782,580	-
Total Deferred Inflows of Resources	<u>7,481,024</u>	<u>187,033</u>	<u>7,668,057</u>	<u>919,746</u>
Net Position				
Net investment in capital assets	57,846,276	13,395,552	71,241,828	71,733,550
Restricted for				
Fire relief pension	1,035,734	-	1,035,734	-
Debt service	3,957,165	-	3,957,165	1,661,862
Public safety	458,347	-	458,347	-
Wellness	6,605	-	6,605	-
Capital outlay	75,573	-	75,573	-
Economic development	4,412,618	-	4,412,618	-
Unrestricted	4,740,925	2,951,835	7,692,760	30,617,117
Total Net Position	<u>\$ 72,533,243</u>	<u>\$ 16,347,387</u>	<u>\$ 88,880,630</u>	<u>\$ 104,012,529</u>

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, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,414,691	\$ 459,241	\$ 300,000	\$ -
Public safety	6,278,487	1,078,509	945,074	72,479
Public works	5,763,776	1,042,695	99,757	828,871
Culture and recreation	3,170,301	987,661	421,845	1,000
Economic development	4,395,367	209,519	2,412,219	-
Airport	814,425	367,840	105,020	176,857
Interest and other costs	943,231	-	-	-
Total Governmental Activities	<u>24,780,278</u>	<u>4,145,465</u>	<u>4,283,915</u>	<u>1,079,207</u>
Business-type Activities				
Liquor	7,096,837	7,552,526	(1,078)	-
Storm Water Utility	612,183	867,766	76,643	303,234
Total business-type activities	<u>7,709,020</u>	<u>8,420,292</u>	<u>75,565</u>	<u>303,234</u>
Total Primary Government	<u>\$ 32,489,298</u>	<u>\$ 12,565,757</u>	<u>\$ 4,359,480</u>	<u>\$ 1,382,441</u>
Component Unit				
ALP Utilities	<u>\$ 29,456,012</u>	<u>\$ 35,548,543</u>	<u>\$ -</u>	<u>\$ 276,861</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Lodging tax
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues

- Transfers
- Transfers of capital assets
- Special Item

Total General Revenues, Transfers and Special Item

Change in Net Position

Net Position, January 1, as Previously Reported

Error Correction (Note 9)

Net Position, January 1 as Restated

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Board of Public Utilities
\$ (2,655,450)	\$ -	\$ (2,655,450)	\$ -
(4,182,425)	-	(4,182,425)	-
(3,792,453)	-	(3,792,453)	-
(1,759,795)	-	(1,759,795)	-
(1,773,629)	-	(1,773,629)	-
(164,708)	-	(164,708)	-
(943,231)	-	(943,231)	-
<u>(15,271,691)</u>	<u>-</u>	<u>(15,271,691)</u>	<u>-</u>
-	454,611	454,611	-
-	635,460	635,460	-
-	<u>1,090,071</u>	<u>1,090,071</u>	-
<u>(15,271,691)</u>	<u>1,090,071</u>	<u>(14,181,620)</u>	-
-	-	-	<u>6,369,392</u>
8,333,718	-	8,333,718	-
1,497,522	-	1,497,522	-
1,643,881	-	1,643,881	-
463,708	-	463,708	-
648,716	-	648,716	-
1,946,988	-	1,946,988	-
796,789	69,597	866,386	1,259,386
2,633	-	2,633	111,790
802,590	(802,590)	-	-
(172,960)	172,960	-	-
-	-	-	<u>2,129,004</u>
<u>15,963,585</u>	<u>(560,033)</u>	<u>15,403,552</u>	<u>3,500,180</u>
<u>691,894</u>	<u>530,038</u>	<u>1,221,932</u>	<u>9,869,572</u>
71,841,349	15,817,349	87,658,698	91,907,367
-	-	-	<u>2,235,590</u>
<u>71,841,349</u>	<u>15,817,349</u>	<u>87,658,698</u>	<u>94,142,957</u>
<u>\$ 72,533,243</u>	<u>\$ 16,347,387</u>	<u>\$ 88,880,630</u>	<u>\$ 104,012,529</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Alexandria, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 8,645,949	\$ 2,781,874	\$ 4,623,123	\$ 2,467,715	\$ 18,518,661
Receivables					
Interest	80,449	-	-	-	80,449
Delinquent taxes	109,073	22,753	13,356	11,539	156,721
Accounts	217,753	-	22,845	33,422	274,020
Notes and loans, net of allowance	-	-	-	2,011,570	2,011,570
Special assessments	10,085	1,574,637	1,479,733	-	3,064,455
Intergovernmental	110,820	19,087	20,422	40,738	191,067
Leases	687,034	-	223,521	-	910,555
Due from other funds	76,157	-	-	-	76,157
Due from component unit	74,710	-	-	-	74,710
Prepaid items	50,965	-	1,257	-	52,222
Land held for resale	-	-	-	201,411	201,411
Total Assets	\$ 10,062,995	\$ 4,398,351	\$ 6,384,257	\$ 4,766,395	\$ 25,611,998
Liabilities					
Accounts payable	\$ 268,662	\$ 1,700	\$ 195,313	\$ 25,255	\$ 490,930
Contracts payable	-	-	322,223	-	322,223
Due to other governments	15,650	-	-	-	15,650
Due to other funds	85,000	-	-	-	85,000
Accrued salaries payable	104,892	-	-	-	104,892
Deposits payable	57,296	-	128,813	-	186,109
Unearned revenue	-	-	101,313	-	101,313
Total Liabilities	531,500	1,700	747,662	25,255	1,306,117
Deferred Inflows of Resources					
Deferred lease resources	692,957	-	221,517	-	914,474
Unavailable revenue - taxes	109,073	22,753	13,356	11,539	156,721
Unavailable revenue - special assessments	10,085	1,574,637	1,479,733	-	3,064,455
Unavailable revenue - intergovernmental	-	-	7,617	-	7,617
Advance from other government	-	-	1,782,580	-	1,782,580
Total Deferred Inflows of Resources	812,115	1,597,390	3,504,803	11,539	5,925,847
Fund Balances					
Nonspendable for					
Prepaid items	50,965	-	1,257	-	52,222
Restricted for					
Debt service	-	2,799,261	-	-	2,799,261
Public safety	458,347	-	-	-	458,347
Wellness	6,605	-	-	-	6,605
Capital outlay	-	-	1,065,525	-	1,065,525
Economic development	-	-	-	4,412,618	4,412,618
Committed for					
Capital outlay	-	-	5,931,606	-	5,931,606
Payment of benefits	-	-	-	584	584
Firefighter's retirement obligation	-	-	-	111,903	111,903
Economic development	-	-	-	87,165	87,165
Tree preservation	-	-	-	98,205	98,205
Sanitary sewer district appropriations	-	-	-	19,126	19,126
Wellness	44,190	-	-	-	44,190
Unassigned	8,159,273	-	(4,866,596)	-	3,292,677
Total Fund Balances	8,719,380	2,799,261	2,131,792	4,729,601	18,380,034
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,062,995	\$ 4,398,351	\$ 6,384,257	\$ 4,766,395	\$ 25,611,998

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, 2025

Total Fund Balances - Governmental Funds	\$ 18,380,034
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.	1,035,734
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	83,615,663
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	(1,028,314)
Other postemployment benefit liability	(1,044,264)
Bonds payable	(23,365,000)
Leases payable	(148,495)
Finance purchase arrangements	(2,163,846)
Loans payable	(608,107)
Bond premium and discount, net of accumulated amortization	(908,270)
Net pension liability	(3,355,345)
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	156,721
Special assessments receivable	3,064,455
Intergovernmental receivable	7,617
Governmental funds do not report long-term amounts related to pensions and other post-employment benefits	
Deferred outflows of resources - pension resources	3,581,630
Deferred outflows of resources - other post-employment benefits	536,486
Deferred inflows of resources - pension resources	(4,609,482)
Deferred inflows of resources - other post-employment benefits	(174,488)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(439,486)</u>
Total Net Position - Governmental Activities	<u><u>\$ 72,533,243</u></u>

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

City of Alexandria, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Revenues					
Taxes	\$ 7,302,477	\$ 1,680,334	\$ 753,236	\$ 2,785,990	\$ 12,522,037
Payment in lieu of taxes	1,017,447	-	-	-	1,017,447
Special assessments	3,429	82,024	288,095	-	373,548
Licenses and permits	1,090,819	-	-	-	1,090,819
Intergovernmental	2,444,039	35,216	2,083,944	2,676,206	7,239,405
Charges for services	1,253,159	-	354,447	146,554	1,754,160
Fines and forfeits	87,781	-	-	-	87,781
Investment earnings	392,045	59,134	264,882	143,693	859,754
Other revenue	65,564	156,515	641,538	1,605	865,222
Total Revenues	<u>13,656,760</u>	<u>2,013,223</u>	<u>4,386,142</u>	<u>5,754,048</u>	<u>25,810,173</u>
Expenditures					
Current					
General government	3,317,952	-	2,195	-	3,320,147
Public safety	5,670,061	-	-	263,926	5,933,987
Public works	2,112,821	-	9,210	655,694	2,777,725
Culture and recreation	1,970,264	-	-	-	1,970,264
Economic development	-	-	-	4,395,367	4,395,367
Airport	331,942	-	36,401	-	368,343
Capital outlay					
General government	35,501	-	344,039	-	379,540
Public safety	61,356	-	436,015	-	497,371
Public works	2,030	-	1,471,320	-	1,473,350
Culture and recreation	63,578	-	9,747,628	-	9,811,206
Airport	58,864	-	332,857	-	391,721
Debt service					
Principal	-	1,345,000	318,924	-	1,663,924
Interest and other	-	1,002,173	71,745	-	1,073,918
Total Expenditures	<u>13,624,369</u>	<u>2,347,173</u>	<u>12,770,334</u>	<u>5,314,987</u>	<u>34,056,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,391</u>	<u>(333,950)</u>	<u>(8,384,192)</u>	<u>439,061</u>	<u>(8,246,690)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	11,476	-	11,476
Transfers in	542,883	-	285,000	100,000	927,883
Transfers out	-	-	-	(125,293)	(125,293)
Proceeds from capital related debt	-	-	578,466	-	578,466
Total Other Financing Sources (Uses)	<u>542,883</u>	<u>-</u>	<u>874,942</u>	<u>(25,293)</u>	<u>1,392,532</u>
Net Change in Fund Balances	575,274	(333,950)	(7,509,250)	413,768	(6,854,158)
Fund Balances, January 1	<u>8,144,106</u>	<u>3,133,211</u>	<u>9,641,042</u>	<u>4,315,833</u>	<u>25,234,192</u>
Fund Balances, December 31	<u>\$ 8,719,380</u>	<u>\$ 2,799,261</u>	<u>\$ 2,131,792</u>	<u>\$ 4,729,601</u>	<u>\$ 18,380,034</u>

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

City of Alexandria, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2025

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

Net Change in Fund Balances - Governmental Funds	\$ (6,854,158)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	11,385,572
Depreciation expense	(4,263,050)
Capital contributed to other funds	(6,432)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Contributed capital assets	489,113
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations)</p>	
Disposal of capital assets	(77,415)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Debt issued or incurred	(578,466)
Principal repayments	1,663,924
Premium/discount on bonds issued, net of amortization expense	57,281
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	417,188
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	73,406
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	42,457
Special assessments	27,887
State grants	(1,693,616)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	85,708
Other postemployment benefit expense	(77,505)
Change in Net Position - Governmental Activities	\$ 691,894

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

City of Alexandria, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2025

	609 Downtown Liquor	610 Plaza Liquor	211 Storm Water Utility	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 21,530	\$ 1,010,225	\$ 1,112,287	\$ 2,144,042
Investments	366,904	-	-	366,904
Receivables				
Accounts	30,844	36,426	-	67,270
Due from other funds	5,000	80,000	-	85,000
Due from component unit	-	-	65,532	65,532
Inventories	529,350	544,352	-	1,073,702
Total Current Assets	953,628	1,671,003	1,177,819	3,802,450
Noncurrent Assets				
Capital assets				
Land	68,603	32,810	-	101,413
Buildings	439,516	624,364	8,346	1,072,226
Equipment	194,303	206,847	369,977	771,127
Other improvements	111,304	133,366	24,058,520	24,303,190
Construction in progress	-	-	422,866	422,866
Less accumulated depreciation	(594,480)	(767,112)	(11,312,394)	(12,673,986)
Total Capital Assets (Net of Accumulated Depreciation)	219,246	230,275	13,547,315	13,996,836
Total Assets	1,172,874	1,901,278	14,725,134	17,799,286
Deferred Outflows of Resources				
Deferred pension resources	34,106	55,121	-	89,227
Deferred other postemployment benefit resources	2,924	1,969	-	4,893
Total Deferred Outflows of Resources	37,030	57,090	-	94,120
Liabilities				
Current Liabilities				
Accounts and contracts payable	50,856	103,184	3,995	158,035
Due to other governments	25,369	48,812	-	74,181
Accrued interest payable	-	-	4,708	4,708
Accrued salaries payable	3,974	4,300	-	8,274
Compensated absences payable	26,012	30,416	6,867	63,295
Due to other funds	37,663	39,158	-	76,821
Other postemployment benefits	14	85	-	99
Bonds payable, current portion	-	-	185,000	185,000
Total Current Liabilities	143,888	225,955	200,570	570,413
Noncurrent Liabilities				
Compensated absences payable	29,105	36,817	7,160	73,082
Bonds payable	-	-	416,284	416,284
Other postemployment benefits	1,099	6,816	-	7,915
Net pension liability	111,342	179,950	-	291,292
Total Noncurrent Liabilities	141,546	223,583	423,444	788,573
Total Liabilities	285,434	449,538	624,014	1,358,986
Deferred Inflows of Resources				
Deferred pension resources	70,243	113,527	-	183,770
Deferred other postemployment benefit resources	1,405	1,858	-	3,263
Total Deferred Inflows of Resources	71,648	115,385	-	187,033
Net Position				
Net investment in capital assets	219,246	230,275	12,946,031	13,395,552
Unrestricted	633,576	1,163,170	1,155,089	2,951,835
Total Net Position	\$ 852,822	\$ 1,393,445	\$ 14,101,120	\$ 16,347,387

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

City of Alexandria, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	609 Downtown Liquor	610 Plaza Liquor	211 Storm Water Utility	Totals
Operating Revenues				
Sales	\$ 2,780,905	\$ 4,712,450	\$ -	\$ 7,493,355
Cost of sales	(2,107,014)	(3,542,248)	-	(5,649,262)
Gross Profit	<u>673,891</u>	<u>1,170,202</u>	-	<u>1,844,093</u>
Charges for services	-	-	867,766	867,766
Total Operating Revenues	<u>673,891</u>	<u>1,170,202</u>	<u>867,766</u>	<u>2,711,859</u>
Operating Expenses				
Personal services	447,382	683,911	-	1,131,293
Operating supplies and expenses	10,326	20,381	1,450	32,157
Insurance	15,277	21,096	-	36,373
Utilities	14,179	16,946	-	31,125
Depreciation and amortization	17,694	20,932	486,533	525,159
Other services and charges	108,102	71,349	124,559	304,010
Total Operating Expenses	<u>612,960</u>	<u>834,615</u>	<u>612,542</u>	<u>2,060,117</u>
Operating Income	<u>60,931</u>	<u>335,587</u>	<u>255,224</u>	<u>651,742</u>
Nonoperating Revenues (Expenses)				
Intergovernmental revenue (expense)	(412)	(666)	46,643	45,565
Miscellaneous income	781	58,390	30,000	89,171
Investment income	3,438	24,542	41,617	69,597
Amortization of premium	-	-	12,096	12,096
Interest expense	-	-	(11,737)	(11,737)
Total Nonoperating Revenues (Expenses)	<u>3,807</u>	<u>82,266</u>	<u>118,619</u>	<u>204,692</u>
Income Before Contributions and Transfers	64,738	417,853	373,843	856,434
Capital contributions from other funds	-	-	172,960	172,960
Capital grants and contributions	-	-	303,234	303,234
Transfers Out	(100,000)	(510,000)	(192,590)	(802,590)
Change in Net Position	(35,262)	(92,147)	657,447	530,038
Net Position, January 1	<u>888,084</u>	<u>1,485,592</u>	<u>13,443,673</u>	<u>15,817,349</u>
Net Position, December 31	<u>\$ 852,822</u>	<u>\$ 1,393,445</u>	<u>\$ 14,101,120</u>	<u>\$ 16,347,387</u>

