



# Annual Financial Report

City of Alexandria Board of Public Utilities  
DBA ALP Utilities, a Component Unit of the City

Alexandria, Minnesota

For the year ended December 31, 2021



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City of Alexandria, Minnesota  
Board of Public Utilities  
DBA ALP Utilities  
Annual Financial Report  
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For the Years Ended December 31, 2021 and 2020

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

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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City of Alexandria, Minnesota  
Board of Public Utilities  
DBA ALP Utilities  
Elected and Appointed Officials  
For the Year Ended December 31, 2021

**Appointed**

Name	Title
Richard Rentz	Board President
Bobbie Osterberg	Member
Sara Carlson	Member
Jason Bachman	Member
Bill Finley	Member

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FINANCIAL SECTION

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

FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the Board of Public Utilities DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

### **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 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



### **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 May 5, 2022, 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.



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Mankato, Minnesota  
May 5, 2022



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FUND FINANCIAL STATEMENTS -  
PROPRIETARY FUNDS

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

FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Statements of Net Position  
Proprietary Funds  
December 31, 2021 and 2020

	Enterprise Funds			
	Electric Utility		Water Utility	
	2021	2020	2021	2020
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 13,225,401	\$ 12,195,361	\$ 6,122,408	\$ 5,751,643
Interest receivable	4,959	14,770	3,981	3,915
Customer accounts receivable, net of allowance for doubtful accounts of \$62,650 and \$83,904, respectively	855,113	917,540	61,303	44,841
Due from the City of Alexandria	13,761	25,462	-	-
Special assessments receivable	-	-	3,684	228
Inventories	1,439,515	1,403,504	115,876	109,878
Prepaid items	38,751	32,201	1,900	428,173
Restricted debt service reserve deposits	865,523	865,132	-	-
<b>Total Current Assets</b>	<b>16,443,023</b>	<b>15,453,970</b>	<b>6,309,152</b>	<b>6,338,678</b>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Land and land rights	64,669	64,669	66,807	66,807
Service territory acquired	255,813	255,813	-	-
Buildings and structures	2,475,273	2,464,374	384,375	384,375
Transmission plant	2,763,581	2,763,581	-	-
Distribution plant	54,733,504	51,607,615	44,987,870	44,237,869
General equipment	4,184,709	4,120,613	1,858,944	1,793,870
Construction in progress	1,790,749	1,858,393	26,620	156,291
Less accumulated depreciation	(32,614,215)	(31,051,385)	(16,761,017)	(15,715,858)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>33,654,083</b>	<b>32,083,673</b>	<b>30,563,599</b>	<b>30,923,354</b>
<b>Total Assets</b>	<b>50,097,106</b>	<b>47,537,643</b>	<b>36,872,751</b>	<b>37,262,032</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	1,042,946	209,628	183,404	24,375
Deferred other postemployment benefit resources	2,887	3,573	336	416
<b>Total Deferred Outflows of Resources</b>	<b>1,045,833</b>	<b>213,201</b>	<b>183,740</b>	<b>24,791</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	1,577,814	1,491,440	55,133	39,813
Due to other governments	74,972	75,875	2,689	2,653
Due to the City of Alexandria	192,198	159,280	3,715	537,872
Due to Alexandria Lakes Area Sanitary District (ALASD)	632,858	569,922	-	-
Accrued interest payable	18,682	24,253	15,496	17,978
Accrued wages payable	94,045	106,276	21,000	17,523
Compensated absences payable	239,386	210,750	51,552	46,458
Customer meter deposits payable	387,620	355,799	-	-
Bonds and notes payable - current portion	565,000	545,000	261,000	254,000
<b>Total Current Liabilities</b>	<b>3,782,575</b>	<b>3,538,595</b>	<b>410,585</b>	<b>916,297</b>
<b>Noncurrent Liabilities</b>				
Other postemployment benefits payable	33,722	57,753	3,921	6,716
Compensated absences payable	435,961	571,639	70,182	89,492
Net pension liability	1,491,365	2,191,344	262,259	254,804
Bonds and notes payable - net of current maturities	6,627,034	7,219,867	1,466,000	1,727,000
<b>Total Noncurrent Liabilities</b>	<b>8,588,082</b>	<b>10,040,603</b>	<b>1,802,362</b>	<b>2,078,012</b>
<b>Total Liabilities</b>	<b>12,370,657</b>	<b>13,579,198</b>	<b>2,212,947</b>	<b>2,994,309</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	1,371,025	101,185	241,097	11,766
Deferred other postemployment benefit resources	47,384	25,121	5,510	2,921
<b>Total Deferred Inflows of Resources</b>	<b>1,418,409</b>	<b>126,306</b>	<b>246,607</b>	<b>14,687</b>
<b>Net Position</b>				
Net investment in capital assets	26,462,049	24,318,806	28,836,599	28,942,354
Restricted for debt service	865,523	865,132	-	-
Unrestricted	10,026,301	8,861,402	5,760,338	5,335,473
<b>Total Net Position</b>	<b>\$ 37,353,873</b>	<b>\$ 34,045,340</b>	<b>\$ 34,596,937</b>	<b>\$ 34,277,827</b>

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



Enterprise Funds			
Fiber Utility		Totals	
2021	2020	2021	2020
\$ 1,775,782	\$ 1,729,590	\$ 21,123,591	\$ 19,676,594
1,429	147	10,369	18,832
4,665	15,540	921,081	977,921
-	-	13,761	25,462
-	-	3,684	228
20,748	21,446	1,576,139	1,534,828
6,960	11,006	47,611	471,380
-	-	865,523	865,132
<u>1,809,584</u>	<u>1,777,729</u>	<u>24,561,759</u>	<u>23,570,377</u>
-	-	131,476	131,476
-	-	255,813	255,813
-	-	2,859,648	2,848,749
-	-	2,763,581	2,763,581
-	-	99,721,374	95,845,484
2,268,963	2,163,843	8,312,616	8,078,326
26,616	44,505	1,843,985	2,059,189
<u>(1,534,217)</u>	<u>(1,465,093)</u>	<u>(50,909,449)</u>	<u>(48,232,336)</u>
<u>761,362</u>	<u>743,255</u>	<u>64,979,044</u>	<u>63,750,282</u>
<u>2,570,946</u>	<u>2,520,984</u>	<u>89,540,803</u>	<u>87,320,659</u>
39,894	9,750	1,266,244	243,753
134	166	3,357	4,155
<u>40,028</u>	<u>9,916</u>	<u>1,269,601</u>	<u>247,908</u>
15	6,456	1,632,962	1,537,709
-	-	77,661	78,528
743	-	196,656	697,152
-	-	632,858	569,922
-	-	34,178	42,231
4,275	3,636	119,320	127,435
7,402	6,129	298,340	263,337
-	-	387,620	355,799
-	-	826,000	799,000
<u>12,435</u>	<u>16,221</u>	<u>4,205,595</u>	<u>4,471,113</u>
1,568	2,685	39,211	67,154
27,821	31,824	533,964	692,955
57,046	101,921	1,810,670	2,548,069
-	-	8,093,034	8,946,867
<u>86,435</u>	<u>136,430</u>	<u>10,476,879</u>	<u>12,255,045</u>
<u>98,870</u>	<u>152,651</u>	<u>14,682,474</u>	<u>16,726,158</u>
52,443	4,706	1,664,565	117,657
2,203	1,168	55,097	29,210
<u>54,646</u>	<u>5,874</u>	<u>1,719,662</u>	<u>146,867</u>
761,362	743,255	56,060,010	54,004,415
-	-	865,523	865,132
<u>1,696,096</u>	<u>1,629,120</u>	<u>17,482,735</u>	<u>15,825,995</u>
<u>\$ 2,457,458</u>	<u>\$ 2,372,375</u>	<u>\$ 74,408,268</u>	<u>\$ 70,695,542</u>

