

Annual Financial Report

City of Alexandria Board of Public Works

DBA ALP Utilities

A Component Unit of the City

Alexandria, Minnesota

For the Years Ended
December 31, 2019 and 2018

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City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Annual Financial Report
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For the Years Ended December 31, 2019 and 2018

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INTRODUCTORY SECTION
CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALP UTILITIES

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Elected and Appointed Officials
For the Year Ended December 31, 2019

Appointed

Name
Bobbie Osterberg
John Kes
Sara Carlson
Richard Rentz
Ron Kirscht

Title
Board President
Vice President
Member
Member
Member

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

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Public Works DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019 and 2018, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the Board's OPEB Liability and Related Ratios, starting on page 50 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.

Other Information

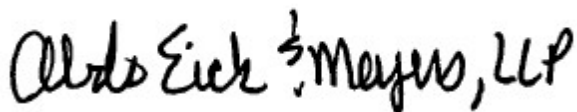
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, 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, EICK & MEYERS, LLP
Mankato, Minnesota
March 30, 2020

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FUND FINANCIAL STATEMENTS -
PROPRIETARY FUNDS

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

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Statements of Net Position
Proprietary Funds
December 31, 2019 and 2018

	Enterprise Funds			
	Electric Utility		Water Utility	
	2019	2018	2019	2018
Assets				
Current Assets				
Cash and temporary investments	\$ 10,424,694	\$ 7,084,676	\$ 5,015,016	\$ 4,413,623
Interest receivable	16,000	23,500	11,533	12,522
Customer accounts receivable, net of allowance for doubtful accounts of \$56,215 and \$56,729, respectively	660,198	618,747	218,842	228,542
Due from the City of Alexandria	17,526	14,905	-	759
Due from other governments	64,040	-	-	-
Special assessments receivable	-	-	2,625	2,196
Inventories	1,163,652	1,222,768	97,288	92,977
Prepaid items	143,331	133,666	10,948	3,530
Restricted debt service reserve deposits	865,543	635,746	-	-
Total Current Assets	13,354,984	9,734,008	5,356,252	4,754,149
Noncurrent Assets				
Capital assets				
Land and land rights	64,669	64,669	66,807	66,807
Service territory acquired	255,813	255,813	-	-
Buildings and structures	2,461,745	2,422,166	369,290	333,532
Transmission plant	2,763,581	2,763,581	-	-
Distribution plant	49,037,035	46,510,752	44,095,470	43,639,241
General equipment	3,960,136	3,590,678	1,508,643	1,475,436
Construction in progress	1,845,344	1,603,152	-	273,830
Less accumulated depreciation	(29,608,173)	(28,307,199)	(14,591,704)	(13,575,914)
Total capital assets (net of accumulated depreciation)	30,780,150	28,903,612	31,448,506	32,212,932
Total Assets	44,135,134	38,637,620	36,804,758	36,967,081
Deferred Outflows of Resources				
Deferred pension resources	163,409	337,103	19,001	39,199
Deferred other postemployment benefit resources	1,240	1,494	144	174
Total Deferred Outflows of Resources	164,649	338,597	19,145	39,373
Liabilities				
Current Liabilities				
Accounts payable	1,583,094	1,521,589	16,025	28,840
Due to other governments	76,190	76,842	2,705	6,090
Due to the City of Alexandria	157,590	154,872	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	491,279	501,841	-	-
Accrued interest payable	29,106	16,706	20,396	22,754
Accrued wages payable	66,378	53,998	15,968	12,601
Compensated absences payable	204,511	252,425	63,087	73,248
Customer meter deposits payable	365,302	336,968	-	-
Bonds and notes payable - current portion	535,000	395,000	248,000	242,000
Total Current Liabilities	3,508,450	3,310,241	366,181	385,533
Noncurrent Liabilities				
Other postemployment benefits payable	48,013	74,631	5,583	8,678
Compensated absences payable	525,960	430,663	124,730	122,501
Pension liability	1,963,716	1,965,623	228,341	228,565
Bonds and notes payable - net of current maturities	7,792,700	5,465,876	1,981,000	2,229,000
Total Noncurrent Liabilities	10,330,389	7,936,793	2,339,654	2,588,744
Total Liabilities	13,838,839	11,247,034	2,705,835	2,974,277
Deferred Inflows of Resources				
Deferred pension resources	392,857	525,131	45,682	61,063
Deferred other postemployment benefit resources	30,144	-	3,505	-
Total Deferred Inflows of Resources	423,001	525,131	49,187	61,063
Net Position				
Net investment in capital assets	25,132,450	23,042,736	29,219,506	29,741,932
Restricted for debt service	865,543	635,746	-	-
Unrestricted	4,039,950	3,525,570	4,849,375	4,229,182
Total Net Position	\$ 30,037,943	\$ 27,204,052	\$ 34,068,881	\$ 33,971,114

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

Enterprise Funds			
Fiber Utility		Totals	
2019	2018	2019	2018
\$ 1,610,809	\$ 1,436,273	\$ 17,050,519	\$ 12,934,572
3,353	6,249	30,886	42,271
8,973	11,148	888,013	858,437
-	60	17,526	15,724
-	-	64,040	-
-	-	2,625	2,196
21,563	16,398	1,282,503	1,332,143
7,053	3,371	161,332	140,567
-	-	865,543	635,746
<u>1,651,751</u>	<u>1,473,499</u>	<u>20,362,987</u>	<u>15,961,656</u>
-	-	131,476	131,476
-	-	255,813	255,813
-	-	2,831,035	2,755,698
-	-	2,763,581	2,763,581
-	-	93,132,505	90,149,993
2,127,550	2,037,304	7,596,329	7,103,418
20,343	56,615	1,865,687	1,933,597
(1,379,568)	(1,298,427)	(45,579,445)	(43,181,540)
<u>768,325</u>	<u>795,492</u>	<u>62,996,981</u>	<u>61,912,036</u>
<u>2,420,076</u>	<u>2,268,991</u>	<u>83,359,968</u>	<u>77,873,692</u>
7,600	15,678	190,010	391,980
58	70	1,442	1,738
<u>7,658</u>	<u>15,748</u>	<u>191,452</u>	<u>393,718</u>
734	1,140	1,599,853	1,551,569
-	-	78,895	82,932
-	-	157,590	154,872
-	-	491,279	501,841
-	-	49,502	39,460
1,716	1,865	84,062	68,464
18,314	20,276	285,912	345,949
-	-	365,302	336,968
-	-	783,000	637,000
<u>20,764</u>	<u>23,281</u>	<u>3,895,395</u>	<u>3,719,055</u>
2,233	3,471	55,829	86,780
34,316	25,000	685,006	578,164
91,327	91,419	2,283,384	2,285,607
-	-	9,773,700	7,694,876
<u>127,876</u>	<u>119,890</u>	<u>12,797,919</u>	<u>10,645,427</u>
<u>148,640</u>	<u>143,171</u>	<u>16,693,314</u>	<u>14,364,482</u>
18,271	24,423	456,810	610,617
1,402	-	35,051	-
<u>19,673</u>	<u>24,423</u>	<u>491,861</u>	<u>610,617</u>
768,325	795,492	55,120,281	53,580,160
-	-	865,543	635,746
<u>1,491,096</u>	<u>1,321,653</u>	<u>10,380,421</u>	<u>9,076,405</u>
<u>\$ 2,259,421</u>	<u>\$ 2,117,145</u>	<u>\$ 66,366,245</u>	<u>\$ 63,292,311</u>