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

City of Alexandria, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	609 Downtown Liquor	610 Plaza Liquor	211 Storm Water Utility	Totals
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,767,472	\$ 4,624,774	\$ 867,766	\$ 8,260,012
Payments to suppliers and vendors	(2,090,986)	(3,507,745)	(153,549)	(5,752,280)
Payments to and on behalf of employees	(484,342)	(714,163)	(178)	(1,198,683)
Other receipts	369	57,724	30,000	88,093
Net Cash Provided by Operating Activities	<u>192,513</u>	<u>460,590</u>	<u>744,039</u>	<u>1,397,142</u>
Cash Flows from Noncapital Financing Activities				
Grants received	-	-	46,643	46,643
Transfers to other funds	(100,000)	(510,000)	(192,590)	(802,590)
Payment (receipt) from component unit	-	-	1,107	1,107
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(100,000)</u>	<u>(510,000)</u>	<u>(144,840)</u>	<u>(754,840)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(65,817)	(84,577)	(601,275)	(751,669)
Principal paid on long-term debt	-	-	(175,000)	(175,000)
Interest paid on long-term debt	-	-	(13,925)	(13,925)
Net Cash Used by Capital and Related Financing Activities	<u>(65,817)</u>	<u>(84,577)</u>	<u>(790,200)</u>	<u>(940,594)</u>
Cash Flows from Investing Activities				
Interest received	3,438	24,542	41,617	69,597
Sale (purchase) of investments	(366,904)	-	-	(366,904)
Net Cash Provided (Used) by Investing Activities	<u>(363,466)</u>	<u>24,542</u>	<u>41,617</u>	<u>(297,307)</u>
Net Increase (Decrease)				
In Cash and Cash Equivalents	(336,770)	(109,445)	(149,384)	(595,599)
Cash and Cash Equivalents, January 1				
	<u>358,300</u>	<u>1,119,670</u>	<u>1,261,671</u>	<u>2,739,641</u>
Cash and Cash Equivalents, December 31				
	<u>\$ 21,530</u>	<u>\$ 1,010,225</u>	<u>\$ 1,112,287</u>	<u>\$ 2,144,042</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 60,931	\$ 335,587	\$ 255,224	\$ 651,742
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	17,694	20,932	486,533	525,159
Other income related to operations	369	57,724	30,000	88,093
(Increase) decrease in assets				
Accounts receivable	(8,433)	(7,676)	-	(16,109)
Due from other funds/departments	(5,000)	(80,000)	-	(85,000)
Inventories	133,930	112,351	-	246,281
Prepaid items	300	300	-	600
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(10,354)	(20,139)	-	(30,493)
Deferred other postemployment benefit resources	693	(1,064)	-	(371)
Increase (decrease) in liabilities				
Accounts and contracts payable	17,915	39,925	(27,540)	30,300
Due to other governments	(642)	2,377	-	1,735
Due to other funds/departments	12,409	9,322	-	21,731
Accrued salaries payable	(11,693)	(12,528)	-	(24,221)
Compensated absences payable	1,401	455	(178)	1,678
Net pension liability	(8,057)	4,097	-	(3,960)
Other postemployment benefits liability	146	2,321	-	2,467
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(8,812)	(2,907)	-	(11,719)
Deferred other postemployment benefit resources	(284)	(487)	-	(771)
Net Cash Provided (Used) by Operating Activities	<u>\$ 192,513</u>	<u>\$ 460,590</u>	<u>\$ 744,039</u>	<u>\$ 1,397,142</u>
Noncash Investing, Capital and Financing Activities				
Capital assets contributed by (to) other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,960</u>	<u>\$ 172,960</u>
Capital assets contributed by developers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,234</u>	<u>\$ 303,234</u>
Amortization of bond (premium) discount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,096)</u>	<u>\$ (12,096)</u>

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 Unit. The Board of Public Utilities 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 Utilities, and any bonded debt of the Board of Public Utilities must be approved by City Council. The Board of Public Utilities does not provide services entirely to the City and the Board of Public Utilities' debt is not expected to be repaid by the City's resources. It is this criterion that results in the Board of Public Utilities being reported as a discretely presented component unit. Completed financial statements of the Board of Public Utilities can be obtained from the Board of Public Utilities, 1015 34th Ave E, 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.

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*.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 an 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, entitlements 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.

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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The *Storm Water Utility fund* accounts for the operations related to the City's storm and surface water management program.

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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of 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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 the 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 (GICs) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

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

The City has the following recurring fair value measurements as of December 31, 2025:

- United States Treasuries of \$2,006,215 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit and Municipal bonds of \$7,434,222 and \$2,988,886, respectively are valued using a matrix pricing model (Level 2 inputs)

The ALP Utilities has the following recurring fair value measurements as of December 31, 2025:

- United States Treasuries of \$6,868,220 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit, Government agency securities, and Municipal bonds of \$201,836, \$13,217,291 and \$297,176, respectively are valued using a matrix pricing model (Level 2 inputs)

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

Accounts receivable includes amounts billed for services provided before year end. The Board of Public Utilities accounts receivable of \$3,722,182 are recorded net of allowance for doubtful accounts of \$52,519 at December 31, 2025. 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 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 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 \$150,222 has been recorded related to these notes.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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.

Payments In Lieu of Taxes

The Board of Public Utilities is exempt from federal and state income taxes. However, the Board of Public Utilities makes monthly payment in lieu of taxes to the City. That payment is reflected as an expense on the statement of revenues, expenses and changes in net position and General fund revenue on the City's statements 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 Utilities and the Storm Water Utility fund from the governmental funds of the City. The value of property contributed to the Utility is reported as capital contributions 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 represents amounts the City owes to other governments for various projects. The Board of Public Utilities 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 and annual unpaid property clean-up fees and police false alarm charges. 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 Funds 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 Funds.

Inventories at the Board of Public Utilities are generally used for construction, operation and maintenance work rather than for resale. They are valued at the 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 Utilities are classified as restricted assets on the statement of net position because the use is limited by applicable bond covenants.

Capital Assets

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

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

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 Utilities' 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. The City and Board of Public Utilities estimates their accrued sick time based on historical usage.

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 a 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 December 31, 2024. The General fund is typically used to liquidate governmental other postemployment benefits payable.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest 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 recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEPFP) and Alexandria Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
Pension expense - Primary Government	\$ (13,635)	\$ 520,398	\$ 156,922	\$ 663,685
Pension expense - Component Unit	(107,160)	-	-	(107,160)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and the fund financial statements may include a separate section for deferred inflows of resources. This financial statement element represents the acquisition of net assets that relates to a future reporting period and therefore will not be recognized as an inflow of resources (revenue) until that period occurs.

For governmental funds, the City reports three categories of deferred inflows of resources:

- a. Unavailable revenue – reported only in the governmental funds balance sheet and arising from amounts not yet available under the modified accrual basis. The City’s unavailable revenue is generated from four sources: taxes, special assessments, intergovernmental revenues, and advances from other governments. These amounts are deferred until they become available.
- b. Deferred inflows related to leases – representing the deferred portion of lease receivables. This item appears in both the governmental funds and the statement of net position.
- c. Advance from other governments – representing resources received in advance of meeting revenue-recognition criteria under the modified accrual basis

Note 1: Summary of Significant Accounting Policies (Continued)

On the statement of net position, the City also reports additional deferred inflows of resources that do not appear in the governmental funds. These include deferred pension resources, deferred other postemployment benefit (OPEB) resources, and deferred lease revenues. These items arise from actuarial calculations—such as net differences between projected and actual earnings on plan investments and changes in proportion—as well as the amortization of lease receivables and the receipt of an advance from the State for Municipal State Aid (MSA) dollars.

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 an unassigned portion of the fund balance for cash flow of 35 to 50 percent of fund operating revenues or no less than five months of operating expenditures. When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

Net Position

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

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

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 13,294,349	\$ 13,624,369	\$ 330,020

These excess expenditures were funded by greater than anticipated revenues.

C. Deficit Fund Balance

The following funds had deficit fund balance at December 31, 2025:

<u>Fund</u>	<u>Amount</u>
Debt Service	
G.O. Tax Abatement Bonds of 2024B	\$ 10,558
Capital Projects	
Park Development	880,758
Municipal State Aid	2,798,635
2020 Street Reconstruction	95,928
18th Ave Reconstruction Project	683,763
Nature Trail	4,045
Nokomis Street Improvement	200,147
SRTS Voyager Elementary	9,545
6th Ave Improvements	10,742
RCC Expansion Phase 3	181,167
Child Care Construction Project	1,866

These deficits will be eliminated through future grant revenues and transfers from other funds.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "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 \$6,922,999 and the bank balance was \$7,281,168. Of the bank balance, \$1,517,073 was covered by federal depository insurance. The remaining balance was collateralized with FHLB letters of credit and securities held by the pledging financial institution's trust department in the City's name.

The carrying amount of deposits for the Board of Public Utilities, a discretely presented component unit, was \$10,771,951 and the bank balance was \$10,809,244. The bank balance was covered by \$1,149,379 of federal depository insurance. The remaining balances were collateralized with securities held by the pledging financial institution's trust department in the Board's name.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Investments

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

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

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

At December 31, 2025, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled investments at amortized costs						
4M Fund	N/A	less than 6 months	\$ 932,421	\$ -	\$ -	\$ -
Non-pooled Investments at Amortized Costs						
Money Market Funds	N/A	less than 1 year	740,982	-	-	-
Non-pooled Investments at Fair Value						
US Treasuries	N/A	less than 1 year	248,813	248,813	-	-
US Treasuries	Aa1	less than 1 year	749,257	749,257	-	-
US Treasuries	Aa1	1 to 5 years	1,008,145	1,008,145	-	-
Municipal Bonds	Aa1	less than 1 year	667,662	-	667,662	-
Municipal Bonds	Aa1	1 to 5 years	1,761,546	-	1,761,546	-
Municipal Bonds	Aa1	More than 5 years	100,182	-	100,182	-
Municipal Bonds	Aa2	less than 1 year	231,469	-	231,469	-
Municipal Bonds	Aa2	1 to 5 years	228,027	-	228,027	-
Negotiable Certificates of Deposit	N/A	less than 1 year	2,999,935	-	2,999,935	-
Negotiable Certificates of Deposit	N/A	1 to 5 years	4,434,287	-	4,434,287	-
Total Investments			\$ 14,102,726	\$ 2,006,215	\$ 10,423,108	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A indicates not applicable or available.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Unit

Board of Public Utilities

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than one year	\$ 422,596	\$ -	\$ -	\$ -
Non-pooled Investments at Amortized Costs						
Money Market Funds	N/A	less than one year	44,240	-	-	-
Non-pooled Investments at Fair Value						
United State Treasuries	N/A	less than one year	33,092	33,092	-	-
United State Treasuries	N/A	1 to 5 years	6,835,128	6,835,128	-	-
Government Agency Securities	AAA	less than one year	3,472,379	-	3,472,379	-
Government Agency Securities	AA+	less than one year	5,196,417	-	5,196,417	-
Government Agency Securities	AA+	1 to 5 years	3,982,565	-	3,982,565	-
Government Agency Securities	AA+	5 to 10 years	565,930	-	565,930	-
Municipal Bonds	AAA/AA+	less than one year	147,524	-	147,524	-
Municipal Bonds	AAA/AA+	1 to 5 years	118,499	-	118,499	-
Municipal Bonds	AAA/AA+	5 to 10 years	31,153	-	31,153	-
Negotiable certificates of deposit	N/A	less than one year	201,836	-	201,836	-
Total Investments			<u>\$ 21,051,359</u>	<u>\$ 6,868,220</u>	<u>\$ 13,716,303</u>	<u>\$ -</u>

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$4,132.

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 Utilities	Total Reporting Entity
Deposits	\$ 6,922,999	\$ 10,771,951	\$ 17,694,950
Investments	14,102,726	21,051,358	35,154,084
Cash on Hand	3,882	250	4,132
Total	<u>\$ 21,029,607</u>	<u>\$ 31,823,559</u>	<u>\$ 52,853,166</u>
Cash and Cash Equivalents	\$ 21,029,607	\$ 30,161,697	\$ 51,191,304
Restricted Debt Service Reserve Deposits	-	1,661,862	1,661,862
Total	<u>\$ 21,029,607</u>	<u>\$ 31,823,559</u>	<u>\$ 52,853,166</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

B. 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 8.25 percent. The balance of these loans, net of an allowance of \$82,972, at December 31, 2025 is \$1,287,372.

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 \$67,250, at December 31, 2025 is \$587,630.

The City has Housing Trust loans receivable to various qualified homeowners. These loans are deferred for 30 years, at zero percent interest. These loans are payable upon the sale of the home or the primary mortgage is refinanced and equity is taken out. The balance of these loans, at December 31, 2025 is \$136,568.

The City has a deferred loan agreement with Twenty08 for its sixty-four unit workforce housing project. This loan is forgivable if Twenty08 completes its project by January 31, 2028. The balance of this loan at December 31, 2025 is \$2,374,000 and is fully offset by an allowance.

C. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated/Amortized				
Land	\$ 3,579,486	\$ -	\$ -	\$ 3,579,486
Construction in progress	9,823,861	12,211,493	(19,744,815)	2,290,539
Total Capital Assets not being Depreciated/Amortized	<u>13,403,347</u>	<u>12,211,493</u>	<u>(19,744,815)</u>	<u>5,870,025</u>
Capital Assets being Depreciated/Amortized				
Buildings	22,362,206	15,664,946	(77,903)	37,949,249
Improvements other than buildings	85,098,467	2,629,371	(10,674)	87,717,164
Machinery and equipment	16,788,533	1,107,258	(553,067)	17,342,724
Lease Equipment (Intangible Right to Use Asset)	618,389	-	(34,053)	584,336
Total Capital Assets Being Depreciated/Amortized	<u>124,867,595</u>	<u>19,401,575</u>	<u>(675,697)</u>	<u>143,593,473</u>
Less Accumulated Depreciation/Amortization for				
Buildings	(11,008,794)	(982,826)	77,903	(11,913,717)
Improvements other than buildings	(41,803,198)	(2,309,790)	10,674	(44,102,314)
Machinery and equipment	(9,027,599)	(838,162)	475,652	(9,390,109)
Lease Equipment (Intangible Right to Use Asset)	(343,476)	(132,272)	34,053	(441,695)
Total Accumulated Depreciation/Amortization	<u>(62,183,067)</u>	<u>(4,263,050)</u>	<u>598,282</u>	<u>(65,847,835)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>62,684,528</u>	<u>15,138,525</u>	<u>(77,415)</u>	<u>77,745,638</u>
Governmental Activities Capital Assets, Net	<u>\$ 76,087,875</u>	<u>\$ 27,350,018</u>	<u>\$ (19,822,230)</u>	<u>\$ 83,615,663</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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
Construction in progress	416,434	6,432	-	422,866
Total capital assets not being depreciated	<u>517,847</u>	<u>6,432</u>	<u>-</u>	<u>524,279</u>
Capital Assets being Depreciated				
Buildings	1,072,226	-	-	1,072,226
Equipment	404,686	366,441	-	771,127
Other improvements	23,448,200	854,990	-	24,303,190
Total Capital Assets Being Depreciated	<u>24,925,112</u>	<u>1,221,431</u>	<u>-</u>	<u>26,146,543</u>
Less Accumulated Depreciation for				
Buildings	(1,024,312)	(8,057)	-	(1,032,369)
Equipment	(234,433)	(51,609)	-	(286,042)
Other improvements	(10,890,082)	(465,493)	-	(11,355,575)
Total Accumulated Depreciation	<u>(12,148,827)</u>	<u>(525,159)</u>	<u>-</u>	<u>(12,673,986)</u>
Total Capital Assets Being Depreciated, Net	<u>12,776,285</u>	<u>696,272</u>	<u>-</u>	<u>13,472,557</u>
Business-type Activities Capital Assets, Net	<u>\$ 13,294,132</u>	<u>\$ 702,704</u>	<u>\$ -</u>	<u>\$ 13,996,836</u>

