

# Annual Financial Report

City of Alexandria Board of Public Works  
DBA ALP Utilities  
A Component Unit of the City  
Alexandria, Minnesota

For the Years Ended  
December 31, 2017 and 2016

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City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Annual Financial Report  
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For the Years Ended December 31, 2017 and 2016

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

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Elected and Appointed Officials  
For the Year Ended December 31, 2017

**Appointed**

Name	Title
Kevin Mahoney	Chairperson
Brett Paradis	Vice-Chairperson
Ron Kirscht	Member
John Kes	Member
Bobbie Osterberg	Member
Al Crowser	Secretary/Treasurer and General Manager

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

FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Public Works DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions and the Schedule of Funding Progress for Other Postemployment Benefit Plan starting on page 48 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

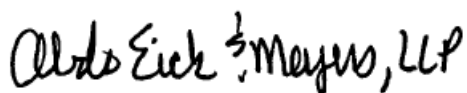
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 April 3, 2018, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 3, 2018

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FUND FINANCIAL STATEMENTS -  
PROPRIETARY FUNDS

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

FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Statements of Net Position  
Proprietary Funds  
December 31, 2017 and 2016

	Enterprise Funds			
	Electric Utility		Water Utility	
	2017	2016	2017	2016
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 7,352,660	\$ 8,959,280	\$ 3,911,888	\$ 3,501,411
Interest receivable	23,801	17,389	10,734	7,621
Customer accounts receivable, net of allowance for doubtful accounts of \$55,057 and \$55,706, respectively	645,615	715,768	213,559	246,807
Due from the City of Alexandria	33,189	13,393	5,933	-
Special assessments receivable	-	-	1,006	1,326
Inventories	1,119,220	1,114,999	81,404	79,965
Prepaid items	69,290	71,467	6,324	6,578
Restricted debt service reserve deposits	670,623	732,477	252,650	252,650
<b>Total Current Assets</b>	<u>9,914,398</u>	<u>11,624,773</u>	<u>4,483,498</u>	<u>4,096,358</u>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Land and land rights	64,669	64,669	66,807	66,807
Service territory acquired	234,533	234,533	-	-
Buildings and structures	2,422,166	2,371,719	333,532	129,609
Transmission plant	2,763,581	2,763,581	-	-
Distribution plant	43,546,738	41,421,930	43,450,041	39,470,924
General equipment	3,484,432	3,257,433	1,457,268	1,411,694
Construction in progress	1,841,474	1,160,028	14,740	199,032
Less accumulated depreciation	<u>(26,942,712)</u>	<u>(25,813,642)</u>	<u>(12,578,892)</u>	<u>(11,666,411)</u>
<b>Total capital assets (net of accumulated depreciation)</b>	<u>27,414,881</u>	<u>25,460,251</u>	<u>32,743,496</u>	<u>29,611,655</u>
<b>Total Assets</b>	<u>37,329,279</u>	<u>37,085,024</u>	<u>37,226,994</u>	<u>33,708,013</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>564,690</u>	<u>1,090,682</u>	<u>65,661</u>	<u>126,820</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	1,629,711	1,804,826	6,636	32,201
Due to other governments	74,665	79,699	5,946	2,708
Due to the City of Alexandria	155,820	908,330	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	470,181	477,960	-	-
Accrued interest payable	16,884	20,196	25,053	27,282
Accrued wages payable	72,449	56,086	13,945	13,047
Compensated absences payable	259,568	197,472	139,249	62,855
Customer meter deposits payable	347,980	356,135	-	-
Bonds and notes payable - current portion	795,000	770,000	236,000	229,000
<b>Total Current Liabilities</b>	<u>3,822,258</u>	<u>4,670,704</u>	<u>426,829</u>	<u>367,093</u>
<b>Noncurrent Liabilities</b>				
Other postemployment benefits payable	164,624	158,725	12,663	14,018
Compensated absences payable	444,542	472,819	69,898	218,465
Pension liability	2,311,371	2,967,685	268,761	345,072
Bonds and notes payable - net of current maturities	5,862,398	6,683,920	2,471,000	2,707,000
<b>Total Noncurrent Liabilities</b>	<u>8,782,935</u>	<u>10,283,149</u>	<u>2,822,322</u>	<u>3,284,555</u>
<b>Total Liabilities</b>	<u>12,605,193</u>	<u>14,953,853</u>	<u>3,249,151</u>	<u>3,651,648</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>538,819</u>	<u>329,537</u>	<u>62,653</u>	<u>38,318</u>
<b>Net Position</b>				
Net investment in capital assets	21,745,887	20,498,552	30,036,496	26,675,655
Restricted for debt service	670,623	732,477	252,650	252,650
Unrestricted	2,333,447	1,661,287	3,691,705	3,216,562
<b>Total Net Position</b>	<u>\$ 24,749,957</u>	<u>\$ 22,892,316</u>	<u>\$ 33,980,851</u>	<u>\$ 30,144,867</u>