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

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Years Ended December 31, 2019 and 2018

	Enterprise Funds			
	Electric Utility		Water Utility	
	2019	2018	2019	2018
Operating Revenues				
Sales	\$ 25,137,353	\$ 25,280,102	\$ 2,227,595	\$ 2,109,339
Other operating revenue	900,763	807,399	41,378	47,711
Total Operating Revenues	<u>26,038,116</u>	<u>26,087,501</u>	<u>2,268,973</u>	<u>2,157,050</u>
Operating Expenses				
Personal services	995,106	801,985	179,048	132,828
Production plant and purchased power	16,823,877	17,719,259	-	-
Transmission system - maintenance	36,318	2,837	-	-
Distribution system - operations	830,679	729,950	100,438	102,159
Distribution system - maintenance	671,899	691,557	396,223	423,302
Other operating	-	-	296,394	305,002
Customer accounts	710,777	630,438	88,941	81,167
Administration and general	853,411	779,613	130,569	109,004
Depreciation and amortization	1,486,231	1,389,159	1,015,790	997,022
Total Operating Expenses	<u>22,408,298</u>	<u>22,744,798</u>	<u>2,207,403</u>	<u>2,150,484</u>
Operating Income	<u>3,629,818</u>	<u>3,342,703</u>	<u>61,570</u>	<u>6,566</u>
Nonoperating Income (Expenses)				
Investment income (loss)	283,834	125,568	74,312	43,952
Other revenue	95,429	53,504	21,687	-
Special assessments	-	-	2,625	2,196
Gain (loss) on sale of capital assets	-	(2,672)	-	-
Amortization expense	27,833	1,522	-	-
Interest and other	(221,253)	(172,719)	(62,959)	(69,318)
Pension revenue	4,573	15,017	532	1,746
Total Nonoperating Income (Expenses)	<u>190,416</u>	<u>20,220</u>	<u>36,197</u>	<u>(21,424)</u>
Income (Loss) Before Transfers	3,820,234	3,362,923	97,767	(14,858)
Transfers to City of Alexandria - Payment in Lieu of Taxes	<u>(986,343)</u>	<u>(1,008,587)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,833,891	2,354,336	97,767	(14,858)
Net Position - January 1	<u>27,204,052</u>	<u>24,849,716</u>	<u>33,971,114</u>	<u>33,985,972</u>
Net Position, December 31	<u><u>\$ 30,037,943</u></u>	<u><u>\$ 27,204,052</u></u>	<u><u>\$ 34,068,881</u></u>	<u><u>\$ 33,971,114</u></u>

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

Enterprise Funds

Fiber Utility		Totals	
2019	2018	2019	2018
\$ 447,314	\$ 456,284	\$ 27,812,262	\$ 27,845,725
-	-	942,141	855,110
<u>447,314</u>	<u>456,284</u>	<u>28,754,403</u>	<u>28,700,835</u>
67,141	52,802	1,241,295	987,615
-	-	16,823,877	17,719,259
-	-	36,318	2,837
134,083	137,331	1,065,200	969,440
-	-	1,068,122	1,114,859
-	-	296,394	305,002
23,902	24,928	823,620	736,533
34,582	29,704	1,018,562	918,321
81,141	72,871	2,583,162	2,459,052
<u>340,849</u>	<u>317,636</u>	<u>24,956,550</u>	<u>25,212,918</u>
<u>106,465</u>	<u>138,648</u>	<u>3,797,853</u>	<u>3,487,917</u>
23,874	16,778	382,020	186,298
11,725	3,544	128,841	57,048
-	-	2,625	2,196
-	-	-	(2,672)
-	-	27,833	1,522
-	-	(284,212)	(242,037)
212	699	5,317	17,462
<u>35,811</u>	<u>21,021</u>	<u>262,424</u>	<u>19,817</u>
142,276	159,669	4,060,277	3,507,734
-	-	(986,343)	(1,008,587)
142,276	159,669	3,073,934	2,499,147
<u>2,117,145</u>	<u>1,957,476</u>	<u>63,292,311</u>	<u>60,793,164</u>
<u>\$ 2,259,421</u>	<u>\$ 2,117,145</u>	<u>\$ 66,366,245</u>	<u>\$ 63,292,311</u>

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

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Statements of Cash Flows
Proprietary Funds
For the Years Ended December 31, 2019 and 2018