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

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Statements of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Years Ended December 31, 2021 and 2020

	Enterprise Funds			
	Electric Utility		Water Utility	
	2021	2020	2021	2020
Operating Revenues				
Sales	\$ 25,962,301	\$ 24,853,099	\$ 2,832,436	\$ 2,412,077
Other operating revenue	1,076,935	1,837,378	60,223	41,760
Total Operating Revenues	<u>27,039,236</u>	<u>26,690,477</u>	<u>2,892,659</u>	<u>2,453,837</u>
Operating Expenses				
Personal services	7,873	631,479	179,038	126,906
Production plant and purchased power	17,505,780	16,273,040	-	-
Transmission system - maintenance	202,315	93,462	-	-
Distribution system - operations	761,726	755,996	159,973	116,742
Distribution system - maintenance	619,819	673,759	561,509	473,634
Other operating	-	-	305,633	276,914
Customer accounts	939,192	884,104	76,328	86,912
Administration and general	947,304	838,461	176,297	107,954
Depreciation	1,640,570	1,553,084	1,062,864	1,048,899
Total Operating Expenses	<u>22,624,579</u>	<u>21,703,385</u>	<u>2,521,642</u>	<u>2,237,961</u>
Operating Income	<u>4,414,657</u>	<u>4,987,092</u>	<u>371,017</u>	<u>215,876</u>
Nonoperating Income (Expenses)				
Investment income	25,529	139,259	(24,420)	50,476
Other revenue	82,041	72,996	15,452	401
Special assessments	-	-	3,684	228
Gain (loss) on sale of capital assets	-	(11,032)	-	-
Amortization on bond premium	27,833	27,833	-	-
Interest and other	(240,306)	(255,363)	(47,268)	(58,719)
Pension revenue	3,666	5,881	645	684
Total Nonoperating Income (Expenses)	<u>(101,237)</u>	<u>(20,426)</u>	<u>(51,907)</u>	<u>(6,930)</u>
Income (Loss) Before Transfers	4,313,420	4,966,666	319,110	208,946
Transfers to City of Alexandria - Payment in Lieu of Taxes	<u>(1,004,887)</u>	<u>(959,269)</u>	<u>-</u>	<u>-</u>
Change in Net Position	3,308,533	4,007,397	319,110	208,946
Net Position - January 1	<u>34,045,340</u>	<u>30,037,943</u>	<u>34,277,827</u>	<u>34,068,881</u>
Net Position, December 31	<u><u>\$ 37,353,873</u></u>	<u><u>\$ 34,045,340</u></u>	<u><u>\$ 34,596,937</u></u>	<u><u>\$ 34,277,827</u></u>

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

Enterprise Funds

Fiber Utility		Totals	
2021	2020	2021	2020
\$ 461,719	\$ 444,115	\$ 29,256,456	\$ 27,709,291
603	-	1,137,761	1,879,138
<u>462,322</u>	<u>444,115</u>	<u>30,394,217</u>	<u>29,588,429</u>
18,825	57,225	205,736	815,610
-	-	17,505,780	16,273,040
-	-	202,315	93,462
149,545	136,803	1,071,244	1,009,541
-	-	1,181,328	1,147,393
-	-	305,633	276,914
31,745	24,844	1,047,265	995,860
99,974	41,091	1,223,575	987,506
69,124	85,525	2,772,558	2,687,508
<u>369,213</u>	<u>345,488</u>	<u>25,515,434</u>	<u>24,286,834</u>
<u>93,109</u>	<u>98,627</u>	<u>4,878,783</u>	<u>5,301,595</u>
(12,151)	10,305	(11,042)	200,040
3,984	3,748	101,477	77,145
-	-	3,684	228
-	-	-	(11,032)
-	-	27,833	27,833
-	-	(287,574)	(314,082)
141	274	4,452	6,839
<u>(8,026)</u>	<u>14,327</u>	<u>(161,170)</u>	<u>(13,029)</u>
85,083	112,954	4,717,613	5,288,566
-	-	(1,004,887)	(959,269)
85,083	112,954	3,712,726	4,329,297
<u>2,372,375</u>	<u>2,259,421</u>	<u>70,695,542</u>	<u>66,366,245</u>
<u>\$ 2,457,458</u>	<u>\$ 2,372,375</u>	<u>\$ 74,408,268</u>	<u>\$ 70,695,542</u>

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

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Statements of Cash Flows  
Proprietary Funds  
For the Years Ended December 31, 2021 and 2020

