

# PRELIMINARY OFFICIAL STATEMENT DATED JUNE 16, 2026

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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

**New Issue**

**Rating Application Made: S&P Global Ratings**

## CITY OF ALEXANDRIA, MINNESOTA (Douglas County)

(Minnesota City Credit Enhancement Program)

### \$6,975,000\* GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2026A

**PROPOSAL OPENING:** June 22, 2026, 10:00 A.M., C.T.

**CONSIDERATION:** June 22, 2026, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$6,975,000\* General Obligation Water Revenue Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, as amended, by the City of Alexandria, Minnesota (the "City"), for the purpose of financing the construction of a new water tower within the City. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** July 15, 2026

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$100,000	2035	\$315,000	2042	\$410,000
2029	255,000	2036	325,000	2043	430,000
2030	265,000	2037	335,000	2044	445,000
2031	275,000	2038	350,000	2045	465,000
2032	280,000	2039	365,000	2046	485,000
2033	290,000	2040	380,000	2047	505,000
2034	305,000	2041	395,000		

**\*MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** August 1, 2027 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2037 and thereafter are subject to call for prior optional redemption on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$6,891,300.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$139,500 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** U.S. Bank, National Association.

**BOND COUNSEL:** Dorsey & Whitney LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



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## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the Underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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**CITY OF ALEXANDRIA  
CITY COUNCIL**

		<u>Term Expires</u>
Bobbie Osterberg	Mayor	January 2029
Scott Allen	Council Member	January 2029
Bill Franzen	Council Member	January 2027
Carl Kvale	Council Member	January 2029
Nicole Mace	Council Member	January 2027
Roger Thalman	Council Member	January 2027

**ADMINISTRATION**

Martin Schultz, City Administrator  
Heather Koskiniemi, Finance Director  
Lisa King, Finance Manager ALP Utilities

**PROFESSIONAL SERVICES**

Swenson Lervick, City Attorney, Alexandria, Minnesota  
Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota  
Ehlers and Associates, Inc., Municipal Advisors, Minneapolis, Minnesota  
*(Other office located in Waukesha, Wisconsin)*

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Alexandria, Minnesota (the "City") and the issuance of its \$6,975,000\* General Obligation Water Revenue Bonds, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on June 22, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of July 15, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected U.S. Bank, National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

\*Preliminary, subject to change.

**OPTIONAL REDEMPTION**

The Bonds maturing on and after February 1, 2037 are be subject to redemption and prepayment at the option of the City, in whole or in part, in such order as the City shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2036, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The City is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

**AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, as amended, by the City, for the purpose of financing the construction of a new water tower within the City.

**ESTIMATED SOURCES AND USES\***

**Sources**

Par Amount of Bonds	<u>\$6,975,000</u>	
<b>Total Sources</b>		<b>\$6,975,000</b>

**Uses**

Total Underwriter's Discount (1.200%)	\$83,700	
Costs of Issuance	89,000	
Deposit to Construction Fund	6,800,000	
Rounding Amount	<u>2,300</u>	
<b>Total Uses</b>		<b>\$6,975,000</b>

\*Preliminary, subject to change.

**SECURITY**

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service on the Bonds will be paid entirely from net revenues of the water systems ("utility revenues") which are owned and operated by the City of Alexandria Board of Public Utilities, dba ALP Utilities, a component unit of the City. In accordance with Minnesota Statutes, receipt of utility revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds.

Should the utility revenues and/or ad valorem property taxes pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

## **RATING**

The City will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a credit enhanced rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA"/Stable outlook rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

The City currently has a "AA"/Stable outlook underlying rating from S&P and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM**

By resolution adopted for this issue on May 26, 2026 and the Award Resolution (collectively, the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain obligations. The City has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the City as long as any obligations of the issue remain outstanding.

The City covenants in the Agreement to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment. Under the Agreement, if the City believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Authority not less than 15 business days prior to the date a payment is due on the Bonds if the City will be unable to make all or a portion of the payment. The City's agreement with the Paying Agent for the Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Management and Budget, with a copy to the Authority, if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the Bonds, or if, on the day two business days before the date a payment is due on the Bonds, there are insufficient funds on deposit with the Paying Agent to make the payment.

If the City is unable to make any portion of the payment on the Bonds on or before the date due, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, providing that funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the Minnesota legislature to provide for the availability of funds in the General Fund for this purpose.

## CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future.

In the Award Resolution, the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix E. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City did not timely file various financial obligations in 2025 and 2026. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix C will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

## TAX CONSIDERATIONS

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

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

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

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

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

### ***Tax Exempt Interest***

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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

### ***Original Issue Discount***

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

### ***Market Discount***

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

### ***Bond Premium***

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

### ***Related Tax Considerations***

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

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

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

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

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

### ***Sale or Other Disposition***

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

### ***Information Reporting and Backup Withholding***

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

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

Bond Trust Services Corporation and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the City for the fiscal year ended December 31, 2025 have been audited by Abdo, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

The basic financial statements of the ALP Utilities for the fiscal year ended December 31, 2025 have been audited by the Auditor. The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX B – ALP UTILITIES FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## **RISK FACTORS**

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (utility revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Levy Limits:** The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

**Cybersecurity:** The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2023/24	2024/25	2025/26
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% <sup>2</sup> Over \$2,150,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% <sup>2</sup> Over \$3,500,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% <sup>2</sup> Over \$3,500,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - 0.75% Over \$174,000 - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental - 0.25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

<b>2025/26 Economic Market Value</b>	<u>\$2,716,130,480<sup>1</sup></u>
<b>2025/26 Assessor's Estimated Market Value</b>	
Real Estate	\$2,592,470,100
Personal Property	<u>12,287,100</u>
Total Valuation	<u>\$2,604,757,200</u>
<b>2025/26 Net Tax Capacity</b>	
Real Estate	\$31,814,301
Personal Property	<u>236,922</u>
Net Tax Capacity	\$32,051,223
Less:	
Captured Tax Increment Tax Capacity <sup>2</sup>	(1,848,917)
Power Line Adjustment <sup>3</sup>	<u>(2,472)</u>
Taxable Net Tax Capacity	<u>\$30,199,834</u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City was about 95.85% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$2,716,130,480.

<sup>2</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

<sup>3</sup> Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

## 2025/26 NET TAX CAPACITY BY CLASSIFICATION

	<b>2025/26 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$11,347,032	35.40%
Agricultural	256,995	0.80%
Commercial/industrial	11,470,495	35.79%
Public utility	401,902	1.25%
Railroad operating property	44,826	0.14%
Non-homestead residential	5,806,559	18.12%
Commercial & residential seasonal/rec.	2,486,492	7.76%
Personal property	<u>236,922</u>	<u>0.74%</u>
 Total	 <u><u>\$32,051,223</u></u>	 <u><u>100.00%</u></u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent Increase/Decrease in Estimated Market Value</b>
2021/22	\$1,757,312,600	\$1,665,643,913	\$21,250,075	\$19,887,080	5.68%
2022/23	1,964,896,100	1,880,950,114	23,904,133	22,507,674	11.81%
2023/24	2,230,735,000	2,151,929,602	27,320,583	25,783,559	13.53%
2024/25	2,444,691,900	2,343,251,480	29,794,990	27,985,151	9.59%
2025/26	2,604,757,200	2,505,955,489	32,051,223	30,199,834	6.55%

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<sup>1</sup> Net Tax Capacity includes tax increment and power line values.

<sup>2</sup> Adjusted Taxable Net Tax Capacity does not include tax increment or power line values.

**LARGEST TAXPAYERS**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2025/26 Net Tax Capacity</b>	<b>Percent of City's Total Net Tax Capacity</b>
Knute Nelson	Commercial	\$535,798	1.67%
GoodNeighbors West 46 <sup>th</sup> 1 LLC	Industrial	351,338	1.10%
Williams Pipeline Company	Utility	348,278	1.09%
FFALMN001 LLC	Commercial	237,714	0.74%
Douglas Machine Inc.	Industrial	235,256	0.73%
Unique Alexandria LLC	Apartments	233,087	0.73%
Walmart	Commercial	228,998	0.71%
Viking Plaza Realty Group LLC	Commercial	204,940	0.64%
Innovative Enterprises	Industrial	203,428	0.63%
Turning Leaf Business Center	Commercial	<u>197,568</u>	<u>0.62%</u>
<b>Total</b>		<b>\$2,776,405</b>	<b>8.66%</b>

City's Total 2025/26 Net Tax Capacity \$32,051,223

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Douglas County.

**DEBT**

**DIRECT DEBT<sup>1</sup>**

**General Obligation Debt (see schedules following)**

Total G.O. debt secured by tax abatement revenues	\$13,500,000
Total G.O. debt secured by taxes	8,230,000
Total G.O. debt secured by utility revenues (includes the Bonds)*	8,533,000
Total General Obligation Debt*	<u><u>\$30,263,000</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

**Revenue Debt (see schedules following)**

Total revenue debt secured by electric revenues \$13,945,000

**Other Obligations**

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
10/15/21	\$1,248,959	Aerial Fire Truck	2/1/36	\$870,933
4/1/23	\$705,061	T-Hangar Loan (MN DOT)	3/1/43	\$587,541
8/14/23	\$681,753	Fire Rescue Truck	2/1/38	\$565,316
5/15/25	\$578,466	Plow Truck	5/20/35	\$533,327

**DEBT PAYMENT HISTORY**

The City has no record of default in the payment of principal and interest on its debt.

**FUTURE FINANCING**

The City has no current plans for additional financing in the next 12 months.

## DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Bonds) (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2025/26 Assessor's Estimated Market Value	\$2,604,757,200
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$78,142,716
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(8,230,000)</u>
Unused Debt Limit	<u><u>\$69,912,716</u></u>

**City of Alexandria, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Tax Abatement Revenues**  
**(As of 07/15/2026)**

Dated Amount	Tax Abatement Bonds Series 2024A		Taxable Tax Abatement Bonds Series 2024B							
	06/20/2024 \$11,090,000		06/20/2024 \$2,410,000							
Maturity	02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	252,834	0	63,324	0	316,159	316,159	13,500,000	.00%	2026
2027	0	505,669	0	126,649	0	632,318	632,318	13,500,000	.00%	2027
2028	0	505,669	0	126,649	0	632,318	632,318	13,500,000	.00%	2028
2029	0	505,669	0	126,649	0	632,318	632,318	13,500,000	.00%	2029
2030	0	505,669	0	126,649	0	632,318	632,318	13,500,000	.00%	2030
2031	0	505,669	0	126,649	0	632,318	632,318	13,500,000	.00%	2031
2032	340,000	497,169	70,000	124,899	410,000	622,068	1,032,068	13,090,000	3.04%	2032
2033	360,000	479,669	75,000	121,274	435,000	600,943	1,035,943	12,655,000	6.26%	2033
2034	375,000	461,294	80,000	117,399	455,000	578,693	1,033,693	12,200,000	9.63%	2034
2035	395,000	442,044	85,000	113,274	480,000	555,318	1,035,318	11,720,000	13.19%	2035
2036	415,000	421,794	90,000	108,899	505,000	530,693	1,035,693	11,215,000	16.93%	2036
2037	435,000	400,544	90,000	104,399	525,000	504,943	1,029,943	10,690,000	20.81%	2037
2038	455,000	378,294	95,000	99,774	550,000	478,068	1,028,068	10,140,000	24.89%	2038
2039	480,000	354,919	100,000	94,836	580,000	449,755	1,029,755	9,560,000	29.19%	2039
2040	505,000	330,294	105,000	89,583	610,000	419,877	1,029,877	8,950,000	33.70%	2040
2041	530,000	304,419	110,000	84,033	640,000	388,451	1,028,451	8,310,000	38.44%	2041
2042	555,000	277,294	120,000	78,023	675,000	355,316	1,030,316	7,635,000	43.44%	2042
2043	585,000	250,988	125,000	71,591	710,000	322,579	1,032,579	6,925,000	48.70%	2043
2044	610,000	225,594	130,000	64,800	740,000	290,394	1,030,394	6,185,000	54.19%	2044
2045	635,000	199,138	135,000	57,645	770,000	256,783	1,026,783	5,415,000	59.89%	2045
2046	660,000	171,619	145,000	50,085	805,000	221,704	1,026,704	4,610,000	65.85%	2046
2047	690,000	142,931	155,000	41,985	845,000	184,916	1,029,916	3,765,000	72.11%	2047
2048	720,000	112,969	160,000	33,480	880,000	146,449	1,026,449	2,885,000	78.63%	2048
2049	750,000	81,731	170,000	24,570	920,000	106,301	1,026,301	1,965,000	85.44%	2049
2050	780,000	49,706	180,000	15,120	960,000	64,826	1,024,826	1,005,000	92.56%	2050
2051	815,000	16,809	190,000	5,130	1,005,000	21,939	1,026,939	0	100.00%	2051
	11,090,000	8,380,394	2,410,000	2,197,365	13,500,000	10,577,759	24,077,759			

City of Alexandria, Minnesota  
 Schedule of Bonded Indebtedness  
 General Obligation Debt Secured by Taxes  
 (As of 07/15/2026)

	Taxable Capital Improvement Plan Bonds Series 2010A (BABs)		General Obligation Refunding Bonds Series 2014B		General Obligation Bonds Series 2016A		Street Reconstruction Bonds Series 2020A								Calendar Year Ending
Dated Amount	09/15/2010 \$5,205,000		09/25/2014 \$2,795,000		08/25/2016 \$7,060,000		08/27/2020 \$2,165,000								
Maturity	02/01		02/01		02/01		02/01								
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending	
2026	0	42,424	0	5,775	0	48,519	0	16,635	0	113,353	113,353	8,230,000	.00%	2026	
2027	325,000	77,291	95,000	10,125	435,000	92,689	140,000	30,470	995,000	210,575	1,205,575	7,235,000	12.09%	2027	
2028	335,000	61,695	100,000	7,200	440,000	83,939	145,000	24,770	1,020,000	177,604	1,197,604	6,215,000	24.48%	2028	
2029	345,000	45,203	95,000	4,275	450,000	75,039	150,000	18,870	1,040,000	143,386	1,183,386	5,175,000	37.12%	2029	
2030	360,000	27,750	95,000	1,425	460,000	65,939	155,000	14,320	1,070,000	109,434	1,179,434	4,105,000	50.12%	2030	
2031	375,000	9,375			475,000	56,589	160,000	11,890	1,010,000	77,854	1,087,854	3,095,000	62.39%	2031	
2032					475,000	46,495	160,000	10,130	635,000	56,625	691,625	2,460,000	70.11%	2032	
2033					345,000	37,270	160,000	8,210	505,000	45,480	550,480	1,955,000	76.25%	2033	
2034					355,000	29,395	165,000	6,098	520,000	35,493	555,493	1,435,000	82.56%	2034	
2035					360,000	21,351	165,000	3,788	525,000	25,139	550,139	910,000	88.94%	2035	
2036					365,000	13,104	170,000	1,275	535,000	14,379	549,379	375,000	95.44%	2036	
2037					375,000	4,453			375,000	4,453	379,453	0	100.00%	2037	
	1,740,000	263,738	385,000	28,800	4,535,000	574,781	1,570,000	146,455	8,230,000	1,013,774	9,243,774				

City of Alexandria, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Utility Revenues  
(As of 07/15/2026)

	Water Revenue Bonds Series 2009		General Obligation Refunding Bonds Series 2016B		Water Revenue Bonds Series 2026A							
Dated	09/01/2009		08/25/2016		07/15/2026							
Amount	\$3,623,606		\$2,465,000		\$6,975,000*							
Maturity	08/20		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	209,000	10,611	0	6,900	0	0	209,000	17,511	226,511	8,324,000	2.45%	2026
2027	214,000	16,113	265,000	11,150	0	289,165	479,000	316,427	795,427	7,845,000	8.06%	2027
2028	220,000	10,880	265,000	5,850	100,000	275,235	585,000	291,965	876,965	7,260,000	14.92%	2028
2029	225,000	5,501	80,000	2,400	255,000	269,403	560,000	277,304	837,304	6,700,000	21.48%	2029
2030			80,000	800	265,000	260,823	345,000	261,623	606,623	6,355,000	25.52%	2030
2031					275,000	251,775	275,000	251,775	526,775	6,080,000	28.75%	2031
2032					280,000	242,270	280,000	242,270	522,270	5,800,000	32.03%	2032
2033					290,000	232,293	290,000	232,293	522,293	5,510,000	35.43%	2033
2034					305,000	221,655	305,000	221,655	526,655	5,205,000	39.00%	2034
2035					315,000	210,338	315,000	210,338	525,338	4,890,000	42.69%	2035
2036					325,000	198,416	325,000	198,416	523,416	4,565,000	46.50%	2036
2037					335,000	185,874	335,000	185,874	520,874	4,230,000	50.43%	2037
2038					350,000	172,425	350,000	172,425	522,425	3,880,000	54.53%	2038
2039					365,000	158,034	365,000	158,034	523,034	3,515,000	58.81%	2039
2040					380,000	142,853	380,000	142,853	522,853	3,135,000	63.26%	2040
2041					395,000	126,866	395,000	126,866	521,866	2,740,000	67.89%	2041
2042					410,000	110,060	410,000	110,060	520,060	2,330,000	72.69%	2042
2043					430,000	92,313	430,000	92,313	522,313	1,900,000	77.73%	2043
2044					445,000	73,608	445,000	73,608	518,608	1,455,000	82.95%	2044
2045					465,000	53,926	465,000	53,926	518,926	990,000	88.40%	2045
2046					485,000	33,143	485,000	33,143	518,143	505,000	94.08%	2046
2047					505,000	11,236	505,000	11,236	516,236	0	100.00%	2047
	868,000	43,105	690,000	27,100	6,975,000	3,611,707	8,533,000	3,681,913	12,214,913			

\* Preliminary, subject to change.