	Enterprise Funds			
	Electric Utility		Water Utility	
	2019	2018	2019	2018
Cash Flows from Operating Activities				
Receipts from customers	\$ 25,958,338	\$ 26,121,641	\$ 2,279,432	\$ 2,147,241
Payments to suppliers and vendors	(19,829,011)	(20,750,066)	(1,027,163)	(1,020,396)
Payments to and on behalf of employees	(892,050)	(965,035)	(178,580)	(161,932)
Other receipts	100,002	68,521	24,415	2,752
Net Cash Provided by Operating Activities	5,337,279	4,475,061	1,098,104	967,665
Cash Flows from Noncapital and Related Financing Activities				
Transfers to City - payment in lieu of taxes	(986,343)	(1,008,587)	-	-
Cash Flows from Capital and Related Financing Activities				
Capital asset acquisitions	(3,358,259)	(2,927,307)	(264,695)	(453,127)
Proceeds from bonds, net of premiums	3,074,657	-	-	-
Principal paid on bonds and notes	(580,000)	(795,000)	(242,000)	(236,000)
Interest paid on long-term debt	(208,853)	(172,897)	(65,317)	(71,617)
Net Cash Used by Capital and Related Financing Activities	(1,072,455)	(3,895,204)	(572,012)	(760,744)
Cash Flows from Investing Activities				
Interest received on investments	291,334	125,869	75,301	42,164
Net Increase (Decrease) in Cash and Cash Equivalents	3,569,815	(302,861)	601,393	249,085
Cash and Cash Equivalents, January 1	7,720,422	8,023,283	4,413,623	4,164,538
Cash and Cash Equivalents, December 31	<u>\$ 11,290,237</u>	<u>\$ 7,720,422</u>	<u>\$ 5,015,016</u>	<u>\$ 4,413,623</u>
Reconciliation of Cash and Cash Equivalents				
Unrestricted	\$ 10,424,694	\$ 7,084,676	\$ 5,015,016	\$ 4,413,623
Restricted	865,543	635,746	-	-
Total Cash and Cash Equivalents	<u>\$ 11,290,237</u>	<u>\$ 7,720,422</u>	<u>\$ 5,015,016</u>	<u>\$ 4,413,623</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 3,629,818	\$ 3,342,703	\$ 61,570	\$ 6,566
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,486,231	1,389,159	1,015,790	997,022
Other income related to operations	100,002	68,521	24,844	3,942
(Increase) decrease in assets				
Customer accounts receivable	(41,451)	26,868	9,700	(14,983)
Due from the City of Alexandria	(2,621)	18,284	759	5,174
Due from other governments	(64,040)	-	-	-
Special assessments	-	-	(429)	(1,190)
Inventories	59,116	(103,548)	(4,311)	(11,573)
Prepaid items	(9,665)	(64,376)	(7,418)	2,794
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	173,694	227,587	20,198	26,462
Deferred other postemployment benefit resources	254	(1,494)	30	(174)
Increase (decrease) in liabilities				
Accounts payable	56,995	(61,377)	516	8,873
Due to other governments	(652)	2,177	(3,385)	144
Due to the City of Alexandria	2,718	(948)	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	(10,562)	31,660	-	-
Accrued wages payable	12,380	(18,451)	3,367	(1,344)
Compensated absences payable	47,383	(21,022)	(7,932)	(13,398)
Pension liability	(1,907)	(345,748)	(224)	(40,196)
Other postemployment benefits payable	(26,618)	9,766	(3,095)	1,136
Customer meter deposits payable	28,334	(11,012)	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(132,274)	(13,688)	(15,381)	(1,590)
Deferred other postemployment benefit resources	30,144	-	3,505	-
Net Cash Provided by Operating Activities	<u>\$ 5,337,279</u>	<u>\$ 4,475,061</u>	<u>\$ 1,098,104</u>	<u>\$ 967,665</u>
Noncash Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ -	\$ 2,672	\$ -	\$ -
Capital assets acquired on account	31,076	26,566	-	13,331
Amortization of bond (premium) discount	(27,833)	(1,522)	-	-

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

Enterprise Funds			
Fiber Utility		Totals	
2019	2018	2019	2018
\$ 449,549	\$ 451,715	\$ 28,687,319	\$ 28,720,597
(190,095)	(189,242)	(21,046,269)	(21,959,704)
(57,926)	(71,959)	(1,128,556)	(1,198,926)
212	699	124,629	71,972
<u>201,740</u>	<u>191,213</u>	<u>6,637,123</u>	<u>5,633,939</u>
-	-	(986,343)	(1,008,587)
(53,974)	(113,310)	(3,676,928)	(3,493,744)
-	-	3,074,657	-
-	-	(822,000)	(1,031,000)
-	-	(274,170)	(244,514)
<u>(53,974)</u>	<u>(113,310)</u>	<u>(1,698,441)</u>	<u>(4,769,258)</u>
26,770	15,217	393,405	183,250
174,536	93,120	4,345,744	39,344
<u>1,436,273</u>	<u>1,343,153</u>	<u>13,570,318</u>	<u>13,530,974</u>
<u>\$ 1,610,809</u>	<u>\$ 1,436,273</u>	<u>\$ 17,916,062</u>	<u>\$ 13,570,318</u>
\$ 1,610,809	\$ 1,436,273	\$ 17,050,519	\$ 12,934,572
-	-	865,543	635,746
<u>\$ 1,610,809</u>	<u>\$ 1,436,273</u>	<u>\$ 17,916,062</u>	<u>\$ 13,570,318</u>
\$ 106,465	\$ 138,648	\$ 3,797,853	\$ 3,487,917
81,141	72,871	2,583,162	2,459,052
11,937	4,243	136,783	76,706
2,175	(5,466)	(29,576)	6,419
60	897	(1,802)	24,355
-	-	(64,040)	-
-	-	(429)	(1,190)
(5,165)	3,089	49,640	(112,032)
(3,682)	(1,096)	(20,765)	(62,678)
8,078	10,586	201,970	264,635
12	(70)	296	(1,738)
(406)	(2,816)	57,105	(55,320)
-	-	(4,037)	2,321
-	-	2,718	(948)
-	-	(10,562)	31,660
(149)	(714)	15,598	(20,509)
7,354	(12,690)	46,805	(47,110)
(92)	(16,085)	(2,223)	(402,029)
(1,238)	454	(30,951)	11,356
-	-	28,334	(11,012)
(6,152)	(638)	(153,807)	(15,916)
1,402	-	35,051	-
<u>\$ 201,740</u>	<u>\$ 191,213</u>	<u>\$ 6,637,123</u>	<u>\$ 5,633,939</u>
\$ -	\$ -	\$ -	\$ 2,672
-	-	31,076	39,897
-	-	(27,833)	(1,522)

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

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City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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 net of total liabilities) 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.

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.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

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.

The *Fiber Utility fund* accounts for costs associated with the Board's fiber 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 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.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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.
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, 2019:

- Government agency securities of \$4,875,950 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$2,452,102 are valued 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 RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable of \$888,013 and \$858,437 are recorded net of the allowance for doubtful accounts of \$56,215 and \$56,729 as of December 31, 2019 and 2018, 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 \$1,500 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
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 position 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 OPEB contributions made subsequent to the measurement dates.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

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. All vacation pay is accrued when incurred in the financial statements.

All full-time Board of Public Works' 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.

Union employees will be paid for unused sick leave based on 75 percent of accumulated sick leave upon retirement.

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.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2019.

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 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.

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.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the GERP is \$283,873.

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 position 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 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.

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.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

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 market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government Entity;
- General obligation securities of any state or local government with taxing powers which is 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, 2019 the Board's carrying amount of deposits was \$8,391,798 and the bank balance was \$8,471,968. Of the bank balance \$1,244,900 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.