	Enterprise Funds			
	Electric Utility		Water Utility	
	2021	2020	2021	2020
Cash Flows from Operating Activities				
Receipts from customers	\$ 27,145,185	\$ 26,479,736	\$ 2,876,197	\$ 2,627,838
Payments to suppliers and vendors	(20,834,371)	(19,688,815)	(1,378,266)	(930,363)
Payments to and on behalf of employees	(391,685)	(647,542)	(112,146)	(189,768)
Other receipts	85,707	78,877	16,325	3,710
Net Cash Provided by Operating Activities	<u>6,004,836</u>	<u>6,222,256</u>	<u>1,402,110</u>	<u>1,511,417</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to City - payment in lieu of taxes	(1,004,887)	(959,269)	-	-
Cash Flows from Capital and Related Financing Activities				
Capital asset acquisitions	(3,213,981)	(2,838,004)	(703,109)	(523,747)
Principal paid on bonds and notes	(545,000)	(535,000)	(254,000)	(248,000)
Interest paid on long-term debt	(245,877)	(260,216)	(49,750)	(61,137)
Net Cash Used by Capital and Related Financing Activities	<u>(4,004,858)</u>	<u>(3,633,220)</u>	<u>(1,006,859)</u>	<u>(832,884)</u>
Cash Flows from Investing Activities				
Interest received on investments	35,340	140,489	(24,486)	58,094
Net Increase (Decrease) in Cash and Cash Equivalents	1,030,431	1,770,256	370,765	736,627
Cash and Cash Equivalents, January 1	13,060,493	11,290,237	5,751,643	5,015,016
Cash and Cash Equivalents, December 31	<u>\$ 14,090,924</u>	<u>\$ 13,060,493</u>	<u>\$ 6,122,408</u>	<u>\$ 5,751,643</u>
Reconciliation of Cash and Cash Equivalents				
Unrestricted	\$ 13,225,401	\$ 12,195,361	\$ 6,122,408	\$ 5,751,643
Restricted	865,523	865,132	-	-
Total Cash and Cash Equivalents	<u>\$ 14,090,924</u>	<u>\$ 13,060,493</u>	<u>\$ 6,122,408</u>	<u>\$ 5,751,643</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 4,414,657	\$ 4,987,092	\$ 371,017	\$ 215,876
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,640,570	1,553,084	1,062,864	1,048,899
Other income related to operations	85,707	78,877	19,781	1,313
(Increase) decrease in assets				
Customer accounts receivable	62,427	(257,342)	(16,462)	174,001
Due from the City of Alexandria	11,701	(7,936)	-	-
Due from other governments	-	64,040	-	-
Special assessments	-	-	(3,456)	2,397
Inventories	(36,011)	(239,852)	(5,998)	(12,590)
Prepaid items	(6,550)	111,130	426,273	(417,225)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(833,318)	(46,219)	(159,029)	(5,374)
Deferred other postemployment benefit resources	686	(2,333)	80	(272)
Increase (decrease) in liabilities				
Accounts payable	89,375	(121,289)	15,320	23,788
Due to other governments	(903)	(315)	36	(52)
Due to the City of Alexandria	32,918	1,690	(534,157)	537,872
Due to Alexandria Lakes Area Sanitary District (ALASD)	62,936	78,643	-	-
Accrued wages payable	(12,231)	39,898	3,477	1,555
Compensated absences payable	(107,042)	51,918	(14,216)	(51,867)
Net pension liability	(699,979)	227,628	7,455	26,463
Other postemployment benefits payable	(24,031)	9,740	(2,795)	1,133
Customer meter deposits payable	31,821	(9,503)	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	1,269,840	(291,672)	229,331	(33,916)
Deferred other postemployment benefit resources	22,263	(5,023)	2,589	(584)
Net Cash Provided by Operating Activities	<u>\$ 6,004,836</u>	<u>\$ 6,222,256</u>	<u>\$ 1,402,110</u>	<u>\$ 1,511,417</u>
Noncash Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ -	\$ 11,032	\$ -	\$ -
Capital assets acquired on account	<u>\$ 57,710</u>	<u>\$ 60,711</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of bond (premium) discount	<u>\$ (27,833)</u>	<u>\$ (27,833)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds			
Fiber Utility		Totals	
2021	2020	2021	2020
\$ 473,197	\$ 437,548	\$ 30,494,579	\$ 29,545,122
(278,234)	(197,104)	(22,490,871)	(20,816,282)
(48,248)	(74,993)	(552,079)	(912,303)
141	274	102,173	82,861
<u>146,856</u>	<u>165,725</u>	<u>7,553,802</u>	<u>7,899,398</u>
-	-	(1,004,887)	(959,269)
(87,231)	(60,455)	(4,004,321)	(3,422,206)
-	-	(799,000)	(783,000)
-	-	<u>(295,627)</u>	<u>(321,353)</u>
<u>(87,231)</u>	<u>(60,455)</u>	<u>(5,098,948)</u>	<u>(4,526,559)</u>
<u>(13,433)</u>	<u>13,511</u>	<u>(2,579)</u>	<u>212,094</u>
46,192	118,781	1,447,388	2,625,664
<u>1,729,590</u>	<u>1,610,809</u>	<u>20,541,726</u>	<u>17,916,062</u>
<u>\$ 1,775,782</u>	<u>\$ 1,729,590</u>	<u>\$ 21,989,114</u>	<u>\$ 20,541,726</u>
\$ 1,775,782	\$ 1,729,590	\$ 21,123,591	\$ 19,676,594
-	-	865,523	865,132
<u>\$ 1,775,782</u>	<u>\$ 1,729,590</u>	<u>\$ 21,989,114</u>	<u>\$ 20,541,726</u>
\$ 93,109	\$ 98,627	\$ 4,878,783	\$ 5,301,595
69,124	85,525	2,772,558	2,687,508
4,125	4,022	109,613	84,212
10,875	(6,567)	56,840	(89,908)
-	-	11,701	(7,936)
-	-	-	64,040
-	-	(3,456)	2,397
698	117	(41,311)	(252,325)
4,046	(3,953)	423,769	(310,048)
(30,144)	(2,150)	(1,022,491)	(53,743)
32	(108)	798	(2,713)
(6,441)	5,722	98,254	(91,779)
-	-	(867)	(367)
743	-	(500,496)	539,562
-	-	62,936	78,643
639	1,920	(8,115)	43,373
(2,730)	(14,677)	(123,988)	(14,626)
(44,875)	10,594	(737,399)	264,685
(1,117)	452	(27,943)	11,325
-	-	31,821	(9,503)
47,737	(13,565)	1,546,908	(339,153)
1,035	(234)	25,887	(5,841)
<u>\$ 146,856</u>	<u>\$ 165,725</u>	<u>\$ 7,553,802</u>	<u>\$ 7,899,398</u>
\$ -	\$ -	\$ -	\$ 11,032
\$ -	\$ -	\$ 57,710	\$ 60,711
\$ -	\$ -	<u>\$ (27,833)</u>	<u>\$ (27,833)</u>

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

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City of Alexandria, Minnesota  
Board of Public Utilities  
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Notes to the Financial Statements  
December 31, 2021 and 2020

## **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 Utilities DBA ALP Utilities, a five member board, all of whom are appointed by the City Council.

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

The Board considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Board has no component units that meet the GASB criteria.

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

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

The accounting and financial reporting treatment applied to the Board is determined by its measurement focus. The transactions of the Board are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheets. Net position (i.e., total assets 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.

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**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.



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**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, 2021:

- Government agency securities of \$8,419,319 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$738,783 are valued using a matrix pricing model (Level 2 inputs)

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

The Board had the following recurring fair value measurements as of December 31, 2020:

- Government agency securities of \$3,737,274 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$3,202,398 are values using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

***Accounts Receivable***

Accounts receivable of \$921,081 and \$977,921 are recorded net of the allowance for doubtful accounts of \$62,650 and \$83,904 as of December 31, 2021 and 2020, 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.

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

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

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.

***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 Utilities' employees accumulate vacation hours for subsequent use or for payment upon termination or retirement.

Sick leave is accounted for in the following manner:

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

All employees will be paid for unused sick leave based on the lesser of a percentage of the unused balance determined by their years of service or 120 days of accumulated sick leave in the event of retirement, termination or death.

***Postemployment Benefits Other Than Pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2021.

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

***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.

The total pension expense for the GERP for the years ended December 31, 2021 and 2020 was \$15,694 and \$106,428 respectively.

***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.

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

***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.

**Note 2: Detailed Notes on all Funds**

**A. Deposits and Investments**

***Deposits***

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

Minnesota statutes require that all Board deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

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, 2021 the Board's carrying amount of deposits was \$12,495,329 and the bank balance was \$12,580,490. Of the bank balance \$1,240,220 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, 2020, the Board's carrying amount of deposits was \$10,944,935 and the bank balance was \$11,040,625. Of the bank balance \$1,248,178 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.

**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, 2021 and 2020, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the Board's investment.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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

As of December 31, 2021, 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	335,428		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 to 5 years	7,652,319	\$ 7,652,319	\$ -
Government Agency Securities	AA2	1 to 5 years	221,345	221,345	-
Government Agency Securities	AA+	1 to 5 years	545,655	545,655	-
Negotiable certificates of deposit	N/A	1 to 5 years	738,783	-	738,783
Total Investments			<u>\$ 9,493,535</u>	<u>\$ 8,419,319</u>	<u>\$ 738,783</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  
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**Note 2: Detailed Notes on all Funds (Continued)**

As of December 31, 2020, 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	2,656,864		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	1 to 5 years	1,799,656	\$ 1,799,656	\$ -
Government Agency Securities	AAA	1 to 5 years	1,612,420	1,612,420	-
Government Agency Securities	AAA	5 to 10 years	325,198	325,198	-
Negotiable certificates of deposit	N/A	1 to 5 years	3,202,398	-	3,202,398
Total Investments			<u>\$ 9,596,541</u>	<u>\$ 3,737,274</u>	<u>\$ 3,202,398</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, 2021 and 2020.