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

Governmental Activities		
General government		\$ 147,571
Public safety		522,411
Public works		2,306,099
Culture and recreation		945,362
Airport		341,607
Total Depreciation Expense - Governmental Activities		<u>\$ 4,263,050</u>
Business-type Activities		
Liquor		\$ 38,626
Storm water		486,533
Total Depreciation Expense - Business-Type Activities		<u>\$ 525,159</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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, 2025 are as follows:

Board of Public Utilities

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land and land rights	\$ 1,566,213	\$ 28,519	\$ -	\$ 1,594,732
Service territory acquired	255,813	-	-	255,813
Construction in progress	5,562,835	17,417,142	(6,415,821)	16,564,156
Total Capital Assets not Being Depreciated	7,384,861	17,445,661	(6,415,821)	18,414,701
Capital Assets Being Depreciated				
Buildings and structures	2,898,856	27,500	-	2,926,356
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	113,404,139	3,079,925	-	116,484,064
General equipment	6,847,858	313,169	(125,668)	7,035,359
Total Capital Assets Being Depreciated	125,914,434	3,420,594	(125,668)	129,209,360
Less Accumulated Depreciation for				
Buildings and structures	(2,423,437)	(51,426)	-	(2,474,863)
Transmission plant	(1,710,342)	(83,515)	-	(1,793,857)
Distribution plant	(46,586,357)	(3,052,414)	-	(49,638,771)
General equipment	(5,062,044)	(384,378)	125,345	(5,321,077)
Total Accumulated Depreciation	(55,782,180)	(3,571,733)	125,345	(59,228,568)
Total Capital Assets Being Depreciated, Net	70,132,254	(151,139)	(323)	69,980,792
Business-type Activities Capital Assets, Net	\$ 77,517,115	\$ 17,294,522	\$ (6,416,144)	\$ 88,395,493

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

Component unit	
Electric	\$ 2,321,358
Water	1,250,375
Total Depreciation Expense - Component Unit	\$ 3,571,733

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2025. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Nokomis Street Improvement - Construction	\$ 1,694,970	\$ 128,660
Runway 13-31 Reconstruction - Design/Engineering	256,445	55,855
Fire Hall Generator - Construction	34,616	23,077
6th Avenue to Nokomis Street	7,289	82,886
34th Broadway RAB CRG	1,933	10,199
Fillmore Park - Splash Pad Parking Lot - Engineering	15,486	8,514
Fillmore Park - Playground Construction	-	230,963
Fillmore Park - Splash Pad Construction	217,170	228,467
Total	\$ 2,227,909	\$ 768,621

Discretely Presented Component Unit

Construction commitments for the component units for the year ended December 31, 2025 are as follows:

Board of Public Utilities

Project	Spent-to-Date	Remaining Commitment
ALP Operations Center	\$ 11,939,000	\$ 587,000
Electric Distribution Improvements 2024	2,095,000	36,000
New Wells #21 and #22	206,000	1,250,000
Water Tower North	1,312,000	5,680,000
Total	\$ 15,552,000	\$ 7,553,000

D. Interfund Receivables, Payables and Transfers

Interfund Receivables/Payables

The composition of due from/to other funds at December 31, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	
	Downtown Liquor	\$ 37,663
	Plaza Liquor	38,494
Proprietary		
Downtown Liquor		5,000
Downtown Liquor	General	80,000
Net Internal Balance		\$ 161,157

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

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

Due From Component Unit

The City has a receivable amount from the Board of Public Utilities totaling \$140,242 as of December 31, 2025 which consists of reimbursement of project costs, storm water charges and payment in lieu of taxes.

Interfund Transfers

Transfers made for the year ended December 31, 2025 are as follows:

Fund	Transfers In			Total
	General	Capital Projects	Nonmajor Governmental Funds	
Transfers Out				
Nonmajor Governmental Funds	\$ 25,293	\$ -	\$ 100,000	\$ 125,293
Downtown Liquor	95,000	5,000	-	100,000
Plaza Liquor	230,000	280,000	-	510,000
Storm Water Utility	192,590	-	-	192,590
Total Transfers Out	<u>\$ 542,883</u>	<u>\$ 285,000</u>	<u>\$ 100,000</u>	<u>\$ 927,883</u>

During the year, recurring 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 public works stormwater work. Further, during the year ended December 31, 2025, the government made the following one-time transfers:

- From the Tax Increment Financing Fund to the HTF fund of \$100, 000 for local match to the Local Housing Trust Fund grant application.
- From Employee Benefit Fund to General Fund of \$25,293.
- From the Downtown and Plaza Liquor stores to nonmajor governmental funds to cover park development.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

E. Lease Receivable

The City leases various airport hangar buildings and grounds to companies and individuals. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2029; however, the City anticipates new or revised lease arrangements to occur in the future.

Long-term lease liability for the year is as follows:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Ground Lease - MBA - Alexandria, LLC	06/11/19	4.75 %	\$ 17,106	\$ 547,290
Lakes Area EDA - Ground Lease	02/03/25	7.50	16,496	61,238
On His Wings - Airport Building Lease	06/01/25	7.50	7,991	51,365
Landon Craig - Airport Land Lease	04/10/23	8.50	20,456	106,848
Billboard - Lamar OCI North, LLC	05/06/24	4.75	8,000	78,507
Airport Building - Critical Care Services, Inc	05/31/24	4.75	50,629	65,307
Total				<u>\$ 910,555</u>

F. 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 assessment-related bonds. General obligation bonds currently outstanding are as follows:

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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	\$ 2,055,000
G.O. Refunding Bonds of 2014B	1,470,000	2.00 - 3.00	09/15/14	02/01/30	480,000
G.O. Bonds of 2016A	7,060,000	2.00 - 3.00	08/25/16	02/01/37	4,960,000
G.O. Refunding Bonds of 2016B	780,000	2.00 - 3.00	08/25/16	02/01/30	380,000
G.O. Improvement Bonds of 2020A	2,165,000	4.00 - 1.50	08/27/20	02/01/36	1,705,000
G.O Tax Abatement Bonds of 2024A	11,090,000	4.13 - 5.00	06/20/24	02/01/51	11,090,000
G.O Tax Abatement Bonds of 2024B	2,410,000	5.00 - 5.40	06/20/24	02/01/51	<u>2,410,000</u>
Total General Obligation Bonds					<u>\$ 23,080,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2026	\$ 1,040,000	\$ 881,149	\$ 1,921,149
2027	1,070,000	848,343	1,918,343
2028	1,095,000	813,871	1,908,871
2029	1,120,000	778,104	1,898,104
2030	1,150,000	742,551	1,892,551
2031 - 2035	4,975,000	3,229,928	8,204,928
2036 - 2040	3,680,000	2,402,166	6,082,166
2041 - 2045	3,535,000	1,613,523	5,148,523
2046 - 2050	4,410,000	724,196	5,134,196
2051	1,005,000	21,939	1,026,939
Total	<u>\$ 23,080,000</u>	<u>\$ 12,055,770</u>	<u>\$ 35,135,770</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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 2014A	\$ 2,900,000	2.60 - 3.00 %	09/15/14	02/01/26	\$ 285,000
G.O. Refunding Bonds of 2016B	1,685,000	2.00 - 3.00	08/25/16	02/01/28	<u>565,000</u>
Total G.O. Improvement Bonds					<u>\$ 850,000</u>

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

Year Ending December 31,	General Obligation Improvement Bonds Governmental Activities			General Obligation Improvement Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2026	\$ 285,000	\$ 3,562	\$ 288,562	\$ 185,000	\$ 9,450
2027	-	-	-	190,000	5,700	195,700
2028	-	-	-	<u>190,000</u>	<u>1,900</u>	<u>191,900</u>
Total	<u>\$ 285,000</u>	<u>\$ 3,562</u>	<u>\$ 288,562</u>	<u>\$ 565,000</u>	<u>\$ 17,050</u>	<u>\$ 582,050</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Leases Payable

The City has entered into various lease agreements with Enterprise Fleet Management for various vehicles. These leases have interest rates between 4.29-6.78% and terms of 46-60 months.

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Current Year Additional Outflows	Balance at Year End
Enterprise Vehicles							
2549JZ Police	\$ 22,056	6.37 %	06/01/2022	48 Months	\$ 531 Monthly	\$ 517	\$ 2,616
2549JL Police	22,509	5.31	06/01/2022	48 Months	531 Monthly	517	2,623
2549K6 Police	22,018	6.23	06/01/2022	48 Months	529 Monthly	517	2,605
2549J4 Police	22,041	6.21	07/01/2022	48 Months	530 Monthly	517	3,120
2549H2 Police	22,406	6.23	06/01/2022	48 Months	538 Monthly	526	2,651
252VZP Police	27,967	4.48	02/01/2022	48 Months	650 Monthly	621	647
252VV9 Police	22,590	4.48	02/01/2022	48 Months	525 Monthly	613	523
252VZB Police	28,016	4.48	02/01/2022	48 Months	651 Monthly	622	649
252VW3 Building	21,566	4.49	01/01/2022	60 Months	400 Monthly	483	4,691
252BVH Street	45,935	6.33	09/01/2022	60 Months	908 Monthly	687	17,191
253P5L Street	31,565	4.67	02/01/2022	60 Months	600 Monthly	480	7,589
252VRM Street	27,131	6.33	08/01/2022	60 Months	536 Monthly	607	9,672
252VT7 Street	28,804	6.33	09/01/2022	60 Months	569 Monthly	645	10,781
2549CW Park	27,801	6.49	08/01/2022	60 Months	552 Monthly	621	9,935
252SLZ Park	27,804	6.49	08/01/2022	60 Months	552 Monthly	622	9,936
252VP3 Park	27,790	6.49	08/01/2022	60 Months	551 Monthly	621	9,931
252VQN Park	27,643	6.33	09/01/2022	60 Months	546 Monthly	619	10,346
252VSD Park	29,990	6.49	07/01/2022	60 Months	595 Monthly	671	10,180
252BWT Park	46,337	6.78	09/01/2022	60 Months	926 Monthly	690	17,461
252BSQ RCC	40,732	6.78	09/01/2022	60 Months	814 Monthly	606	15,348
							<u>\$ 148,495</u>

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

Year Ending December 31,	Leases Payable		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 99,999	\$ 6,253	\$ 106,252
2027	48,496	1,119	49,615
Total	<u>\$ 148,495</u>	<u>\$ 7,372</u>	<u>\$ 155,867</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Financed Purchase Arrangements

The following arrangements were made to finance capital equipment.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
John Deere Tractor and Mower	\$ 191,055	2.50 %	10/15/21	02/01/26	\$ 39,431
Aerial Fire Truck	1,248,959	2.75	10/15/21	02/01/36	945,727
Fire Truck Rescue	681,753	4.34	08/14/23	02/01/38	600,222
Plow Trucks	578,466	5.40	05/20/25	05/20/35	578,466
Total Financed Purchase Arrangements					<u>\$ 2,163,846</u>

The annual debt service requirements to maturity for financed purchase arrangements are as follows:

Year Ending December 31,	Financed Purchase Arrangements		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 194,603	\$ 84,657	\$ 279,260
2027	161,217	77,626	238,843
2028	167,518	71,324	238,842
2029	174,029	64,814	238,843
2030	180,935	57,908	238,843
2031 - 2035	1,018,120	176,093	1,194,213
2036 - 2038	267,424	17,849	285,273
Total	<u>\$ 2,163,846</u>	<u>\$ 550,271</u>	<u>\$ 2,714,117</u>

Loans Payable

The following loan was issued by the Minnesota Department of Transportation for the construction of a T-Hangar at the Alexandria Municipal Airport. The loan is to be paid back over 240 months with monthly payments of \$2,938. There is no interest on this loan.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Hangar Loan	\$ 705,061	- %	04/01/23	03/01/43	<u>\$ 608,107</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

The annual debt service requirements to maturity for the loan are as follows:

Year Ending December 31,	Loans Payable		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 35,256	\$ -	\$ 35,256
2027	35,256	-	35,256
2028	35,256	-	35,256
2029	35,256	-	35,256
2030	35,256	-	35,256
2031 - 2035	176,280	-	176,280
2036 - 2040	176,280	-	176,280
2041 - 2043	79,267	-	79,267
Total	\$ 608,107	\$ -	\$ 608,107

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 24,085,000	\$ -	\$ (1,005,000)	\$ 23,080,000	\$ 1,040,000
General obligation improvement bonds	625,000	-	(340,000)	285,000	285,000
Bond premium	965,551	-	(57,281)	908,270	-
Total Bonds Payable	25,675,551	-	(1,402,281)	24,273,270	1,325,000
Hangar Loan	643,363	-	(35,256)	608,107	35,257
Financed Purchase Arrangements	1,730,322	578,466	(144,942)	2,163,846	194,603
Leases Payable	287,221	-	(138,726)	148,495	99,999
Compensated Absences Payable *	1,114,022	-	(85,708)	1,028,314	492,052
Governmental Activity Long-term Liabilities	\$ 29,450,479	\$ 578,466	\$ (1,806,913)	\$ 28,222,032	\$ 2,146,911
Business-type Activities					
Bonds Payable					
General obligation improvement bonds	\$ 740,000	\$ -	\$ (175,000)	\$ 565,000	\$ 185,000
Bond Premium	48,380	-	(12,096)	36,284	-
Total Bonds Payable	788,380	-	(187,096)	601,284	185,000
Compensated Absences Payable *	134,699	1,678	-	136,377	63,295
Business-type Activity Long-term Liabilities	\$ 923,079	\$ 1,678	\$ (187,096)	\$ 737,661	\$ 248,295

* Change in compensated absences payable is shown net of increases and decreases.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Unit

Board of Public Utilities

Revenue Bonds

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

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	\$ 3,055,000
Electric Utility Revenue Bonds of 2019A	2,680,000	4.00 - 5.00	06/19/19	12/01/33	1,620,000
Electric Utility Revenue Bonds of 2024C	9,640,000	4.00 - 6.00	10/16/24	12/01/39	<u>9,270,000</u>
Total Revenue Bonds					<u><u>\$ 13,945,000</u></u>

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

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2026	\$ 890,000	\$ 633,268	\$ 1,523,268
2027	935,000	591,108	1,526,108
2028	980,000	545,988	1,525,988
2029	1,030,000	497,488	1,527,488
2030	1,075,000	448,388	1,523,388
2031 - 2035	5,695,000	1,485,265	7,180,265
2036 - 2039	3,340,000	365,500	3,705,500
Total	<u><u>\$ 13,945,000</u></u>	<u><u>\$ 4,567,005</u></u>	<u><u>\$ 18,512,005</u></u>

G.O. Revenue Notes

The following note was issued to finance capital improvements. It will be retired from net revenues of the Board.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Drinking Water Revenue Note of 2009	\$ 3,765,480	2.45 %	09/01/09	08/20/29	<u><u>\$ 868,000</u></u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

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

Year Ending December 31,	G.O. Revenue Notes		
	Principal	Interest	Total
2026	\$ 209,000	\$ 21,223	\$ 230,223
2027	214,000	16,113	230,113
2028	220,000	10,880	230,880
2029	225,000	5,501	230,501
Total	\$ 868,000	\$ 53,717	\$ 921,717

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

	<u>Board of Public Utilities</u>
Revenues	\$ 35,548,543
Principal and Interest	1,751,399
Percentage of Revenues	4.9%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025 was as follows:

Component Unit	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
Revenue bonds	\$ 14,735,000	\$ -	\$ (790,000)	\$ 13,945,000	\$ 890,000
G.O. revenue notes	1,072,000	-	(204,000)	868,000	209,000
Bond premium	1,468,484	-	(186,363)	1,282,121	-
Total Bonds Payable	<u>17,275,484</u>	<u>-</u>	<u>(1,180,363)</u>	<u>16,095,121</u>	<u>1,099,000</u>
Compensated Absences Payable *	<u>670,125</u>	<u>79,712</u>	<u>-</u>	<u>749,837</u>	<u>243,152</u>
Component Unit Long-term Liabilities	<u>\$ 17,945,609</u>	<u>\$ 79,712</u>	<u>\$ (1,180,363)</u>	<u>\$ 16,844,958</u>	<u>\$ 1,342,152</u>

* Change in compensated absences payable is shown net of increases and decreases.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Conduit Debt Obligation

The City has set forth a policy statement in an effort to be consistent with its use of Industrial Development Bonds within the City’s jurisdiction. It is the judgment of the Council that tax-exempt financing is to be used on a selective basis to encourage certain development that offers a benefit to the City as a whole, including significant employment and housing opportunities. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The conduit debt obligation for the year ended December 31, 2025 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	\$ 707,191
Knute Nelson - Assisted Living Facility	06/08/06	06/01/27	4,300,000	441,223
Alexandria Area YMCA	05/26/20	06/15/30	6,000,000	552,330
ATCC Foundation	09/01/11	03/01/43	7,040,000	4,527,968

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

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Plan

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity’s governing body. The resolution must state that the position meets plan requirements.