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



Enterprise Funds

Fiber Utility		Totals	
2017	2016	2017	2016
\$ 1,343,153	\$ 1,222,694	\$ 12,607,701	\$ 13,683,385
4,688	3,125	39,223	28,135
5,682	2,538	864,856	965,113
957	-	40,079	13,393
-	-	1,006	1,326
19,487	-	1,220,111	1,194,964
2,275	2,135	77,889	80,180
-	-	923,273	985,127
1,376,242	1,230,492	15,774,138	16,951,623
-	-	131,476	131,476
-	-	234,533	234,533
-	-	2,755,698	2,501,328
-	-	2,763,581	2,763,581
-	-	86,996,779	80,892,854
1,948,817	1,875,321	6,890,517	6,544,448
31,872	64,809	1,888,086	1,423,869
(1,225,556)	(1,156,960)	(40,747,160)	(38,637,013)
755,133	783,170	60,913,510	55,855,076
2,131,375	2,013,662	76,687,648	72,806,699
26,264	50,730	656,615	1,268,232
4,036	3,329	1,640,383	1,840,356
-	-	80,611	82,407
-	-	155,820	908,330
-	-	470,181	477,960
-	-	41,937	47,478
2,579	1,639	88,973	70,772
21,672	16,505	420,489	276,832
-	-	347,980	356,135
-	-	1,031,000	999,000
28,287	21,473	4,277,374	5,059,270
3,618	3,412	180,905	176,155
36,294	38,175	550,734	729,459
107,504	138,032	2,687,636	3,450,789
-	-	8,333,398	9,390,920
147,416	179,619	11,752,673	13,747,323
175,703	201,092	16,030,047	18,806,593
25,061	15,327	626,533	383,182
755,133	783,170	52,537,516	47,957,377
-	-	923,273	985,127
1,201,742	1,064,803	7,226,894	5,942,652
\$ 1,956,875	\$ 1,847,973	\$ 60,687,683	\$ 54,885,156

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

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Statements of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Years Ended December 31, 2017 and 2016

	Enterprise Funds			
	Electric Utility		Water Utility	
	2017	2016	2017	2016
Operating Revenues				
Sales	\$ 24,724,008	\$ 24,615,068	\$ 2,028,338	\$ 2,190,290
Other operating revenue	567,299	727,733	35,163	38,544
Total Operating Revenues	<u>25,291,307</u>	<u>25,342,801</u>	<u>2,063,501</u>	<u>2,228,834</u>
Operating Expenses				
Personal services	977,050	1,035,221	169,392	169,204
Production plant and purchased power	17,502,426	17,691,784	-	-
Transmission system - maintenance	10,744	-	-	-
Distribution system - operations	727,933	710,160	99,026	111,221
Distribution system - maintenance	649,802	743,726	320,194	321,542
Other operating	-	-	267,360	280,244
Customer accounts	605,495	615,958	74,769	73,406
Administration and general	640,519	626,004	83,035	79,133
Depreciation and amortization	1,317,540	1,259,270	912,481	902,294
Total Operating Expenses	<u>22,431,509</u>	<u>22,682,123</u>	<u>1,926,257</u>	<u>1,937,044</u>
Operating Income	<u>2,859,798</u>	<u>2,660,678</u>	<u>137,244</u>	<u>291,790</u>
Nonoperating Income (Expenses)				
Investment income (loss)	117,424	149,447	22,807	24,042
Other revenue	128,705	232,794	7,671	22,365
Special assessments	-	-	1,006	1,326
Gain (loss) on sale of capital assets	(5,498)	(24,489)	-	-
Amortization expense	1,522	1,522	-	-
Bond issuance costs	(37,165)	-	-	-
Interest and other	(226,320)	(250,877)	(73,258)	(79,322)
Total Nonoperating Income (Expenses)	<u>(21,332)</u>	<u>108,397</u>	<u>(41,774)</u>	<u>(31,589)</u>
Income Before Capital Contributions and Transfers	2,838,466	2,769,075	95,470	260,201
Capital Contributions from the City of Alexandria	-	-	3,740,514	-
Transfers to City of Alexandria - Payment in Lieu of Taxes	<u>(980,825)</u>	<u>(999,942)</u>	<u>-</u>	<u>(45,134)</u>
Change in Net Position	1,857,641	1,769,133	3,835,984	215,067
Net Position, January	<u>22,892,316</u>	<u>21,123,183</u>	<u>30,144,867</u>	<u>29,929,800</u>
Net Position, December 31	<u>\$ 24,749,957</u>	<u>\$ 22,892,316</u>	<u>\$ 33,980,851</u>	<u>\$ 30,144,867</u>