**Cash and Investments Summary**

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

	2021	2020
Carrying Amount of Deposits	\$ 12,495,329	\$ 10,944,935
Investments	9,493,535	9,596,541
Cash on Hand	<u>250</u>	<u>250</u>
Total Cash and Temporary Investments	<u>\$ 21,989,114</u>	<u>\$ 20,541,726</u>
Cash and Cash Equivalents	\$ 21,123,591	\$ 19,676,594
Restricted Debt Service Reserve Deposits	<u>865,523</u>	<u>865,132</u>
Total	<u>\$ 21,989,114</u>	<u>\$ 20,541,726</u>



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

**B. Capital Assets**

Capital asset activity for the Board for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land and land rights	\$ 131,476	\$ -	\$ -	\$ 131,476
Srvice territory acquired	255,813	-	-	255,813
Construction in progress	2,059,189	3,658,162	(3,873,366)	1,843,985
Total Capital Assets not Being Depreciated	<u>2,446,478</u>	<u>3,658,162</u>	<u>(3,873,366)</u>	<u>2,231,274</u>
Capital Assets Being Depreciated				
Buildings and structures	2,848,749	10,899	-	2,859,648
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	95,845,484	3,875,890	-	99,721,374
General equipment	8,078,326	329,735	(95,445)	8,312,616
Total Capital Assets Being Depreciated	<u>109,536,140</u>	<u>4,216,524</u>	<u>(95,445)</u>	<u>113,657,219</u>
Less Accumulated Depreciation for				
Buildings and structures	(2,199,787)	(57,193)	-	(2,256,980)
Transmission plant	(1,376,282)	(83,515)	-	(1,459,797)
Distribution plant	(39,247,480)	(2,245,689)	-	(41,493,169)
General equipment	(5,408,787)	(386,161)	95,445	(5,699,503)
Total Accumulated Depreciation	<u>(48,232,336)</u>	<u>(2,772,558)</u>	<u>95,445</u>	<u>(50,909,449)</u>
Total Capital Assets Being Depreciated, Net	<u>61,303,804</u>	<u>1,443,966</u>	<u>-</u>	<u>62,747,770</u>
Business-type Activities Capital Assets, Net	<u>\$ 63,750,282</u>	<u>\$ 5,102,128</u>	<u>\$ (3,873,366)</u>	<u>\$ 64,979,044</u>

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

Capital asset activity for the Board for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land and land rights	\$ 131,476	\$ -	\$ -	\$ 131,476
Srvice territory acquired	255,813	-	-	255,813
Construction in progress	1,865,687	3,058,080	(2,864,578)	2,059,189
Total Capital Assets not Being Depreciated	<u>2,252,976</u>	<u>3,058,080</u>	<u>(2,864,578)</u>	<u>2,446,478</u>
Capital Assets Being Depreciated				
Buildings and structures	2,831,035	17,714	-	2,848,749
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	93,132,505	2,712,979	-	95,845,484
General equipment	7,596,329	527,646	(45,649)	8,078,326
Total Capital Assets Being Depreciated	<u>106,323,450</u>	<u>3,258,339</u>	<u>(45,649)</u>	<u>109,536,140</u>
Less Accumulated Depreciation for				
Buildings and structures	(2,142,838)	(56,949)	-	(2,199,787)
Transmission plant	(1,292,751)	(83,531)	-	(1,376,282)
Distribution plant	(37,084,532)	(2,162,948)	-	(39,247,480)
General equipment	(5,059,324)	(384,080)	34,617	(5,408,787)
Total Accumulated Depreciation	<u>(45,579,445)</u>	<u>(2,687,508)</u>	<u>34,617</u>	<u>(48,232,336)</u>
Total Capital Assets Being Depreciated, Net	<u>60,744,005</u>	<u>570,831</u>	<u>(11,032)</u>	<u>61,303,804</u>
Business-type Activities Capital Assets, Net	<u>\$ 62,996,981</u>	<u>\$ 3,628,911</u>	<u>\$ (2,875,610)</u>	<u>\$ 63,750,282</u>

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

	2021	2020
<b>Business-type Activities</b>		
Electric	\$ 1,640,570	\$ 1,553,084
Water	1,062,864	1,048,899
Fiber	69,124	85,525
Total Depreciation Expense - Business-type Activities	<u>\$ 2,772,558</u>	<u>\$ 2,687,508</u>

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

**Construction Commitments**

The PUC has active construction projects as of December 31, 2021. At year end the PUC's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Electric Distribution Improvements 2021	\$ 578,107	\$ 233,078

**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 2021 and 2020 totaled \$1,004,887 and \$959,269, 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	
					2021	2020
Electric Utility Revenue Bonds of 2015A	\$ 5,395,000	2.00 - 3.25 %	12/30/15	12/01/35	\$ 4,040,000	\$ 4,270,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	585,000	765,000
Electric Utility Revenue Bonds of 2019A	2,680,000	4.00 - 5.00	06/19/19	12/01/33	2,230,000	2,365,000
Total Revenue Bonds					<u>\$ 6,855,000</u>	<u>\$ 7,400,000</u>

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

Annual requirements to maturity for Revenue Bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2022	\$ 565,000	\$ 225,525	\$ 790,525
2023	590,000	209,645	799,645
2024	605,000	192,955	797,955
2025	420,000	175,555	595,555
2026	435,000	161,568	596,568
2027 - 2031	2,435,000	565,307	3,000,307
2032 - 2035	1,805,000	137,480	1,942,480
Total	<u>\$ 6,855,000</u>	<u>\$ 1,668,035</u>	<u>\$ 8,523,035</u>

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	
					2021	2020
G.O. Water Revenue Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 71,000	\$ 140,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	1,656,000	1,841,000
Total G.O. Revenue Notes					<u>\$ 1,727,000</u>	<u>\$ 1,981,000</u>

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

Year Ending December 31,	G.O. Revenue Notes		
	Principal	Interest	Total
2022	\$ 261,000	\$ 42,889	\$ 303,889
2023	195,000	35,844	230,844
2024	199,000	31,076	230,076
2025	204,000	26,210	230,210
2026	209,000	21,223	230,223
2027 - 2029	659,000	32,494	691,494
Total	<u>\$ 1,727,000</u>	<u>\$ 189,736</u>	<u>\$ 1,916,736</u>