City of Alexandria, Minnesota  
Schedule of Bonded Indebtedness  
Revenue Debt Secured by Electric Revenues  
(As of 07/15/2026)

	Electric Utility Revenue Bonds Series 2015A		Electric Utility Revenue Bonds Series 2019A		Electric Utility Revenue Bonds Series 2024C							
Dated Amount	12/30/2015 \$5,395,000		06/19/2019 \$2,680,000		10/16/2024 \$9,640,000							
Maturity	12/01		12/01		12/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	265,000	45,684	170,000	35,100	455,000	235,850	890,000	316,634	1,206,634	13,055,000	6.38%	2026
2027	270,000	85,008	180,000	61,700	485,000	444,400	935,000	591,108	1,526,108	12,120,000	13.09%	2027
2028	280,000	77,988	190,000	52,700	510,000	415,300	980,000	545,988	1,525,988	11,140,000	20.11%	2028
2029	290,000	69,588	200,000	43,200	540,000	384,700	1,030,000	497,488	1,527,488	10,110,000	27.50%	2029
2030	295,000	60,888	205,000	35,200	575,000	352,300	1,075,000	448,388	1,523,388	9,035,000	35.21%	2030
2031	310,000	52,038	215,000	27,000	610,000	317,800	1,135,000	396,838	1,531,838	7,900,000	43.35%	2031
2032	320,000	42,738	225,000	18,400	640,000	287,300	1,185,000	348,438	1,533,438	6,715,000	51.85%	2032
2033	330,000	32,818	235,000	9,400	670,000	255,300	1,235,000	297,518	1,532,518	5,480,000	60.70%	2033
2034	340,000	22,588			705,000	221,800	1,045,000	244,388	1,289,388	4,435,000	68.20%	2034
2035	355,000	11,538			740,000	186,550	1,095,000	198,088	1,293,088	3,340,000	76.05%	2035
2036					780,000	149,550	780,000	149,550	929,550	2,560,000	81.64%	2036
2037					815,000	110,550	815,000	110,550	925,550	1,745,000	87.49%	2037
2038					855,000	69,800	855,000	69,800	924,800	890,000	93.62%	2038
2039					890,000	35,600	890,000	35,600	925,600	0	100.00%	2039
	3,055,000	500,871	1,620,000	282,700	9,270,000	3,466,800	13,945,000	4,250,371	18,195,371			

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2025/26 Adjusted Taxable Net Tax Capacity</b>	<b>% In City</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>City's Proportionate Share</b>
Douglas County	\$105,865,525	28.5266%	\$11,880,000	\$3,388,960
I.S.D. No. 206 (Alexandria)	86,750,198	34.8124%	61,190,000 <sup>3</sup>	21,301,708
Alexandria Lake Area Sanitary District	65,429,414	46.1564%	558,784	<u>257,915</u>
City's Share of Total Overlapping Debt				<u><u>\$24,948,582</u></u>

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by State aids for the purposes of the Bonds.

## DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$2,716,130,480	Debt/ Per Capita 14,998 <sup>1</sup>
Direct G.O. Debt Secured By:			
Tax Abatement Revenues	\$13,500,000		
Taxes	8,230,000		
Utility Revenues*	8,533,000		
Total General Obligation Debt*	<u>\$30,263,000</u>		
Less: G.O. Debt Paid Entirely from Revenues <sup>2</sup>	<u>(8,533,000)</u>		
Tax Supported General Obligation Debt*	\$21,730,000	0.80%	\$1,448.86
City's Share of Total Overlapping Debt	<u>\$24,948,582</u>	<u>0.92%</u>	<u>\$1,663.46</u>
Total*	<u><u>\$46,678,582</u></u>	<u><u>1.72%</u></u>	<u><u>\$3,112.32</u></u>

\*Preliminary, subject to change.

## TAX LEVIES, COLLECTIONS AND RATES

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>3</sup>	Total Collected Following Year	Collected to Date	% Collected
2021/22	\$8,007,161	\$7,967,560	\$8,006,613	99.99%
2022/23	8,442,034	8,364,381	8,437,246	99.94%
2023/24	9,260,862	9,178,160	9,245,727	99.84%
2024/25	9,805,342	9,678,107	9,678,107	98.70%
2025/26	10,383,519	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>4</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

<sup>1</sup> Estimated 2024 population.

<sup>2</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

<sup>3</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>4</sup> Second half tax payments on agricultural property are due on November 15 of each year.

**TAX CAPACITY RATES<sup>1</sup>**

	2021/22	2022/23	2023/24	2024/25	2025/26
Douglas County	44.697%	40.920%	38.037%	36.160%	35.449%
City of Alexandria	40.062%	37.441%	35.937%	35.038%	34.383%
I.S.D. No. 206 (Alexandria)	17.714%	17.664%	15.893%	14.407%	13.710%
HRA	1.743%	1.496%	1.382%	1.240%	1.289%

*Referendum Market Value Rates:*

I.S.D. No. 206 (Alexandria)	0.16145%	0.13936%	0.13060%	0.11790%	0.10149%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Douglas County.

**THE ISSUER**

**CITY GOVERNMENT**

The City was organized as a municipality in 1877. The City operates under a home rule charter form of government. Elected officials consist of the Mayor and five City Council members. The Mayor does not vote unless there is a tie. The City Administrator and Finance Director are responsible for administrative details and financial records.

**EMPLOYEES; PENSIONS; UNIONS**

The City currently has 76 full-time, 32 part-time, and ten (10) seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Police and Fire Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

**Recognized and Certified Bargaining Units**

Bargaining Unit	Expiration Date of Current Contract
LELS No. 291	December 31, 2027
LELS No. 301	December 31, 2027
IUOE Local No. 49	New

**Status of Contract**

The newly established IUOE Local No. 49 contract in negotiations.

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<sup>1</sup> After reduction for State aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

## POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$1,052,278 as of December 31, 2025. The City has been funding these obligations on a pay-as-you-go basis.

**Source:** The City's most recent Audit.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, as amended, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

## FUNDS ON HAND (as of April 30, 2026)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$5,808,662
Special Revenue	3,904,860
Debt Service	1,199,952
Capital Projects	2,371,497
Enterprise Funds	<u>2,631,412</u>
Total Funds on Hand	<u><u>\$15,916,383</u></u>

## ENTERPRISE FUNDS

Revenues available for debt service on the City and ALP Utilities enterprise funds have been as follows as of December 31 each year:

	<b>2023 Audited</b>	<b>2024 Audited</b>	<b>2025 Audited</b>
<b>Downtown Liquor</b>			
Total Operating Revenues	\$768,596	\$716,142	\$673,891
Less: Operating Expenses	<u>(634,384)</u>	<u>(600,566)</u>	<u>(612,960)</u>
Operating Income	\$134,212	\$115,576	\$60,931
Plus: Depreciation	<u>16,954</u>	<u>15,772</u>	<u>17,694</u>
Revenues Available for Debt Service	<u><u>\$151,166</u></u>	<u><u>\$131,348</u></u>	<u><u>\$78,625</u></u>
<b>Plaza Liquor</b>			
Total Operating Revenues	\$1,268,505	\$1,242,655	\$1,170,202
Less: Operating Expenses	<u>(831,803)</u>	<u>(842,120)</u>	<u>(834,615)</u>
Operating Income	\$436,702	\$400,535	\$335,587
Plus: Depreciation	<u>54,556</u>	<u>44,674</u>	<u>20,932</u>
Revenues Available for Debt Service	<u><u>\$491,258</u></u>	<u><u>\$445,209</u></u>	<u><u>\$356,519</u></u>
<b>Storm Water</b>			
Total Operating Revenues	\$867,507	\$872,630	\$867,766
Less: Operating Expenses	<u>(570,320)</u>	<u>(592,168)</u>	<u>(612,542)</u>
Operating Income	\$297,187	\$280,462	\$255,224
Plus: Depreciation	<u>410,450</u>	<u>414,958</u>	<u>486,533</u>
Revenues Available for Debt Service	<u><u>\$707,637</u></u>	<u><u>\$695,420</u></u>	<u><u>\$741,757</u></u>
<b>Water<sup>1</sup></b>			
Total Operating Revenues	\$3,284,948	\$3,483,348 <sup>2</sup>	\$4,119,904
Less: Operating Expenses	<u>(3,038,159)</u>	<u>(3,042,354)</u>	<u>(3,206,385)</u>
Operating Income	\$246,789	\$440,994	\$913,519
Plus: Depreciation	<u>1,047,847</u>	<u>1,083,703</u>	<u>1,250,375</u>
Revenues Available for Debt Service	<u><u>\$1,294,636</u></u>	<u><u>\$1,524,697</u></u>	<u><u>\$2,163,894</u></u>

<sup>1</sup> For additional information on the Water Fund, see "APPENDIX B - ALP FINANCIAL STATEMENTS."

<sup>2</sup> Restated.

**SUMMARY GENERAL FUND INFORMATION**

The following are summaries of the revenues, expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2025 audited financial statements.

	<b>FISCAL YEAR ENDING DECEMBER 31</b>				
<b>COMBINED STATEMENT</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>Revenues</b>					
Property taxes	\$4,966,242	\$5,648,573	\$6,153,315	\$6,803,351	\$7,302,477
Payment in lieu of taxes	1,014,844	995,515	1,006,671	1,029,351	1,017,447
Special assessments	1,762	5,636	14,764	2,312	3,429
Licenses and permits	754,029	1,094,409	934,626	1,037,287	1,090,819
Intergovernmental	2,054,352	2,098,038	2,753,077	2,407,509	2,444,039
Charges for services	1,053,427	1,112,483	1,160,878	1,104,903	1,253,159
Fine and forfeitures	99,490	138,272	91,273	100,244	87,781
Interest on investments	(72,201)	(388,697)	296,151	409,158	392,045
Other revenue	166,146	235,808	249,651	104,498	65,564
<b>Total Revenues</b>	<u>\$10,038,091</u>	<u>\$10,940,037</u>	<u>\$12,660,406</u>	<u>\$12,998,613</u>	<u>\$13,656,760</u>
<b>Expenditures</b>					
General government	\$2,526,062	\$2,628,233	\$2,819,576	\$3,127,774	\$3,317,952
Public safety	4,222,301	4,602,943	4,022,041	5,251,600	5,670,061
Streets and highways	1,437,317	1,821,002	1,950,208	1,934,110	2,112,821
Parks and recreation	1,402,440	1,502,930	1,621,556	1,752,857	1,970,264
Airport	183,589	231,055	266,277	224,808	331,942
Capital outlay	62,559	237,626	79,105	134,193	221,329
<b>Total Expenditures</b>	<u>\$9,834,268</u>	<u>\$11,023,789</u>	<u>\$10,758,763</u>	<u>\$12,425,342</u>	<u>\$13,624,369</u>
<b>Excess of revenues over (under) expenditures</b>	\$203,823	(\$83,752)	\$1,901,643	\$573,271	\$32,391
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$278,005	\$269,532	\$441,045	\$456,256	\$542,883
Transfers (out)	0	(2,135)	(1,124,871)	(100,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>\$278,005</u>	<u>\$267,397</u>	<u>(\$683,826)</u>	<u>\$356,256</u>	<u>\$542,883</u>
<b>Net changes in Fund Balances</b>	\$481,828	\$183,645	\$1,217,817	\$929,527	\$575,274
General Fund Balance January 1	\$5,320,065	\$5,804,117	\$5,987,762	\$7,214,579	\$8,144,106
Prior Period Adjustment	2,224	0	9,000	0	0
General Fund Balance December 31	<u>\$5,804,117</u>	<u>\$5,987,762</u>	<u>\$7,214,579</u>	<u>\$8,144,106</u>	<u>\$8,719,380</u>
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$9,756	\$29,382	\$15,828	\$17,685	\$50,965
Restricted	13,816	12,195	653,400	601,873	464,952
Committed	39,006	39,449	40,748	42,453	44,190
Unassigned	5,741,539	5,906,736	6,504,603	7,482,095	8,159,273
<b>Total</b>	<u>\$5,804,117</u>	<u>\$5,987,762</u>	<u>\$7,214,579</u>	<u>\$8,144,106</u>	<u>\$8,719,380</u>

## GENERAL FUND BUDGET SUMMARY

FISCAL YEAR ENDING DECEMBER 31

### COMBINED STATEMENT

	<b>2026 Adopted Budget<sup>1</sup></b>
Revenues	
Property taxes	\$7,708,710
Payment in lieu of taxes	1,008,549
Licenses and permits	673,050
Intergovernmental	2,406,532
Charges for services	1,169,757
Fine and forfeitures	97,000
Interest on investments	80,000
Miscellaneous	82,421
<b>Total Revenues</b>	<b><u>\$13,226,019</u></b>
Expenditures	
General government	\$3,334,698
Public safety	\$5,895,569
Streets and highways	\$2,077,772
Parks and recreation	2,135,280
Airport	210,320
Capital outlay	66,300
<b>Total Expenditures</b>	<b><u>\$13,719,939</u></b>
<b>Excess of revenues over (under) expenditures</b>	<b>(\$493,920)</b>
<b>Other Financing Sources (Uses)</b>	
Transfers in	\$493,920
Transfers (out)	0
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$493,920</u></b>
<b>Net changes in Fund Balances</b>	<b>\$0</b>
General Fund Balance January 1	\$8,719,380
Prior Period Adjustment	0
General Fund Balance December 31	<b><u>\$8,719,380</u></b>

<sup>1</sup> The 2026 budget was adopted on December 28, 2025.

## GENERAL INFORMATION

### LOCATION

The City, with a 2020 U.S. Census population of 14,335 and a 2024 population estimate of 14,998 comprising an area of 17.9 square miles and is approximately 150 miles north west of St. Paul, Minnesota.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Alomere Health	Health care	963
ISD No. 206 (Alexandria)	Municipal government and services	894
Douglas Machine Inc.	Packaging, machinery- manufacturers	700
Central Specialties	Road construction	457
3M	Abrasive product manufacturing	375
Alexandria Industries	Metal goods- manufacturers	352
Aagard	Packaging equipment manufacturer	348
Vivie	Nursing home/assisted living	335
Douglas County	County government & services	326
Currie Machinery Co.	Packaging and labeling	250

**Source:** Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

**BUILDING PERMITS** (as of April 30, 2026)

	2022	2023	2024	2025	2026
<u>New Single Family Homes</u>					
No. of building permits	34	21	35	24	8
Valuation	\$13,534,000	\$8,086,000	\$22,649,900	\$7,670,386	\$2,300,962
<u>New Multiple Family Buildings</u>					
No. of building permits	0	2	1	8	0
Valuation	\$0	\$17,008,129	\$9,000,000	\$47,149,286	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	97	65	60	69	10
Valuation	\$88,919,509	\$57,835,711	\$48,125,277	\$35,266,121	\$3,314,500
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	929	861	1,155	946	224
Valuation	\$118,755,054	\$88,483,200	\$102,683,568	\$110,510,526	\$10,666,633

**Source:** The City.

**U.S. CENSUS DATA****Population Trend:** The City

2010 U.S. Census population	11,070
2020 U.S. Census population	14,335
Percent of Change 2010 - 2020	29.49%
2024 State Demographer Population Estimate	14,998

**Income and Age Statistics**

	<b>The City</b>	<b>Douglas County</b>	<b>State of Minnesota</b>	<b>United States</b>
2024 per capita income	\$41,095	\$44,466	\$48,237	\$44,673
2024 median household income	\$61,374	\$79,043	\$89,062	\$80,734
2024 median family income	\$91,134	\$100,381	\$113,993	\$99,999
2024 median gross rent	\$934	\$927	\$1,280	\$1,413
2024 median value owner occupied units	\$275,300	\$321,400	\$329,300	\$332,700
2024 median age	40.8 yrs.	44.5 yrs.	38.8 yrs.	38.9 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2024 per capita income	85.19%	91.99%
City % of 2024 median family income	79.95%	91.13%

**Housing Statistics**

	<b><u>The City</u></b>		<b>Percent of Change</b>
	<b>2020</b>	<b>2024</b>	
All Housing Units	6,566	7,025	6.99%

**Source:** 2010 and 2020 Census of Population and Housing, and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

**EMPLOYMENT/UNEMPLOYMENT DATA**

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>	
	<b>Douglas County</b>	<b>Douglas County</b>	<b>State of Minnesota</b>	
2022	20,651	2.2%	2.5%	
2023	20,741	2.7%	2.8%	
2024	20,863	2.8%	3.1%	
2025	20,970	3.6%	3.9%	
2026, April	20,648	3.8%	4.0%	

**Source:** Minnesota Department of Employment and Economic Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

# **ANNUAL FINANCIAL REPORT**

CITY OF ALEXANDRIA  
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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INTRODUCTORY SECTION

CITY OF ALEXANDRIA  
ALEXANDRIA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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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.