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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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.

C. Contributions

Minnesota statutes, chapter 353 set 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 2025 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 year ending December 31, 2025 were \$349,967. The Board of Public Utilities contributions to the General Employees Fund for the year ending December 31, 2025 were \$257,267. The City's and Board of Public Utilities contributions were equal to the required contributions as set by state statute.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ending December 31, 2025 were \$516,230. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City and the Board of Public Utilities reported liabilities of \$1,559,146 and \$1,195,469, respectively, for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$37,611 and with the Board of Public Utilities totaled \$28,838.

City's proportionate share of the net pension liability	\$ 1,559,146
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>37,611</u>
Total	<u><u>\$ 1,596,757</u></u>
Board of Public Utilities' proportionate share of the net pension liability	\$ 1,195,469
State of Minnesota's proportionate share of the net pension liability associated with the Board of Public Utilities	<u>28,838</u>
Total	<u><u>\$ 1,224,307</u></u>

For the year ended December 31, 2025, the City recognized negative pension expense of \$7,866 for its proportionate share of the General Employees Plan's pension expense and the Board of Public Utilities recognized negative pension expense of \$102,730. In addition, the City recognized negative \$5,769 and the Board of Public Utilities recognized a negative \$4,430 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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

At December 31, 2025, the City and Board of Public Utilities reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions 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	\$ 148,552	\$ -	\$ 113,902	\$ -
Changes in Actuarial Assumptions	37,566	358,754	28,804	275,073
Net Difference Between Projected and Actual Earnings on Plan Investments	-	620,399	-	475,689
Changes in Proportion	108,558	4,481	-	136,044
Contributions Paid to PERA Subsequent To the Measurement Date	182,910	-	141,270	-
Total	\$ 477,586	\$ 983,634	\$ 283,976	\$ 886,806

Deferred outflows of resources related to pensions resulting from the City's and Board of Public Utilities contributions subsequent to the measurement date totaling \$182,910 and \$141,270, respectively, will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. 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
2026	\$ (133,915)	\$ (168,194)
2027	(263,127)	(259,053)
2028	(181,089)	(197,867)
2029	(110,827)	(118,986)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$2,087,491 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1782 percent at the end of the measurement period and 0.1824 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment increased by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$72,363.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

City's proportionate share of the net pension liability	\$ 2,087,491
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>72,363</u>
Total	<u>\$ 2,159,854</u>

For the year ended December 31, 2025, the City recognized pension expense of \$485,385 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$35,013 as grant revenue and pension expense for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$16,035 for the year ended December 31, 2025 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.

At December 31, 2025, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 964,487	\$ -
Changes in Actuarial Assumptions	1,582,988	2,615,539
Net Difference Between Projected and Actual Earnings on Plan Investments	-	931,676
Changes in Proportion	28,366	83,252
Contributions Paid to PERA Subsequent To the Measurement Date	<u>268,312</u>	<u>-</u>
Total	<u>\$ 2,844,153</u>	<u>\$ 3,630,467</u>

The \$268,312 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ 461,810
2027	(468,234)
2028	(1,026,250)
2029	(64,550)
2030	42,598

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

E. Long-Term Expected Return on Investment

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	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan, and the Police & Fire Plan.

Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police & Fire Plan

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

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

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions. The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0 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 and Board of Public Utilities proportionate shares 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 and Board’s proportionate shares of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund			
Primary government	\$ 3,786,921	\$ 1,559,146	\$ (248,081)
Component unit	2,903,607	1,195,469	(190,215)
Police and Fire Fund	5,469,669	2,087,491	(689,811)

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, 2024, the plan covered 31 active firefighters and 6 vested terminated firefighters 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 Firefighters 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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

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 \$220,377 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2025, 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.

D. Pension Costs

At December 31, 2025, the City reported a net pension liability (asset) of (\$1,035,734) for the plan. The net pension liability (asset) was measured as of December 31, 2024. 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, 2025. 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, 2025	\$ 1,952,490	\$ 2,698,325	\$ (745,835)
Changes for the Year			
Service cost	127,190	-	127,190
Interest on pension liability (asset)	119,582	-	119,582
Differences between expected and actual experience	(24,377)	-	(24,377)
Changes in assumptions	(41,861)	-	(41,861)
Changes of benefit terms	51,351	-	51,351
Contributions (State and local)	-	220,377	(220,377)
Net investment income	-	319,472	(319,472)
Administrative expenses	-	(18,065)	18,065
Total Net Changes	231,885	521,784	(289,899)
Ending Balance December 31, 2025	\$ 2,184,375	\$ 3,220,109	\$ (1,035,734)

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

For the year ended December 31, 2025, the City recognized pension expense of \$156,922.

At December 31, 2025, 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
Differences between Expected and Actual Experience	\$ -	\$ 141,865
Changes in Actuarial Assumptions	39,531	37,286
Net Difference Between Projected and Actual Investment Earnings	47,661	-
Contributions to Plan Subsequent To the Measurement Date	261,926	-
Total	\$ 349,118	\$ 179,151

Deferred outflows of resources totaling \$261,926 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2026	\$ 24,387
2027	81,933
2028	(105,250)
2029	(52,510)
2030	(13,955)
Thereafter	(26,564)

E. Actuarial Assumptions

The total pension liability at December 31, 2025 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	6.25%
Inflation Rate	2.50%
Investment Rate of Return	6.25%
20 Year Municipal Bond Yield	4.08%

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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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

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	60.00 %	4.52 %
International Equity	20.00	5.08
Fixed Income	5.00	2.44
Real Estate and Alternatives	-	3.73
Cash and Equivalents	15.00	0.99
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.25 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 (5.25%)	Current (6.25%)	1 Percent Increase (7.25%)
Defined Benefit Plan	\$ (949,312)	\$ (1,035,734)	\$ (1,119,629)

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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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 authority and requirement to provide these benefits is established in Minnesota Statute 471.61 subd. 2b. Benefit and eligibility provisions are established through negotiations between the City and various employee groups. The Plan does not issue a publicly available report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75.

B. Benefits Provided

Contribution requirements are also negotiated between the City and union representatives. Eligible participants and their dependents are allowed access to the health plan and contribute the negotiated monthly plan premium. The City contributes the full single premium and 50% of the amount the family premium exceeds the single premium until age 65 for participants in the police and fire group that are disabled in the line of duty. The Utility board does not provide healthcare coverage for retired employees, rather it allows employees who separate employment due to retirement or disability, access to coverage; however that coverage is paid for at the former employee's expense.

For the fiscal year 2025, the City contributed \$27,484 to the plan, while implicit contributions totaled \$20,233. The General fund is typically used to liquidate the governmental portion of the total OPEB obligation.

At December 31, 2025, the following employees were covered by the benefit terms:

	Primary Government	Component Unit
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	5	-
Active Plan Members	77	29
Total Plan Members	82	29

There are no inactive employees entitled to but not yet receiving benefit payments.

C. Actuarial Methods and Assumptions

The City and Utility Board reported total OPEB liabilities of \$1,052,278 and \$28,869, respectively. The liability was measured as of December 31, 2024, and the OPEB liability was determined by an actuarial valuation as of December 31, 2024.

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate		4.08%
Expected Long-Term Investment Return		N/A
20-Year Municipal Bond Yield		4.08%
Inflation Rate		2.50%
Salary Increases		Varies
Medical Trend Rate	8.1% for FY2025, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2075 and later years.	

The discount rate used to measure the total OPEB liability was 4.08 percent. Expected benefit payments by year were discounted using the Fidelity 20 -Year Municipal GOAA Index because it meets the GASB requirements and is based on a large amount of municipal security data.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Postemployment Benefits Other Than Pensions (Continued)

Mortality rates were based on the Pub-2010 general employee and public safety mortality tables adjusted for mortality improvements using projection scale MP-2021, and other adjustments.

The actuarial assumptions used in the 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.

D. Changes in the Total OPEB Liability

	Primary Government Total OPEB Liability	Utility Board Total OPEB Liability
Balances at December 31, 2024	\$ 936,484	\$ 29,197
Service Costs	45,612	2,562
Interest Costs	36,168	1,180
Assumption Changes	77,485	(7,756)
Benefit Payments	(45,481)	(908)
Differences between Expected and Actual Experience	2,010	4,594
Net Changes	115,794	(328)
 Balances at December 31, 2025	 \$ 1,052,278	 \$ 28,869

Since the prior actuarial valuation, the following assumptions changed:

- The discount rate was changed from 3.77% to 4.08% based on updated 20-year municipal bond rates.
- The healthcare trend rates were reset to reflect updated cost expectations.
- The medical per capita claim costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2023 PERA general employees plan valuation to the rates used in the 2023 experience study.

Since the prior actuarial valuation, the following plan provisions changed:

- None

Since the prior actuarial valuation, the following benefit terms changed:

- None

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City and Utility Board, as well as what the total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease 3.08%	Discount Rate Current 4.08%	1 Percent Increase 5.08%
Primary Government	\$ 1,156,788	\$ 1,052,278	\$ 958,651
Utility Board	31,206	28,869	26,627

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Postemployment Benefits Other Than Pensions (Continued)

The following presents the City's and Utility Board's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost		
	1 Percent Decrease 7.1% Decreasing to 2.9%	Trend Rates 8.1% Decreasing to 3.9%	1 Percent Increase 9.1% Decreasing to 4.9%
Primary Government	\$ 934,009	\$ 1,052,278	\$ 1,190,668
Utility Board	25,370	28,869	32,993

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

For the year ended December 31, 2025, the City and Utility Board recognized OPEB expense of \$123,707 and (\$10,798), respectively. At December 31, 2025, the City and Utility Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Utility Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 399,934	\$ 21,915	\$ 4,031	\$ 12,226
Changes in Actuarial Assumptions	96,566	155,840	1,214	20,714
Benefit Payments Subsequent to the Measurement Date	44,879	-	181	-
Total	\$ 541,379	\$ 177,755	\$ 5,426	\$ 32,940

Deferred outflows of resources totaling \$44,879 for the City's and \$181 for the Utility Board's benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u>	Primary Government	Utility Board
2026	\$ 39,281	\$ (7,599)
2027	49,916	(8,098)
2028	52,992	(5,967)
2029	57,727	(3,287)
2030	62,188	(2,000)
Thereafter	56,641	(744)

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

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.

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, 2025 financial statements in relation to any of these matters.

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 is 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 2025 was \$1,915,787 which accounted for 14.0 percent of General fund revenues.

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

D. Joint Powers Agreement

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 2025, the City was not required to make a payment to the Water Control Board.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 7: Other Information (Continued)

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 2025, the City paid TIF administration fees of \$73,277 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.

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 of children that is committed and/or facilitated by or through the use of computers.

E. Severance Pay

The Board of Public Utilities 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 Utilities 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. Currently, no employee is eligible for the benefit once they retire or will be eligible for this benefit in the future.

Management has elected to record the liability at gross payout using the parameters discussed above. While this amount exceeds actuarially computed liability which would include assumptions regarding employee retention through the date of eligibility and discounting the liability using present value calculations, the difference is immaterial to the financial statements.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 7: Other Information (Continued)

F. Deferred Compensation Plan

The City, Municipal Liquor Dispensary and Board of Public Utilities offer their 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 to 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 Utilities 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 \$2,500 per year per employee. Current non-union employees were fully vested in the plan on January 1, 2000. Union employees became fully vested on January 1, 2001. New employees will be vested at the rate of 20 percent per year for the first five years of participation, becoming fully vested after the fifth year. The Board contributed \$61,563 and \$58,667 in matching funds to the plan for the year ended December 31, 2025 and 2024, respectively.

Note 8: Tax Abatements

As of December 31, 2025, the City had thirty active agreements that provide for the abatement of City property taxes. The agreements are listed below, along with key information pertaining to each abatement arrangement.

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 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 #17) on December 8, 1997, with a developer 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 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.

The City entered into a tax increment financing agreement (TIF #25) on July 22, 2002, with a developer 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 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 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 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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #42) on December 22, 2008, with a developer 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 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. This TIF was decertified as of December 31, 2025.

The City entered into a tax increment financing agreement (TIF #45) on July 25, 2011, with a developer 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 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 #47) on August 27, 2012 with a developer 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 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 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 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 #51) on April 13, 2015, with a developer 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 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. This TIF was decertified as of December 31, 2025.

The City entered into a tax increment financing agreement (TIF #52) on April 13, 2015, with a developer 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 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.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #53) on November 14, 2016, with a developer 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 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.

The City entered into a tax increment financing agreement (TIF #54) on March 26, 2018, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$888,112 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 #55) on March 26, 2018, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$515,353 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 #56) on January 2, 2021, with a developer 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 economic development. The estimated amount of bonds to be issued is \$3,500,000. 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.

The City entered into a tax increment financing agreement (TIF #58) on July 26, 2022, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$539,402 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 #60) on March 17, 2022, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$191,683 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 #61) on January 10, 2022, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$708,757 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #62) on May 23, 2022, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$1,929,633 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 #64) on February 27, 2023, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$940,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax increment financing agreement (TIF #65) on October 1, 2023, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$3,679,644 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax increment financing agreement (TIF #66) on February 25, 2024, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$438,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax increment financing agreement (TIF #67) on November 13, 2023, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$1,078,200 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax increment financing agreement (TIF #68) on October 14, 2024, with a developer 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 economic development. The pay-as-you-go agreement has a maximum return to the developer of \$1,212,746 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax increment financing agreement (TIF #69) on August 15, 2024, with a developer 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 economic development. The estimated amount of notes to be issued is \$6,421,872. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Tax Abatements (Continued)

The City entered into a tax increment financing agreement (TIF #70) on August 26, 2024, with a developer 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 economic development. The estimated amount of notes to be issued is \$1,071,954. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax increment financing agreement (TIF #71) in April 2025 with a developer in which the developer incurs costs for property and site improvements. The project includes construction of a 62-unit, three-story apartment building with tuck-under parking, a detached 12-stall garage building, a regional stormwater pond, and related site improvements, with an estimated total project cost of \$14,017,954. 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 economic development. The estimated amount of notes to be issued is \$959,259. The note bears interest at 6% and provides for up to 24 semiannual payments, with the final scheduled payment on February 1, 2039. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). There were no taxes abated during the fiscal year related to this agreement.