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

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

	2021		2020	
	Electric Utility	Water Utility	Electric Utility	Water Utility
Revenues	\$ 27,039,236	\$ 2,892,659	\$ 26,690,477	\$ 2,453,837
Principal and Interest	790,877	303,750	795,216	309,137
Percentage of Revenues	2.9%	10.5%	3.0%	12.6%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds Payable					
Revenue bonds	\$ 7,400,000	\$ -	\$ (545,000)	\$ 6,855,000	\$ 565,000
G.O. revenue notes	1,981,000	-	(254,000)	1,727,000	261,000
Bond premium	364,867	-	(27,833)	337,034	-
Total Bonds Payable	9,745,867	-	(826,833)	8,919,034	826,000
Compensated Absences Payable	956,292	333,880	(457,868)	832,304	298,340
Business-type Activity Long-term Liabilities	<u>\$ 10,702,159</u>	<u>\$ 333,880</u>	<u>\$ (1,284,701)</u>	<u>\$ 9,751,338</u>	<u>\$ 1,124,340</u>

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance as Restated	Due Within One Year
<b>Business-type activities</b>					
Bonds Payable					
Revenue bonds	\$ 7,935,000	\$ -	\$ (535,000)	\$ 7,400,000	\$ 545,000
G.O. revenue notes	2,229,000	-	(248,000)	1,981,000	254,000
Bond premium	392,700	-	(27,833)	364,867	-
Total Bonds Payable	10,556,700	-	(810,833)	9,745,867	799,000
Compensated Absences Payable	970,918	333,880	(348,506)	956,292	263,337
Business-type Activity Long-term Liabilities	<u>\$ 11,527,618</u>	<u>\$ 333,880</u>	<u>\$ (1,159,339)</u>	<u>\$ 10,702,159</u>	<u>\$ 1,062,337</u>

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

**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, 2021 and 2020 totaled \$632,858 and \$569,922, respectively.

**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

All full-time and certain part-time employees of the Board are covered by the General Employees Plan. General Employees Plan 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.

General Employee Plan Benefits

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

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

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

**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 2021 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, 2021, 2020 and 2019 were \$224,225, \$227,803 and \$227,298, respectively. The Board's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2021, the Board reported a liability of \$1,810,670 for its proportionate share of the General Employees Fund's net pension liability. The Board's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Board totaled \$55,174. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The Board's proportion was 0.0424 percent which was a 0.0001 percent decrease from its proportion measured as of June 30, 2020.

Board's Proportionate Share of the Net Pension Liability	\$ 1,810,670
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Board	<u>55,174</u>
Total	<u><u>\$ 1,865,844</u></u>

For the year ended December 31, 2021, the Board recognized pension expense of \$11,242 for its proportionate share of the General Employees Plan's pension expense. In addition, the Board recognized \$4,452 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.

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

At December 31, 2021, the Board reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,836	\$ 55,427
Changes in Actuarial Assumptions	1,105,558	39,787
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,566,352
Changes in Proportion	38,780	2,999
Contributions Paid to PERA Subsequent to the Measurement Date	111,070	-
	<u>111,070</u>	<u>-</u>
Total	<u>\$ 1,266,244</u>	<u>\$ 1,664,565</u>

The \$111,070 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (57,654)
2023	(10,071)
2024	(13,959)
2025	(427,707)

At December 31, 2020, 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	\$ 22,623	\$ 10,066
Changes in Actuarial Assumptions	177	93,101
Net Difference Between Projected and Actual Earnings on Plan Investments	46,459	-
Changes in Proportion	58,948	14,490
Contributions Paid to PERA Subsequent to the Measurement Date	115,546	-
	<u>115,546</u>	<u>-</u>
Total	<u>\$ 243,753</u>	<u>\$ 117,657</u>



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

The \$115,546 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (137,330)
2022	19,367
2023	66,950
2024	61,563

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

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

Actuarial assumptions used in the June 30, 2021 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 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Stocks	16.5	5.30
Total	<u>100.0 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.50 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 for 2021, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Board's Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 3,692,842	\$ 1,810,670	\$ 266,233

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

The following presents the Board's proportionate share of the net pension liability for all plans it participates in for 2020, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Board's Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 4,083,671	\$ 2,548,069	\$ 1,281,321

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

**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, 2021. 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 \$39,211 was measured as of December 31, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2021.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.00%
20-Year Municipal Bond Yield	2.00%
Inflation Rate	2.25%
Medical Trend Rate	6.20% in 2021 grading to 3.70% in 2074

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

The discount rate used to measure the total OPEB liability was 2.00 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, 2021 PERA of Minnesota General Employees Retirement Plan actuarial valuation. Mortality rates were based on the RP-2010 mortality tables with projected mortality improvements based on scale MP-2020, 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**

	2021 Total OPEB Liability (a)	2020 Total OPEB Liability (a)
Beginning Balances at December 31	\$ 67,154	\$ 55,829
Changes for the Year:		
Service cost	6,594	5,537
Interest	2,028	2,277
Differences between expected and actual experience	(26,987)	-
Changes in assumptions or other inputs	(9,578)	3,511
Net Changes	(27,943)	11,325
Ending Balances at December 31	<u>\$ 39,211</u>	<u>\$ 67,154</u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims were updated to reflect recent experience including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan valuation to the rates used in the 7/1/2021 valuation.
- The percent of future retirees assumed to elect coverage at retirement changed from 40% to 30% to reflect plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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

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

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

The following presents the total OPEB liability of the Board in 2021, 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 (1.00 percent) or 1-percentage-point higher (3.00 percent) than the current discount rate:

<u>1 Percent Decrease (1.00%)</u>	<u>Current (2.00%)</u>	<u>1 Percent Increase (3.00%)</u>
\$ 41,823	\$ 39,211	\$ 36,602

The following presents the total OPEB liability of the Board in 2020, 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

<u>1 Percent Decrease (1.75%)</u>	<u>Current (2.75%)</u>	<u>1 Percent Increase (3.75%)</u>
\$ 71,186	\$ 67,154	\$ 63,214

The following presents the total OPEB liability of the Board in 2021, 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 (6.20 percent decreasing to 2.70 percent) or 1-percentage-point higher (7.20 percent decreasing to 4.70 percent) than the current discount rate:

<u>1 Percent Decrease (5.20% Decreasing to 2.70%)</u>	<u>Healthcare Cost Trend Rates (6.20% Decreasing to 3.70%)</u>	<u>1 Percent Increase (7.20% Decreasing to 4.70%)</u>
\$ 34,310	\$ 39,211	\$ 45,064

The following presents the total OPEB liability of the Board in 2020, 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>Trend Rates (6.40% Decreasing to 4.00%)</u>	<u>1 Percent Increase (7.40% Decreasing to 5.00%)</u>
\$ 59,701	\$ 67,154	\$ 76,040

City of Alexandria, Minnesota  
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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, 2021, the Board recognized OPEB expense of \$1,258. At December 31, 2021, 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	\$ -	\$ 33,675
Changes in Actuarial Assumptions	3,357	21,422
Total	<u>\$ 3,357</u>	<u>\$ 55,097</u>

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

Year Ended December 31	
2022	\$ (9,880)
2023	(9,880)
2024	(9,918)
2025	(10,181)
2026	(4,338)
Thereafter	(7,543)

For the year ended December 31, 2020, the Board recognized OPEB expense of \$2,771. At December 31, 2020, 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	\$ 3,008	\$ -
Changes in Actuarial Assumptions	1,147	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	29,210
Total	<u>\$ 4,155</u>	<u>\$ 29,210</u>

City of Alexandria, Minnesota  
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**Note 4: Postemployment Benefits Other Than Pensions (Continued)**

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

2021	\$ (5,045)
2022	(5,045)
2023	(5,045)
2024	(5,045)
2025	(5,340)
Thereafter	465

**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.

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December 31, 2021 and 2020

**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 \$2,500 per year per employee for union employees and \$2,500 for non-union employees. New employees will be vested at the rate of 20 percent per year for the first 5 years of participation becoming fully vested after the 5th year. The Board contributed \$66,285 and \$70,182 in matching funds to the plan for the years ended December 31, 2021 and 2020, respectively.