At December 31, 2018, the Board's carrying amount of deposits was \$4,442,097 and the bank balance was \$4,589,663. Of the bank balance \$1,245,606 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.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 2: Detailed Notes on all Funds (Continued)

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, 2019 and 2018, 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.

As of December 31, 2019, 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
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 6 months	\$ 5		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	298,413		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 to 5 years	4,875,950	\$ 4,875,950	\$ -
Government Agency Securities	Aaa	1 to 5 years	1,483,283	-	-
Government Agency Securities	Aaa	5 to 10 years	414,261	-	-
Negotiable certificates of deposit	N/A	1 to 5 years	2,452,102	-	2,452,102
Total Investments			<u>\$ 9,524,014</u>	<u>\$ 4,875,950</u>	<u>\$ 2,452,102</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 Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 2: Detailed Notes on all Funds (Continued)

As of December 31, 2018, 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
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 6 months	\$ 5		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	170,139		
Non-pooled Investments at Fair Value					
Government Agency Securities	Aaa	1 to 3 years	4,088,978	\$ 4,088,978	\$ -
Government Agency Securities	Aaa	more than 3 years	2,488,951	2,488,951	-
Government Agency Securities	AAA	6 months to 1 year	498,015	498,015	-
Negotiable certificates of deposit	N/A	6 months to 1 year	1,413,107	-	1,413,107
Negotiable certificates of deposit	N/A	more than 3 years	468,776	-	468,776
Total Investments			<u>\$ 9,127,971</u>	<u>\$ 7,075,944</u>	<u>\$ 1,881,883</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, 2019 and 2018.

Cash and Investments Summary

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

	2019	2018
Carrying Amount of Deposits	\$ 8,391,798	\$ 4,442,097
Investments	9,524,014	9,127,971
Cash on Hand	250	250
Total Cash and Temporary Investments	<u>\$ 17,916,062</u>	<u>\$ 13,570,318</u>
Cash and Cash Equivalents	\$ 17,050,519	\$ 12,934,572
Restricted Debt Service Reserve Deposits	865,543	635,746
Total	<u>\$ 17,916,062</u>	<u>\$ 13,570,318</u>

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 2: Detailed Notes on all Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land and land rights	\$ 131,476	\$ -	\$ -	\$ 131,476
Srevice territory acquired	255,813	-	-	255,813
Construction in progress	1,933,597	3,087,111	(3,155,021)	1,865,687
Total Capital Assets not Being Depreciated	<u>2,320,886</u>	<u>3,087,111</u>	<u>(3,155,021)</u>	<u>2,252,976</u>
Capital Assets Being Depreciated				
Buildings and structures	2,755,698	75,337	-	2,831,035
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	90,149,993	2,982,512	-	93,132,505
General equipment	7,103,418	678,168	(185,257)	7,596,329
Total Capital Assets Being Depreciated	<u>102,772,690</u>	<u>3,736,017</u>	<u>(185,257)</u>	<u>106,323,450</u>
Less Accumulated Depreciation for				
Buildings and structures	(2,088,014)	(54,824)	-	(2,142,838)
Transmission plant	(1,209,208)	(83,543)	-	(1,292,751)
Distribution plant	(34,988,226)	(2,096,306)	-	(37,084,532)
General equipment	(4,896,092)	(348,489)	185,257	(5,059,324)
Total Accumulated Depreciation	<u>(43,181,540)</u>	<u>(2,583,162)</u>	<u>185,257</u>	<u>(45,579,445)</u>
Total Capital Assets Being Depreciated, Net	<u>59,591,150</u>	<u>1,152,855</u>	<u>-</u>	<u>60,744,005</u>
Business-type Activities Capital Assets, Net	<u>\$ 61,912,036</u>	<u>\$ 4,239,966</u>	<u>\$ (3,155,021)</u>	<u>\$ 62,996,981</u>

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 2: Detailed Notes on all Funds (Continued)

Capital asset activity for the Board for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land and land rights	\$ 131,476	\$ -	\$ -	\$ 131,476
Srevice territory acquired	234,533	21,280	-	255,813
Construction in progress	1,888,086	3,217,892	(3,172,381)	1,933,597
Total Capital Assets not Being Depreciated	<u>2,254,095</u>	<u>3,239,172</u>	<u>(3,172,381)</u>	<u>2,320,886</u>
Capital Assets Being Depreciated				
Buildings and structures	2,755,698	-	-	2,755,698
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	86,996,779	3,153,214	-	90,149,993
General equipment	6,890,517	240,245	(27,344)	7,103,418
Total Capital Assets Being Depreciated	<u>99,406,575</u>	<u>3,393,459</u>	<u>(27,344)</u>	<u>102,772,690</u>
Less Accumulated Depreciation for				
Buildings and structures	(2,031,089)	(56,925)	-	(2,088,014)
Transmission plant	(1,125,666)	(83,542)	-	(1,209,208)
Distribution plant	(32,990,330)	(1,997,896)	-	(34,988,226)
General equipment	(4,600,075)	(320,689)	24,672	(4,896,092)
Total Accumulated Depreciation	<u>(40,747,160)</u>	<u>(2,459,052)</u>	<u>24,672</u>	<u>(43,181,540)</u>
Total Capital Assets Being Depreciated, Net	<u>58,659,415</u>	<u>934,407</u>	<u>(2,672)</u>	<u>59,591,150</u>
Business-type Activities Capital Assets, Net	<u>\$ 60,913,510</u>	<u>\$ 4,173,579</u>	<u>\$ (3,175,053)</u>	<u>\$ 61,912,036</u>

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

	2019	2018
Business-type Activities		
Electric	\$ 1,486,231	\$ 1,389,159
Water	1,015,790	997,022
Fiber	<u>81,141</u>	<u>72,871</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,583,162</u>	<u>\$ 2,459,052</u>

Construction Commitments

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

Project	Spent-to-Date	Remaining Commitment
Electric Distribution Improvements 2019	\$ 590,450	\$ 144,031

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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 2019 and 2018 totaled \$986,343 and \$1,008,587, 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	
					2019	2018
Electric Utility Revenue Bonds of 2015A	\$ 5,395,000	2.00 - 3.25 %	12/30/15	12/01/35	\$ 4,500,000	\$ 4,725,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	940,000	1,110,000
Electric Utility Revenue Bonds of 2019A	2,680,000	4.00 - 5.00	06/19/19	12/01/33	2,495,000	-
Total Revenue Bonds					<u>\$ 7,935,000</u>	<u>\$ 5,835,000</u>

Annual requirements to maturity for Revenue Bonds is as follows:

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

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Note 2: Detailed Notes on all Funds (Continued)