The City entered into a tax abatement agreement in April 2025 with a developer in which the City agrees to abate 90% of the City's share of the increase in property taxes resulting from new improvements. The project includes construction of a 92-room hotel with a 74,000 square foot site plan with parking and landscaping. The developer shall create 10 full-time equivalent permanent employee positions within two years of the occupancy permit being issued. The abatement shall begin with taxes payable in 2026 and end with taxes payable in 2034. The agreement was negotiated under state law (Minnesota Statute 469-1812 through 469.1815). There were no taxes abated during the fiscal year related to this agreement.

The City has not committed to provide any resources beyond the reimbursement of eligible project costs as described above. In addition, the City's tax revenues were not reduced by tax abatement agreements entered into by other governments during the reporting period.

	<u>City Tax Rate (Year of Establishment)</u>	<u>District Tax Capacity</u>	<u>Amount of taxes abated this fiscal year</u>
Tax Abatement Agreements			
Viking Plaza Associates			\$ 3,653
Tax Increment Districts (PAYGO)			
TIF #17	23.923%	\$ 85,410	20,433
TIF #25	34.126%	20,524	7,004
TIF #26	34.126%	216,295	73,813
TIF #42	33.898%	233,204	79,051
TIF #45	33.828%	12,408	4,197
TIF #47	43.282%	167,563	72,525
TIF #48	43.282%	24,282	10,510
TIF #51	43.614%	100,302	43,746
TIF #52	42.010%	30,948	13,001
TIF #53	42.010%	26,717	11,224
TIF #54	40.942%	107,861	44,160
TIF #55	40.942%	51,155	20,944
TIF #56	40.775%	27,720	11,303
TIF #58	40.472%	49,695	20,113
TIF #60	40.472%	45,650	18,475
TIF #61	40.472%	154,416	55,482
TIF #62	40.472%	58,588	21,052
			<u>\$ 530,686</u>

City of Alexandria, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 9: Restatement of Beginning Balances

During fiscal year 2025, an error correction resulted in a restatement of beginning net position as follows:

	Component Unit
January 1, as previously reported	\$ 91,907,367
Error correction- unbilled revenue	<u>2,235,590</u>
January 1, as restated	<u>\$ 94,142,957</u>

During fiscal year 2025, the Board of Public Utilities identified that January utility billing for December usage had not been included in the year-end accounts receivable balances in prior periods. As a result, accounts receivable and beginning net position were understated by \$2,235,590. Beginning net position for the discretely presented component unit has been restated to correct these omissions.

Note 10: Special Item – PFAS Settlement

During 2025, the Board of Public Utilities entered into a settlement agreement with 3M related to PFAS contamination detected in the Board's water supply wells. Under the terms of the agreement, the Board was awarded \$2,219,004 in settlement proceeds, net of administrative and service fees. As of December 31, 2025, the Board received \$1,457,684, and the remaining \$671,320 is recorded as a receivable on the statement of net position.

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Alexandria, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2025

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/25	0.0470 %	\$ 1,559,146	\$ 37,611	\$ 1,596,757	\$ 4,252,867	36.7 %	90.8 %
06/30/24	0.0448	1,655,997	42,821	1,698,818	3,785,627	43.7	89.1
06/30/23	0.0449	2,510,758	69,306	2,580,064	3,543,627	70.9	83.1
06/30/22	0.0442	3,500,655	102,638	3,603,293	3,311,932	105.7	76.7
06/30/21	0.0424	1,810,670	55,301	1,865,971	3,053,760	59.3	87.0
06/30/20	0.0419	2,512,096	77,478	2,589,574	2,987,173	84.1	79.1
06/30/19	0.0409	2,261,269	70,330	2,331,599	2,893,901	78.1	80.2
06/30/18	0.0418	2,318,893	76,115	2,395,008	2,802,281	82.8	79.5
06/30/17	0.0420	2,681,252	-	2,681,252	2,707,621	99.0	75.9
06/30/16	0.0441	3,580,701	-	3,580,701	2,686,934	133.3	68.9

Discretely Presented Component Unit - Board of Public Utilities

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/25	0.0361 %	\$ 1,195,469	\$ 28,838	\$ 1,224,307	\$ 3,267,195	36.6 %	90.8 %
06/30/24	0.0380	1,403,875	36,301	1,440,176	3,213,953	43.7	86.7
06/30/23	0.0393	2,197,612	60,605	2,258,217	3,123,091	70.4	83.1
06/30/22	0.0401	3,175,933	92,938	3,268,871	3,001,605	105.8	76.7
06/30/21	0.0424	1,810,670	55,174	1,865,844	3,049,341	59.4	87.0
06/30/20	0.0425	2,548,069	78,554	2,626,623	3,029,142	84.1	79.0
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	99.0	75.9
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	130.8	68.9

City of Alexandria, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

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)
12/31/25	\$ 349,967	\$ 349,967	\$ -	\$ 4,666,227	7.5 %
12/31/24	298,272	298,272	-	3,976,960	7.5
12/31/23	274,294	274,294	-	3,657,252	7.5
12/31/22	256,617	256,617	-	3,421,556	7.5
12/31/21	238,876	238,876	-	3,185,011	7.5
12/31/20	222,976	222,976	-	2,973,015	7.5
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	-	2,641,654	7.5

Discretely Presented Component Unit - Board of Public Utilities

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)
12/31/25	\$ 257,267	\$ 257,267	\$ -	\$ 3,430,231	7.5 %
12/31/24	250,311	250,311	-	3,337,486	7.5
12/31/23	237,562	237,562	-	3,167,499	7.5
12/31/22	230,496	230,496	-	3,073,276	7.5
12/31/21	224,225	224,225	-	2,989,663	7.5
12/31/20	227,803	227,803	-	3,037,375	7.5
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

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Fund

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 – The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2022.

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Fund (Continued)

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

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on

October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Fund (Continued)

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.

2016 - There were no changes in plan provisions since the previous valuation.

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.

City of Alexandria, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/25	0.1782 %	\$ 2,087,491	\$ 72,363	\$ 2,159,854	\$ 2,703,960	77.2 %	91.8 %
06/30/24	0.1824	2,399,243	91,458	2,490,701	2,525,312	95.0	90.2
06/30/23	0.1807	3,120,454	125,708	3,246,162	2,373,461	131.5	86.5
06/30/22	0.1796	7,815,483	341,340	8,156,823	2,181,134	358.3	70.5
06/30/21	0.1794	1,384,778	62,267	1,447,045	2,120,289	65.3	93.7
06/30/20	0.1876	2,472,769	58,248	2,531,017	2,116,257	116.8	87.2
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	1,680,277	415.6	63.9

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)
12/31/25	\$ 516,230	\$ 516,230	\$ -	\$ 2,916,554	17.7 %
12/31/24	457,593	457,593	-	2,585,271	17.7
12/31/23	434,359	434,359	-	2,454,003	17.7
12/31/22	404,187	404,187	-	2,283,545	17.7
12/31/21	372,173	372,173	-	2,102,675	17.7
12/31/20	380,636	380,636	-	2,150,487	17.7
12/31/19	345,991	345,991	-	2,041,246	16.9
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	-	1,721,055	16.2

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2025 - Assumed rates of salary increases were reduced slightly. Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements. Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment. Assumed rates of disabled retirement were significantly increased, especially for ages over age 30. Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience. Percent married assumption for female retirees lowered from 70% to 65%. Minor changes were made to form of payment assumptions for retirees. Minor changes were made to assumptions made with respect to missing participant data. The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2022. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

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.

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

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 selected 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

2025 - The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase). The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.

The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis). The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048. Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

2023 - Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

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.

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.

2016 - There were no changes in plan provisions since the previous valuation.

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, 2025

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

	2025 (Fire Relief Report Date 2024)	2024 (Fire Relief Report Date 2023)	2023 (Fire Relief Report Date 2022)	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)
Total Pension Liability										
Service cost	\$ 127,190	\$ 120,086	\$ 113,656	\$ 108,564	\$ 104,758	\$ 99,725	\$ 96,974	\$ 92,744	\$ 93,902	\$ 99,006
Interest	119,582	114,377	144,405	159,789	169,818	159,678	170,466	172,323	172,406	115,843
Changes of benefit terms	51,351	63,535	49,442	40,100	30,638	58,148	50,831	35,092	246,769	180,109
Differences between expected and actual experience	(24,377)		(85,480)	-	(114,619)	-	(81,151)	-	(228,614)	-
Changes of assumptions	(41,861)		27,992	-	29,447	-	43,549	-	31,842	(129,171)
Benefit payments	-	(429,177)	(726,344)	(393,037)	(166,580)	(166,579)	(357,537)	(304,298)	-	(136,320)
Net Change in Total Pension Liability	231,885	(131,179)	(476,329)	(84,584)	53,462	150,972	(76,868)	(4,139)	316,305	129,467
Total Pension Liability - January 1	1,952,490	2,083,669	2,559,998	2,644,582	2,591,120	2,440,148	2,517,016	2,521,155	2,204,850	2,075,383
Total Pension Liability - December 31	\$ 2,184,375	\$ 1,952,490	\$ 2,083,669	\$ 2,559,998	\$ 2,644,582	\$ 2,591,120	\$ 2,440,148	\$ 2,517,016	\$ 2,521,155	\$ 2,204,850
Plan Fiduciary Net Position										
Other income	-	-	-	674	-	-	-	-	-	-
Contributions - state	220,377	192,776	179,933	161,635	170,554	145,910	159,187	140,428	136,992	135,561
Net investment income	319,472	382,166	(723,605)	501,381	257,320	672,655	(375,550)	583,315	225,208	(316,113)
Benefit payments	-	(429,177)	(726,344)	(393,037)	(166,580)	(166,579)	(357,537)	(304,298)	-	(136,320)
Administrative expense	(18,065)	(18,078)	(14,417)	(12,088)	(12,829)	(6,765)	(6,350)	(7,578)	(5,800)	(6,360)
Net Change in Plan Fiduciary Net Position	521,784	127,687	(1,284,433)	258,565	248,465	645,221	(580,250)	411,867	356,400	(323,232)
Plan Fiduciary Net Position - January 1	2,698,325	2,570,638	3,855,071	3,596,506	3,348,041	2,702,820	3,283,070	2,871,203	2,514,803	2,838,035
Plan Fiduciary Net Position - December 31 (B)	\$ 3,220,109	\$ 2,698,325	\$ 2,570,638	\$ 3,855,071	\$ 3,596,506	\$ 3,348,041	\$ 2,702,820	\$ 3,283,070	\$ 2,871,203	\$ 2,514,803
Fire Reliefs Net Pension Liability (Asset) - December 31 (A-B)	\$ (1,035,734)	\$ (745,835)	\$ (486,969)	\$ (1,295,073)	\$ (951,924)	\$ (756,921)	\$ (262,672)	\$ (766,054)	\$ (350,048)	\$ (309,953)
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)	147.42%	138.20%	123.37%	150.59%	136.00%	129.21%	110.76%	130.44%	113.88%	114.06%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Reliefs Net Pension Liability (Asset) As a Percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

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

Changes in Actuarial Assumptions

2025 – The expected investment return and discount rate increased from 5.75% to 6.25% to reflect updated capital market assumptions.

2024 – There were no changes in plan provisions since the previous valuation.

2023 – The expected investment return and discount rate decreased from 6.25 to 5.75% to reflect updated capital market assumptions. The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption increased from 2.25% to 2.50%

2022 - There were no changes in plan provisions since the previous valuation.

2021 - The expected investment return and discount rate decreased from 6.50% to 6.25% to reflect updated capital market assumptions. The inflation assumption decreased from 2.50% to 2.25%. The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation.

2020 - The index rate for 20-year, tax-exempt municipal bonds decreased from 3.71% to 2.75%

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%.

2018 - There were no changes in plan provisions since the previous valuation.

2017 - There were no changes in plan provisions since the previous valuation.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - There were no changes in plan provisions since the previous valuation.

City of Alexandria, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

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

Changes in Benefits

2025 – The annual lump sum amount increased from \$9,272 to \$9,551.
 2024 – The annual lump sum amount increased from \$8,915 to \$9,272.
 2023 - The annual lump sum amount increased from \$8,655 to \$8,915.
 2022 - The annual lump sum amount increased from \$8,403 to \$8,655.
 2021 - The annual lump sum amount increased from \$8,279 to \$8,403.
 2020 - The annual lump sum amount increased from \$8,077 to \$8,279.
 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.
 2017 - There were no changes in plan provisions since the previous valuation.
 2016 - There were no changes in plan provisions since the previous valuation.
 2015 - The \$6,766 lump sum benefit increased to \$7,500 on December 14, 2015.

Schedule of Employer’s Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/25	\$ 261,926	\$ 261,926	\$ -
12/31/24	220,377	220,377	-
12/31/23	190,776	190,776	-
12/31/22	161,635	161,635	-
12/31/21	170,554	170,554	-
12/31/20	145,910	145,910	-
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	-

City of Alexandria, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 45,612	\$ 42,231	\$ 45,755	\$ 43,324	\$ 49,999	\$ 42,064	\$ 39,353	\$ 34,340
Interest Costs	36,168	36,385	8,713	9,156	14,531	16,976	18,517	19,309
Assumption Changes	77,485	24,133	(148,079)	2,666	(144,150)	20,560	(4,309)	19,895
Differences between Expected and Actual Experience	2,010	(484)	571,037	13,815	51,823	-	(139,314)	-
Benefit Payments	(45,481)	(43,912)	(54,113)	(57,276)	(14,948)	(18,485)	(19,118)	(32,761)
Net Change in Total OPEB Liability	115,794	58,353	423,313	11,685	(42,745)	61,115	(104,871)	40,783
Total OPEB Liability - Beginning	936,484	878,131	454,818	443,133	485,878	424,763	529,634	488,851
Total OPEB Liability - Ending	<u>\$ 1,052,278</u>	<u>\$ 936,484</u>	<u>\$ 878,131</u>	<u>\$ 454,818</u>	<u>\$ 443,133</u>	<u>\$ 485,878</u>	<u>\$ 424,763</u>	<u>\$ 529,634</u>
Covered - Employee Payroll	\$ 6,274,921	\$ 5,905,982	\$ 5,575,282	\$ 5,267,091	\$ 4,187,255	\$ 4,866,062	\$ 4,684,169	\$ 4,346,100
City's total OPEB liability as a percentage of covered employee payroll	16.77 %	15.86 %	15.75 %	8.64 %	10.58 %	9.99 %	9.07 %	11.31 %

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 2,562	\$ 2,383	\$ 4,332	\$ 4,112	\$ 6,594	\$ 5,537	\$ 6,842	\$ 6,212
Interest Costs	1,180	1,127	879	855	2,028	2,277	3,099	3,110
Assumption Changes	(7,756)	663	(5,120)	-	(26,987)	-	(17,950)	2,034
Differences between Expected and Actual Experience	4,594	-	(17,679)	454	(9,578)	3,511	(22,942)	-
Benefit Payments	(908)	(846)	-	(1,174)	-	-	-	-
Net Change in Total OPEB Liability	(328)	3,327	(17,588)	4,247	(27,943)	11,325	(30,951)	11,356
Total OPEB Liability - Beginning	29,197	25,870	43,458	39,211	67,154	55,829	86,780	75,424
Total OPEB Liability - Ending	<u>\$ 28,869</u>	<u>\$ 29,197</u>	<u>\$ 25,870</u>	<u>\$ 43,458</u>	<u>\$ 39,211</u>	<u>\$ 67,154</u>	<u>\$ 55,829</u>	<u>\$ 86,780</u>
Covered - Employee Payroll	\$ 3,495,225	\$ 3,276,031	\$ 3,220,240	\$ 3,149,142	\$ 3,147,961	\$ 3,056,470	\$ 2,934,724	\$ 2,649,274
Board's total OPEB liability as a percentage of covered employee payroll	0.83 %	0.89 %	0.80 %	1.38 %	1.25 %	2.20 %	1.90 %	3.28 %

Note: This schedule is intended to show ten year trend. Additional years will be reported as they become available.
Note: No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

City of Alexandria, Minnesota
Notes to Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Changes in assumptions:

2025:

- The discount rate was changed from 3.77% to 4.08% based on updated 20-year municipal bond rates.
- The healthcare trend rates were reset to reflect updated cost expectations.
- The medical per capita claim costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2023 PERA general employees plan valuation to the rates used in the 2023 experience study.