**Abdo**  
Mankato, Minnesota  
May 12, 2026



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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**

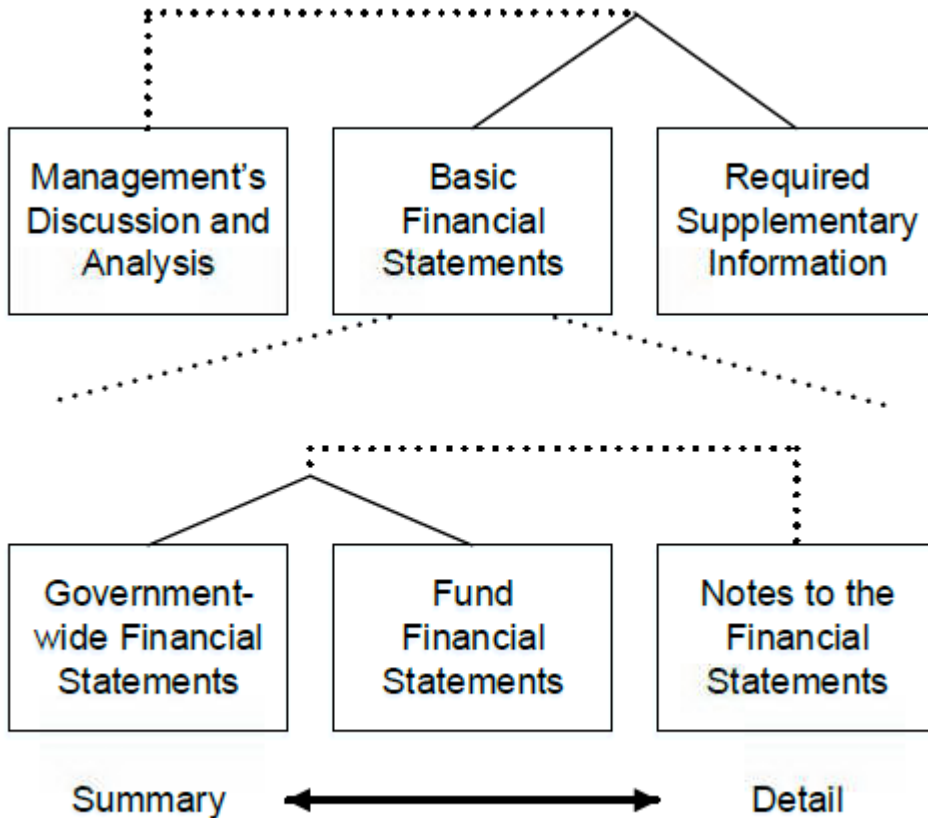


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
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)
<b>Assets</b>						
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>
<b>Liabilities</b>						
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>
<b>Net Position</b>						
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>
<b>Net Position as a Percent of Total</b>						
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
<b>Revenues</b>								
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
<b>Total Revenues</b>	<b>24,842,542</b>	<b>24,511,385</b>	<b>331,157</b>	<b>8,868,688</b>	<b>9,078,928</b>	<b>(210,240)</b>	<b>33,711,230</b>	<b>33,590,313</b>
<b>Expenses</b>								
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
<b>Total Expenses</b>	<b>24,780,278</b>	<b>19,946,676</b>	<b>4,833,602</b>	<b>7,709,020</b>	<b>7,982,267</b>	<b>(273,247)</b>	<b>32,489,298</b>	<b>27,928,943</b>
<b>Changes in Net Position</b>								
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	-	-
<b>Change in Net Position</b>	<b>691,894</b>	<b>5,155,406</b>	<b>(4,463,512)</b>	<b>530,038</b>	<b>505,964</b>	<b>24,074</b>	<b>1,221,932</b>	<b>5,661,370</b>
<b>Net Position - January 1</b>	<b>71,841,349</b>	<b>66,685,943</b>	<b>5,155,406</b>	<b>15,817,349</b>	<b>15,311,385</b>	<b>505,964</b>	<b>87,658,698</b>	<b>81,997,328</b>
<b>Net Position - December 31</b>	<b>\$ 72,533,243</b>	<b>\$ 71,841,349</b>	<b>\$ 691,894</b>	<b>\$ 16,347,387</b>	<b>\$ 15,817,349</b>	<b>\$ 530,038</b>	<b>\$ 88,880,630</b>	<b>\$ 87,658,698</b>

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.

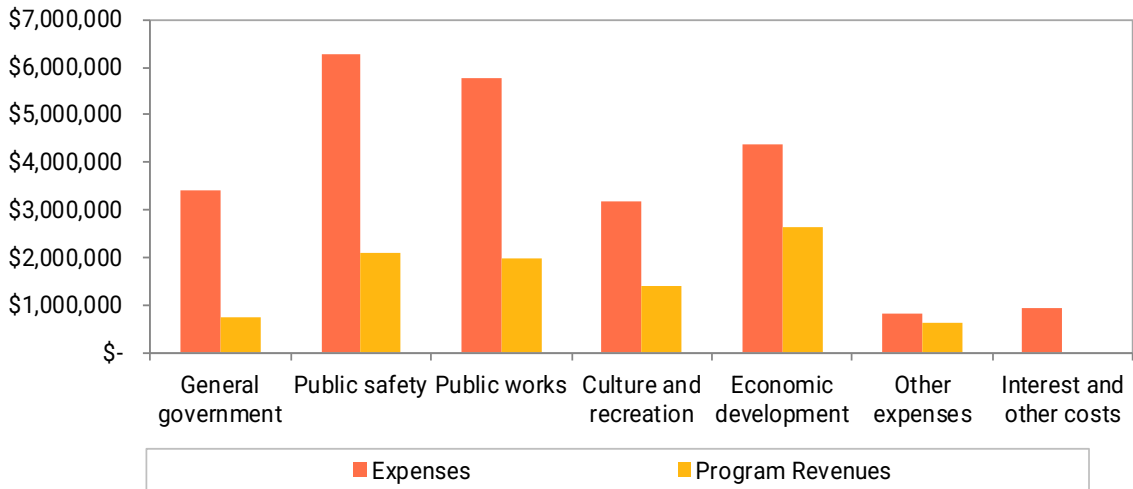
***Increase in property tax and tax increments***

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.

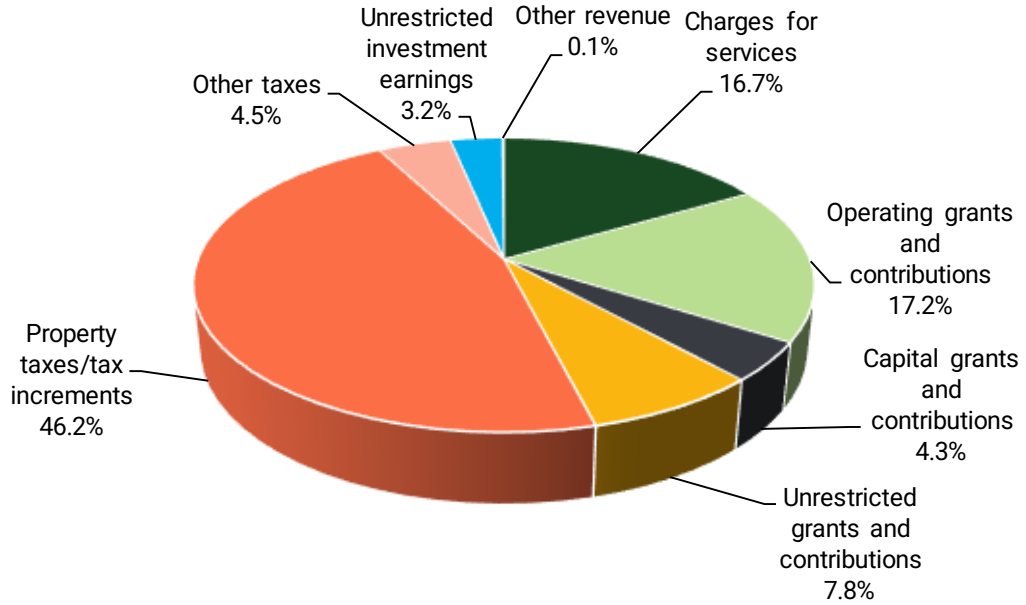
***Increase in fund transfers***

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

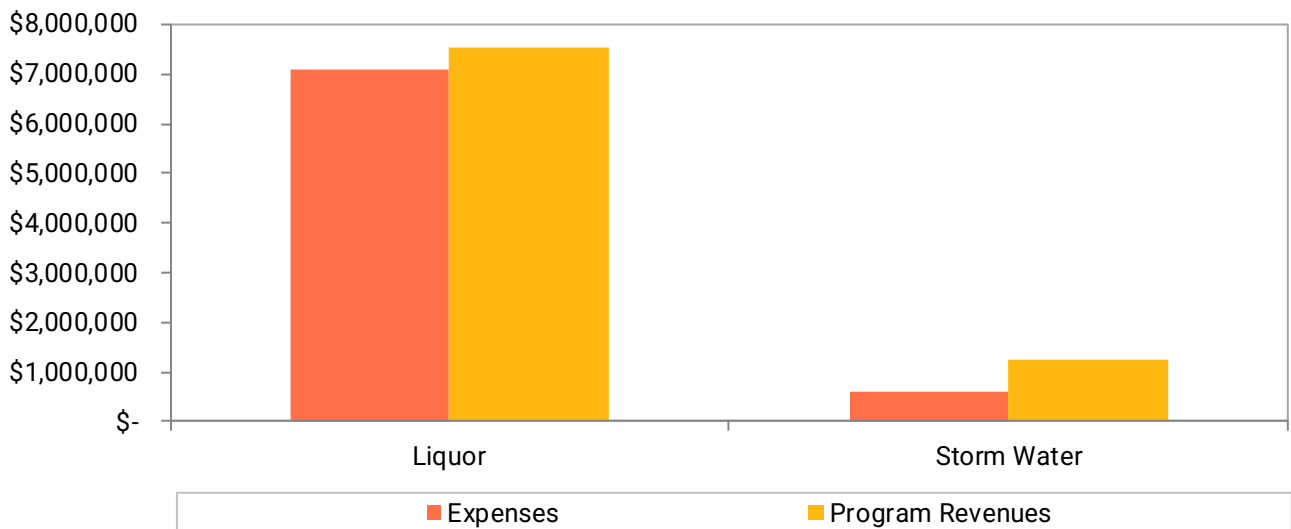


**Business-type activities.** Business-type activities increased the City’s net position, as shown in the changes in net position table. Key elements of this increase are as follows:

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)
<b>Total</b>	<b>\$ 83,615,663</b>	<b>\$ 76,087,875</b>	<b>\$ 7,527,788</b>	<b>\$ 13,996,836</b>	<b>\$ 13,294,132</b>	<b>\$ 702,704</b>	<b>\$ 97,612,499</b>	<b>\$ 89,382,007</b>	<b>\$ 8,230,492</b>
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)
<b>Total</b>	<b>\$ 26,285,448</b>	<b>\$ 27,370,906</b>	<b>\$ (1,085,458)</b>	<b>\$ 565,000</b>	<b>\$ 740,000</b>	<b>\$ (175,000)</b>	<b>\$ 26,850,448</b>	<b>\$ 28,110,906</b>	<b>\$ (1,260,458)</b>
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
<b>Assets</b>				
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>
<b>Deferred Outflows of Resources</b>				
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>
<b>Liabilities</b>				
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>
<b>Deferred Inflows of Resources</b>				
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>
<b>Net Position</b>				
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
<b>Primary Government</b>				
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>
<b>Component Unit</b>				
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
<b>Assets</b>					
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
<b>Total Assets</b>	<b>\$ 10,062,995</b>	<b>\$ 4,398,351</b>	<b>\$ 6,384,257</b>	<b>\$ 4,766,395</b>	<b>\$ 25,611,998</b>
<b>Liabilities</b>					
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
<b>Total Liabilities</b>	<b>531,500</b>	<b>1,700</b>	<b>747,662</b>	<b>25,255</b>	<b>1,306,117</b>
<b>Deferred Inflows of Resources</b>					
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
<b>Total Deferred Inflows of Resources</b>	<b>812,115</b>	<b>1,597,390</b>	<b>3,504,803</b>	<b>11,539</b>	<b>5,925,847</b>
<b>Fund Balances</b>					
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
<b>Total Fund Balances</b>	<b>8,719,380</b>	<b>2,799,261</b>	<b>2,131,792</b>	<b>4,729,601</b>	<b>18,380,034</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 10,062,995</b>	<b>\$ 4,398,351</b>	<b>\$ 6,384,257</b>	<b>\$ 4,766,395</b>	<b>\$ 25,611,998</b>

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

	<b>609</b> Downtown Liquor	<b>610</b> Plaza Liquor	<b>211</b> Storm Water Utility	Totals
<b>Assets</b>				
<b>Current Assets</b>				
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
<b>Total Current Assets</b>	<b>953,628</b>	<b>1,671,003</b>	<b>1,177,819</b>	<b>3,802,450</b>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
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)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>219,246</b>	<b>230,275</b>	<b>13,547,315</b>	<b>13,996,836</b>
<b>Total Assets</b>	<b>1,172,874</b>	<b>1,901,278</b>	<b>14,725,134</b>	<b>17,799,286</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	34,106	55,121	-	89,227
Deferred other postemployment benefit resources	2,924	1,969	-	4,893
<b>Total Deferred Outflows of Resources</b>	<b>37,030</b>	<b>57,090</b>	<b>-</b>	<b>94,120</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	<b>143,888</b>	<b>225,955</b>	<b>200,570</b>	<b>570,413</b>
<b>Noncurrent Liabilities</b>				
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
<b>Total Noncurrent Liabilities</b>	<b>141,546</b>	<b>223,583</b>	<b>423,444</b>	<b>788,573</b>
<b>Total Liabilities</b>	<b>285,434</b>	<b>449,538</b>	<b>624,014</b>	<b>1,358,986</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	70,243	113,527	-	183,770
Deferred other postemployment benefit resources	1,405	1,858	-	3,263
<b>Total Deferred Inflows of Resources</b>	<b>71,648</b>	<b>115,385</b>	<b>-</b>	<b>187,033</b>
<b>Net Position</b>				
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
<b>Total Net Position</b>	<b>\$ 852,822</b>	<b>\$ 1,393,445</b>	<b>\$ 14,101,120</b>	<b>\$ 16,347,387</b>

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

	<b>609</b> Downtown Liquor	<b>610</b> Plaza Liquor	<b>211</b> 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	<u>(100,000)</u>	<u>(510,000)</u>	<u>(192,590)</u>	<u>(802,590)</u>
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
<b>Cash Flows from Operating Activities</b>				
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
<b>Net Cash Provided by Operating Activities</b>	<u>192,513</u>	<u>460,590</u>	<u>744,039</u>	<u>1,397,142</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
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
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(100,000)</u>	<u>(510,000)</u>	<u>(144,840)</u>	<u>(754,840)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
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)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(65,817)</u>	<u>(84,577)</u>	<u>(790,200)</u>	<u>(940,594)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received	3,438	24,542	41,617	69,597
Sale (purchase) of investments	(366,904)	-	-	(366,904)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(363,466)</u>	<u>24,542</u>	<u>41,617</u>	<u>(297,307)</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(336,770)	(109,445)	(149,384)	(595,599)
<b>Cash and Cash Equivalents, January 1</b>	<u>358,300</u>	<u>1,119,670</u>	<u>1,261,671</u>	<u>2,739,641</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 21,530</u>	<u>\$ 1,010,225</u>	<u>\$ 1,112,287</u>	<u>\$ 2,144,042</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
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)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 192,513</u>	<u>\$ 460,590</u>	<u>\$ 744,039</u>	<u>\$ 1,397,142</u>
<b>Noncash Investing, Capital and Financing Activities</b>				
Capital assets contributed by (to) other funds	\$ -	\$ -	\$ 172,960	\$ 172,960
Capital assets contributed by developers	\$ -	\$ -	\$ 303,234	\$ 303,234
Amortization of bond (premium) discount	\$ -	\$ -	\$ (12,096)	\$ (12,096)