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

Enterprise Funds

Fiber Utility		Totals	
2017	2016	2017	2016
\$ 423,473	\$ 394,037	\$ 27,175,819	\$ 27,199,395
-	-	602,462	766,277
<u>423,473</u>	<u>394,037</u>	<u>27,778,281</u>	<u>27,965,672</u>
66,498	66,619	1,212,940	1,271,044
-	-	17,502,426	17,691,784
-	-	10,744	-
151,385	182,468	978,344	1,003,849
-	-	969,996	1,065,268
-	-	267,360	280,244
17,049	20,699	697,313	710,063
24,480	23,988	748,034	729,125
68,596	64,943	2,298,617	2,226,507
<u>328,008</u>	<u>358,717</u>	<u>24,685,774</u>	<u>24,977,884</u>
<u>95,465</u>	<u>35,320</u>	<u>3,092,507</u>	<u>2,987,788</u>
10,064	(5,250)	150,295	168,239
3,373	13,625	139,749	268,784
-	-	1,006	1,326
-	-	(5,498)	(24,489)
-	-	1,522	1,522
-	-	(37,165)	-
-	-	(299,578)	(330,199)
<u>13,437</u>	<u>8,375</u>	<u>(49,669)</u>	<u>85,183</u>
108,902	43,695	3,042,838	3,072,971
-	-	3,740,514	-
-	-	(980,825)	(1,045,076)
108,902	43,695	5,802,527	2,027,895
<u>1,847,973</u>	<u>1,804,278</u>	<u>54,885,156</u>	<u>52,857,261</u>
<u>\$ 1,956,875</u>	<u>\$ 1,847,973</u>	<u>\$ 60,687,683</u>	<u>\$ 54,885,156</u>

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

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Statements of Cash Flows  
Proprietary Funds  
For the Years Ended December 31, 2017 and 2016