2024:

- The discount rate was changed from 4.05% to 3.77% based on updated 20-year municipal bond rates.

2023:

- The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience. Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 PERA Police & Fire Plan valuations to the rates used in the 7/1/2023 valuations. The general inflation assumption was changed from 2.25% to 2.50% based on an updated analysis of historical inflation rates and forward looking market expectations. The payroll growth was changed from 3.00% to 3.25% due to a change in the underlying inflation assumption.

2022:

- None.

2021:

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries. Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 PERA Police & Fire Plan valuations to the rates used in the 7/1/2022 valuations. The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 40% to 30% to reflect recent plan experience. The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2020:

- The discount rate was changed from 3.71% to 2.50% based on updated 20-year municipal bond rates.

2019:

- 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.

2018:

Changes in Plan Provisions:

- None

Changes in benefits:

In 2025, there were no benefit changes.

In 2024, there were no benefit changes.

In 2023, retiree premiums were updated to current levels.

In 2022, there were no benefit changes.

In 2021, there were no benefit changes.

In 2020, there were no benefit changes.

In 2019, there were no benefit changes.

In 2018, there were no benefit changes.

City of Alexandria, Minnesota
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2025

	Budgeted Amounts		
	Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 7,310,162	\$ 7,302,477	\$ (7,685)
Payment in lieu of taxes	1,011,760	1,017,447	5,687
Special assessments	-	3,429	3,429
Licenses and permits	651,550	1,090,819	439,269
Intergovernmental	2,392,307	2,444,039	51,732
Charges for services	1,206,570	1,253,159	46,589
Fines and forfeits	101,000	87,781	(13,219)
Investment earnings	60,000	392,045	332,045
Other revenue	66,000	65,564	(436)
Total Revenues	<u>12,799,349</u>	<u>13,656,760</u>	<u>857,411</u>
Expenditures			
Current			
General government	3,237,704	3,317,952	(80,248)
Public safety	5,608,448	5,670,061	(61,613)
Public works	2,125,865	2,112,821	13,044
Culture and recreation	1,966,462	1,970,264	(3,802)
Airport	256,870	331,942	(75,072)
Capital outlay			
General government	6,500	35,501	(29,001)
Public safety	66,500	61,356	5,144
Public works	10,000	2,030	7,970
Culture and recreation	11,500	63,578	(52,078)
Airport	4,500	58,864	(54,364)
Total Expenditures	<u>13,294,349</u>	<u>13,624,369</u>	<u>(330,020)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,000)	32,391	527,391
Other Financing Sources (Uses)			
Transfers in	<u>495,000</u>	<u>542,883</u>	<u>47,883</u>
Net Change in Fund Balances	-	575,274	575,274
Fund Balances, January 1	<u>-</u>	<u>8,144,106</u>	<u>8,144,106</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 8,719,380</u>	<u>\$ 8,719,380</u>

See accompanying notes to the required supplementary information.

City of Alexandria, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

Notes to the Required Supplementary Information

Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which it becomes measurable and available.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 13,294,349	\$ 13,624,369	\$ 330,020

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

C. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Licenses and permits revenue exceeded final budgeted amounts due to more building permit revenue than anticipated at time of final budget approval.

Expenditures

- Capital outlay expenditures were over final budgeted amounts due to unbudgeted purchases of a Daktronic sign, and airport video cameras and tank monitors.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Alexandria, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2025

	210 Lodging Tax Fund	214 Employee Benefit	217 Firemen's Relief	220 Plans and Studies	223 Sanitary Sewer District	203 Workforce Housing Grant
Assets						
Cash and temporary investments	\$ 26,266	\$ 313	\$ 111,900	\$ 87,144	\$ 11,971	\$ -
Receivables						
Delinquent taxes	-	410	22	73	11,034	-
Accounts	360	-	-	-	-	-
Notes and loans, net of allowance	-	-	-	-	-	-
Intergovernmental	-	271	3	21	7,155	-
Land held for resale	-	-	-	-	-	-
Total Assets	<u>\$ 26,626</u>	<u>\$ 994</u>	<u>\$ 111,925</u>	<u>\$ 87,238</u>	<u>\$ 30,160</u>	<u>\$ -</u>
Liabilities						
Accounts payable	\$ 25,255	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources						
Unavailable revenue - taxes	-	410	22	73	11,034	-
Fund Balances						
Restricted for						
Economic development	1,371	-	-	-	-	-
Committed for						
Payment of benefits	-	584	-	-	-	-
Firefighter's retirement obligation	-	-	111,903	-	-	-
Economic development	-	-	-	87,165	-	-
Tree preservation	-	-	-	-	-	-
Sanitary sewer district appropriations	-	-	-	-	19,126	-
Total Fund Balances	<u>1,371</u>	<u>584</u>	<u>111,903</u>	<u>87,165</u>	<u>19,126</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,626</u>	<u>\$ 994</u>	<u>\$ 111,925</u>	<u>\$ 87,238</u>	<u>\$ 30,160</u>	<u>\$ -</u>

205	296	297/298	299		Total
Tree Preservation	HTF	Revolving Loan	Statewide Local Housing Aid	Tax Increment Financing Total	Nonmajor Special Revenue
\$ 98,205	\$ 200,314	\$ 485,257	\$ 252,768	\$ 1,193,577	\$ 2,467,715
-	-	-	-	-	11,539
-	-	-	-	33,062	33,422
-	136,568	1,287,372	-	587,630	2,011,570
-	-	-	-	33,288	40,738
-	-	201,411	-	-	201,411
<u>\$ 98,205</u>	<u>\$ 336,882</u>	<u>\$ 1,974,040</u>	<u>\$ 252,768</u>	<u>\$ 1,847,557</u>	<u>\$ 4,766,395</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,255
-	-	-	-	-	11,539
-	336,882	1,974,040	252,768	1,847,557	4,412,618
-	-	-	-	-	584
-	-	-	-	-	111,903
-	-	-	-	-	87,165
98,205	-	-	-	-	98,205
-	-	-	-	-	19,126
<u>98,205</u>	<u>336,882</u>	<u>1,974,040</u>	<u>252,768</u>	<u>1,847,557</u>	<u>4,729,601</u>
<u>\$ 98,205</u>	<u>\$ 336,882</u>	<u>\$ 1,974,040</u>	<u>\$ 252,768</u>	<u>\$ 1,847,557</u>	<u>\$ 4,766,395</u>

City of Alexandria, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Continued on the Following Pages
 For the Year Ended December 31, 2025

	210 Lodging Tax Fund	214 Employee Benefit	217 Firemen's Relief	220 Plans and Studies	223 Sanitary Sewer District	203 Workforce Housing Grant
Revenues						
Taxes						
Property taxes	\$ -	\$ 25,050	\$ 4	\$ 174	\$ 653,173	\$ -
Tax increments	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Lodging Tax	463,708	-	-	-	-	-
Intergovernmental						
State	-	2	263,926	-	59	2,374,000
Charges for service	-	-	-	-	-	-
Investment earnings	-	313	3,692	2,874	1,829	-
Miscellaneous						
Other	-	50	-	50	1,505	-
Total Revenues	<u>463,708</u>	<u>25,415</u>	<u>267,622</u>	<u>3,098</u>	<u>656,566</u>	<u>2,374,000</u>
Expenditures						
Current						
Public safety	-	-	263,926	-	-	-
Public works	-	-	-	-	655,694	-
Economic development	463,709	-	-	100	-	2,374,000
Total Expenditures	<u>463,709</u>	<u>-</u>	<u>263,926</u>	<u>100</u>	<u>655,694</u>	<u>2,374,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1)</u>	<u>25,415</u>	<u>3,696</u>	<u>2,998</u>	<u>872</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(25,293)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(25,293)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1)	122	3,696	2,998	872	-
Fund Balances, January 1	<u>1,372</u>	<u>462</u>	<u>108,207</u>	<u>84,167</u>	<u>18,254</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,371</u>	<u>\$ 584</u>	<u>\$ 111,903</u>	<u>\$ 87,165</u>	<u>\$ 19,126</u>	<u>\$ -</u>

205 Tree Preservation	296 HTF	297/298 Revolving Loan	299 Statewide Local Housing Aid	Tax Increment Financing Total	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 678,401
-	-	-	-	1,557,615	1,557,615
-	-	-	-	86,266	86,266
-	-	-	-	-	463,708
-	-	-	38,219	-	2,676,206
-	-	-	-	146,554	146,554
3,240	6,324	81,036	7,447	36,938	143,693
-	-	-	-	-	1,605
<u>3,240</u>	<u>6,324</u>	<u>81,036</u>	<u>45,666</u>	<u>1,827,373</u>	<u>5,754,048</u>
-	-	-	-	-	263,926
-	-	-	-	-	655,694
-	-	195,892	-	1,361,666	4,395,367
-	-	<u>195,892</u>	-	<u>1,361,666</u>	<u>5,314,987</u>
<u>3,240</u>	<u>6,324</u>	<u>(114,856)</u>	<u>45,666</u>	<u>465,707</u>	<u>439,061</u>
-	100,000	-	-	-	100,000
-	-	-	-	(100,000)	(125,293)
-	<u>100,000</u>	-	-	<u>(100,000)</u>	<u>(25,293)</u>
3,240	106,324	(114,856)	45,666	365,707	413,768
<u>94,965</u>	<u>230,558</u>	<u>2,088,896</u>	<u>207,102</u>	<u>1,481,850</u>	<u>4,315,833</u>
<u>\$ 98,205</u>	<u>\$ 336,882</u>	<u>\$ 1,974,040</u>	<u>\$ 252,768</u>	<u>\$ 1,847,557</u>	<u>\$ 4,729,601</u>

City of Alexandria, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued on the Following Pages)
 For the Year Ended December 31, 2025

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual Amounts	
Revenues			
Taxes			
Property taxes	\$ 6,710,162	\$ 6,653,761	\$ (56,401)
Franchise taxes	600,000	648,716	48,716
Total taxes	<u>7,310,162</u>	<u>7,302,477</u>	<u>(7,685)</u>
Payment in lieu of taxes	<u>1,011,760</u>	<u>1,017,447</u>	<u>5,687</u>
Special assessments	<u>-</u>	<u>3,429</u>	<u>3,429</u>
Licenses and permits			
Business licenses	98,800	100,805	2,005
Nonbusiness licenses	48,250	78,075	29,825
Building permits	504,500	911,939	407,439
Total licenses and permits	<u>651,550</u>	<u>1,090,819</u>	<u>439,269</u>
Intergovernmental			
Federal			
Other Federal grants	<u>20,000</u>	<u>53,803</u>	<u>33,803</u>
State			
Local government aid	1,915,787	1,915,787	-
Property tax credits and aids	-	598	598
Police aid	310,000	316,436	6,436
Airport maintenance	73,020	73,020	-
Other State aids	73,500	84,395	10,895
Total state	<u>2,372,307</u>	<u>2,390,236</u>	<u>17,929</u>
Total intergovernmental	<u>2,392,307</u>	<u>2,444,039</u>	<u>51,732</u>
Charges for services			
General government	81,900	114,287	32,387
Public safety	360,670	350,564	(10,106)
Public works	23,000	31,753	8,753
Culture and recreation	607,700	596,597	(11,103)
Airport	133,300	159,958	26,658
Total charges for services	<u>1,206,570</u>	<u>1,253,159</u>	<u>46,589</u>
Fines and forfeits	<u>101,000</u>	<u>87,781</u>	<u>(13,219)</u>
Investment earnings	<u>60,000</u>	<u>392,045</u>	<u>332,045</u>
Other revenue			
Contributions and donations	40,000	42,300	2,300
Other	26,000	23,264	(2,736)
Total other revenue	<u>66,000</u>	<u>65,564</u>	<u>(436)</u>
Total Revenues	<u>12,799,349</u>	<u>13,656,760</u>	<u>857,411</u>

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original and Final		
Expenditures			
Current			
General government			
Mayor and council			
Personal services	\$ 73,979	\$ 77,405	\$ (3,426)
Other services and charges	81,220	67,024	14,196
Total mayor and council	<u>155,199</u>	<u>144,429</u>	<u>10,770</u>
Administration			
Personal services	754,039	782,487	(28,448)
Supplies	750	1,091	(341)
Other services and charges	79,920	69,049	10,871
Total administration	<u>834,709</u>	<u>852,627</u>	<u>(17,918)</u>
Elections			
Personal services	-	126	(126)
Other services and charges	3,000	1,959	1,041
Total elections	<u>3,000</u>	<u>2,085</u>	<u>915</u>
Community development			
Personal services	195,085	193,125	1,960
Supplies	-	32	(32)
Other services and charges	1,200	428	772
Total community development	<u>196,285</u>	<u>193,585</u>	<u>2,700</u>
Planning and zoning			
Personal services	4,700	3,983	717
Other services and charges	3,220	2,014	1,206
Total planning and zoning	<u>7,920</u>	<u>5,997</u>	<u>1,923</u>
Assessor			
Personal services	256,881	243,822	13,059
Supplies	200	132	68
Other services and charges	9,920	5,184	4,736
Total assessor	<u>267,001</u>	<u>249,138</u>	<u>17,863</u>
Legal and accounting			
Supplies	1,000	874	126
Other services and charges	476,000	505,278	(29,278)
Total legal and accounting	<u>477,000</u>	<u>506,152</u>	<u>(29,152)</u>
Human resources			
Personal services	137,645	138,598	(953)
Supplies	500	119	381
Other services and charges	34,470	34,090	380
Total human resources	<u>172,615</u>	<u>172,807</u>	<u>(192)</u>
Employee wellness			
Personal services	-	3,122	(3,122)
Other services and charges	10,000	12,114	(2,114)
Total employee wellness	<u>10,000</u>	<u>15,236</u>	<u>(5,236)</u>

City of Alexandria, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2025

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual Amounts	
Expenditures (Continued)			
Current (continued)			
General government (continued)			
Information technology			
Personal services	\$ 156,915	\$ 226,662	\$ (69,747)
Supplies	500	868	(368)
Other services and charges	22,600	12,591	10,009
Total information technology	<u>180,015</u>	<u>240,121</u>	<u>(60,106)</u>
Other general government			
Personal services	3,500	732	2,768
Supplies	14,500	13,680	820
Other services and charges	915,960	921,363	(5,403)
Total other general government	<u>933,960</u>	<u>935,775</u>	<u>(1,815)</u>
Total General Government	<u>3,237,704</u>	<u>3,317,952</u>	<u>(80,248)</u>
Public safety			
Police protection			
Personal services	3,955,292	4,082,298	(127,006)
Supplies	71,500	62,528	8,972
Other services and charges	505,252	504,382	870
Total police protection	<u>4,532,044</u>	<u>4,649,208</u>	<u>(117,164)</u>
Fire protection			
Personal services	179,124	176,151	2,973
Supplies	48,300	51,283	(2,983)
Other services and charges	274,260	225,300	48,960
Total fire protection	<u>501,684</u>	<u>452,734</u>	<u>48,950</u>
Building inspection			
Personal services	410,555	376,014	34,541
Supplies	3,625	2,680	945
Other services and charges	78,790	112,277	(33,487)
Total building inspection	<u>492,970</u>	<u>490,971</u>	<u>1,999</u>
Emergency management			
Other services and charges	<u>9,250</u>	<u>6,920</u>	<u>2,330</u>
Traffic signs and signals			
Supplies	12,000	9,085	2,915
Other services and charges	22,500	23,143	(643)
Total traffic signs and signals	<u>34,500</u>	<u>32,228</u>	<u>2,272</u>