G.O. Revenue Notes

The following notes were issued to finance capital improvements in the Water Utility fund. They 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	
					2019	2018
G.O. Water Revenue Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 207,000	\$ 272,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,022,000	2,199,000
Total G.O. Revenue Notes					<u>\$ 2,229,000</u>	<u>\$ 2,471,000</u>

Annual requirements to maturity for G.O. Revenue Notes is as follows:

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

	2019		2018	
	Electric Utility	Water Utility	Electric Utility	Water Utility
Revenues	\$ 26,038,116	\$ 2,268,973	\$ 26,087,501	\$ 2,157,050
Principal and Interest	788,853	307,317	967,897	307,617
Percentage of Revenues	3.0%	13.5%	3.7%	14.3%

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Note 2: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

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

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

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance as Restated	Due Within One Year
Business-type activities					
Bonds Payable					
Revenue bonds	\$ 6,630,000	\$ -	\$ (795,000)	\$ 5,835,000	\$ 395,000
G.O. revenue notes	2,707,000	-	(236,000)	2,471,000	242,000
Bond premium	27,398	-	(1,522)	25,876	-
Total Bonds Payable	9,364,398	-	(1,032,522)	8,331,876	637,000
Compensated Absences Payable	971,223	365,025	(410,037)	924,113	345,949
Business-type Activity Long-term Liabilities	<u>\$ 10,335,621</u>	<u>\$ 365,025</u>	<u>\$ (1,442,559)</u>	<u>\$ 9,255,989</u>	<u>\$ 982,949</u>

E. Due to Alexandria Lakes Area Sanitary District (ALASD)

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, 2019 and 2018 totaled \$491,279 and \$501,841, respectively.

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Note 3: Defined Benefit Pension Plan - 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). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP)

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

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERP Benefits

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

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. 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. For 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 reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

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

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Note 3: Defined Benefit Pension Plan - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the Board reported a liability of \$2,283,384 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 to the fund in 2019. 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 \$70,997. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportionate share 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Board's proportion was 0.0413 percent which was a 0.0001 percent increase from its proportion measured as of June 30, 2018.

Board's proportionate share of the net pension liability	\$ 2,283,384
State of Minnesota's proportionate share of the net pension liability associated with the Board	70,997
Total	<u><u>\$ 2,354,381</u></u>

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

At December 31, 2019, the Board reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 68,140	\$ 1,482
Changes in Actuarial Assumptions	2,273	184,646
Net Difference Between Projected and Actual Earnings on Plan Investments	-	235,603
Changes in Proportion	4,667	35,079
Contributions paid to PERA subsequent to the measurement date	<u>114,930</u>	<u>-</u>
Total	<u><u>\$ 190,010</u></u>	<u><u>\$ 456,810</u></u>

The \$114,930 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Note 3: Defined Benefit Pension Plan - Statewide (Continued)

2020	\$ (140,905)
2021	(200,601)
2022	(43,904)
2023	3,680

At December 31, 2018, the Board reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 60,464	\$ 59,510
Changes in Actuarial Assumptions	216,529	256,812
Net Difference Between Projected and Actual Earnings on Plan Investments	-	238,630
Changes in Proportion	8,301	55,665
Contributions paid to PERA subsequent to the measurement date	106,686	-
Total	<u>\$ 391,980</u>	<u>\$ 610,617</u>

The \$106,686 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ 70,675
2020	(144,299)
2021	(203,995)
2022	(47,704)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions occurred in 2019:

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Note 3: Defined Benefit Pension Plan - Statewide (Continued)

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	100.0 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

G. Pension Liability Sensitivity

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

	Board's Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 3,753,761	\$ 2,283,384	\$ 1,069,296

H. Pension Plan Fiduciary Net Position

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

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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 as of January 1, 2019. 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 \$55,829 was measured as of December 31, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2019. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.71%
20-Year Municipal Bond Yield	3.71%
Inflation Rate	2.50%
Medical Trend Rate	6.40% in 2019 grading to 4.00% in 2075

The discount rate used to measure the total OPEB liability was 3.71 percent. Expected benefit payments by year were discounted using the Fidelity20 -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, 2018 PERA of Minnesota General Employees Retirement Plan actuarial valuation. Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

Health care 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.

D. Changes in the Total OPEB Liability

	2019 Total OPEB Liability (a)	2018 Total OPEB Liability (a)
Beginning Balances at December 31	\$ 86,780	\$ 75,424
Changes for the Year:		
Service cost	6,842	6,212
Interest	3,099	3,110
Differences between expected and actual experience	(17,950)	-
Changes in assumptions or other inputs	(22,942)	2,034
Net Changes	(30,951)	11,356
Ending Balances at December 31	\$ 55,829	\$ 86,780

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Note 4: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect the recent experience.
- Mortality and salary increase rates were updated from the rates use 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.

Since the prior measurement date, there were no changes in benefit terms.

E. Sensitivity of the Total OPEB Liability

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

<u>1 Percent Decrease (2.71%)</u>	<u>Current (3.71%)</u>	<u>1 Percent Increase (4.71%)</u>
\$ 59,532	\$ 55,829	\$ 52,258

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

<u>1 Percent Decrease (5.40% decreasing to 3.00%)</u>	<u>Healthcare Cost Trend Rates (6.40% decreasing to 4.00%)</u>	<u>1 Percent Increase (7.40% decreasing to 5.00%)</u>
\$ 49,780	\$ 55,829	\$ 62,994

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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, 2019, the Board recognized OPEB expense of \$4,396. At December 31, 2019, 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 experience	\$ -	\$ 15,386
Changes in Actuarial Assumptions	1,442	19,665
Total	<u>\$ 1,442</u>	<u>\$ 35,051</u>

Deferred outflows of resources reported will be recognized in OPEB expense as follows:

Year ended December 31:

2020	\$ (5,546)
2021	(5,546)
2022	(5,546)
2023	(5,546)
2024	(5,546)
Thereafter	(5,879)

For the year ended December 31, 2018, the Board recognized OPEB expense of \$11,356. At December 31, 2018, 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
Changes in Actuarial Assumptions	<u>\$ 1,738</u>	<u>\$ -</u>

Deferred outflows of resources reported will be recognized in OPEB expense as follows:

Year ended December 31:

2020	\$ (296)
2021	(296)
2022	(296)
2023	(296)
2024	(296)
Thereafter	(258)

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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.