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 34<sup>th</sup> 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	-
<b>Total Investments</b>			<b>\$ 14,102,726</b>	<b>\$ 2,006,215</b>	<b>\$ 10,423,108</b>	<b>\$ -</b>

(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
<b>Governmental Activities</b>				
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
<b>Business-type Activities</b>				
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:

<b>Governmental Activities</b>		
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>
<b>Business-type Activities</b>		
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
<b>Business-type Activities</b>				
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
<b>Total</b>	<b>\$ 2,227,909</b>	<b>\$ 768,621</b>

**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
<b>Total</b>	<b>\$ 15,552,000</b>	<b>\$ 7,553,000</b>

**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
<b>Net Internal Balance</b>		<b>\$ 161,157</b>

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,	<b>General Obligation Bonds</b>		
	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,	<b>Leases Payable</b>		
	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,	<b>Financed Purchase Arrangements</b>		
	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,	<b>Loans Payable</b>		
	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
<b>Total</b>	<b>\$ 608,107</b>	<b>\$ -</b>	<b>\$ 608,107</b>

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
<b>Governmental Activities</b>					
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	-
<b>Total Bonds Payable</b>	<b>25,675,551</b>	<b>-</b>	<b>(1,402,281)</b>	<b>24,273,270</b>	<b>1,325,000</b>
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	<b>\$ 29,450,479</b>	<b>\$ 578,466</b>	<b>\$ (1,806,913)</b>	<b>\$ 28,222,032</b>	<b>\$ 2,146,911</b>
<b>Business-type Activities</b>					
Bonds Payable					
General obligation improvement bonds	\$ 740,000	\$ -	\$ (175,000)	\$ 565,000	\$ 185,000
Bond Premium	48,380	-	(12,096)	36,284	-
<b>Total Bonds Payable</b>	<b>788,380</b>	<b>-</b>	<b>(187,096)</b>	<b>601,284</b>	<b>185,000</b>
Compensated Absences Payable *	134,699	1,678	-	136,377	63,295
Business-type Activity Long-term Liabilities	<b>\$ 923,079</b>	<b>\$ 1,678</b>	<b>\$ (187,096)</b>	<b>\$ 737,661</b>	<b>\$ 248,295</b>

\* 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	9,270,000
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,	<b>Revenue Bonds</b>		
	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,	<b>G.O. Revenue Notes</b>		
	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
<b>Total</b>	<b>\$ 868,000</b>	<b>\$ 53,717</b>	<b>\$ 921,717</b>

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:

<b>Component Unit</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Bonds Payable</b>					
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  
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**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  
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**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	-
<b>Total</b>	<b>\$ 477,586</b>	<b>\$ 983,634</b>	<b>\$ 283,976</b>	<b>\$ 886,806</b>

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>
<b>Total</b>	<b><u>\$ 2,159,854</u></b>

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>
<b>Total</b>	<b><u>\$ 2,844,153</u></b>	<b><u>\$ 3,630,467</u></b>

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.

City of Alexandria, Minnesota  
Notes to the Financial Statements  
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**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](http://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.

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**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  
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**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  
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**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.

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**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.

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Notes to the Financial Statements  
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**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  
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**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	-
<b>Total</b>	<b>\$ 541,379</b>	<b>\$ 177,755</b>	<b>\$ 5,426</b>	<b>\$ 32,940</b>

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)

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**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  
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**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.

## 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.

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**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.

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**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	2,235,590
January 1, as restated	\$ 94,142,957

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)
<b>Total Pension Liability</b>										
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)
<b>Net Change in Total Pension Liability</b>	231,885	(131,179)	(476,329)	(84,584)	53,462	150,972	(76,868)	(4,139)	316,305	129,467
<b>Total Pension Liability - January 1</b>	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
<b>Total Pension Liability - December 31</b>	\$ 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
<b>Plan Fiduciary Net Position</b>										
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)
<b>Net Change in Plan Fiduciary Net Position</b>	521,784	127,687	(1,284,433)	258,565	248,465	645,221	(580,250)	411,867	356,400	(323,232)
<b>Plan Fiduciary Net Position - January 1</b>	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
<b>Plan Fiduciary Net Position - December 31 (B)</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
<b>Fire Reliefs Net Pension Liability (Asset) - December 31 (A-B)</b>	\$ (1,035,734)	\$ (745,835)	\$ (486,969)	\$ (1,295,073)	\$ (951,924)	\$ (756,921)	\$ (262,672)	\$ (766,054)	\$ (350,048)	\$ (309,953)
<b>Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)</b>	147.42%	138.20%	123.37%	150.59%	136.00%	129.21%	110.76%	130.44%	113.88%	114.06%
<b>Covered Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fire Reliefs Net Pension Liability (Asset) As a Percentage of covered payroll</b>	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:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
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

	<b>210</b> Lodging Tax Fund	<b>214</b> Employee Benefit	<b>217</b> Firemen's Relief	<b>220</b> Plans and Studies	<b>223</b> Sanitary Sewer District	<b>203</b> Workforce Housing Grant
<b>Assets</b>						
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	-	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 26,626</u></b>	<b><u>\$ 994</u></b>	<b><u>\$ 111,925</u></b>	<b><u>\$ 87,238</u></b>	<b><u>\$ 30,160</u></b>	<b><u>\$ -</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 25,255	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - taxes	-	410	22	73	11,034	-
<b>Fund Balances</b>						
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	-
<b>Total Fund Balances</b>	<b><u>1,371</u></b>	<b><u>584</u></b>	<b><u>111,903</u></b>	<b><u>87,165</u></b>	<b><u>19,126</u></b>	<b><u>-</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 26,626</u></b>	<b><u>\$ 994</u></b>	<b><u>\$ 111,925</u></b>	<b><u>\$ 87,238</u></b>	<b><u>\$ 30,160</u></b>	<b><u>\$ -</u></b>

<b>205</b>	<b>296</b>	<b>297/298</b>	<b>299</b>		<b>Total</b>
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

	<b>210</b> Lodging Tax Fund	<b>214</b> Employee Benefit	<b>217</b> Firemen's Relief	<b>220</b> Plans and Studies	<b>223</b> Sanitary Sewer District	<b>203</b> Workforce Housing Grant
<b>Revenues</b>						
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>
<b>Expenditures</b>						
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	Actual Amounts	Variance with Final Budget
	Original and Final		
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	<u>5,608,448</u>	<u>5,670,061</u>	<u>(61,613)</u>
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	<u>1,342,915</u>	<u>1,272,055</u>	<u>70,860</u>
Engineering			
Other services and charges	<u>110,000</u>	<u>123,255</u>	<u>(13,255)</u>
Blacktop repair			
Supplies	<u>100,000</u>	<u>83,628</u>	<u>16,372</u>
Dust control			
Supplies	<u>2,000</u>	<u>2,156</u>	<u>(156)</u>
Sidewalks and curbs			
Other services and charges	<u>91,000</u>	<u>145,229</u>	<u>(54,229)</u>
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	<u>156,000</u>	<u>175,623</u>	<u>(19,623)</u>
Equipment maintenance			
Supplies	28,000	39,838	(11,838)
Other services and charges	150,950	106,625	44,325
Total equipment maintenance	<u>178,950</u>	<u>146,463</u>	<u>32,487</u>
Weed eradication			
Supplies	<u>20,000</u>	<u>23,384</u>	<u>(3,384)</u>
Street lighting			
Other services and charges	<u>125,000</u>	<u>141,028</u>	<u>(16,028)</u>
Total Public Works	<u>2,125,865</u>	<u>2,112,821</u>	<u>13,044</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)			
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

	<b>430</b>	<b>433</b>	<b>437</b>	<b>438</b>	<b>439</b>	<b>440</b>
	Fire Equipment	Park Development	RCC Equipment	Public Works Equipment	Police Equipment	IT Equipment
<b>Assets</b>						
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	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 655,901</u>	<u>\$ 808,308</u>	<u>\$ 6,864</u>	<u>\$ 97,083</u>	<u>\$ 165,226</u>	<u>\$ 129,567</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 30,626	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advance from other funds	-	1,658,428	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>1,689,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>						
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	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>1,010</u>	<u>12</u>	<u>504</u>	<u>3,598</u>	<u>1,620</u>	<u>842</u>
<b>Fund Balances</b>						
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)	-	-	-	-
<b>Total Fund Balances</b>	<u>654,891</u>	<u>(880,758)</u>	<u>6,360</u>	<u>93,485</u>	<u>163,606</u>	<u>128,725</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 655,901</u>	<u>\$ 808,308</u>	<u>\$ 6,864</u>	<u>\$ 97,083</u>	<u>\$ 165,226</u>	<u>\$ 129,567</u>

<b>401</b>	<b>402</b>	<b>404</b>	<b>405</b>	<b>406</b>
<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

	<b>411</b>	<b>412</b>	<b>413</b>	<b>414</b>	<b>417</b>	<b>419</b>
	44th Ave Extension Project	18th Ave Reconstruction Project	Community Splash Pad	Revolving Improvement	RCC Expansion	Nature Trail
<b>Assets</b>						
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	-	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 8,225</u></b>	<b><u>\$ (668,603)</u></b>	<b><u>\$ 181,718</u></b>	<b><u>\$ 4,600,285</u></b>	<b><u>\$ 1,223,465</u></b>	<b><u>\$ (4,045)</u></b>
<b>Liabilities</b>						
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	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>15,160</u></b>	<b><u>114,370</u></b>	<b><u>113,029</u></b>	<b><u>233,513</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources</b>						
Deferred lease resources	-	-	-	-	-	-
Unavailable revenue - taxes	-	-	-	978	-	-
Unavailable revenue - special assessments	-	-	-	1,479,733	-	-
Unavailable revenue - intergovernmental	-	-	-	7,617	-	-
Advance from other government	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,488,328</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>						
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)
<b>Total Fund Balances</b>	<b><u>8,225</u></b>	<b><u>(683,763)</u></b>	<b><u>67,348</u></b>	<b><u>2,998,928</u></b>	<b><u>989,952</u></b>	<b><u>(4,045)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 8,225</u></b>	<b><u>\$ (668,603)</u></b>	<b><u>\$ 181,718</u></b>	<b><u>\$ 4,600,285</u></b>	<b><u>\$ 1,223,465</u></b>	<b><u>\$ (4,045)</u></b>

<b>420</b> Nokomis Street Improvement	<b>421</b> SRTS Voyager Elementary	<b>422</b> 6th Ave Improvements	<b>435</b> Administration Equipment	<b>418</b> RCC Expansion Phase 3	<b>450</b> 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

	<b>430</b>	<b>433</b>	<b>437</b>	<b>438</b>	<b>439</b>	<b>440</b>
	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>

<b>401</b>	<b>402</b>	<b>404</b>	<b>405</b>	<b>406</b>
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>

<b>420</b> Nokomis Street Improvement	<b>421</b> SRTS Voyager Elementary	<b>422</b> 6th Ave Improvements	<b>435</b> Administration Equipment	<b>418</b> RCC Expansion Phase 3	<b>450</b> 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

	<b>330</b> G.O. Capital Improvement Bonds of 2010A	<b>334</b> G.O. Improvement Bonds of 2014A	<b>335</b> G.O. Improvement Bonds of 2014B	<b>336</b> G.O. Bonds of 2016A
<b>Assets</b>				
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>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,093,545</u>	<u>\$ 438,325</u>	<u>\$ 178,589</u>	<u>\$ 836,698</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,400	\$ -	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	5,899	3,096	1,596	9,075
Unavailable revenue - special assessments	439,095	8,450	-	-
Total Deferred Inflows of Resources	<u>444,994</u>	<u>11,546</u>	<u>1,596</u>	<u>9,075</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>				
Restricted for debt service	<u>647,151</u>	<u>426,779</u>	<u>176,993</u>	<u>827,623</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,093,545</u>	<u>\$ 438,325</u>	<u>\$ 178,589</u>	<u>\$ 836,698</u>

<b>337</b> G.O. Refunding Bonds of 2016B	<b>339</b> G.O. Improvement Bonds of 2020A	<b>340</b> G.O. Tax Abatement Bonds of 2024A	<b>341</b> 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

	<b>330</b> G.O. Capital Improvement Bonds of 2010A	<b>334</b> G.O. Improvement Bonds of 2014A	<b>335</b> G.O. Improvement Bonds of 2014B	<b>336</b> 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>

<b>337</b> G.O. Refunding Bonds of 2016B	<b>339</b> G.O. Improvement Bonds of 2020A	<b>340</b> G.O. Tax Abatement Bonds of 2024A	<b>341</b> 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

	<b>235</b> EDA Development Fund	<b>240</b> TIF District #17	<b>295</b> TIF District #25	<b>294</b> TIF District #26	<b>279</b> TIF District #42	<b>277</b> TIF District #45
<b>Assets</b>						
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>
<b>Total Assets</b>						
	<u>\$ 654,716</u>	<u>\$ 79,089</u>	<u>\$ 85,796</u>	<u>\$ 779,005</u>	<u>\$ 65,680</u>	<u>\$ 4,324</u>
<b>Fund Balances</b>						
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>

<b>275</b> TIF District #47	<b>274</b> TIF District #48	<b>272</b> TIF District #51	<b>271</b> TIF District #52	<b>270</b> TIF District #53	<b>269</b> 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

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

<b>260 TIF District #64</b>	<b>262 TIF District #65</b>	<b>261 TIF District #66</b>	<b>Total</b>
\$ 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

	<b>235</b> EDA Development Fund	<b>240</b> TIF District #17	<b>295</b> TIF District #25	<b>294</b> TIF District #26	<b>279</b> TIF District #42	<b>277</b> 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>

<b>275</b> TIF District #47	<b>274</b> TIF District #48	<b>272</b> TIF District #51	<b>271</b> TIF District #52	<b>270</b> TIF District #53	<b>269</b> 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

	<b>268</b> TIF District #55	<b>265</b> TIF District #56	<b>267</b> TIF District #58	<b>266</b> TIF District #60	<b>264</b> TIF District #61	<b>263</b> 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



**ALP UTILITIES FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning ALP Utilities financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has ALP Utilities requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of ALP Utilities since the date of the financial statements, in connection with the issuance of the Bonds, Alp Utilities represents that there have been no material adverse change in the financial position or results of operations of ALP Utilities, nor has ALP Utilities incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

# **ANNUAL FINANCIAL REPORT**

CITY OF ALEXANDRIA BOARD OF PUBLIC UTILITIES  
DBA ALP UTILITIES, A COMPONENT UNIT OF THE CITY  
ALEXANDRIA, MINNESOTA

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

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City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Annual Financial Report  
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For the Years Ended December 31, 2025 and 2024

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INTRODUCTORY SECTION

CITY OF ALEXANDRIA, MINNESOTA  
BOARD OF PUBLIC UTILITIES - DBA ALP UTILITIES

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

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City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Appointed Officials  
For the Year Ended December 31, 2025

**Appointed**

Name	Title
Richard Rentz	Chair
Bill Finley	Vice-Chair
Bobbie Osterberg	Member
Jason Bachman	Member
Matt Fischer	Member

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FINANCIAL SECTION  
CITY OF ALEXANDRIA, MINNESOTA  
BOARD OF PUBLIC UTILITIES - DBA ALP UTILITIES

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

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## INDEPENDENT AUDITOR'S REPORT

Members of the City of Alexandria Board of Public Utilities  
DBA ALP Utilities  
Alexandria, Minnesota

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the City of Alexandria Board of Public Utilities DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota, as of and for the years ended December 31, 2025 and 2024, and the related notes to the 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 financial position of the Board as of December 31, 2025 and 2024, and the changes in financial position and cash flows thereof for the years 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 Board 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 Board restated beginning net position for the electric and water utility funds to correct errors in the previously issued financial statements. Our opinions were not modified with respect to these matters.

#### 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 Board'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 Board'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 Board'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 Schedules of Employer's Share of PERA Net Pension Liability and the Schedules of Employer's PERA Contributions, the related note disclosures, and the Schedule of Changes in the Board's OPEB Liability and Related Ratios, starting on page 52 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.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying 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 related 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 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 annual 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 statement 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 April 1, 2026, on our consideration of the Board'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting and compliance.