**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.



City of Alexandria, Minnesota  
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**Note 7: Other Information (Continued)**

**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 2021 and 2020, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2021	\$ 2,250,579	96,279,000	\$ 12,215,819	200,598,023
2020	2,158,054	96,585,000	11,196,959	185,767,175

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,930,513 and \$2,822,062 in wheeling charges for 2021 and 2020, respectively.

**C. Concentrations**

Approximately 49 percent of the Board's labor force is subject to a collective bargaining agreement, which expires December 2022.

**Note 8: Unrestricted Net Position**

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

Electric Utility

New Office Complex	\$ 5,000,000
New Substation Construction	3,500,000
Underground system	11,000,000
AMI system	2,728,000
Load Control system	750,000
Rate stabilization	750,000
Total Electric Utility	<u>23,728,000</u>

Water Utility

Land and water tower north project	1,500,000
AMI system	1,500,000
Water System Distribution Improvements	8,500,000
Total Water Utility	<u>11,500,000</u>
Total Future Projects	<u>\$ 35,228,000</u>

City of Alexandria, Minnesota  
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December 31, 2021 and 2020

**Note 9: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the Board cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the Board's financial condition, liquidity, and future results of its revenue collections is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020

City of Alexandria, Minnesota  
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Required Supplementary Information  
For the Year Ended December 31, 2021

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

Fiscal Year Ending	Board's Proportion of the Net Pension Liability	Board's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Board (b)	Total (a+b)	Board's Covered Payroll (c)	Board's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0424 %	\$ 1,810,670	\$ 55,174	\$ 1,865,844	\$ 3,049,341	59.4 %	87.0 %
06/30/20	0.0425	2,548,069	78,554	2,626,623	3,029,142	84.1	79.0
06/30/19	0.0413	2,283,384	70,997	2,354,381	2,920,727	78.2	80.2
06/30/18	0.0412	2,285,607	74,881	2,360,488	2,767,756	82.6	79.5
06/30/17	0.0421	2,687,636	33,825	2,721,461	2,714,643	99.0	75.9
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	130.8	68.9
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)
12/31/21	\$ 224,225	\$ 224,225	\$ -	\$ 2,989,663	7.5 %
12/31/20	227,803	227,803	-	3,037,375	7.5
12/31/19	227,298	227,298	-	3,030,635	7.5
12/31/18	209,286	209,286	-	2,790,474	7.5
12/31/17	207,978	207,978	-	2,773,043	7.5
12/31/16	200,269	200,269	-	2,670,258	7.5
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 Utilities  
DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2021

**Notes to the Required Supplementary Information - General Employee Fund**

Changes in Actuarial Assumptions

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

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

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

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

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

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

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.

City of Alexandria, Minnesota  
Board of Public Utilities  
DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2021

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 6,594	\$ 5,537	\$ 6,842	\$ 6,212
Interest	2,028	2,277	3,099	3,110
Differences between expected and actual experience	(26,987)	-	(17,950)	-
Changes in assumptions	(9,578)	3,511	(22,942)	2,034
Net Change in Total OPEB Liability	(27,943)	11,325	(30,951)	11,356
Total OPEB Liability - Beginning	67,154	55,829	86,780	75,424
Total OPEB Liability - Ending	<u>\$ 39,211</u>	<u>\$ 67,154</u>	<u>\$ 55,829</u>	<u>\$ 86,780</u>
Covered - Employee Payroll	\$ 3,147,961	\$ 3,056,470	\$ 2,934,724	\$ 2,649,274
Board's total OPEB liability as a percentage of covered employee payroll	1.25 %	2.20 %	1.90 %	3.28 %

City of Alexandria, Minnesota  
Board of Public Utilities  
DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2021

**Schedule of Changes in the Board's Total OPEB Liability and Related Ratios (Continued)**

Changes in Benefits

2021 - No changes in benefits

2020 - No changes in benefits

2019 - No changes in benefits

2018 - No changes in benefits

Changes in Assumptions

2021 – The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates

Healthcare trend rates were reset to reflect updated cost increase expectations

Medical per capita claims were updated to reflect recent experience including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.

Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan valuation to the rates used in the 7/1/2021 valuation

The percent of future retirees assumed to elect coverage at retirement changed from 40% to 30% to reflect plan experience

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2020 - The discount rate was changed from 3.75% to 2.75% based on updated 20-year municipal bond rates.

Healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

2019 - The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were updated to reflect the recent experience.

Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2018 - The health care trend rates were changed to better anticipate short term and long term medical increases due to per capita 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%.

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SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedule of Property, Plant and Equipment  
For the Year Ended December 31, 2021

	Cost			Balance December 31, 2021
	Balance January 1, 2021	Increases	Decreases	
<b>Electric Utility</b>				
Steam production plant				
Land and land rights	\$ 16,606	\$ -	\$ -	\$ 16,606
Service territory acquired	255,813	-	-	255,813
Structures and improvements	424,468	-	-	424,468
Turbogenerator units	33,904	-	-	33,904
Miscellaneous power plant equipment	28,108	-	-	28,108
Total Steam Production Plant	<u>758,899</u>	<u>-</u>	<u>-</u>	<u>758,899</u>
Internal combustion plant				
Structures and improvements	816,312	1,754	-	818,066
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	<u>2,331,133</u>	<u>1,754</u>	<u>-</u>	<u>2,332,887</u>
Transmission plant				
Station equipment	2,325,722	-	-	2,325,722
Poles and fixtures	437,859	-	-	437,859
Total Transmission Plant	<u>2,763,581</u>	<u>-</u>	<u>-</u>	<u>2,763,581</u>
Distribution plant				
Land and land rights	17,634	-	-	17,634
Structures and improvements	176,190	3,931	-	180,121
Tools and fixtures	6,332,225	3,001	-	6,335,226
Poles, towers and fixtures	2,974,574	1,697	-	2,976,271
Overhead conductors and devices	3,449,287	-	-	3,449,287
Underground conduit, conductors and devices	23,082,534	2,210,895	-	25,293,429
Line transformers	8,709,851	817,310	-	9,527,161
Services	524,018	-	-	524,018
Meters	1,583,382	34,428	-	1,617,810
Installation customer premises	46,824	-	-	46,824
Street lights and signal system	2,608,064	58,558	-	2,666,622
Load management	646,616	-	-	646,616
Total Distribution Plant	<u>50,151,199</u>	<u>3,129,820</u>	<u>-</u>	<u>53,281,019</u>
General plant				
Land and land rights	30,429	-	-	30,429
Structures and improvements	1,047,404	5,214	-	1,052,618
Office furniture	1,225,476	10,675	(4,489)	1,231,662
Transportation equipment	1,409,493	-	-	1,409,493
Stores equipment	2,252	-	-	2,252
Tools, shop and garage equipment	254,614	16,859	-	271,473
Laboratory equipment	112,150	-	-	112,150
Power operated equipment	750,902	114,302	(73,251)	791,953
Communications equipment	123,615	-	-	123,615
Miscellaneous equipment	169,308	-	-	169,308
Total General Plant	<u>5,125,643</u>	<u>147,050</u>	<u>(77,740)</u>	<u>5,194,953</u>