Note 6: Deferred Compensation Plan

A. 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.

B. 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 \$2,000 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 \$64,743 and \$62,743 in matching funds to the plan for the years ended December 31, 2019 and 2018, 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 2050, while the MRES contract expires in January 2057. During 2019 and 2018, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2019	\$ 2,154,300	96,279,000	\$ 11,714,138	194,934,212
2018	2,154,300	96,279,000	12,445,052	206,197,222

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,849,943 and \$2,857,571 in wheeling charges for 2019 and 2018, respectively.

C. Concentrations

Approximately 51 percent of the Board's labor force is subject to a collective bargaining agreement, which expires December 2022.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2019 and 2018

Note 8: Unrestricted Net Position

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

Electric Utility

McKay Ave Mainline (underground)	\$ 600,000
Industrial circuit, Darling circuit, (underground)	1,215,000
3M circuit, 82 East (underground)	1,822,000
Nokomis conversion (underground)	1,000,000
Casa Marina, Westwood, Little Germany, Nelson (underground)	400,000
Undergrounding system	3,500,000
AMI System	1,500,000
Rate stabilization	750,000
Total Electric Utility	<u>10,787,000</u>

Water Utility

Land and water tower north project	1,500,000
AMI System	1,500,000
New well field project	700,000
Total Water Utility	<u>3,700,000</u>

Total Future Projects	<u>\$ 14,487,000</u>
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Note 9: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. The Board's assets may have seen unrealized market losses as of March 30, 2020. However, Board management is unable to determine the long term material impact to its asset values.

REQUIRED SUPPLEMENTARY
INFORMATION

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

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Required Supplementary Information
For the Year Ended December 31, 2019

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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0413 %	\$ 2,283,384	\$ 70,997	\$ 2,354,381	\$ 2,920,727	80.6 %	80.2 %
06/30/18	0.0412	2,285,607	74,881	2,360,488	2,767,756	85.3	79.5
06/30/17	0.0421	2,687,636	33,825	2,721,461	2,714,643	100.3	75.9
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	132.5	68.9
06/30/15	0.0419	2,171,475	-	2,171,475	2,421,840	89.7	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

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)
12/31/19	\$ 227,298	\$ 227,298	\$ -	\$ 3,030,635	7.5 %
12/31/18	209,286	209,286	-	2,790,474	7.5
12/31/17	207,978	207,978	-	2,773,043	7.5
12/31/16	200,269	200,269	-	2,670,258	7.5
12/31/15	193,803	193,803	-	2,584,036	7.5

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

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - General Employee Fund

Changes in Actuarial Assumptions

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

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

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

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

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

Changes in Plan Provisions

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

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

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

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
Board of Public Works
DBA ALP Utilities
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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

	2019	2018
Total OPEB liability		
Service cost	\$ 6,842	\$ 6,212
Interest	3,099	3,110
Differences between expected and actual experience	(17,950)	-
Changes in assumptions	(22,942)	2,034
Net change in total OPEB liability	(30,951)	11,356
Total OPEB liability - beginning	86,780	75,424
Total OPEB liability - ending	<u>\$ 55,829</u>	<u>\$ 86,780</u>
Covered - employee payroll	\$ 2,934,724	\$ 2,649,274
Board's total OPEB liability as a percentage of covered employee payroll	1.90 %	3.28 %

Changes in Benefits

2019 – No changes in benefits

2018 – No changes in benefits

Changes in Assumptions

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 use 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.

Index rate for 20-year, tax exempt municipal bonds changed from 3.81% to 3.31%.

The discount rate was changed from 3.81% to 3.31%.

SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedule of Property, Plant and Equipment
For the Year Ended December 31, 2019

	Cost			
	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Electric Utility				
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	758,899	-	-	758,899
Internal combustion plant				
Structures and improvements	813,683	-	-	813,683
Fuel holders and accessories	32,177	-	-	32,177
Generators	1,437,949	-	-	1,437,949
Accessory electrical equipment	21,910	-	-	21,910
Miscellaneous power plant equipment	22,785	-	-	22,785
Total Internal Combustion Plant	2,328,504	-	-	2,328,504
Transmission plant				
Station equipment	2,325,722	-	-	2,325,722
Poles and fixtures	437,859	-	-	437,859
Total Transmission Plant	2,763,581	-	-	2,763,581
Distribution plant				
Land and land rights	17,634	-	-	17,634
Structures and improvements	176,190	-	-	176,190
Tools and fixtures	6,328,469	3,756	-	6,332,225
Poles, towers and fixtures	2,973,568	-	-	2,973,568
Overhead conductors and devices	3,449,287	-	-	3,449,287
Underground conduit, conductors and devices	19,609,517	1,708,563	-	21,318,080
Line transformers	7,390,766	639,571	-	8,030,337
Services	524,018	-	-	524,018
Meters	1,435,924	87,621	-	1,523,545
Installation customer premises	46,824	-	-	46,824
Street lights and signal system	2,455,523	86,772	-	2,542,295
Load management	646,616	-	-	646,616
Total Distribution Plant	45,054,336	2,526,283	-	47,580,619
General plant				
Land and land rights	30,429	-	-	30,429
Structures and improvements	1,007,825	39,579	-	1,047,404
Office furniture	938,547	47,595	-	986,142
Transportation equipment	1,234,260	490,316	(185,257)	1,539,319
Stores equipment	2,252	-	-	2,252
Tools, shop and garage equipment	225,406	5,441	-	230,847
Laboratory equipment	107,623	4,527	-	112,150
Power operated equipment	731,996	-	-	731,996
Communications equipment	123,615	-	-	123,615
Miscellaneous equipment	154,176	6,836	-	161,012
Total General Plant	4,556,129	594,294	(185,257)	4,965,166