**Abdo**  
Mankato, Minnesota  
April 1, 2026



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FUND FINANCIAL STATEMENTS -  
PROPRIETARY FUNDS

CITY OF ALEXANDRIA, MINNESOTA  
BOARD OF PUBLIC UTILITIES - DBA ALP UTILITIES

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Statements of Net Position  
Proprietary Funds  
December 31, 2025 and 2024

	Enterprise Funds			
	Electric Utility		Water Utility	
	2025	Restated 2024	2025	Restated 2024
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 25,637,138	\$ 28,912,051	\$ 4,524,559	\$ 4,409,529
Restricted debt service reserve deposits	1,661,862	1,666,806	-	-
Interest receivable	112,732	49,002	17,071	12,064
Customer accounts receivable, net	3,324,980	3,065,381	397,202	305,620
PFAS settlement receivable	-	-	671,320	-
Due from the City of Alexandria	17,258	14,055	5,627	4,006
Special assessments receivable	-	-	704	704
Inventories	2,042,085	2,717,893	256,370	491,074
Prepaid items	92,200	57,354	3,102	220,834
Total Current Assets	<u>32,888,255</u>	<u>36,482,542</u>	<u>5,875,955</u>	<u>5,443,831</u>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Land and land rights	1,210,996	1,182,477	383,736	383,736
Service territory acquired	255,813	255,813	-	-
Buildings and structures	2,519,599	2,492,099	406,757	406,757
Transmission plant	2,763,581	2,763,581	-	-
Distribution plant	65,519,564	64,674,766	50,964,500	48,729,373
General equipment	4,879,155	4,751,352	2,156,204	2,096,506
Construction in progress	14,997,999	5,232,901	1,566,157	329,934
Less accumulated depreciation	(38,629,797)	(36,433,784)	(20,598,771)	(19,348,396)
Total capital assets (net of accumulated depreciation)	<u>53,516,910</u>	<u>44,919,205</u>	<u>34,878,583</u>	<u>32,597,910</u>
Total Assets	<u>86,405,165</u>	<u>81,401,747</u>	<u>40,754,538</u>	<u>38,041,741</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	236,702	225,030	47,274	44,953
Deferred other postemployment benefit resources	4,721	1,675	705	182
Total Deferred Outflows of Resources	<u>241,423</u>	<u>226,705</u>	<u>47,979</u>	<u>45,135</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	2,251,657	2,591,190	84,514	76,418
Due to other governments	88,341	81,427	13,998	14,670
Due to the City of Alexandria	163,516	165,385	-	508,927
Due to Alexandria Lakes Area Sanitary District (ALASD)	1,028,775	917,426	-	-
Accrued interest payable	52,533	65,760	7,670	9,473
Accrued wages payable	45,830	51,199	8,981	8,844
Other current liabilities	-	-	238,686	241,826
Customer meter deposits payable	454,683	388,558	8,350	8,350
Compensated absences payable - current portion	206,454	192,432	36,698	28,801
Bonds and notes payable - current portion	890,000	790,000	209,000	204,000
Total Current Liabilities	<u>5,181,789</u>	<u>5,243,377</u>	<u>607,897</u>	<u>1,101,309</u>
<b>Noncurrent Liabilities</b>				
Other postemployment benefits payable	25,116	26,277	3,753	2,920
Compensated absences payable	377,410	343,721	129,275	105,171
Net pension liability	996,451	1,170,108	199,018	233,767
Bonds and notes payable - net of current maturities	14,337,121	15,413,484	659,000	868,000
Total Noncurrent Liabilities	<u>15,736,098</u>	<u>16,953,590</u>	<u>991,046</u>	<u>1,209,858</u>
Total Liabilities	<u>20,917,887</u>	<u>22,196,967</u>	<u>1,598,943</u>	<u>2,311,167</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	739,156	853,809	147,650	170,596
Deferred other postemployment benefit resources	28,658	35,849	4,282	3,983
Total Deferred Inflows of Resources	<u>767,814</u>	<u>889,658</u>	<u>151,932</u>	<u>174,579</u>
<b>Net Position</b>				
Net investment in capital assets	37,722,967	34,124,262	34,010,583	31,525,910
Restricted for debt service	1,661,862	1,666,806	-	-
Unrestricted	25,576,058	22,750,759	5,041,059	4,075,220
Total Net Position	<u>\$ 64,960,887</u>	<u>\$ 58,541,827</u>	<u>\$ 39,051,642</u>	<u>\$ 35,601,130</u>

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

Totals	
2025	Restated 2024
\$ 30,161,697	\$ 33,321,580
1,661,862	1,666,806
129,803	61,066
3,722,182	3,371,001
671,320	-
22,885	18,061
704	704
2,298,455	3,208,967
95,302	278,188
<u>38,764,210</u>	<u>41,926,373</u>
1,594,732	1,566,213
255,813	255,813
2,926,356	2,898,856
2,763,581	2,763,581
116,484,064	113,404,139
7,035,359	6,847,858
16,564,156	5,562,835
(59,228,568)	(55,782,180)
<u>88,395,493</u>	<u>77,517,115</u>
<u>127,159,703</u>	<u>119,443,488</u>
283,976	269,983
5,426	1,857
<u>289,402</u>	<u>271,840</u>
2,336,171	2,667,608
102,339	96,097
163,516	674,312
1,028,775	917,426
60,203	75,233
54,811	60,043
238,686	241,826
463,033	396,908
243,152	221,233
1,099,000	994,000
<u>5,789,686</u>	<u>6,344,686</u>
28,869	29,197
506,685	448,892
1,195,469	1,403,875
14,996,121	16,281,484
<u>16,727,144</u>	<u>18,163,448</u>
<u>22,516,830</u>	<u>24,508,134</u>
886,806	1,024,405
32,940	39,832
<u>919,746</u>	<u>1,064,237</u>
71,733,550	65,650,172
1,661,862	1,666,806
<u>30,617,117</u>	<u>26,825,979</u>
<u>\$ 104,012,529</u>	<u>\$ 94,142,957</u>

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

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Statements of Revenues, Expenses and Changes in Net Position  
Continued on the Following Pages  
Proprietary Funds  
For the Years Ended December 31, 2025 and 2024

	Enterprise Funds			
	Electric Utility		Water Utility	
	2025	Restated 2024	2025	Restated 2024
Operating Revenues				
Sales	\$ 30,295,198	\$ 28,191,314	\$ 4,028,434	\$ 3,391,142
Other operating revenue	1,133,441	1,131,650	91,470	92,206
Total Operating Revenues	<u>31,428,639</u>	<u>29,322,964</u>	<u>4,119,904</u>	<u>3,483,348</u>
Operating Expenses				
Personal services	370,591	408,851	232,057	229,369
Production plant and purchased power	18,286,530	16,942,913	-	-
Transmission system - maintenance	146,998	106,733	-	-
Distribution system - operations	739,551	906,887	166,118	152,279
Distribution system - maintenance	729,746	801,008	854,609	788,427
Other operating	-	-	406,105	409,789
Customer accounts	857,645	837,442	133,975	106,000
Administration and general	1,234,689	1,010,110	163,146	272,787
Depreciation	2,321,358	1,982,474	1,250,375	1,083,703
Total Operating Expenses	<u>24,687,108</u>	<u>22,996,418</u>	<u>3,206,385</u>	<u>3,042,354</u>
Operating Income	<u>6,741,531</u>	<u>6,326,546</u>	<u>913,519</u>	<u>440,994</u>
Nonoperating Income (Expenses)				
Investment income	1,109,155	883,375	150,231	131,137
Other revenue	105,747	43,310	6,043	9,175
Special assessments	-	-	704	704
Loss on sale of capital assets	(323)	(637,422)	-	(180,791)
Amortization on bond premium	186,363	27,833	-	-
Bond issuance costs	-	(184,616)	-	-
Interest and other	(717,961)	(239,991)	(24,408)	(27,401)
Pension revenue (expense)	(3,692)	53,292	(738)	10,649
Total Nonoperating Income (Expenses)	<u>679,289</u>	<u>(54,219)</u>	<u>131,832</u>	<u>(56,527)</u>
Income Before Special Items and Transfers	<u>7,420,820</u>	<u>6,272,327</u>	<u>1,045,351</u>	<u>384,467</u>
Capital Contributions From Developers	-	-	276,157	-
Transfers to City of Alexandria - Payment in Lieu of Taxes	(1,001,760)	(1,010,940)	-	-
Special Item - PFAS Settlement	-	-	2,129,004	-
Change in Net Position	<u>6,419,060</u>	<u>5,261,387</u>	<u>3,450,512</u>	<u>384,467</u>
Net Position - January 1, as Previously Presented	58,541,827	51,511,967	35,601,130	35,022,323
Error correction (note 9)	-	1,768,473	-	194,340
Net Position - January 1, as Restated	<u>58,541,827</u>	<u>53,280,440</u>	<u>35,601,130</u>	<u>35,216,663</u>
Net Position, December 31	<u>\$ 64,960,887</u>	<u>\$ 58,541,827</u>	<u>\$ 39,051,642</u>	<u>\$ 35,601,130</u>

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

Totals	
2025	Restated 2024
\$ 34,323,632	\$ 31,582,456
1,224,911	1,223,856
<u>35,548,543</u>	<u>32,806,312</u>
602,648	638,220
18,286,530	16,942,913
146,998	106,733
905,669	1,059,166
1,584,355	1,589,435
406,105	409,789
991,620	943,442
1,397,835	1,282,897
3,571,733	3,066,177
<u>27,893,493</u>	<u>26,038,772</u>
<u>7,655,050</u>	<u>6,767,540</u>
1,259,386	1,014,512
111,790	52,485
704	704
(323)	(818,213)
186,363	27,833
-	(184,616)
(742,369)	(267,392)
(4,430)	63,941
<u>811,121</u>	<u>(110,746)</u>
8,466,171	6,656,794
276,157	-
(1,001,760)	(1,010,940)
<u>2,129,004</u>	<u>-</u>
<u>9,869,572</u>	<u>5,645,854</u>
94,142,957	86,534,290
-	1,962,813
<u>94,142,957</u>	<u>88,497,103</u>
<u>\$ 104,012,529</u>	<u>\$ 94,142,957</u>

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

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Statements of Cash Flows  
Proprietary Funds  
For the Years Ended December 31, 2025 and 2024

	Enterprise Funds			
	Electric Utility		Water Utility	
	2025	Restated 2024	2025	Restated 2024
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 31,231,962	\$ 29,066,623	\$ 4,026,701	\$ 3,440,198
Payments to suppliers and vendors	(22,183,988)	(20,602,749)	(1,375,794)	(1,406,695)
Payments to and on behalf of employees	(1,109,372)	(1,186,524)	(461,728)	(453,921)
Other receipts	102,055	96,602	6,009	30,048
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>8,040,657</u>	<u>7,373,952</u>	<u>2,195,188</u>	<u>1,609,630</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Transfers to City - payment in lieu of taxes	(1,001,760)	(1,010,940)	-	-
Proceeds from PFAS settlement	-	-	1,457,684	-
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>(1,001,760)</u>	<u>(1,010,940)</u>	<u>1,457,684</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital asset acquisitions	(9,842,991)	(6,292,535)	(3,452,855)	(1,508,630)
Proceeds from bonds, net of premiums	-	10,854,947	-	-
Principal paid on bonds and notes	(790,000)	(605,000)	(204,000)	(199,000)
Issuance costs paid on bonds	-	(184,616)	-	-
Interest paid on bonds and notes	(731,188)	(192,946)	(26,211)	(31,076)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(11,364,179)</u>	<u>3,579,850</u>	<u>(3,683,066)</u>	<u>(1,738,706)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	1,045,425	873,995	145,224	127,712
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(3,279,857)</u>	<u>10,816,857</u>	<u>115,030</u>	<u>(1,364)</u>
<b>Cash and Cash Equivalents, January 1</b>	<u>30,578,857</u>	<u>19,762,000</u>	<u>4,409,529</u>	<u>4,410,893</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 27,299,000</u>	<u>\$ 30,578,857</u>	<u>\$ 4,524,559</u>	<u>\$ 4,409,529</u>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Unrestricted	\$ 25,637,138	\$ 28,912,051	\$ 4,524,559	\$ 4,409,529
Restricted	1,661,862	1,666,806	-	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 27,299,000</u>	<u>\$ 30,578,857</u>	<u>\$ 4,524,559</u>	<u>\$ 4,409,529</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 6,741,531	\$ 6,326,546	\$ 913,519	\$ 440,994
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	2,321,358	1,982,474	1,250,375	1,083,703
Other income related to operations	102,055	96,602	6,009	20,528
(Increase) decrease in assets				
Customer accounts receivable	(259,599)	(312,560)	(91,582)	(48,327)
Due from the City of Alexandria	(3,203)	7,396	(1,621)	(3,173)
Special assessments	-	-	-	9,520
Inventories	(803,839)	(789,371)	(87,380)	66,617
Prepaid items	(34,846)	25,602	217,732	10,540
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(11,672)	254,451	(2,321)	50,862
Deferred other postemployment benefit resources	(3,046)	214	(523)	28
Increase (decrease) in liabilities				
Accounts payable	63,719	254,667	528,144	(34,957)
Due to other governments	6,914	(1,797)	(672)	11,057
Due to the City of Alexandria	(1,869)	(12,535)	(508,927)	20,816
Due to Alexandria Lakes Area Sanitary District (ALASD)	111,349	125,233	-	-
Accrued wages payable	(5,369)	(86,365)	137	(26,283)
Compensated absences payable	47,711	(63,627)	32,001	16,453
Other current liabilities	-	-	(3,140)	78,432
Net pension liability	(173,657)	(661,493)	(34,749)	(132,244)
Other postemployment benefits payable	(1,161)	2,994	833	333
Customer meter deposits payable	66,125	48,823	-	8,350
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(114,653)	189,019	(22,946)	37,750
Deferred other postemployment benefit resources	(7,191)	(12,321)	299	(1,369)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 8,040,657</u>	<u>\$ 7,373,952</u>	<u>\$ 2,195,188</u>	<u>\$ 1,609,630</u>
<b>Noncash Capital and Financing Activities</b>				
Book value of disposed/traded in capital assets	\$ 323	\$ 637,422	\$ -	\$ 180,791
Capital assets acquired on account	\$ 566,822	\$ 970,074	\$ 47,979	\$ 568,027
Capital assets contributed by (to) developers	\$ -	\$ -	\$ 276,157	\$ -
Inventory transferred to capital assets	\$ 1,479,647	\$ 897,255	\$ 322,084	\$ 645,903
Amortization of bond (premium) discount	\$ (186,363)	\$ (27,833)	\$ -	\$ -

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

Totals	
2025	Restated 2024
\$ 35,258,663	\$ 32,506,821
(23,559,782)	(22,009,444)
(1,571,100)	(1,640,445)
108,064	126,650
<u>10,235,845</u>	<u>8,983,582</u>
(1,001,760)	(1,010,940)
1,457,684	-
<u>455,924</u>	<u>(1,010,940)</u>
(13,295,846)	(7,801,165)
-	10,854,947
(994,000)	(804,000)
-	(184,616)
(757,399)	(224,022)
<u>(15,047,245)</u>	<u>1,841,144</u>
<u>1,190,649</u>	<u>1,001,707</u>
(3,164,827)	10,815,493
<u>34,988,386</u>	<u>24,172,893</u>
<u>\$ 31,823,559</u>	<u>\$ 34,988,386</u>
\$ 30,161,697	\$ 33,321,580
1,661,862	1,666,806
<u>\$ 31,823,559</u>	<u>\$ 34,988,386</u>
\$ 7,655,050	\$ 6,767,540
3,571,733	3,066,177
108,064	117,130
(351,181)	(360,887)
(4,824)	4,223
-	9,520
(891,219)	(722,754)
182,886	36,142
(13,993)	305,313
(3,569)	242
591,863	219,710
6,242	9,260
(510,796)	8,281
111,349	125,233
(5,232)	(112,648)
79,712	(47,174)
(3,140)	78,432
(208,406)	(793,737)
(328)	3,327
66,125	57,173
(137,599)	226,769
(6,892)	(13,690)
<u>\$ 10,235,845</u>	<u>\$ 8,983,582</u>
\$ 323	\$ 818,213
<u>\$ 614,801</u>	<u>\$ 1,538,101</u>
\$ 276,157	\$ -
<u>\$ 1,801,731</u>	<u>\$ 1,543,158</u>
<u>\$ (186,363)</u>	<u>\$ (27,833)</u>

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

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City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2025 and 2024

**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statements include the operations of the ALP Utilities of the Electric Utility and Water Utility funds, which are reported as a discretely presented component unit of the City of Alexandria, Minnesota, (the City). The Board provides electric and water services and currently serves the City and limited surrounding areas. The funds are governed by the Board of Public Utilities DBA ALP Utilities, a five member board, all of whom are appointed by the City Council.

The accounting policies of the Board conform to the requirements of the Uniform System of Accounts of the Federal Energy Regulatory Commission and are in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting policies. The policies outlined below include those that have a significant effect of the financial statements and are in addition to those outlined in other notes to the financial statements.

The Board considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. 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. The Board has no component units that meet the GASB criteria.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Board's financial statements are reported using the *accrual basis of accounting* in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The accounting and financial reporting treatment applied to the Board is determined by its measurement focus. The transactions of the Board are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheets. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Board receives value without directly giving equal value in return, include grants, entitlement and donations. 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 Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis.

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2025 and 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

The Board reports the following major proprietary funds:

The *Electric Utility fund* accounts for the costs associated with the Board's electric system and to ensure that user charges are sufficient to pay for those costs.

The *Water Utility fund* accounts for costs associated with the Board's water system and to ensure that user charges are sufficient to pay for those costs.