Accumulated Depreciation				
Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	255,813
(424,468)	-	-	(424,468)	-
(33,904)	-	-	(33,904)	-
(21,351)	(900)	-	(22,251)	5,857
(479,723)	(900)	-	(480,623)	278,276
(797,302)	(7,147)	-	(804,449)	13,617
(29,498)	(1,073)	-	(30,571)	1,606
(1,292,357)	(11,805)	-	(1,304,162)	133,787
(16,423)	(450)	-	(16,873)	5,037
(22,785)	-	-	(22,785)	-
(2,158,365)	(20,475)	-	(2,178,840)	154,047
(1,134,561)	(70,253)	-	(1,204,814)	1,120,908
(241,721)	(13,262)	-	(254,983)	182,876
(1,376,282)	(83,515)	-	(1,459,797)	1,303,784
-	-	-	-	17,634
(103,740)	(6,445)	-	(110,185)	69,936
(4,184,780)	(142,262)	-	(4,327,042)	2,008,184
(2,563,620)	(35,220)	-	(2,598,840)	377,431
(2,511,159)	(78,430)	-	(2,589,589)	859,698
(7,068,154)	(676,559)	-	(7,744,713)	17,548,716
(3,577,758)	(229,312)	-	(3,807,070)	5,720,091
(383,589)	(9,531)	-	(393,120)	130,898
(819,528)	(40,644)	-	(860,172)	757,638
(40,074)	(233)	-	(40,307)	6,517
(1,396,120)	(78,103)	-	(1,474,223)	1,192,399
(602,020)	(9,212)	-	(611,232)	35,384
(23,250,542)	(1,305,951)	-	(24,556,493)	28,724,526
-	-	-	-	30,429
(737,035)	(27,931)	-	(764,966)	287,652
(899,078)	(60,391)	4,489	(954,980)	276,682
(959,980)	(64,587)	-	(1,024,567)	384,926
(2,252)	-	-	(2,252)	-
(210,467)	(12,339)	-	(222,806)	48,667
(104,293)	(2,854)	-	(107,147)	5,003
(451,298)	(58,282)	73,251	(436,329)	355,624
(123,615)	-	-	(123,615)	-
(152,245)	(3,345)	-	(155,590)	13,718
(3,640,263)	(229,729)	77,740	(3,792,252)	1,402,701

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedule of Property, Plant and Equipment (Continued)  
For the Year Ended December 31, 2021

	Cost		
	Balance January 1, 2021	Increases	Decreases
Internet, WAN	\$ 146,210	\$ -	\$ -
Construction work-in-progress Electric	1,858,393	3,417,631	(3,485,275)
Total Electric Utility	63,135,058	6,696,255	(3,563,015)
<b>Water Utility</b>			
Water property			
Land and land rights	66,807	-	-
Structures and improvements	384,375	-	-
Pumping equipment	1,442,972	3,333	-
Treatment facilities	7,740,225	42,537	-
Production plant facilities	69,534	-	-
Distribution mains and hydrants	33,025,838	582,604	-
Water services	235,726	-	-
Water meters	985,133	124,860	-
Water storage reservoirs, towers and standpipes	2,181,413	-	-
Miscellaneous equipment	90,160	-	-
Transportation equipment	153,410	79,446	(17,705)
Power operated equipment	107,328	-	-
Total Water Property	46,482,921	832,780	(17,705)
Construction work-in-progress Water	156,291	151,479	(281,150)
Total Water Utility	46,639,212	984,259	(298,855)
<b>Fiber Utility</b>			
Fiber equipment and cable	2,087,183	105,120	-
BPL equipment	76,660	-	-
Construction work-in-progress Fiber	44,505	89,052	(106,941)
Total Fiber Utility	2,208,348	194,172	(106,941)
<b>Totals</b>	<u>\$ 111,982,618</u>	<u>\$ 7,874,686</u>	<u>\$ (3,968,811)</u>

Accumulated Depreciation				
Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Net Book Value
\$ (146,210)	\$ -	\$ -	\$ (146,210)	\$ -
-	-	-	-	1,790,749
(31,051,385)	(1,640,570)	77,740	(32,614,215)	33,654,083
-	-	-	-	66,807
(137,242)	(15,670)	-	(152,912)	231,463
(822,973)	(74,446)	-	(897,419)	548,886
(3,118,761)	(196,217)	-	(3,314,978)	4,467,784
(42,601)	(10,943)	-	(53,544)	15,990
(9,269,628)	(644,585)	-	(9,914,213)	23,694,229
(116,171)	(4,715)	-	(120,886)	114,840
(463,200)	(37,884)	-	(501,084)	608,909
(1,588,348)	(38,961)	-	(1,627,309)	554,104
(55,911)	(7,423)	-	(63,334)	26,826
(93,868)	(21,287)	17,705	(97,450)	117,701
(7,155)	(10,733)	-	(17,888)	89,440
(15,715,858)	(1,062,864)	17,705	(16,761,017)	30,536,979
-	-	-	-	26,620
(15,715,858)	(1,062,864)	17,705	(16,761,017)	30,563,599
(1,407,188)	(67,777)	-	(1,474,965)	717,338
(57,905)	(1,347)	-	(59,252)	17,408
-	-	-	-	26,616
(1,465,093)	(69,124)	-	(1,534,217)	761,362
\$ (48,232,336)	\$ (2,772,558)	\$ 95,445	\$ (50,909,449)	\$ 64,979,044

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Other Operating Revenues  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Electric Utility</b>		
Penalties and forfeited discounts	\$ 45,139	\$ 26,282
Miscellaneous service revenues	7,800	50
Rental income - capacity purchase agreement	116,480	161,280
Rental income - utility poles	42,587	4,703
Administrative service billed to ALASD	120,874	111,353
Other electric revenue	741,405	1,531,785
NSF fees	2,650	1,925
Total Electric Utility	<u>1,076,935</u>	<u>1,837,378</u>
<b>Water Utility</b>		
Penalties and forfeited discounts	4,555	-
Rent from water property	27,995	22,574
Miscellaneous service revenues	27,673	19,186
Total Water Utility	<u>60,223</u>	<u>41,760</u>
<b>Fiber Utility</b>		
Penalties and forfeited discounts	<u>603</u>	<u>-</u>
<b>Total Other Operating Revenues</b>	<u><u>\$ 1,137,761</u></u>	<u><u>\$ 1,879,138</u></u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Production and Purchased Power Expense - Electric Utility  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Internal Combustion Engine Operation</b>		
Fuel - oil	\$ 6,884	\$ 12,293
Other expenses	3,827	3,025
Total Internal Combustion Engine Operation	<u>10,711</u>	<u>15,318</u>
<b>Power Supply</b>		
Purchased power	17,396,910	16,177,075
System control and load dispatching	1,548	4,316
Total Power Supply	<u>17,398,458</u>	<u>16,181,391</u>
<b>Internal Combustion Engine Maintenance</b>		
Maintenance of structures	1,410	2,455
Maintenance of internal combustion engine, generators and switchgear	95,201	73,876
Total Internal Combustion Engine Maintenance	<u>96,611</u>	<u>76,331</u>
<b>Total Production and Purchased Power Expense</b>	<u><u>\$ 17,505,780</u></u>	<u><u>\$ 16,273,040</u></u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Distribution Expense - Operations For  
the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Electric Utility</b>		
Supervision	\$ -	\$ 525
Station	22,134	21,467
Overhead lines	184,689	186,962
Underground lines	153,210	86,928
Street lighting and signal system	3,126	-
Meter expenses - removing and resetting meters	9,881	14,628
Customer installation expense and service on premises	24,034	29,168
Load management	73,648	67,171
Miscellaneous distribution	104,033	204,752
Rent	7,303	14
Supplies	70,539	70,828
Safety supplies	109,129	73,553
Total Electric Utility	<u>761,726</u>	<u>755,996</u>
<b>Water Utility</b>		
Salary - superintendent	78,176	64,032
Station labor	(106)	(651)
Water locating	74,513	50,873
Well closure	7,390	2,488
Total Water Utility	<u>159,973</u>	<u>116,742</u>
<b>Fiber Utility</b>		
Fiber expense	<u>149,545</u>	<u>136,803</u>
<b>Total Distribution Expense - Operations</b>	<u><u>\$ 1,071,244</u></u>	<u><u>\$ 1,009,541</u></u>