Accumulated Depreciation				
Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	255,813
(424,468)	-	-	(424,468)	-
(33,904)	-	-	(33,904)	-
(19,551)	(900)	-	(20,451)	7,657
(477,923)	(900)	-	(478,823)	280,076
(783,813)	(6,604)	-	(790,417)	23,266
(27,352)	(1,073)	-	(28,425)	3,752
(1,268,747)	(11,805)	-	(1,280,552)	157,397
(15,523)	(450)	-	(15,973)	5,937
(22,785)	-	-	(22,785)	-
(2,118,220)	(19,932)	-	(2,138,152)	190,352
(994,022)	(70,274)	-	(1,064,296)	1,261,426
(215,186)	(13,269)	-	(228,455)	209,404
(1,209,208)	(83,543)	-	(1,292,751)	1,470,830
-	-	-	-	17,634
(90,871)	(6,544)	-	(97,415)	78,775
(3,894,118)	(145,636)	-	(4,039,754)	2,292,471
(2,490,418)	(37,076)	-	(2,527,494)	446,074
(2,352,745)	(79,708)	-	(2,432,453)	1,016,834
(5,869,441)	(577,568)	-	(6,447,009)	14,871,071
(3,179,421)	(190,937)	-	(3,370,358)	4,659,979
(363,628)	(10,131)	-	(373,759)	150,259
(747,024)	(34,324)	-	(781,348)	742,197
(39,590)	(242)	-	(39,832)	6,992
(1,245,092)	(74,143)	-	(1,319,235)	1,223,060
(574,171)	(15,536)	-	(589,707)	56,909
(20,846,519)	(1,171,845)	-	(22,018,364)	25,562,255
-	-	-	-	30,429
(681,423)	(27,459)	-	(708,882)	338,522
(812,736)	(42,368)	-	(855,104)	131,038
(1,103,314)	(50,713)	185,257	(968,770)	570,549
(2,252)	-	-	(2,252)	-
(187,129)	(11,641)	-	(198,770)	32,077
(87,950)	(12,634)	-	(100,584)	11,566
(370,621)	(59,160)	-	(429,781)	302,215
(123,241)	(275)	-	(123,516)	99
(140,453)	(5,761)	-	(146,214)	14,798
(3,509,119)	(210,011)	185,257	(3,533,873)	1,431,293

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedule of Property, Plant and Equipment (Continued)
For the Year Ended December 31, 2019

	Cost			
	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Internet, WAN	\$ 146,210	\$ -	\$ -	\$ 146,210
Construction work-in-progress				
Electric	1,603,152	2,882,605	(2,640,413)	1,845,344
Total Electric Utility	57,210,811	6,003,182	(2,825,670)	60,388,323
Water Utility				
Water property				
Land and land rights	66,807	-	-	66,807
Structures and improvements	333,532	35,758	-	369,290
Pumping equipment	1,414,734	15,053	-	1,429,787
Treatment facilities	7,397,556	342,669	-	7,740,225
Production plant facilities	43,986	3,755	-	47,741
Distribution mains and hydrants	33,025,838	-	-	33,025,838
Water services	235,726	-	-	235,726
Water meters	775,742	88,785	-	864,527
Water storage reservoirs, towers and standpipes	2,160,393	21,020	-	2,181,413
Miscellaneous equipment	60,702	18,154	-	78,856
Total Water Property	45,515,016	525,194	-	46,040,210
Construction work-in-progress				
Water	273,830	154,441	(428,271)	-
Total Water Utility	45,788,846	679,635	(428,271)	46,040,210
Fiber Utility				
Fiber equipment and cable	1,960,644	90,246	-	2,050,890
BPL equipment	76,660	-	-	76,660
Construction work-in-progress				
Fiber	56,615	50,065	(86,337)	20,343
Total Fiber Utility	2,093,919	140,311	(86,337)	2,147,893
Totals	<u>\$ 105,093,576</u>	<u>\$ 6,823,128</u>	<u>\$ (3,340,278)</u>	<u>\$ 108,576,426</u>

Accumulated Depreciation				
Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Net Book Value
\$ (146,210)	\$ -	\$ -	\$ (146,210)	\$ -
-	-	-	-	1,845,344
(28,307,199)	(1,486,231)	185,257	(29,608,173)	30,780,150
-	-	-	-	66,807
(107,439)	(14,217)	-	(121,656)	247,634
(668,362)	(78,116)	-	(746,478)	683,309
(2,733,354)	(189,783)	-	(2,923,137)	4,817,088
(30,288)	(5,572)	-	(35,860)	11,881
(7,973,549)	(651,010)	-	(8,624,559)	24,401,279
(106,741)	(4,715)	-	(111,456)	124,270
(402,510)	(28,349)	-	(430,859)	433,668
(1,509,923)	(38,698)	-	(1,548,621)	632,792
(43,748)	(5,330)	-	(49,078)	29,778
(13,575,914)	(1,015,790)	-	(14,591,704)	31,448,506
-	-	-	-	-
(13,575,914)	(1,015,790)	-	(14,591,704)	31,448,506
(1,243,218)	(79,793)	-	(1,323,011)	727,879
(55,209)	(1,348)	-	(56,557)	20,103
-	-	-	-	20,343
(1,298,427)	(81,141)	-	(1,379,568)	768,325
\$ (43,181,540)	\$ (2,583,162)	\$ 185,257	\$ (45,579,445)	\$ 62,996,981

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Other Operating Revenues
For the Years Ended December 31, 2019 and 2018

	2019	2018
Electric Utility		
Penalties and forfeited discounts	\$ 159,682	\$ 147,997
Miscellaneous service revenues	13,761	11,250
Rental income - capacity purchase agreement	161,280	146,160
Rental income - utility poles	25,702	4,873
Administrative service billed to ALASD	128,447	82,020
Other electric revenue	409,891	413,199
NSF fees	2,000	1,900
Total Electric Utility	<u>900,763</u>	<u>807,399</u>
Water Utility		
Rent from water property	22,574	30,053
Miscellaneous service revenues	18,804	17,658
Total Water Utility	<u>41,378</u>	<u>47,711</u>
Total Other Operating Revenues	<u><u>\$ 942,141</u></u>	<u><u>\$ 855,110</u></u>

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Production and Purchased Power Expense - Electric Utility
For the Years Ended December 31, 2019 and 2018

	2019	2018
Internal Combustion Engine Operation		
Fuel - oil	\$ 12,593	\$ 8,690
Other expenses	<u>3,778</u>	<u>4,766</u>
Total Internal Combustion Engine Operation	<u>16,371</u>	<u>13,456</u>
Power Supply		
Purchased power	16,718,381	17,456,923
System control and load dispatching	<u>6,332</u>	<u>1,613</u>
Total Power Supply	<u>16,724,713</u>	<u>17,458,536</u>
Internal Combustion Engine Maintenance		
Maintenance of structures	1,884	3,970
Maintenance of internal combustion engine, generators and switchgear	<u>80,909</u>	<u>243,297</u>
Total Internal Combustion Engine Maintenance	<u>82,793</u>	<u>247,267</u>
Total Production and Purchased Power Expense	<u><u>\$ 16,823,877</u></u>	<u><u>\$ 17,719,259</u></u>

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Distribution Expense - Operations
For the Years Ended December 31, 2019 and 2018