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 Board's enterprise funds are charges to customers for sales and services. The Board also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

***Deposits and Investments***

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits and investments. Cash and temporary investments are considered to be cash and cash equivalents for purposes of cash flows.

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

The Board 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.

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government Entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

The Board 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 Board's recurring fair value measurements are listed in detail on page 30 and are valued using quoted market prices (Level 1 inputs).

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

- United States treasuries of \$6,868,220, respectively are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit, Government agency securities and Municipal bonds of \$201,836, 13,217,290, and \$297,176, respectively are values using a matrix pricing model (Level 2 inputs)

The Board had the following recurring fair value measurements as of December 31, 2024:

- United States treasuries of \$672,306, respectively are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit, Government agency securities and Municipal bonds of \$1,183,555, \$13,171,649 and \$405,428, respectively are values using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting League of Minnesota Cities Finance Department at 145 University Avenue West, St. Paul, Minnesota, 55103-2044.

City of Alexandria, Minnesota  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

***Accounts Receivable***

Accounts receivable of \$4,393,502 and \$3,371,001 are recorded net of the allowance for doubtful accounts of \$52,519 and \$44,754 as of December 31, 2025 and 2024, respectively. 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.

***Inventories and Prepaid Items***

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

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items.

***Restricted Assets***

Certain proceeds of the Board’s electric revenue bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The revenue bond debt service reserve account represents funds set aside to make up potential future deficiencies in the net revenues of the Electric fund.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The Board maintains a threshold level of \$5,000 or more for capitalization.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when put into service.

Property, plant and equipment are depreciated in the proprietary funds of the Board using the straight-line method and composite rate method (which approximates the straight-line method) over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	30 to 50
Buildings and Improvements	30 to 50
Machinery and Equipment	5 to 30

***Deferred Outflows of Resources***

In addition to assets, the statements 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 Board 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 other post employment benefits contributions made subsequent to the measurement dates.

City of Alexandria, Minnesota  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

***Compensated Absences***

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Vacation pay is accounted for in the following manner:

All vacation pay is accrued when incurred in the financial statements. All full-time Board of Public Utilities' employees accumulate vacation hours for subsequent use or for payment upon termination or retirement.

Sick leave is accounted for in the following manner:

Sick leave is earned at a rate of one day per each calendar month of employment to a maximum of 120 days for both union and non-union employees. Upon leaving employment, employees will also have the option of having the Board apply their unused sick leave compensation toward their group health premiums until they reach age 65 or until the balance is depleted.

All 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.

***Postemployment Benefits Other Than Pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at December 31, 2024.

***Long-term Obligations***

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

***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 position liability.

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Notes to the Financial Statements  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

The total pension expense for the GERP for the years ended December 31, 2025 and 2024 was:

**2025**

	GERP
Board's proportionate share	\$ (102,730)
Proportionate share of State's contribution	(4,430)
Total pension expense	\$ (107,160)

**2024**

	GERP
Board's proportionate share	\$ 53,294
Proportionate share of State's contribution	(697)
Total pension expense	\$ 52,597

***Deferred Inflows of Resources***

In addition to liabilities, the statements of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

***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 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 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 Board's policy to use restricted resources first, then unrestricted resources as they are needed.

***Payment in Lieu of Taxes***

The Board is exempt from federal and state income taxes. However, the Board makes an annual payment in lieu of taxes to the City. That payment is reflected as a transfer on the statements of revenues, expenses and changes in net position.

City of Alexandria, Minnesota  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

***Presentation of Sales Taxes***

The State of Minnesota imposes a sales tax of 6.875 percent on the Board's sales to nonexempt customers. The Board collects that sales tax from customers and remits the entire amount to the state. The Board's accounting policy is to exclude the tax collected and remitted to the state from revenues and costs of sales. The Board also collects a local Douglas County tax of 0.5 percent.

**Note 2: 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 Board's deposits and investments may not be returned or the Board 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 Board, the Board maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Board 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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government Entity;
- General obligation securities of any state or local government with taxing powers which is 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 government Entity.

At December 31, 2025, the Board's carrying amount of deposits was \$10,771,951 and the bank balance was \$10,809,244. Of the bank balance \$1,149,379 was covered by federal depository insurance. The remaining balances were collateralized with securities held by the pledging financial institution's trust department in the Board's name.

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Notes to the Financial Statements  
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**Note 2: Detailed Notes on all Funds (Continued)**

At December 31, 2024, the Board's carrying amount of deposits was \$9,306,858 and the bank balance was \$10,532,795. Of the bank balance \$1,246,887 was covered by federal depository insurance. A portion of the remaining balances were collateralized with securities held by pledging financial institution's trust department in the Board's name. However, the remaining \$32,322 balance at Vikings Saving Bank was undercollateralized.

**Investments**

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

- *Credit Risk.* The credit risk for investments 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 Board's investments to the list on page 25 of the notes.
- *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 Board typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2025 and 2024, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the Board's investment.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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**Note 2: Detailed Notes on all Funds (Continued)**

As of December 31, 2025, the Board had the following investments that are insured or registered, or securities held by the Board or it's agent in the Board's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
2025					
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 States Treasuries	N/A	less than one year	33,092	33,092	-
United States 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	1 to 5 years	201,836	-	201,836
Total Investments			<u>\$ 21,051,358</u>	<u>\$ 6,868,220</u>	<u>\$ 13,716,302</u>

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

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

N/A Indicates not applicable or available.

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Notes to the Financial Statements  
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**Note 2: Detailed Notes on all Funds (Continued)**

As of December 31, 2024, the Board had the following investments that are insured or registered, or securities held by the Board or it's agent in the Board's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
2024					
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than one year	\$ 10,222,814	\$ -	\$ -
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than one year	25,526	-	-
Non-negotiable certificates of deposit					
Non-pooled Investments at Fair Value					
United State Treasuries	N/A	less than one year	672,306	672,306	-
Government Agency Securities	AAA	less than one year	3,321,786	-	3,321,786
Government Agency Securities	AA+	less than one year	1,588,179	-	1,588,179
Government Agency Securities	AA+	1 to 5 years	7,843,149	-	7,843,149
Government Agency Securities	AA+	5 to 10 years	418,535	-	418,535
Municipal Bonds	AAA/AA+	less than one year	216,733	-	216,733
Municipal Bonds	AAA/AA+	1 to 5 years	147,339	-	147,339
Municipal Bonds	AAA/AA+	5 to 10 years	41,356	-	41,356
Negotiable certificates of deposit	N/A	less than one year	1,183,555	-	1,183,555
Total Investments			<u>\$ 25,681,278</u>	<u>\$ 672,306</u>	<u>\$ 14,760,632</u>

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

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

N/A Indicates not applicable or available.

**Cash on Hand**

Cash in the possession of the Board, consisting of petty cash and change funds, totaled \$250 as of December 31, 2025 and 2024.

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Notes to the Financial Statements  
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**Note 2: Detailed Notes on all Funds (Continued)**

**Cash and Investments Summary**

A reconciliation of cash and investments as shown on the statements of net position for the Board follows:

	2025	2024
Carrying Amount of Deposits	\$ 10,771,951	\$ 9,306,858
Investments	21,051,358	25,681,278
Cash on Hand	250	250
 Total Cash and Temporary Investments	 \$ 31,823,559	 \$ 34,988,386
 Cash and Cash Equivalents	 \$ 30,161,697	 \$ 33,321,580
Restricted Debt Service Reserve Deposits	1,661,862	1,666,806
 Total	 \$ 31,823,559	 \$ 34,988,386

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
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

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2025 and 2024

**Note 2: Detailed Notes on all Funds (Continued)**

Construction commitments for the Board for the year ended December 31, 2025 was as follows:

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 & #22	206,000	1,250,000
Water Tower North	1,312,000	5,680,000
Total	<u>\$ 15,552,000</u>	<u>\$ 7,553,000</u>

Capital asset activity for the Board for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land and land rights	\$ 448,405	\$ 1,117,808	\$ -	\$ 1,566,213
Service territory acquired	255,813	-	-	255,813
Construction in progress	6,754,017	11,225,728	(12,416,910)	5,562,835
Total Capital Assets not Being Depreciated	<u>7,458,235</u>	<u>12,343,536</u>	<u>(12,416,910)</u>	<u>7,384,861</u>
Capital Assets Being Depreciated				
Buildings and structures	2,898,856	-	-	2,898,856
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	105,749,977	9,997,296	(2,343,134)	113,404,139
General equipment	6,663,385	220,559	(36,086)	6,847,858
Total Capital Assets Being Depreciated	<u>118,075,799</u>	<u>10,217,855</u>	<u>(2,379,220)</u>	<u>125,914,434</u>
Less Accumulated Depreciation for				
Buildings and structures	(2,370,415)	(53,022)	-	(2,423,437)
Transmission plant	(1,626,827)	(83,515)	-	(1,710,342)
Distribution plant	(45,536,467)	(2,574,811)	1,524,921	(46,586,357)
General equipment	(4,743,301)	(354,829)	36,086	(5,062,044)
Total Accumulated Depreciation	<u>(54,277,010)</u>	<u>(3,066,177)</u>	<u>1,561,007</u>	<u>(55,782,180)</u>
Total Capital Assets Being Depreciated, Net	<u>63,798,789</u>	<u>7,151,678</u>	<u>(818,213)</u>	<u>70,132,254</u>
Business-type Activities Capital Assets, Net	<u>\$ 71,257,024</u>	<u>\$ 19,495,214</u>	<u>\$ (13,235,123)</u>	<u>\$ 77,517,115</u>

Depreciation expense was charged to functions/programs of the Board is as follows:

	2025	2024
<b>Business-type Activities</b>		
Electric	\$ 2,321,358	\$ 1,982,474
Water	1,250,375	1,083,703
Total Depreciation Expense - Business-type Activities	<u>\$ 3,571,733</u>	<u>\$ 3,066,177</u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2025 and 2024

**Note 2: Detailed Notes on all Funds (Continued)**

**C. Payment in Lieu of Taxes - City of Alexandria**

The amount payable from the Board to the City of Alexandria for the payment in lieu of taxes for the period ending 2025 and 2024 totaled \$1,001,760 and \$1,010,940, respectively.

**D. Long-term Debt**

Revenue Bonds

The following bonds were issued to finance capital improvements in the Electric Utility fund. They will be retired from net revenues of the Electric Utility fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
					2025	2024
Electric Utility Revenue Bonds of 2015A	\$ 5,395,000	2.00 - 3.25 %	12/30/15	12/01/35	\$ 3,055,000	\$ 3,310,000
Electric Utility Revenue Bonds of 2019A	2,680,000	4.00 - 5.00	06/19/19	12/01/33	1,620,000	1,785,000
Electric Utility Revenue Bonds of 2024C	9,640,000	4.00 - 6.00	10/16/24	12/01/39	9,270,000	9,640,000
Total Revenue Bonds					<u>\$ 13,945,000</u>	<u>\$ 14,735,000</u>

Annual 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>\$ 13,945,000</u>	<u>\$ 4,567,005</u>	<u>\$ 18,512,005</u>

G.O. Revenue Notes

The following note was issued to finance capital improvements in the Water Utility fund. It will be retired from net revenues of the Water Utility fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
					2025	2024
G.O. Drinking Water Revenue Note of 2009	\$ 3,765,480	2.445 %	09/01/09	08/20/29	<u>\$ 868,000</u>	<u>\$ 1,072,000</u>

City of Alexandria, Minnesota  
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Notes to the Financial Statements  
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**Note 2: Detailed Notes on all Funds (Continued)**

Annual requirements to maturity for G.O. Revenue Note are as follows:

Year Ending December 31,	<b>G.O. Revenue Notes</b>		
	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	<u>\$ 868,000</u>	<u>\$ 53,717</u>	<u>\$ 921,717</u>

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

	2025		2024	
	Electric Utility	Water Utility	Electric Utility	Water Utility
Revenues	\$ 31,428,639	\$ 4,119,904	\$ 29,322,964	\$ 3,483,348
Principal and Interest	1,521,188	230,211	797,946	230,076
Percentage of Revenues	4.8%	5.6%	2.7%	6.6%

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
<b>Business-type Activities</b>					
<b>Bonds Payable</b>					
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>
Business-type Activity 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

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**Note 2: Detailed Notes on all Funds (Continued)**

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance as Restated	Due Within One Year
<b>Business-type activities</b>					
Bonds Payable					
Revenue bonds	\$ 5,700,000	\$ 9,640,000	\$ (605,000)	\$ 14,735,000	\$ 790,000
G.O. revenue notes	1,271,000	-	(199,000)	1,072,000	204,000
Bond premium	281,370	1,214,947	(27,833)	1,468,484	-
Total Bonds Payable	<u>7,252,370</u>	<u>10,854,947</u>	<u>(831,833)</u>	<u>17,275,484</u>	<u>994,000</u>
Compensated Absences Payable*	<u>717,299</u>	<u>-</u>	<u>(47,174)</u>	<u>670,125</u>	<u>221,233</u>
Business-type Activity Long-term Liabilities	<u>\$ 7,969,669</u>	<u>\$ 10,854,947</u>	<u>\$ (879,007)</u>	<u>\$ 17,945,609</u>	<u>\$ 1,215,233</u>

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

**E. Due to Alexandria Lakes Area Sanitary District (ALASD) and the City of Alexandria**

The Board collects revenue from customers of the Alexandria Lakes Area Sanitary District (ALASD). The collections are paid to ALASD monthly. Collections still owed by ALP Utilities to ALASD at December 31, 2025 and 2024 totaled \$1,028,775 and \$917,426, respectively.

The Board also collects storm water revenue from customers of the City of Alexandria (the City). The collections are paid to the City monthly. Amounts owed to the City for storm water revenue and the Board's portion of street projects totaled \$163,516 and \$674,312 for the years ended December 31, 2025 and 2024.

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**Note 3: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

The Board participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General 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.

**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.

General Employee 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% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

**C. Contributions**

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the Board was required to contribute 7.50% for General Plan members. The Board's contributions to the General Employees Fund for the years ended December 31, 2025 and 2024, were \$257,267 and \$250,311, respectively. The Board'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 Board reported a liability of \$1,195,469 for its proportionate share of the General Employees Fund's net pension liability. The Board's 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 Board totaled \$28,838.

Board's 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	<u>28,838</u>
Total	<u><u>\$ 1,224,307</u></u>

At December 31, 2024, the Board reported a liability of \$1,403,875 for its proportionate share of the General Employees Fund's net pension liability. The Board's 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 totaled \$36,301.

Board's proportionate share of the net pension liability	\$ 1,403,875
State of Minnesota's proportionate share of the net pension liability associated with the	<u>36,301</u>
Total	<u><u>\$ 1,440,176</u></u>

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 Board's proportion of the net pension liability was based on the Board'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 Board's proportionate share was 0.0361% at the end of the measurement period and 0.038% for the beginning of the period.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

For the year ended December 31, 2025, the Board recognized negative pension expense of \$102,730 for its proportionate share of the General Employees Plan’s pension expense. In addition, the Board recognized an additional 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.

For the year ended December 31, 2024, the Board recognized pension expense of \$53,294 for its proportionate share of the General Employees Plan’s pension expense. In addition, the Board recognized an additional negative \$697 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.

At December 31, 2025, the Board reported 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 economic experience	\$ 113,902	\$ -
Changes in actuarial assumptions	28,804	275,073
Net difference between projected and actual investment earnings	-	475,689
Changes in proportion	-	136,044
Employer contributions subsequent to the measurement date	141,270	-
Total	\$ 283,976	\$ 886,806

The \$141,270 reported as deferred outflows of resources related to pensions resulting from Board 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (168,194)
2027	(259,053)
2028	(197,867)
2029	(118,986)

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2024, the Board reported 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 economic experience	\$ 133,703	\$ -
Changes in actuarial assumptions	7,238	544,892
Net difference between projected and actual investment earnings	-	426,692
Changes in proportion	-	52,821
Employer contributions subsequent to the measurement date	129,042	-
<b>Total</b>	<b>\$ 269,983</b>	<b>\$ 1,024,405</b>

The \$129,042 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (514,814)
2026	(87,437)
2027	(173,614)
2028	(107,599)

**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 Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
<b>Total</b>	<b>100.0 %</b>	

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

**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.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees 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.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. 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 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 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.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2025 was 7.00%. 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 Plan was projected to be available to make all projected future benefit payments of current plan members. 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.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

**H. Pension Liability Sensitivity**

The following presents the Board's proportionate share of the net pension liability for all plans it participates in as of December 31, 2025, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Board's proportionate share 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:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 2,903,607	\$ 1,195,469	\$ (190,215)

The following presents the Board's proportionate share of the net pension liability for all plans it participates in as of December 31, 2024, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Board's proportionate share 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:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 3,066,290	\$ 1,403,875	\$ 36,388

**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](http://www.mnpera.org).

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**Note 4: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The Board administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible employees and their spouses through the Board's group health insurance plan. The Board engaged an actuary to determine the Board's liability for postemployment healthcare benefits other than pensions. The Retiree Health Plan does not issue a publicly available financial report.