City of Alexandria, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original and Final		
Expenditures (Continued)			
Current (Continued)			
Animal control			
Other services and charges	\$ 38,000	\$ 38,000	\$ -
Total public safety	5,608,448	5,670,061	(61,613)
Public works			
Highways, streets and alleys			
Personal services	1,200,215	1,132,136	68,079
Supplies	125,400	130,697	(5,297)
Other services and charges	17,300	9,222	8,078
Total highways, streets and alleys	1,342,915	1,272,055	70,860
Engineering			
Other services and charges	110,000	123,255	(13,255)
Blacktop repair			
Supplies	100,000	83,628	16,372
Dust control			
Supplies	2,000	2,156	(156)
Sidewalks and curbs			
Other services and charges	91,000	145,229	(54,229)
Snow and ice control			
Personal services	-	6,659	(6,659)
Supplies	110,000	118,255	(8,255)
Other services and charges	46,000	50,709	(4,709)
Total snow and ice control	156,000	175,623	(19,623)
Equipment maintenance			
Supplies	28,000	39,838	(11,838)
Other services and charges	150,950	106,625	44,325
Total equipment maintenance	178,950	146,463	32,487
Weed eradication			
Supplies	20,000	23,384	(3,384)
Street lighting			
Other services and charges	125,000	141,028	(16,028)
Total Public Works	2,125,865	2,112,821	13,044

City of Alexandria, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original and Final		
Expenditures (Continued)			
Current (Continued)			
Culture and Recreation			
Other services and charges	\$ 40,000	\$ 40,000	\$ -
Runestone Community Center			
Personal services	492,747	524,395	(31,648)
Supplies	25,500	25,570	(70)
Other services and charges	290,488	311,714	(21,226)
Total Runestone Community Center	<u>808,735</u>	<u>861,679</u>	<u>(52,944)</u>
KN Stadium			
Supplies	4,000	3,454	546
Other services and charges	43,000	34,910	8,090
Total KN Stadium	<u>47,000</u>	<u>38,364</u>	<u>8,636</u>
Senior citizens			
Other services and charges	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Parks			
Personal services	796,567	799,159	(2,592)
Supplies	89,500	74,733	14,767
Other services and charges	154,660	126,329	28,331
Total parks	<u>1,040,727</u>	<u>1,000,221</u>	<u>40,506</u>
Total Culture and Recreation	<u>1,966,462</u>	<u>1,970,264</u>	<u>(3,802)</u>
Airport			
Airport operations			
Personal services	2,300	2,079	221
Supplies	12,700	8,452	4,248
Other services and charges	241,870	321,411	(79,541)
Total airport	<u>256,870</u>	<u>331,942</u>	<u>(75,072)</u>
Total Current	<u>13,195,349</u>	<u>13,403,040</u>	<u>(207,691)</u>

City of Alexandria, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original and Final		
Expenditures (Continued)			
Capital outlay			
General government	\$ 6,500	\$ 35,501	\$ (29,001)
Public safety	66,500	61,356	5,144
Public works	10,000	2,030	7,970
Culture and recreation	11,500	63,578	(52,078)
Airport	4,500	58,864	(54,364)
Total capital outlay	<u>99,000</u>	<u>221,329</u>	<u>(122,329)</u>
Total Expenditures	<u>13,294,349</u>	<u>13,624,369</u>	<u>(330,020)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,000)	32,391	527,391
Other Financing Sources (Uses)			
Transfers in	<u>495,000</u>	<u>542,883</u>	<u>47,883</u>
Net Change in Fund Balances	-	575,274	575,274
Fund Balances, January 1	<u>-</u>	<u>8,144,106</u>	<u>-</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 8,719,380</u>	<u>\$ 575,274</u>

City of Alexandria, Minnesota
Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2025

	430	433	437	438	439	440
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment	IT Equipment
Assets						
Cash and temporary investments	\$ 654,193	\$ 808,094	\$ 6,030	\$ 91,094	\$ 162,624	\$ 128,176
Receivables						
Delinquent taxes	1,010	12	504	3,598	1,620	842
Accounts	-	200	-	-	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	698	2	330	2,391	982	549
Leases	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total Assets	<u>\$ 655,901</u>	<u>\$ 808,308</u>	<u>\$ 6,864</u>	<u>\$ 97,083</u>	<u>\$ 165,226</u>	<u>\$ 129,567</u>
Liabilities						
Accounts payable	\$ -	\$ 30,626	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advance from other funds	-	1,658,428	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,689,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Deferred lease resources	-	-	-	-	-	-
Unavailable revenue - taxes	1,010	12	504	3,598	1,620	842
Unavailable revenue - special assessments	-	-	-	-	-	-
Unavailable revenue - intergovernmental	-	-	-	-	-	-
Advance from other government	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>1,010</u>	<u>12</u>	<u>504</u>	<u>3,598</u>	<u>1,620</u>	<u>842</u>
Fund Balances						
Nonspendable for						
Prepaid items	-	-	-	-	-	-
Restricted for						
Capital outlay	-	-	-	-	-	-
Committed for						
Capital outlay	654,891	-	6,360	93,485	163,606	128,725
Unassigned	-	(880,758)	-	-	-	-
Total Fund Balances	<u>654,891</u>	<u>(880,758)</u>	<u>6,360</u>	<u>93,485</u>	<u>163,606</u>	<u>128,725</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 655,901</u>	<u>\$ 808,308</u>	<u>\$ 6,864</u>	<u>\$ 97,083</u>	<u>\$ 165,226</u>	<u>\$ 129,567</u>

401	402	404	405	406
<u>Capital Improvement</u>	<u>Municipal State Aid</u>	<u>Local Street Overlay</u>	<u>2020 Street Reconstruction</u>	<u>Airport Development</u>
\$ 1,454,772	\$ (1,024,757)	\$ 57,581	\$ (95,928)	\$ 480,548
122	-	3,576	-	714
-	-	-	-	780
-	-	-	-	-
16	8,702	2,466	-	485
-	-	-	-	223,521
-	-	-	-	-
1,257	-	-	-	-
<u>\$ 1,456,167</u>	<u>\$ (1,016,055)</u>	<u>\$ 63,623</u>	<u>\$ (95,928)</u>	<u>\$ 706,048</u>
\$ 124,480	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	7,980
<u>124,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,980</u>
-	-	-	-	221,517
122	-	3,576	-	714
-	-	-	-	-
-	-	-	-	-
-	1,782,580	-	-	-
<u>122</u>	<u>1,782,580</u>	<u>3,576</u>	<u>-</u>	<u>222,231</u>
1,257	-	-	-	-
-	-	-	-	-
1,330,308	-	60,047	-	475,837
-	(2,798,635)	-	(95,928)	-
<u>1,331,565</u>	<u>(2,798,635)</u>	<u>60,047</u>	<u>(95,928)</u>	<u>475,837</u>
<u>\$ 1,456,167</u>	<u>\$ (1,016,055)</u>	<u>\$ 63,623</u>	<u>\$ (95,928)</u>	<u>\$ 706,048</u>

City of Alexandria, Minnesota
Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2025

	411	412	413	414	417	419
	44th Ave Extension Project	18th Ave Reconstruction Project	Community Splash Pad	Revolving Improvement	RCC Expansion	Nature Trail
Assets						
Cash and temporary investments	\$ 8,225	\$ (668,603)	\$ 181,718	\$ 1,435,947	\$ 1,223,465	\$ (4,045)
Receivables						
Delinquent taxes	-	-	-	978	-	-
Accounts	-	-	-	21,665	-	-
Special assessments	-	-	-	1,479,733	-	-
Intergovernmental	-	-	-	3,534	-	-
Leases	-	-	-	-	-	-
Advances to other funds	-	-	-	1,658,428	-	-
Prepaid items	-	-	-	-	-	-
Total Assets	<u>\$ 8,225</u>	<u>\$ (668,603)</u>	<u>\$ 181,718</u>	<u>\$ 4,600,285</u>	<u>\$ 1,223,465</u>	<u>\$ (4,045)</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 21,037	\$ 1,376	\$ 499	\$ -
Contracts payable	-	-	-	-	233,014	-
Deposits payable	-	15,160	-	111,653	-	-
Advance from other funds	-	-	-	-	-	-
Unearned revenue	-	-	93,333	-	-	-
Total Liabilities	<u>-</u>	<u>15,160</u>	<u>114,370</u>	<u>113,029</u>	<u>233,513</u>	<u>-</u>
Deferred Inflows of Resources						
Deferred lease resources	-	-	-	-	-	-
Unavailable revenue - taxes	-	-	-	978	-	-
Unavailable revenue - special assessments	-	-	-	1,479,733	-	-
Unavailable revenue - intergovernmental	-	-	-	7,617	-	-
Advance from other government	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,488,328</u>	<u>-</u>	<u>-</u>
Fund Balances						
Nonspendable for						
Prepaid items	-	-	-	-	-	-
Restricted for						
Capital outlay	8,225	-	67,348	-	989,952	-
Committed for						
Capital outlay	-	-	-	2,998,928	-	-
Unassigned	-	(683,763)	-	-	-	(4,045)
Total Fund Balances	<u>8,225</u>	<u>(683,763)</u>	<u>67,348</u>	<u>2,998,928</u>	<u>989,952</u>	<u>(4,045)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,225</u>	<u>\$ (668,603)</u>	<u>\$ 181,718</u>	<u>\$ 4,600,285</u>	<u>\$ 1,223,465</u>	<u>\$ (4,045)</u>

420 Nokomis Street Improvement	421 SRTS Voyager Elementary	422 6th Ave Improvements	435 Administration Equipment	418 RCC Expansion Phase 3	450 Child Care Construction Project	Capital Fund Elimination	Total Capital Projects
\$ (110,938)	\$ -	\$ (10,742)	\$ 19,152	\$ (173,417)	\$ (66)	\$ -	4,623,123
-	-	-	380	-	-	-	13,356
-	-	-	-	-	200	-	22,845
-	-	-	-	-	-	-	1,479,733
-	-	-	267	-	-	-	20,422
-	-	-	-	-	-	-	223,521
-	-	-	-	-	-	(1,658,428)	-
-	-	-	-	-	-	-	1,257
<u>\$ (110,938)</u>	<u>\$ -</u>	<u>\$ (10,742)</u>	<u>\$ 19,799</u>	<u>\$ (173,417)</u>	<u>\$ 134</u>	<u>\$ (1,658,428)</u>	<u>\$ 6,384,257</u>
\$ -	\$ 9,545	\$ -	\$ -	\$ 7,750	\$ -	\$ -	\$ 195,313
89,209	-	-	-	-	-	-	322,223
-	-	-	-	-	2,000	-	128,813
-	-	-	-	-	-	(1,658,428)	-
-	-	-	-	-	-	-	101,313
<u>89,209</u>	<u>9,545</u>	<u>-</u>	<u>-</u>	<u>7,750</u>	<u>2,000</u>	<u>(1,658,428)</u>	<u>747,662</u>
-	-	-	-	-	-	-	221,517
-	-	-	380	-	-	-	13,356
-	-	-	-	-	-	-	1,479,733
-	-	-	-	-	-	-	7,617
-	-	-	-	-	-	-	1,782,580
-	-	-	380	-	-	-	3,504,803
-	-	-	-	-	-	-	1,257
-	-	-	-	-	-	-	1,065,525
-	-	-	19,419	-	-	-	5,931,606
<u>(200,147)</u>	<u>(9,545)</u>	<u>(10,742)</u>	<u>-</u>	<u>(181,167)</u>	<u>(1,866)</u>	<u>-</u>	<u>(4,866,596)</u>
<u>(200,147)</u>	<u>(9,545)</u>	<u>(10,742)</u>	<u>19,419</u>	<u>(181,167)</u>	<u>(1,866)</u>	<u>-</u>	<u>2,131,792</u>
<u>\$ (110,938)</u>	<u>\$ -</u>	<u>\$ (10,742)</u>	<u>\$ 19,799</u>	<u>\$ (173,417)</u>	<u>\$ 134</u>	<u>\$ (1,658,428)</u>	<u>\$ 6,384,257</u>

City of Alexandria, Minnesota
 Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued on Following Pages)
 For the Year Ended December 31, 2025

	430	433	437	438	439	440
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment	IT Equipment
Revenues						
Taxes	\$ 64,864	\$ 3	\$ 30,110	\$ 219,346	\$ 89,774	\$ 49,910
Special assessments	-	-	-	-	-	-
Intergovernmental						
Federal	71,248	-	-	-	-	-
State	6	1,000	3	20	8	4
Charges for services	133,170	12,195	-	-	-	-
Investment earnings	19,948	10,106	635	580	5,622	4,188
Other revenue	6,831	220,683	75	535	225	124
Total Revenues	<u>296,067</u>	<u>243,987</u>	<u>30,823</u>	<u>220,481</u>	<u>95,629</u>	<u>54,226</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Capital outlay						
General government	-	-	-	-	-	14,810
Public safety	320,878	-	-	-	103,664	11,152
Public works	-	-	-	612,502	-	2,118
Culture and recreation	-	822,733	31,971	55,656	-	20,313
Airport	-	-	-	-	-	-
Debt service						
Principal	106,473	-	8,412	105,036	51,404	-
Interest and other	55,994	-	606	8,710	4,451	-
Total Expenditures	<u>483,345</u>	<u>822,733</u>	<u>40,989</u>	<u>781,904</u>	<u>159,519</u>	<u>48,393</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(187,278)</u>	<u>(578,746)</u>	<u>(10,166)</u>	<u>(561,423)</u>	<u>(63,890)</u>	<u>5,833</u>
Other Financing Sources (Uses)						
Sale of capital assets	-	-	250	10,226	-	-
Transfers in	-	285,000	-	-	-	-
Proceeds from capital related debt	-	-	-	578,466	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>285,000</u>	<u>250</u>	<u>588,692</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(187,278)	(293,746)	(9,916)	27,269	(63,890)	5,833
Fund Balances, January 1	<u>842,169</u>	<u>(587,012)</u>	<u>16,276</u>	<u>66,216</u>	<u>227,496</u>	<u>122,892</u>
Fund Balances, December 31	<u>\$ 654,891</u>	<u>\$ (880,758)</u>	<u>\$ 6,360</u>	<u>\$ 93,485</u>	<u>\$ 163,606</u>	<u>\$ 128,725</u>

401	402	404	405	406
Capital Improvement	Municipal State Aid	Local Street Overlay	2020 Street Reconstruction	Airport Development
\$ 28	\$ -	\$ 228,797	\$ -	\$ 44,838
-	-	-	-	-
-	-	-	-	160,281
-	(101,735)	406,362	-	16,580
-	-	-	-	207,882
-	-	-	-	-
-	-	498	-	100
<u>28</u>	<u>(101,735)</u>	<u>635,657</u>	<u>-</u>	<u>429,681</u>
-	-	-	-	-
-	-	8,506	-	-
-	-	-	-	36,401
-	-	-	-	-
-	-	-	-	-
15,486	2,037	604,806	-	-
251,500	-	-	-	-
135,967	-	-	-	196,890
-	-	-	-	35,256
-	-	-	-	-
<u>402,953</u>	<u>2,037</u>	<u>613,312</u>	<u>-</u>	<u>268,547</u>
<u>(402,925)</u>	<u>(103,772)</u>	<u>22,345</u>	<u>-</u>	<u>161,134</u>
-	-	-	-	1,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	<u>1,000</u>
(402,925)	(103,772)	22,345	-	162,134
<u>1,734,490</u>	<u>(2,694,863)</u>	<u>37,702</u>	<u>(95,928)</u>	<u>313,703</u>
<u>\$ 1,331,565</u>	<u>\$ (2,798,635)</u>	<u>\$ 60,047</u>	<u>\$ (95,928)</u>	<u>\$ 475,837</u>

City of Alexandria, Minnesota
 Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 For the Year Ended December 31, 2025