	2019	2018
Electric Utility		
Station	\$ 27,544	\$ 25,177
Overhead lines	194,472	204,105
Underground lines	73,289	75,584
Street lighting and signal system	-	481
Meter expenses - removing and resetting meters	5,686	5,048
Customer installation expense and service on premises	32,463	32,765
Load management	67,783	52,884
Miscellaneous distribution	230,299	154,841
Rent	4,262	-
Supplies	84,589	103,141
Safety supplies	110,292	75,924
Total Electric Utility	<u>830,679</u>	<u>729,950</u>
Water Utility		
Salary - superintendent	51,266	44,284
Station labor	1,096	6,574
Water locating	44,262	46,139
Well closure	3,814	5,162
Total Water Utility	<u>100,438</u>	<u>102,159</u>
Fiber Utility		
Fiber expense	<u>134,083</u>	<u>137,331</u>
Total Distribution Expense - Operations	<u><u>\$ 1,065,200</u></u>	<u><u>\$ 969,440</u></u>

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Distribution Expense - Maintenance
For the Years Ended December 31, 2019 and 2018

	2019	2018
Electric Utility		
Supervision	\$ 36,524	\$ 33,136
Maintenance		
Station equipment	136,781	116,971
Overhead lines	225,526	321,231
Underground lines	129,167	85,692
Line transformers	7,321	9,904
Street lighting and signal system	34,923	40,728
Customer electric meters	81,047	58,331
Power operated equipment	20,280	24,956
Structures distribution substations	-	608
Miscellaneous distribution	330	-
Total Electric Utility	<u>671,899</u>	<u>691,557</u>
Water Utility		
Maintenance		
Pumping equipment	-	825
Wells	20,343	3,379
Filter plant equipment	132,268	138,775
Distribution System		
Water mains	52,571	86,259
Water services	123,142	118,229
Customer water meters	4,086	7,672
Water hydrants	41,355	44,047
Storage facilities, tanks, etc.	22,458	24,116
Total Water Utility	<u>396,223</u>	<u>423,302</u>
Total Distribution Expense - Maintenance	<u><u>\$ 1,068,122</u></u>	<u><u>\$ 1,114,859</u></u>

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Customer Accounts Expense
For the Years Ended December 31, 2019 and 2018

	December 31, 2019			
	Electric Utility	Water Utility	Fiber Utility	Total
Meter Reading	\$ 130,197	\$ 22,976	\$ -	\$ 153,173
Collection Expense	112,539	5,643	1,129	119,311
Billing and Accounting Salaries	247,654	46,435	15,478	309,567
Uncollectible Accounts	36,706	207	54	36,967
Customer Conservation Consultant	69,384	-	-	69,384
Informational Advertising	75,562	13,680	7,241	96,483
Customer Assistance	38,735	-	-	38,735
Total Customer Accounts Expense	\$ 710,777	\$ 88,941	\$ 23,902	\$ 823,620

	December 31, 2018			
	Electric Utility	Water Utility	Fiber Utility	Total
Meter Reading	\$ 126,655	\$ 22,351	\$ -	\$ 149,006
Collection Expense	114,401	6,090	1,218	121,709
Billing and Accounting Salaries	234,957	44,054	14,685	293,696
Uncollectible Accounts	13,042	2,302	-	15,344
Customer Conservation Consultant	65,072	-	-	65,072
Informational Advertising	31,589	6,370	9,025	46,984
Customer Assistance	44,722	-	-	44,722
Total Customer Accounts Expense	\$ 630,438	\$ 81,167	\$ 24,928	\$ 736,533

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Administration and General Expense
For the Years Ended December 31, 2019 and 2018

	December 31, 2019			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration Salaries - Manager	\$ 197,293	\$ 77,811	\$ 26,444	\$ 301,548
Office Supplies	109,339	12,683	2,483	124,505
Outside Services	174,672	13,871	-	188,543
Insurance	149,249	16,960	3,392	169,601
Employee Pension and Benefits	806,202	101,752	40,697	948,651
Employee School Expense	39,563	10,980	2,106	52,649
Employer Contribution - Deferred Compensation and Severance	55,679	6,474	2,590	64,743
Regulatory Commission Expense	33,995	3,777	-	37,772
Miscellaneous	45,696	5,581	-	51,277
Maintenance of General Plant	236,829	59,728	24,011	320,568
Total Administration and General Expense	\$ 1,848,517	\$ 309,617	\$ 101,723	\$ 2,259,857

	December 31, 2018			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration Salaries - Manager	\$ 179,815	\$ 67,787	\$ 26,892	\$ 274,494
Office Supplies	109,388	14,886	2,290	126,564
Outside Services	93,539	12,936	-	106,475
Insurance	156,579	17,793	3,559	177,931
Employee Pension and Benefits	627,438	65,598	25,910	718,946
Employee School Expense	26,119	5,725	1,327	33,171
Employer Contribution - Deferred Compensation and Severance	53,959	6,274	2,510	62,743
Regulatory Commission Expense	25,188	9,948	-	35,136
Miscellaneous	54,014	4,324	31	58,369
Water Conservation Expense	-	1,594	-	1,594
Maintenance of General Plant	255,339	34,941	19,971	310,251
Health Insurance Deductible	220	26	16	262
Total Administration and General Expense	\$ 1,581,598	\$ 241,832	\$ 82,506	\$ 1,905,936

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Other Nonoperating Revenues
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Electric Utility		
Merchandising, jobbing and contract work	\$ 51,262	\$ 24,976
Miscellaneous nonoperating income	<u>44,167</u>	<u>28,528</u>
Total Electric Utility	<u>95,429</u>	<u>53,504</u>
Water Utility		
Miscellaneous service revenue	<u>21,687</u>	<u>-</u>
Fiber Utility		
Merchandising, jobbing and contract work	<u>11,725</u>	<u>3,544</u>
Total Nonoperating Revenues	<u><u>\$ 128,841</u></u>	<u><u>\$ 57,048</u></u>

OTHER REQUIRED REPORTS

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

FOR THE YEAR ENDED
DECEMBER 31, 2019



INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the Board of Public Works DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the year ended December 31, 2019, and the notes to the financial statements, and have issued our report thereon dated March 30, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Board of Public Works DBA ALP Utilities failed to comply with the provisions of the contracting and bidding, deposits and investments, 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, 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 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, EICK & MEYERS, LLP
Mankato, Minnesota
March 30, 2020

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 Board of Public Works
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 Board of Public Works DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 30, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

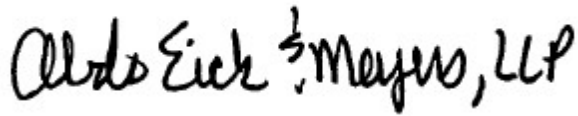
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or 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 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.

A handwritten signature in black ink that reads "Abdo Eick & Meyers, LLP". The signature is written in a cursive, flowing style.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
March 30, 2020