**B. Funding Policy**

The Board does not provide healthcare coverage for retired employees. Rather, it allows employees who separate from ALP Utilities employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees' expense.

**C. Actuarial Methods and Assumptions**

The Board's total OPEB liability of \$28,869 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%
20-Year Municipal Bond Yield	4.08%
Inflation Rate	2.50%
Medical Trend Rate	8.10% in 2025 grading to 3.90% in 2075

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.

Mortality rates were based on the July 1, 2023 PERA of Minnesota General Employees Retirement Plan actuarial valuation. Mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

Healthcare cost trend rates were developed using the Society of Actuaries "Getzen" model, with short-term rates set annually based on review of recent health care trend surveys and relevant client-specific experience.

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**Note 4: Postemployment Benefits Other Than Pensions (Continued)**

**D. Changes in the Total OPEB Liability**

	2025 Total OPEB Liability	2024 Total OPEB Liability
Balances at December 31	\$ 29,197	\$ 25,870
Changes for the Year		
Service Costs	2,562	2,383
Interest Costs	1,180	1,127
Assumption Changes	(7,756)	663
Differences between expected and actual experience	4,594	-
Benefit Payment	(908)	(846)
Net Changes	(328)	3,327
Balances at December 31, 2025 and 2024	\$ 28,869	\$ 29,197

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.77% to 4.08% 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.
- 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.
- The percent of future retirees assumed to elect coverage at retirement changed from 20% to 15% to reflect recent plan experience.

Since the prior measurement date, the following plan provisions changed:

- None

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

- None

**E. Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the Board in 2025, as well as what the Board's 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%
\$ 31,203	\$ 28,869	\$ 26,627

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**Note 4: Postemployment Benefits Other Than Pensions (Continued)**

The following presents the total OPEB liability of the Board in 2024, as well as what the Board's 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 2.77%	Discount Rate Current 3.77%	1 Percent Increase 4.77%
\$ 31,639	\$ 29,197	\$ 26,782

The following presents the Board's total OPEB liability in 2025, as well as what the Board's 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:

1 Percent Decrease 7.10% Decreasing to 2.90%	Healthcare Cost Trend Rates 8.10% Decreasing to 3.90%	1 Percent Increase 9.10% Decreasing to 4.90%
\$ 25,370	\$ 28,869	\$ 32,993

The following presents the Board's total OPEB liability in 2024, as well as what the Board's 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:

1 Percent Decrease 6.60% Decreasing to 2.90%	Healthcare Cost Trend Rates 7.60% Decreasing to 3.90%	1 Percent Increase 8.60% Decreasing to 4.90%
\$ 25,337	\$ 29,197	\$ 33,800

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**Note 4: Postemployment Benefits Other Than Pensions (Continued)**

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

For the year ended December 31, 2025, the Board recognized negative OPEB expense of \$10,789. At December 31, 2025 and 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 4,031	\$ 12,226
Changes in Actuarial Assumptions	1,214	20,714
Contributions Paid to OPEB Subsequent to the Measurement Date	181	-
Total	\$ 5,426	\$ 32,940
2026		\$ (7,599)
2027		(8,098)
2028		(5,967)
2029		(3,287)
2030		(2,000)
Thereafter		(744)

For the year ended December 31, 2024, the Board recognized negative OPEB expense of \$10,092. At December 31, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 19,039
Changes in Actuarial Assumptions	1,857	20,793
Total	\$ 1,857	\$ 39,832
2025		\$ (13,055)
2026		(7,212)
2027		(7,711)
2028		(5,580)
2029		(2,900)
Thereafter		(1,517)

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**Note 5: Retirement Pay**

The Board offers union and non-union employees a choice between two benefit options. Option 1, Matching Deferred Compensation is described in Note 6. Option 2, Retirement 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 will make a retirement payment to those non-union employees who choose this option. The retirement 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 retirement payment upon reaching the age for full retirement benefits as defined by PERA. Retirement pay will be paid over a five-year period in 60 monthly installments. If a separated employee dies before all or a portion of the retirement pay has been disbursed, the balance due must be paid to a named beneficiary, or lacking one, to the decedent's estate.

Retirement 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 an 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.

**Plan Description**

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Board employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The amounts deferred by employees or related income on those amounts are not assets held in the Board's name and subject to the claims of the Board's creditors; thus the deferred compensation asset and related liability are not recorded on the Board's balance sheet.

**Note 6: Deferred Compensation Plan**

**Matching Deferred Compensation**

For employees choosing this benefit option the Board 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 for union employees and \$2,500 for non-union employees. New employees will be vested at the rate of 20 percent per year for the first 5 years of participation, becoming fully vested after the 5th year. The Board contributed \$61,563 and \$58,667 in matching funds to the plan for the years ended December 31, 2025 and 2024, respectively.

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**Note 7: Other Information**

**A. Risk Management**

The Board 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.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance (LMCIT). The Board pays an annual premium to LMCIT. The Board is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the Board is not subject to a deductible. The Board workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance are provided through a pooled self-insurance program through the LMCIT. The Board pays an annual premium to the LMCIT. The Board is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amount. The Board retains risk for the deductible portion of the insurance policies and for any exclusions from the insurance policies. These amounts are considered immaterial to the financial statements.

The Board continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage.

**B. Commitments and Contingencies**

The Board has contracts with two suppliers from which they purchase power, Western Area Power Administration (WAPA) and Missouri Basin Municipal Power Agency (MBMPA) dba Missouri River Energy Services (MRES). The WAPA contract expires in December 2051, while the MRES contract expires in January 2057. During 2025 and 2024, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2025	\$ 2,816,562	96,279,000	\$ 12,271,987	201,167,716
2024	2,623,868	96,585,000	11,283,721	192,981,532

In addition to the power purchased through MRES, ALP Utilities expensed 3,011,797 and \$2,925,077 in wheeling charges for 2025 and 2024, respectively.

**C. Concentrations**

Approximately 50 percent of the Board's labor force is subject to a collective bargaining agreement, which expires December 2025. In December 2025, the Board approved a successor agreement covering the period 2026-2028.

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**Note 8: Future Projects**

ALP Utilities board formally approved the following future Electric and Water Utility Projects:

Electric Utility

New Office Complex	\$ 587,000
New Substation Construction	8,625,000
Underground System	14,869,000
Total Electric Utility	24,081,000

Water Utility

Land and Water Tower North Project	5,680,000
New Wells with Pipeline	1,250,000
Water System Distribution Improvements	3,870,000
Total Water Utility	10,800,000

Total Future Projects	\$ 34,881,000
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**Note 9: Restatements of Beginning Balances**

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

	Reporting Units Affected by Restatements of Beginning Balances	
	Funds	
	Electric Utility	Water Utility
December 31, 2023, as previously reported	\$ 51,511,967	\$ 35,022,323
Error correction	1,768,473	194,340
December 31, 2023, as restated	\$ 53,280,440	\$ 35,216,663

During fiscal year 2025, the Board 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 for the year ended December 31, 2023, were understated by \$1,768,473 for the electric utility and \$194,340 for the water utility. The beginning net position for each utility has been restated to correct these omissions.

**Note 10: Special Item - PFAS Settlement**

During fiscal year 2025, the Board 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, MINNESOTA  
BOARD OF PUBLIC UTILITIES - DBA ALP UTILITIES

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Required Supplementary Information  
For the Year Ended December 31, 2025 and 2024

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

Fiscal Year Ending	Board's Proportion of the Net Pension Liability	Board's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Board (b)	Total (a+b)	Board's Covered Payroll (c)	Board'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
6/30/2025	0.0361 %	\$ 1,195,469	\$ 28,838	\$ 1,224,307	\$ 3,267,195	36.6 %	90.8 %
6/30/2024	0.0380	1,403,875	36,301	1,440,176	3,213,953	43.7	86.7
6/30/2023	0.0393	2,197,612	60,605	2,258,217	3,123,091	70.4	83.1
6/30/2022	0.0401	3,175,933	92,938	3,268,871	3,001,605	105.8	76.7
6/30/2021	0.0424	1,810,670	55,174	1,865,844	3,049,341	59.4	87.0
6/30/2020	0.0425	2,548,069	78,554	2,626,623	3,029,142	84.1	79.0
6/30/2019	0.0413	2,283,384	70,997	2,354,381	2,920,727	78.2	80.2
6/30/2018	0.0412	2,285,607	74,881	2,360,488	2,767,756	82.6	79.5
6/30/2017	0.0421	2,687,636	33,825	2,721,461	2,714,643	99.0	75.9
6/30/2016	0.0425	3,450,789	45,116	3,495,905	2,638,344	130.8	68.9

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Board's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 257,267	\$ 257,267	\$ -	\$ 3,430,231	7.50 %
12/31/2024	250,311	250,311	-	3,337,486	7.50
12/31/2023	237,562	237,562	-	3,167,499	7.50
12/31/2022	230,496	230,496	-	3,073,276	7.50
12/31/2021	224,225	224,225	-	2,989,663	7.50
12/31/2020	227,803	227,803	-	3,037,375	7.50
12/31/2019	227,298	227,298	-	3,030,635	7.50
12/31/2018	209,286	209,286	-	2,790,474	7.50
12/31/2017	207,978	207,978	-	2,773,043	7.50
12/31/2016	200,269	200,269	-	2,670,258	7.50

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025 and 2024

**Notes to the Required Supplementary Information - General Employee Retirement 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 and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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.

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.

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025 and 2024

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

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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

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

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Years Ended December 31, 2025 and 2024

**Schedule of Changes in the 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 Payment	(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 %

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.

Changes in assumptions:

- 2025 - The discount rate was changed from 3.77% to 4.08% 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.  
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.  
The percent of future retirees assumed to elect coverage at retirement changed from 20% to 15% to reflect recent plan experience.
- 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 were updated to reflect recent experience.  
Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan valuation to the rates used in the 7/1/2023 valuation.  
The percent of future retirees assumed to elect coverage at retirement changed from 30% to 20% to reflect recent plan experience.  
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 rate was changed from 3.00% to 3.25% due to a change in the underlying inflation assumption.
- 2022 - The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.  
Healthcare trend rates were reset to reflect updated cost increase expectations.  
Medical per capita claims were updated to reflect recent experience including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- 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 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, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan valuation to the rates used in the 7/1/2021 valuation.  
The percent of future retirees assumed to elect coverage at retirement changed from 40% to 30% to reflect 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 3.75% to 2.75% based on updated 20-year municipal bond rates.  
Healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.
- 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 costs were updated to reflect the 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.  
The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- 2018 - The health care trend rates were changed to better anticipate short term and long term medical increases due to per capital claims costs and plan premiums.

Changes in Plan Provisions:

None

Changes in benefits:

- 2025 - No changes in benefits
- 2024 - No changes in benefits
- 2023 - No changes in benefits
- 2022 - Retiree premiums were updated to current levels.
- 2022 - No changes in benefits
- 2021 - No changes in benefits
- 2020 - No changes in benefits
- 2019 - No changes in benefits
- 2018 - No changes in benefits

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SUPPLEMENTARY INFORMATION  
CITY OF ALEXANDRIA, MINNESOTA  
BOARD OF PUBLIC UTILITIES - DBA ALP UTILITIES

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedule of Property, Plant and Equipment (Continued on the Following Pages)  
For the Year Ended December 31, 2025

	Cost				Balance December 31, 2025
	Balance January 1, 2025	Increases	Decreases	Transfer	
<b>Electric Utility</b>					
Steam production plant					
Land and land rights	\$ 16,606	\$ -	\$ -	\$ -	\$ 16,606
Service territory acquired	255,813	-	-	-	255,813
Structures and improvements	424,468	-	-	-	424,468
Turbogenerator units	33,904	-	-	-	33,904
Miscellaneous power plant equipment	28,108	-	-	-	28,108
Total Steam Production Plant	<u>758,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,899</u>
Internal combustion plant					
Structures and improvements	818,066	27,500	-	-	845,566
Fuel holders and accessories	32,177	-	-	-	32,177
Generators	1,509,662	7,896	-	-	1,517,558
Accessory electrical equipment	21,910	-	-	-	21,910
Miscellaneous power plant equipment	22,785	-	-	-	22,785
Total Internal Combustion Plant	<u>2,404,600</u>	<u>35,396</u>	<u>-</u>	<u>-</u>	<u>2,439,996</u>
Transmission plant					
Station equipment	2,325,722	-	-	-	2,325,722
Poles and fixtures	437,859	-	-	-	437,859
Total Transmission Plant	<u>2,763,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,763,581</u>
Distribution plant					
Land and land rights	487,483	-	-	-	487,483
Structures and improvements	180,121	-	-	-	180,121
Tools and fixtures	6,617,833	159,890	-	-	6,777,723
Poles, towers and fixtures	2,976,271	-	-	-	2,976,271
Overhead conductors and devices	3,449,287	-	-	-	3,449,287
Underground conduit, conductors and devices	31,266,837	375,146	-	-	31,641,983
Line transformers	11,203,307	236,400	-	-	11,439,707
Services	537,842	26,574	-	-	564,416
Meters	95,573	-	-	-	95,573
Installation customer premises	46,824	-	-	-	46,824
Street lights and signal system	3,071,742	8,789	-	-	3,080,531
Load management	3,563,985	30,103	-	-	3,594,088
Total Distribution Plant	<u>63,497,105</u>	<u>836,902</u>	<u>-</u>	<u>-</u>	<u>64,334,007</u>
General plant					
Land and land rights	678,388	28,519	-	-	706,907
Structures and improvements	1,069,444	-	-	-	1,069,444
Office furniture	1,362,844	65,354	(74,460)	-	1,353,738
Transportation equipment	1,631,287	55,988	-	-	1,687,275
Stores equipment	2,252	-	-	-	2,252
Tools, shop and garage equipment	293,091	9,863	-	-	302,954
Laboratory equipment	145,343	-	-	-	145,343
Power operated equipment	838,479	122,266	(51,208)	-	909,537
Communications equipment	227,946	-	-	-	227,946
Miscellaneous equipment	177,307	-	-	-	177,307
Total General Plant	<u>6,426,381</u>	<u>281,990</u>	<u>(125,668)</u>	<u>-</u>	<u>6,582,703</u>

Accumulated Depreciation

Balance January 1, 2025	Increases	Decreases	Transfer	Balance December 31, 2025	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	-	255,813
(424,468)	-	-	-	(424,468)	-
(33,904)	-	-	-	(33,904)	-
(24,951)	(900)	-	-	(25,851)	2,257
<u>(483,323)</u>	<u>(900)</u>	<u>-</u>	<u>-</u>	<u>(484,223)</u>	<u>274,676</u>
(816,385)	(1,084)	-	-	(817,469)	28,097
(32,177)	-	-	-	(32,177)	-
(1,362,286)	(26,180)	-	-	(1,388,466)	129,092
(18,208)	(436)	-	-	(18,644)	3,266
(22,785)	-	-	-	(22,785)	-
<u>(2,251,841)</u>	<u>(27,700)</u>	<u>-</u>	<u>-</u>	<u>(2,279,541)</u>	<u>160,455</u>
(1,415,573)	(70,253)	-	-	(1,485,826)	839,896
(294,769)	(13,262)	-	-	(308,031)	129,828
<u>(1,710,342)</u>	<u>(83,515)</u>	<u>-</u>	<u>-</u>	<u>(1,793,857)</u>	<u>969,724</u>
-	-	-	-	-	487,483
(129,844)	(6,364)	-	-	(136,208)	43,913
(4,766,477)	(155,109)	-	-	(4,921,586)	1,856,137
(2,697,744)	(29,081)	-	-	(2,726,825)	249,446
(2,823,123)	(76,740)	-	-	(2,899,863)	549,424
(10,130,830)	(900,547)	-	-	(11,031,377)	20,610,606
(4,603,560)	(294,545)	-	-	(4,898,105)	6,541,602
(419,909)	(9,369)	-	-	(429,278)	135,138
(5,353)	(4,817)	-	-	(10,170)	85,403
(40,979)	(224)	-	-	(41,203)	5,621
(1,724,155)	(93,002)	-	-	(1,817,157)	1,263,374
(29,700)	(356,649)	-	-	(386,349)	3,207,739
<u>(27,371,674)</u>	<u>(1,926,447)</u>	<u>-</u>	<u>-</u>	<u>(29,298,121)</u>	<u>35,035,886</u>
-	-	-	-	-	706,907
(849,958)	(26,816)	-	-	(876,774)	192,670
(1,131,687)	(54,226)	74,137	-	(1,111,776)	241,962
(1,168,270)	(93,504)	-	-	(1,261,774)	425,501
(2,252)	-	-	-	(2,252)	-
(257,625)	(12,453)	-	-	(270,078)	32,876
(117,264)	(6,334)	-	-	(123,598)	21,745
(548,964)	(68,699)	51,208	-	(566,455)	343,082
(124,484)	(10,433)	-	-	(134,917)	93,029
(161,887)	(2,313)	-	-	(164,200)	13,107
<u>(4,362,391)</u>	<u>(274,778)</u>	<u>125,345</u>	<u>-</u>	<u>(4,511,824)</u>	<u>2,070,879</u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedule of Property, Plant and Equipment (Continued)  
For the Year Ended December 31, 2025