City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Distribution Expense - Maintenance  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Electric Utility</b>		
Supervision	\$ 15,416	\$ 42,417
Maintenance		
Station equipment	92,731	115,527
Overhead lines	163,231	241,974
Underground lines	122,931	89,230
Line transformers	5,736	6,242
Street lighting and signal system	69,060	56,588
Customer electric meters	65,462	94,030
Power operated equipment	84,538	27,345
Fiber	714	406
Total Electric Utility	<u>619,819</u>	<u>673,759</u>
<b>Water Utility</b>		
Maintenance		
Structures	24,080	435
Wells	26,686	16,091
Filter plant equipment	159,531	144,010
Distribution System		
Water mains	109,481	62,274
Water services	94,749	129,212
Customer water meters	49,889	18,361
Water hydrants	82,406	81,293
Storage facilities, tanks, etc.	14,687	21,958
Total Water Utility	<u>561,509</u>	<u>473,634</u>
<b>Total Distribution Expense - Maintenance</b>	<u><u>\$ 1,181,328</u></u>	<u><u>\$ 1,147,393</u></u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Customer Accounts Expense  
For the Years Ended December 31, 2021 and 2020

December 31, 2021				
	Electric Utility	Water Utility	Fiber Utility	Total
Meter Reading	\$ 193,173	\$ 672	\$ -	\$ 193,845
Collection Expense	121,453	5,276	1,077	127,806
Billing and Accounting Salaries	397,336	70,444	23,426	491,206
Uncollectible Accounts	(4,148)	(823)	276	(4,695)
Customer Conservation Consultant	85,411	-	-	85,411
Informational Advertising	126,438	759	6,966	134,163
Customer Assistance	19,529	-	-	19,529
<b>Total Customer Accounts Expense</b>	<b>\$ 939,192</b>	<b>\$ 76,328</b>	<b>\$ 31,745</b>	<b>\$ 1,047,265</b>
December 31, 2020				
	Electric Utility	Water Utility	Fiber Utility	Total
Meter Reading	\$ 139,713	\$ 11,227	\$ -	\$ 150,940
Collection Expense	114,291	6,318	1,264	121,873
Billing and Accounting Salaries	363,973	59,685	19,886	443,544
Uncollectible Accounts	46,758	4,314	468	51,540
Customer Conservation Consultant	79,014	-	-	79,014
Informational Advertising	100,477	5,368	3,226	109,071
Customer Assistance	39,878	-	-	39,878
<b>Total Customer Accounts Expense</b>	<b>\$ 884,104</b>	<b>\$ 86,912</b>	<b>\$ 24,844</b>	<b>\$ 995,860</b>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Administration and General Expense  
For the Years Ended December 31, 2021 and 2020

	December 31, 2021			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration Salaries - Manager	\$ 360,375	\$ 117,986	\$ 45,797	\$ 524,158
Office Supplies	97,302	9,126	1,405	107,833
Outside Services	112,001	46,088	767	158,856
Insurance	169,197	18,015	3,803	191,015
Employee Pension and Benefits	(203,610)	79,367	(26,972)	(151,215)
Employee School Expense	28,861	5,013	26	33,900
Employer Contribution - Deferred Compensation and Severance	2,748	(1,750)	(625)	373
Regulatory Commission Expense	24,717	58,321	-	83,038
Miscellaneous	53,010	421	436	53,867
Maintenance of General Plant	308,132	22,343	94,162	424,637
Transportation expense	2,444	405	-	2,849
<b>Total Administration and General Expense</b>	<u>\$ 955,177</u>	<u>\$ 355,335</u>	<u>\$ 118,799</u>	<u>\$ 1,429,311</u>

  

	December 31, 2020			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration Salaries - Manager	\$ 268,723	\$ 87,191	\$ 34,523	\$ 390,437
Office Supplies	120,872	10,349	2,035	133,256
Outside Services	70,130	11,617	-	81,747
Insurance	173,007	18,298	3,660	194,965
Employee Pension and Benefits	421,931	45,001	22,702	489,634
Employee School Expense	10,484	3,555	330	14,369
Employer Contribution - Deferred Compensation and Severance	36,884	1,403	603	38,890
Regulatory Commission Expense	34,648	22,666	374	57,688
Miscellaneous	46,388	4,346	-	50,734
Maintenance of General Plant	286,619	30,431	34,089	351,139
Transportation expense	254	3	-	257
<b>Total Administration and General Expense</b>	<u>\$ 1,469,940</u>	<u>\$ 234,860</u>	<u>\$ 98,316</u>	<u>\$ 1,803,116</u>

City of Alexandria, Minnesota  
Board of Public Utilities - DBA ALP Utilities  
Schedules of Other Nonoperating Revenues  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Electric Utility</b>		
Merchandising, jobbing and contract work	\$ -	\$ 9,568
Miscellaneous nonoperating income	<u>82,041</u>	<u>63,428</u>
Total Electric Utility	<u>82,041</u>	<u>72,996</u>
<b>Water Utility</b>		
Miscellaneous service revenue	<u>15,452</u>	<u>401</u>
<b>Fiber Utility</b>		
Merchandising, jobbing and contract work	<u>3,984</u>	<u>3,748</u>
<b>Total Nonoperating Revenues</b>	<u><u>\$ 101,477</u></u>	<u><u>\$ 77,145</u></u>

OTHER REQUIRED REPORTS  
CITY OF ALEXANDRIA, MINNESOTA  
BOARD OF PUBLIC UTILITIES  
DBA ALP UTILITIES

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Public Utilities DBA, ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the year ended December 31, 2021, and the notes to the financial statements, and have issued our report thereon dated May 5, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the provisions of the 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**  
Mankato, Minnesota  
May 5, 2022

**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 Utilities  
DBA ALP Utilities  
Alexandria, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Public Utilities DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 5, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no 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.



**Abdo**  
Mankato, Minnesota  
May 5, 2022