	Enterprise Funds			
	Electric Utility		Water Utility	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from customers	\$ 25,333,509	\$ 25,236,599	\$ 2,090,816	\$ 2,177,328
Payments to suppliers and vendors	(21,043,609)	(20,105,739)	(817,826)	(856,911)
Payments to and on behalf of employees	(842,009)	(893,594)	(232,839)	(100,809)
Other receipts	128,705	232,794	7,671	22,365
Net Cash Provided by Operating Activities	<u>3,576,596</u>	<u>4,470,060</u>	<u>1,047,822</u>	<u>1,241,973</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to City - payment in lieu of taxes	(980,825)	(999,942)	-	(45,134)
Cash Flows from Capital and Related Financing Activities				
Capital asset acquisitions	(3,313,460)	(2,543,276)	(353,878)	(312,344)
Special assessment receipts	-	-	1,326	1,192
Proceeds from bonds, net of premiums	1,685,000	-	-	-
Principal paid on bonds and notes	(2,480,000)	(760,000)	(229,000)	(223,000)
Bond issuance costs	(37,165)	-	-	-
Interest paid on long-term debt	(229,632)	(240,938)	(75,487)	(81,492)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,375,257)</u>	<u>(3,544,214)</u>	<u>(657,039)</u>	<u>(615,644)</u>
Cash Flows from Investing Activities				
Interest received on investments	111,012	149,214	19,694	25,318
Net Increase (Decrease) in Cash and Cash Equivalents	(1,668,474)	75,118	410,477	606,513
Cash and Cash Equivalents, January 1	9,691,757	9,616,639	3,754,061	3,147,548
Cash and Cash Equivalents, December 31	<u>\$ 8,023,283</u>	<u>\$ 9,691,757</u>	<u>\$ 4,164,538</u>	<u>\$ 3,754,061</u>
Reconciliation of Cash and Cash Equivalents				
Unrestricted	\$ 7,352,660	\$ 8,959,280	\$ 3,911,888	\$ 3,501,411
Restricted	670,623	732,477	252,650	252,650
Total Cash and Cash Equivalents	<u>\$ 8,023,283</u>	<u>\$ 9,691,757</u>	<u>\$ 4,164,538</u>	<u>\$ 3,754,061</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 2,859,798	\$ 2,660,678	\$ 137,244	\$ 291,790
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,317,540	1,259,270	912,481	902,294
Other income related to operations	128,705	232,794	7,671	22,365
(Increase) decrease in assets				
Customer accounts receivable	70,153	(109,392)	33,248	(51,506)
Due from the City of Alexandria	(19,796)	(13,393)	(5,933)	-
Inventories	(4,221)	76,914	(1,439)	23,093
Prepaid items	2,177	82,841	254	11,455
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	525,992	(872,604)	61,159	(101,462)
Increase (decrease) in liabilities				
Accounts payable	(139,323)	36,959	24,505	(22,441)
Due to other governments	(5,034)	(2,784)	3,238	(3,472)
Due to the City of Alexandria	(752,510)	44,861	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	(7,779)	43,102	-	-
Accrued wages payable	16,363	10,973	898	4,129
Compensated absences payable	33,819	(44,731)	(72,173)	44,089
Pension liability	(656,314)	1,100,214	(76,311)	127,924
Other postemployment benefits payable	5,899	7,753	(1,355)	689
Customer meter deposits payable	(8,155)	16,583	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	209,282	(59,978)	24,335	(6,974)
Net Cash Provided by Operating Activities	<u>\$ 3,576,596</u>	<u>\$ 4,470,060</u>	<u>\$ 1,047,822</u>	<u>\$ 1,241,973</u>
Noncash Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ 5,498	\$ 24,489	\$ -	\$ -
Capital assets acquired on account	73,311	109,103	-	50,070
Capital assets contributed from the City of Alexandria	-	-	3,740,514	-
Amortization of bond (premium) discount	(1,522)	(1,522)	-	-

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

Enterprise Funds

Fiber Utility		Totals	
2017	2016	2017	2016
\$ 419,372	\$ 396,669	\$ 27,843,697	\$ 27,810,596
(205,826)	(212,496)	(22,067,261)	(21,175,146)
(58,394)	(36,818)	(1,133,242)	(1,031,221)
-	-	136,376	255,159
<u>155,152</u>	<u>147,355</u>	<u>4,779,570</u>	<u>5,859,388</u>
-	-	(980,825)	(1,045,076)
(43,194)	(181,732)	(3,710,532)	(3,037,352)
-	-	1,326	1,192
-	-	1,685,000	-
-	-	(2,709,000)	(983,000)
-	-	(37,165)	-
-	-	(305,119)	(322,430)
<u>(43,194)</u>	<u>(181,732)</u>	<u>(5,075,490)</u>	<u>(4,341,590)</u>
8,501	(8,375)	139,207	166,157
120,459	(42,752)	(1,137,538)	638,879
<u>1,222,694</u>	<u>1,265,446</u>	<u>14,668,512</u>	<u>14,029,633</u>
<u>\$ 1,343,153</u>	<u>\$ 1,222,694</u>	<u>\$ 13,530,974</u>	<u>\$ 14,668,512</u>
\$ 1,343,153	\$ 1,222,694	\$ 12,607,701	\$ 13,683,385
-	-	923,273	985,127
<u>\$ 1,343,153</u>	<u>\$ 1,222,694</u>	<u>\$ 13,530,974</u>	<u>\$ 14,668,512</u>
\$ 95,465	\$ 35,320	\$ 3,092,507	\$ 2,987,788
68,596	64,943	2,298,617	2,226,507
3,373	13,625	139,749	268,784
(3,144)	2,632	100,257	(158,266)
(957)	-	(26,686)	(13,393)
(19,487)	-	(25,147)	100,007
(140)	5,078	2,291	99,374
24,466	(40,587)	611,617	(1,014,653)
3,342	(2,499)	(111,476)	12,019
-	(1,545)	(1,796)	(7,801)
-	-	(752,510)	44,861
-	-	(7,779)	43,102
940	13	18,201	15,115
3,286	21,817	(35,068)	21,175
(30,528)	51,175	(763,153)	1,279,313
206	172	4,750	8,614
-	-	(8,155)	16,583
<u>9,734</u>	<u>(2,789)</u>	<u>243,351</u>	<u>(69,741)</u>
<u>\$ 155,152</u>	<u>\$ 147,355</u>	<u>\$ 4,779,570</u>	<u>\$ 5,859,388</u>
\$ -	\$ -	\$ 5,498	24,489
80	2,715	73,391	161,888
-	-	3,740,514	-
-	-	(1,522)	(1,522)

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

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City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

**A. Reporting Entity**

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

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

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

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

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

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

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

Non-exchange transactions, in which the Board receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis.