	Cost				Balance December 31, 2025
	Balance January 1, 2025	Increases	Decreases	Transfer	
Internet, WAN	\$ 269,522	\$ -	\$ -	\$ -	\$ 269,522
Construction work-in-progress					
Electric	5,232,901	13,077,947	(3,312,849)	-	14,997,999
Total Electric Utility	<u>81,352,989</u>	<u>14,232,235</u>	<u>(3,438,517)</u>	<u>-</u>	<u>92,146,707</u>
<b>Water Utility</b>					
Water property					
Land and land rights	383,736	-	-	-	383,736
Structures and improvements	406,757	-	-	-	406,757
Pumping equipment	1,467,229	8,310	-	-	1,475,539
Treatment facilities	7,961,975	7,900	-	-	7,969,875
Production plant facilities	68,875	-	-	-	68,875
Distribution mains and hydrants	35,569,804	1,316,791	-	-	36,886,595
Water services	235,726	-	-	-	235,726
Water meters	2,074,943	435,063	-	-	2,510,006
Water storage reservoirs, towers and standpipes	2,818,050	475,373	-	-	3,293,423
Miscellaneous equipment	131,468	-	-	-	131,468
Transportation equipment	312,921	32,595	-	-	345,516
Power operated equipment	184,888	18,793	-	-	203,681
Total Water Property	<u>51,616,372</u>	<u>2,294,825</u>	<u>-</u>	<u>-</u>	<u>53,911,197</u>
Construction work-in-progress					
Water	329,934	4,339,195	(3,102,972)	-	1,566,157
Total Water Utility	<u>51,946,306</u>	<u>6,634,020</u>	<u>(3,102,972)</u>	<u>-</u>	<u>55,477,354</u>
<b>Totals</b>	<u>\$ 133,299,295</u>	<u>\$ 20,866,255</u>	<u>\$ (6,541,489)</u>	<u>\$ -</u>	<u>\$ 147,624,061</u>

Accumulated Depreciation

Balance January 1, 2025	Increases	Decreases	Transfer	Balance December 31, 2025	Net Book Value
\$ (254,213)	\$ (8,018)	\$ -	\$ -	\$ (262,231)	\$ 7,291
-	-	-	-	-	14,997,999
(36,433,784)	(2,321,358)	125,345	-	(38,629,797)	53,516,910
-	-	-	-	-	383,736
(202,782)	(17,162)	-	-	(219,944)	186,813
(1,082,329)	(51,090)	-	-	(1,133,419)	342,120
(3,922,508)	(209,889)	-	-	(4,132,397)	3,837,478
(67,748)	(338)	-	-	(68,086)	789
(11,896,612)	(698,441)	-	-	(12,595,053)	24,291,542
(134,654)	(4,374)	-	-	(139,028)	96,698
(104,307)	(185,091)	-	-	(289,398)	2,220,608
(1,627,309)	-	-	-	(1,627,309)	1,666,114
(84,795)	(8,971)	-	-	(93,766)	37,702
(156,914)	(52,459)	-	-	(209,373)	136,143
(68,438)	(22,560)	-	-	(90,998)	112,683
(19,348,396)	(1,250,375)	-	-	(20,598,771)	33,312,426
-	-	-	-	-	1,566,157
(19,348,396)	(1,250,375)	-	-	(20,598,771)	34,878,583
<u>\$ (55,782,180)</u>	<u>\$ (3,571,733)</u>	<u>\$ 125,345</u>	<u>\$ -</u>	<u>\$ (59,228,568)</u>	<u>\$ 88,395,493</u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Other Operating Revenues  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Electric Utility</b>		
Penalties and forfeited discounts	\$ 153,507	\$ 130,774
Miscellaneous service revenues	27,600	21,775
Rental income - capacity purchase agreement	443,450	428,820
Rental income - utility poles	28,652	26,851
Administrative service billed to ALASD	125,108	124,027
Other electric revenue	349,574	395,878
NSF fees	5,550	3,525
Total Electric Utility	1,133,441	1,131,650
<b>Water Utility</b>		
Penalties and forfeited discounts	19,732	12,978
Rent from water property	27,995	27,995
Miscellaneous service revenues	43,743	51,233
Total Water Utility	91,470	92,206
 <b>Total Other Operating Revenues</b>	 \$ 1,224,911	 \$ 1,223,856

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Production and Purchased Power Expense - Electric Utility  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Internal Combustion Engine Operation</b>		
Fuel - oil	\$ 11,485	\$ 6,787
Other expenses	6,699	3,195
Total Internal Combustion Engine Operation	18,184	9,982
<b>Power Supply</b>		
Purchased power	18,101,061	16,832,803
System control and load dispatching	740	595
Total Power Supply	18,101,801	16,833,398
<b>Internal Combustion Engine Maintenance</b>		
Maintenance of structures	4,221	2,073
Maintenance of internal combustion engine, generators and switchgear	162,324	97,460
Total Internal Combustion Engine Maintenance	166,545	99,533
<b>Total Production and Purchased Power Expense</b>	\$ 18,286,530	\$ 16,942,913

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Distribution Expense - Operations  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Electric Utility</b>		
Station	\$ 29,102	\$ 3,860
Overhead lines	132,357	189,695
Underground lines	126,846	123,226
Street lighting and signal system	2,486	3,276
Meter expenses - removing and resetting meters	40,914	71,614
Customer installation expense and service on premises	28,873	38,222
Load management	96,321	125,587
Miscellaneous distribution	135,171	203,726
Rent	719	2,605
Supplies	87,228	58,176
Safety supplies	59,534	86,900
Total Electric Utility	739,551	906,887
<b>Water Utility</b>		
Salary - superintendent	110,978	95,816
Station labor	43	2,234
Water locating	49,847	48,354
Well closure	5,250	5,875
Total Water Utility	166,118	152,279
 <b>Total Distribution Expense - Operations</b>	 \$ 905,669	 \$ 1,059,166

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Distribution Expense - Maintenance  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Electric Utility</b>		
Maintenance		
Station equipment	\$ 71,270	\$ 71,070
Overhead lines	243,279	266,689
Underground lines	212,543	210,426
Line transformers	32,548	28,590
Street lighting and signal system	22,656	67,107
Customer electric meters	40,086	68,628
Power operated equipment	105,691	74,615
Miscellaneous distribution	-	13,097
Fiber	1,673	786
Total Electric Utility	729,746	801,008
<b>Water Utility</b>		
Maintenance		
Structures	41,180	31,767
Well head protection	-	25
Pumping equipment	460	3,869
Wells	59,835	85,314
Filter plant equipment	226,545	185,720
Distribution System		
Water mains	124,895	95,802
Water services	261,324	195,535
Customer water meters	36,602	60,528
Water hydrants	61,983	59,114
Storage facilities, tanks, etc.	41,785	70,753
Total Water Utility	854,609	788,427
<b>Total Distribution Expense - Maintenance</b>	<b>\$ 1,584,355</b>	<b>\$ 1,589,435</b>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Customer Accounts Expense  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Electric Utility</b>		
Meter Reading	\$ 15,803	\$ 70,123
Collection Expense	163,292	170,971
Billing and Accounting Salaries	420,353	380,640
Uncollectible Accounts	62,824	14,365
Customer Conservation Consultant	103,075	129,872
Misc Rebates	15	-
Informational Advertising	78,115	58,895
Customer Assistance	14,168	12,576
Total Electric Utility	857,645	837,442
<b>Water Utility</b>		
Meter Reading		
Collection Expense	95	1,207
Billing and Accounting Salaries	8,220	8,038
Uncollectible Accounts	91,338	88,580
Customer Conservation Consultant	9,436	2,106
Customer Assistance	24,886	6,069
Total Water Utility	133,975	106,000
<b>Total Customer Accounts Expense</b>	\$ 991,620	\$ 943,442

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Administration and General Expense  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Electric Utility</b>		
Administration Salaries - Manager	\$ 663,606	\$ 581,763
Office Supplies	172,329	97,625
Outside Services	54,952	45,982
Insurance	127,142	163,537
Employee Pension and Benefits	(292,523)	(171,313)
Employee School Expense	80,254	57,044
Regulatory Commission Expense	24,486	23,420
Miscellaneous	61,484	56,078
Maintenance of General Plant	713,550	564,475
Transportation expense	-	350
Total Electric Utility	1,605,280	1,418,961
<b>Water Utility</b>		
Administration Salaries - Manager	285,487	247,748
Office Supplies	44,615	33,865
Outside Services	9,367	122,760
Insurance	14,244	19,670
Employee Pension and Benefits	(53,549)	(18,379)
Employee School Expense	10,033	8,946
Regulatory Commission Expense	49,183	49,948
Miscellaneous	1,077	1,075
Water Conservation Expense	-	(5)
Maintenance of General Plant	34,746	36,528
Total Water Utility	395,203	502,156
<b>Total Administrative and General Expense</b>	<b>\$ 680,690</b>	<b>\$ 749,904</b>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Other Nonoperating Revenues  
For the Years Ended December 31, 2025 and 2024

	2025	2024
<b>Electric Utility</b>		
Merchandising, jobbing and contract work	\$ -	\$ 23,740
Miscellaneous nonoperating income	105,747	19,570
Total Electric Utility	105,747	43,310
<b>Water Utility</b>		
Miscellaneous service revenue	6,043	9,175
<b>Total Other Nonoperating Revenues</b>	\$ 111,790	\$ 52,485

OTHER REQUIRED REPORTS

CITY OF ALEXANDRIA, MINNESOTA  
BOARD OF PUBLIC UTILITIES - DBA ALP UTILITIES

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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

Members of the City of Alexandria Board of Public Utilities  
DBA ALP Utilities  
Alexandria, Minnesota

We have audited, 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, the financial statements of the City of Alexandria Board of Public Utilities DBA, ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the year ended December 31, 2025, and the notes to the financial statements, and have issued our report thereon dated April 1, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the provisions of the deposits and investments, contracting and bidding, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. 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 Board'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  
April 1, 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***

Members of the City of Alexandria Board of Public Utilities  
DBA ALP Utilities  
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 City of Alexandria Board of Public Utilities DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 1, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the Board's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**  
Mankato, Minnesota  
April 1, 2026

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City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedule of Findings and Responses  
For the Year Ended December 31, 2025 and 2024

<u>Finding</u>	<u>Description</u>
<b>2025-001</b>	<b>Restatement of Beginning Balances</b>
<i>Condition:</i>	<p>During fiscal year 2025, the Board identified that utility revenues and related accounts receivable for December usage had not been recorded in prior periods. Specifically, January billings for December electric and water usage were omitted from the year-end accounts receivable balances.</p> <p>As a result, accounts receivable and beginning net position for the year ended December 31, 2023, were understated by \$1,768,473 for the electric utility and \$194,340 for the water utility. The Board restated the beginning net position of each utility to correct these omissions.</p>
<i>Cause:</i>	<p>In prior years, the Board’s process for recognizing unbilled utility revenues did not fully apply Generally Accepted Accounting Principles (GAAP) requirements for accruing earned but unbilled December usage. During fiscal year 2025, the Board enhanced its financial reporting capabilities by implementing new technology and improved reporting tools. These advancements now provide more complete and timely information, enabling the Board to more accurately identify and record unbilled accounts receivable in accordance with GAAP.</p>
<i>Criteria:</i>	<p>Management is responsible for establishing and maintaining internal controls that ensure transactions are recorded in the proper accounting period in accordance with GAAP. This includes procedures to identify and accrue revenues earned but not yet billed at year-end.</p>
<i>Effect:</i>	<p>Because the Board’s prior process did not fully apply GAAP requirements for recognizing earned but unbilled revenues, accounts receivable and beginning net position were understated in previously issued financial statements. The Board has taken corrective action by restating beginning balances to ensure compliance with GAAP and to present more accurate financial information. The improvements implemented in 2025 now strengthen the Board’s ability to apply GAAP consistently and support more reliable year end reporting going forward.</p>
<i>Recommendation:</i>	<p>We recommend that the Board continue to build on the controls that successfully identified this issue by formalizing year-end closing procedures to ensure all earned but unbilled utility revenues are consistently identified and recorded. Establishing a documented process for estimating December usage for both electric and water utilities, and reconciling those estimates to subsequent billing, will help reinforce the improvements already made.</p>
<i>Management Response:</i>	<p>Management agrees with the recommendation. The Board’s controls identified this issue, and the new technology implemented in fiscal year 2025 has strengthened our ability to record unbilled revenues at year-end. We will continue to formalize and document our year-end procedures to support consistent and accurate reporting.</p>

**FORM OF LEGAL OPINION**

(See following pages)

City of Alexandria  
Alexandria, Minnesota

[Purchaser]  
[City, State]

Re:     \$[PAR] General Obligation Water Revenue Bonds, Series 2026A  
          City of Alexandria, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Alexandria, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of July [ ], 2026 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

2.       The principal of and interest on the Bonds are payable from net revenues of the municipal water system, which revenues are expected to produce amounts sufficient to pay the principal of and interest on the Bonds when due, and, to any extent not so paid, from ad valorem taxes required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

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

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

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

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

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

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

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

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

Dated this [ ]th day of July, 2026.

Very truly yours,

**BOOK-ENTRY-ONLY SYSTEM**

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE COVENANTS  
(EXCERPTS FROM AWARD RESOLUTION)**

(See following pages)

## Form of Continuing Disclosure Covenants

### *Excerpt from Resolution*

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

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

- (1) On or before 12 months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2026, the following financial information and operating data in respect of the City (the “Disclosure Information”):
  - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect

thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “VALUATIONS – Current Property Valuations;” “DEBT – Direct Debt;” “TAX LEVIES, COLLECTIONS AND RATES – Tax Levies and Collections;” “GENERAL INFORMATION – U.S. Census Data – Population Trend;” and “– Employment/Unemployment Data;” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public by the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (EMMA). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
  - (A) Principal and interest payment delinquencies;
  - (B) Non-payment related defaults, if material;
  - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) Substitution of credit or liquidity providers, or their failure to perform;
  - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the City;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City

accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

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

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

**TERMS OF PROPOSAL**

**\$6,975,000\* GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2026A  
CITY OF ALEXANDRIA, MINNESOTA**

Proposals for the purchase of \$6,975,000\* General Obligation Water Revenue Bonds, Series 2026A (the "Bonds") of the City of Alexandria, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on June 22, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

**AUTHORITY; PURPOSE; SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, as amended, by the City, for the purpose of financing the construction of a new water tower within the City. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

**DATES AND MATURITIES**

The Bonds will be dated July 15, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$100,000	2035	\$315,000	2042	\$410,000
2029	255,000	2036	325,000	2043	430,000
2030	265,000	2037	335,000	2044	445,000
2031	275,000	2038	350,000	2045	465,000
2032	280,000	2039	365,000	2046	485,000
2033	290,000	2040	380,000	2047	505,000
2034	305,000	2041	395,000		

**ADJUSTMENT OPTION**

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## PAYING AGENT

The City has selected U.S. Bank, National Association, St. Paul, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

The Bonds maturing on and after February 1, 2037 are be subject to redemption and prepayment at the option of the City, in whole or in part, in such order as the City shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2036, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The City is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

## DELIVERY

On or about July 15, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix C will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$6,891,300 plus accrued interest on the principal sum of \$6,975,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

**A good faith deposit ("Deposit") in the amount of \$139,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

## AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

## **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

## **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **CONTINUING DISCLOSURE**

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, in the resolution awarding the Bonds, the City will agree to provide certain information and notices of the occurrences of certain events to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) System. A description of the details and terms of the undertaking is set forth in Appendix E of the Preliminary Official Statement.

## **ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD**

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

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

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

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

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

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

Any action taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Ehlers & Associates, Inc.

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

#### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the City Council

City of Alexandria, Minnesota

# PROPOSAL FORM

The City Council  
City of Alexandria, Minnesota (the "City")

June 22, 2026

**RE: \$6,975,000\* General Obligation Water Revenue Bonds, Series 2026A (the "Bonds")**  
**DATED: July 15, 2026**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$6,891,300) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038	_____ % due	2045
_____ % due	2032	_____ % due	2039	_____ % due	2046
_____ % due	2033	_____ % due	2040	_____ % due	2047
_____ % due	2034	_____ % due	2041		

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of \$139,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about July 15, 2026.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_ NO: \_\_\_.

If the competitive sale requirements are not met, we elect to use either the: \_\_\_ 10% test, or the \_\_\_ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from July 15, 2026 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Alexandria, Minnesota, on June 22, 2026.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_