	411 44th Ave Extension Project	412 18th Ave Reconstruction Project	413 Community Splash Pad	414 Revolving Improvement	417 RCC Expansion	419 Nature Trail
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 526	\$ -	\$ -
Special assessments	-	-	-	288,095	-	-
Intergovernmental						
Federal	-	-	-	-	-	-
State	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	65	222,569	-
Other revenue	-	-	376,667	-	35,750	-
Total Revenues	<u>-</u>	<u>-</u>	<u>376,667</u>	<u>288,686</u>	<u>258,319</u>	<u>-</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Public works	-	-	-	704	-	-
Airport	-	-	-	-	-	-
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	672	-	-
Culture and recreation	-	-	309,319	-	8,144,003	-
Airport	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	750	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>309,319</u>	<u>1,376</u>	<u>8,144,753</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>67,348</u>	<u>287,310</u>	<u>(7,886,434)</u>	<u>-</u>
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Proceeds from capital related debt	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	67,348	287,310	(7,886,434)	-
Fund Balances, January 1	<u>8,225</u>	<u>(683,763)</u>	<u>-</u>	<u>2,711,618</u>	<u>8,876,386</u>	<u>(4,045)</u>
Fund Balances, December 31	<u>\$ 8,225</u>	<u>\$ (683,763)</u>	<u>\$ 67,348</u>	<u>\$ 2,998,928</u>	<u>\$ 989,952</u>	<u>\$ (4,045)</u>

420 Nokomis Street Improvement	421 SRTS Voyager Elementary	422 6th Ave Improvements	435 Administration Equipment	418 RCC Expansion Phase 3	450 Child Care Construction Project	Total Capital Projects
\$ -	\$ -	\$ -	\$ 25,040	\$ -	\$ -	\$ 753,236
-	-	-	-	-	-	288,095
-	-	-	-	-	-	231,529
1,230,165	-	-	2	-	300,000	1,852,415
-	-	-	-	-	1,200	354,447
-	-	-	340	-	829	264,882
-	-	-	50	-	-	641,538
<u>1,230,165</u>	<u>-</u>	<u>-</u>	<u>25,432</u>	<u>-</u>	<u>302,029</u>	<u>4,386,142</u>
-	-	-	-	-	2,195	2,195
-	-	-	-	-	-	9,210
-	-	-	-	-	-	36,401
-	-	-	1,947	-	327,282	344,039
-	-	-	321	-	-	436,015
213,412	9,545	10,742	-	-	-	1,471,320
-	-	-	-	112,133	-	9,747,628
-	-	-	-	-	-	332,857
-	-	-	12,343	-	-	318,924
-	-	-	1,234	-	-	71,745
<u>213,412</u>	<u>9,545</u>	<u>10,742</u>	<u>15,845</u>	<u>112,133</u>	<u>329,477</u>	<u>12,770,334</u>
<u>1,016,753</u>	<u>(9,545)</u>	<u>(10,742)</u>	<u>9,587</u>	<u>(112,133)</u>	<u>(27,448)</u>	<u>(8,384,192)</u>
-	-	-	-	-	-	11,476
-	-	-	-	-	-	285,000
-	-	-	-	-	-	578,466
-	-	-	-	-	-	874,942
1,016,753	(9,545)	(10,742)	9,587	(112,133)	(27,448)	(7,509,250)
<u>(1,216,900)</u>	<u>-</u>	<u>-</u>	<u>9,832</u>	<u>(69,034)</u>	<u>25,582</u>	<u>9,641,042</u>
<u>\$ (200,147)</u>	<u>\$ (9,545)</u>	<u>\$ (10,742)</u>	<u>\$ 19,419</u>	<u>\$ (181,167)</u>	<u>\$ (1,866)</u>	<u>\$ 2,131,792</u>

City of Alexandria, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2025

	330 G.O. Capital Improvement Bonds of 2010A	334 G.O. Improvement Bonds of 2014A	335 G.O. Improvement Bonds of 2014B	336 G.O. Bonds of 2016A
Assets				
Cash and temporary investments	\$ 644,728	\$ 424,014	\$ 176,099	\$ 821,596
Receivables				
Delinquent taxes	5,899	3,096	1,596	9,075
Special assessments	439,095	8,450	-	-
Intergovernmental	3,823	2,765	894	6,027
<u>Total Assets</u>	<u>\$ 1,093,545</u>	<u>\$ 438,325</u>	<u>\$ 178,589</u>	<u>\$ 836,698</u>
Liabilities				
Accounts payable	\$ 1,400	\$ -	\$ -	\$ -
Deferred Inflows of Resources				
Unavailable revenue - taxes	5,899	3,096	1,596	9,075
Unavailable revenue - special assessments	439,095	8,450	-	-
<u>Total Deferred Inflows of Resources</u>	<u>444,994</u>	<u>11,546</u>	<u>1,596</u>	<u>9,075</u>
Fund Balances				
Restricted for debt service	647,151	426,779	176,993	827,623
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 1,093,545</u>	<u>\$ 438,325</u>	<u>\$ 178,589</u>	<u>\$ 836,698</u>

337 G.O. Refunding Bonds of 2016B	339 G.O. Improvement Bonds of 2020A	340 G.O. Tax Abatement Bonds of 2024A	341 G.O. Tax Abatement Bonds of 2024B	Total
\$ 176,767	\$ 206,175	\$ 344,365	\$ (11,870)	\$ 2,781,874
1,421	1,666	-	-	22,753
1,127,092	-	-	-	1,574,637
914	1,213	2,139	1,312	19,087
<u>\$ 1,306,194</u>	<u>\$ 209,054</u>	<u>\$ 346,504</u>	<u>\$ (10,558)</u>	<u>\$ 4,398,351</u>
\$ -	\$ 300	\$ -	\$ -	\$ 1,700
1,421	1,666	-	-	22,753
1,127,092	-	-	-	1,574,637
<u>1,128,513</u>	<u>1,666</u>	<u>-</u>	<u>-</u>	<u>1,597,390</u>
177,681	207,088	346,504	(10,558)	2,799,261
<u>\$ 1,306,194</u>	<u>\$ 209,054</u>	<u>\$ 346,504</u>	<u>\$ (10,558)</u>	<u>\$ 4,398,351</u>

City of Alexandria, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2025

	330 G.O. Capital Improvement Bonds of 2010A	334 G.O. Improvement Bonds of 2014A	335 G.O. Improvement Bonds of 2014B	336 G.O. Bonds of 2016A
Revenues				
Property taxes	\$ 351,000	\$ 190,514	\$ 73,345	\$ 555,244
Special assessments	-	56,852	-	-
Intergovernmental				
Federal	35,064	-	-	-
State	32	17	7	50
Investment earnings (loss)	14,325	8,788	4,381	16,185
Other revenue	751	334	355	1,255
Total Revenues	<u>401,172</u>	<u>256,505</u>	<u>78,088</u>	<u>572,734</u>
Expenditures				
Debt service				
Principal	305,000	285,000	150,000	410,000
Interest and other	106,494	11,288	16,400	112,264
Total Expenditures	<u>411,494</u>	<u>296,288</u>	<u>166,400</u>	<u>522,264</u>
Net Change in Fund Balances	(10,322)	(39,783)	(88,312)	50,470
Fund Balances, January 1	<u>657,473</u>	<u>466,562</u>	<u>265,305</u>	<u>777,153</u>
Fund Balances, December 31	<u>\$ 647,151</u>	<u>\$ 426,779</u>	<u>\$ 176,993</u>	<u>\$ 827,623</u>

337 G.O. Refunding Bonds of 2016B	339 G.O. Improvement Bonds of 2020A	340 G.O. Tax Abatement Bonds of 2024A	341 G.O. Tax Abatement Bonds of 2024B	Total
\$ 81,356 25,172	\$ 107,465 -	\$ 188,414 -	\$ 132,996 -	\$ 1,680,334 82,024
-	-	-	-	35,064
7	10	23	6	152
3,650	4,838	9,138	(2,171)	59,134
208	378	152,500	734	156,515
<u>110,393</u>	<u>112,691</u>	<u>350,075</u>	<u>131,565</u>	<u>2,013,223</u>
70,000	125,000	-	-	1,345,000
9,225	41,470	563,609	141,423	1,002,173
<u>79,225</u>	<u>166,470</u>	<u>563,609</u>	<u>141,423</u>	<u>2,347,173</u>
31,168	(53,779)	(213,534)	(9,858)	(333,950)
146,513	260,867	560,038	(700)	3,133,211
<u>\$ 177,681</u>	<u>\$ 207,088</u>	<u>\$ 346,504</u>	<u>\$ (10,558)</u>	<u>\$ 2,799,261</u>

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2025

	235 EDA Development Fund	240 TIF District #17	295 TIF District #25	294 TIF District #26	279 TIF District #42	277 TIF District #45
Assets						
Cash and temporary investments	\$ 621,654	\$ 79,089	\$ 85,046	\$ 190,717	\$ 65,680	\$ 4,324
Receivables						
Accounts	33,062	-	-	-	-	-
Notes, net of allowance	-	-	750	586,880	-	-
Intergovernmental	-	-	-	1,408	-	-
	<u>\$ 654,716</u>	<u>\$ 79,089</u>	<u>\$ 85,796</u>	<u>\$ 779,005</u>	<u>\$ 65,680</u>	<u>\$ 4,324</u>
Total Assets						
	<u>\$ 654,716</u>	<u>\$ 79,089</u>	<u>\$ 85,796</u>	<u>\$ 779,005</u>	<u>\$ 65,680</u>	<u>\$ 4,324</u>
Fund Balances						
Restricted for economic development	<u>\$ 654,716</u>	<u>\$ 79,089</u>	<u>\$ 85,796</u>	<u>\$ 779,005</u>	<u>\$ 65,680</u>	<u>\$ 4,324</u>

275 TIF District #47	274 TIF District #48	272 TIF District #51	271 TIF District #52	270 TIF District #53	269 TIF District #54
\$ 57,767	\$ 204	\$ 39,191	\$ 236	\$ 204	\$ 628
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 57,767</u>	<u>\$ 204</u>	<u>\$ 39,191</u>	<u>\$ 236</u>	<u>\$ 204</u>	<u>\$ 628</u>
<u>\$ 57,767</u>	<u>\$ 204</u>	<u>\$ 39,191</u>	<u>\$ 236</u>	<u>\$ 204</u>	<u>\$ 628</u>

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Balance Sheet (Continued)
December 31, 2025

	268 TIF District #55	265 TIF District #56	267 TIF District #58	266 TIF District #60	264 TIF District #61	263 TIF District #62
Assets						
Cash and temporary investments	\$ 296	\$ 45,329	\$ 289	\$ 255	\$ 576	\$ 1,808
Receivables						
Accounts	-	-	-	-	-	-
Notes, net of allowance	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	31,880
Total Assets	<u>\$ 296</u>	<u>\$ 45,329</u>	<u>\$ 289</u>	<u>\$ 255</u>	<u>\$ 576</u>	<u>\$ 33,688</u>
Fund Balances						
Restricted for economic development	<u>\$ 296</u>	<u>\$ 45,329</u>	<u>\$ 289</u>	<u>\$ 255</u>	<u>\$ 576</u>	<u>\$ 33,688</u>

260 TIF District #64	262 TIF District #65	261 TIF District #66	Total
\$ 88	\$ 6	\$ 190	\$ 1,193,577
-	-	-	33,062
-	-	-	587,630
-	-	-	33,288
<u>\$ 88</u>	<u>\$ 6</u>	<u>\$ 190</u>	<u>\$ 1,847,557</u>
<u>\$ 88</u>	<u>\$ 6</u>	<u>\$ 190</u>	<u>\$ 1,847,557</u>

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued on Following Pages)
For the Year Ended December 31, 2025

	235 EDA Development Fund	240 TIF District #17	295 TIF District #25	294 TIF District #26	279 TIF District #42	277 TIF District #45
Revenues						
Tax increments	\$ -	\$ 82,952	\$ 18,985	\$ 205,786	\$ 213,630	\$ 10,799
Other taxes	86,266	-	-	-	-	-
Charges for services	146,554	-	-	-	-	-
Investment earnings	19,863	2,961	2,389	6,134	-	131
Total Revenues	<u>252,683</u>	<u>85,913</u>	<u>21,374</u>	<u>211,920</u>	<u>213,630</u>	<u>10,930</u>
Expenditures						
Current						
Economic development	<u>79,077</u>	<u>91,809</u>	<u>350</u>	<u>43,694</u>	<u>153,664</u>	<u>9,720</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	173,606	(5,896)	21,024	168,226	59,966	1,210
Other Financing Sources (Uses)						
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	173,606	(5,896)	21,024	68,226	59,966	1,210
Fund Balances, January 1	<u>481,110</u>	<u>84,985</u>	<u>64,772</u>	<u>710,779</u>	<u>5,714</u>	<u>3,114</u>
Fund Balances, December 31	<u>\$ 654,716</u>	<u>\$ 79,089</u>	<u>\$ 85,796</u>	<u>\$ 779,005</u>	<u>\$ 65,680</u>	<u>\$ 4,324</u>

275 TIF District #47	274 TIF District #48	272 TIF District #51	271 TIF District #52	270 TIF District #53	269 TIF District #54
\$ 153,479	\$ 8,306	\$ 92,180	\$ 28,361	\$ 24,549	\$ 98,884
-	-	-	-	-	-
-	-	-	-	-	-
2,285	17	-	43	38	143
<u>155,764</u>	<u>8,323</u>	<u>92,180</u>	<u>28,404</u>	<u>24,587</u>	<u>99,027</u>
<u>153,479</u>	<u>8,306</u>	<u>52,989</u>	<u>28,361</u>	<u>24,550</u>	<u>98,884</u>
2,285	17	39,191	43	37	143
-	-	-	-	-	-
2,285	17	39,191	43	37	143
55,482	187	-	193	167	485
<u>\$ 57,767</u>	<u>\$ 204</u>	<u>\$ 39,191</u>	<u>\$ 236</u>	<u>\$ 204</u>	<u>\$ 628</u>

City of Alexandria, Minnesota
Tax Increment Financing Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)
For the Year Ended December 31, 2025

	268 TIF District #55	265 TIF District #56	267 TIF District #58	266 TIF District #60	264 TIF District #61	263 TIF District #62
Revenues						
Tax increments	\$ 45,810	\$ 19,173	\$ 45,530	\$ 43,590	\$ 144,488	\$ 247,415
Other taxes	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	66	924	66	62	198	1,522
Total Revenues	<u>45,876</u>	<u>20,097</u>	<u>45,596</u>	<u>43,652</u>	<u>144,686</u>	<u>248,937</u>
Expenditures						
Current						
Economic development	<u>45,810</u>	<u>-</u>	<u>45,530</u>	<u>43,590</u>	<u>144,488</u>	<u>263,855</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	66	20,097	66	62	198	(14,918)
Other Financing Sources (Uses) Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	66	20,097	66	62	198	(14,918)
Fund Balances, January 1	<u>230</u>	<u>25,232</u>	<u>223</u>	<u>193</u>	<u>378</u>	<u>48,606</u>
Fund Balances, December 31	<u>\$ 296</u>	<u>\$ 45,329</u>	<u>\$ 289</u>	<u>\$ 255</u>	<u>\$ 576</u>	<u>\$ 33,688</u>

260 TIF District #64	262 TIF District #65	261 TIF District #66	Total
\$ 68,748	\$ 4,762	\$ 188	\$ 1,557,615
-	-	-	86,266
-	-	-	146,554
89	5	2	36,938
<u>68,837</u>	<u>4,767</u>	<u>190</u>	<u>1,827,373</u>
<u>68,749</u>	<u>4,761</u>	<u>-</u>	<u>1,361,666</u>
88	6	190	465,707
-	-	-	(100,000)
88	6	190	365,707
-	-	-	1,481,850
<u>\$ 88</u>	<u>\$ 6</u>	<u>\$ 190</u>	<u>\$ 1,847,557</u>

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OTHER REQUIRED REPORTS

CITY OF ALEXANDRIA
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Alexandria, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, (the City) Minnesota as of and for the year ended December 31, 2025, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



Abdo
Mankato, Minnesota
May 12, 2026

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

Honorable Mayor and City Council
City of Alexandria, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 12, 2026.

The City's basic financial statements include the operations of Alexandria Light and Power for the year ended December 31, 2025. Our audit, described below, did not include the operations of Alexandria Light and Power because it engaged for its own separate audit in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Abdo
Mankato, Minnesota
May 12, 2026