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

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

**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.

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.

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

***Deposits and Investments***

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits and investments.

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



City of Alexandria, Minnesota  
Board of Public Works  
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Notes to the Financial Statements  
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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.

The broker money market accounts 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, 2017:

- Government agency securities of \$7,084,345 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$1,905,363 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 same regulatory rules of the SEC under rule 2a7. The Board's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. 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.

City of Alexandria, Minnesota  
Board of Public Works  
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Notes to the Financial Statements  
December 31, 2017 and 2016

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

***Accounts Receivable***

Accounts receivable of \$864,856 and \$965,113 are recorded net of the allowance for doubtful accounts of \$55,057 and \$55,706 as of December 31, 2017 and 2016, 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 and water revenue notes 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 and Water Utility funds.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The Board maintains a threshold level of \$1,500 or more for capitalization.

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

Major outlays for capital assets and improvements are capitalized as projects when put into service. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Land Improvements	30 to 50
Buildings and Improvements	30 to 50
Machinery and Equipment	5 to 30

***Deferred Outflows of Resources***

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

***Compensated Absences***

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the financial statements.

All full-time Board of Public Works' employees accumulate vacation hours for subsequent use or for payment upon termination or retirement.

Sick leave is accounted for in the following manner:

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

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

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

***Postemployment Benefits Other Than Pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2017.

***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 deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

***Pensions***

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

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

***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 item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

***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."

***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.

***Capital Contributions***

Capital assets are contributed to the Board from the City and customers. The value of property contributed to the Board is reported as income on the statements of revenues, expenses and changes in net position.

***Presentation of Sales Taxes***

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

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

**A. Deposits and Investments**

***Deposits***

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At December 31, 2017 the Board's carrying amount of deposits was \$3,708,512 and the bank balance was \$3,895,899. Of the bank balance \$1,492,685 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, 2016, the Board's carrying amount of deposits was \$5,426,774 and the bank balance was \$5,482,695. Of the bank balance \$1,240,732 was covered by federal depository insurance. The remaining balances were collateralized with securities held by the pledging financial institution's trust department in the Board's name.

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

**Investments**

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

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the Board's investments to the list on page 25 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Board typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2017 and 2016, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the Board's investment.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2017, 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	Level 3
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	832,499			
Non-Pooled Investments at Fair Value						
Government Agency Securities	Aaa	1 to 3 years	470,587	\$ 470,587	\$ -	\$ -
Government Agency Securities	Aaa	more than 3 years	1,340,423	1,340,423	-	-
Government Agency Securities	AAA	more than 3 years	5,273,335	5,273,335	-	-
Negotiable certificates of deposit	N/A	6 months to 1 year	243,856	-	243,856	-
Negotiable certificates of deposit	N/A	1 to 3 years	935,913	-	935,913	-
Negotiable certificates of deposit	N/A	more than 3 years	725,594	-	725,594	-
<b>Total Investments</b>			<b>\$ 9,822,212</b>	<b>\$ 7,084,345</b>	<b>\$ 1,905,363</b>	<b>\$ -</b>

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

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

N/A Indicates not applicable or available.

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

As of December 31, 2016, 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	Level 3
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	374,369			
Non-Pooled Investments at Fair Value						
Government Agency Securities	Aaa	1 to 3 years	813,681	\$ 813,681	\$ -	\$ -
Government Agency Securities	Aaa	more than 3 years	986,625	986,625	-	-
Government Agency Securities	AAA	more than 3 years	5,037,999	5,037,999	-	-
Negotiable certificates of deposit	N/A	less than 6 months	200,026	-	200,026	-
Negotiable certificates of deposit	N/A	6 months to 1 year	400,024	-	400,024	-
Negotiable certificates of deposit	N/A	1 to 3 years	1,186,393	-	1,186,393	-
Negotiable certificates of deposit	N/A	more than 3 years	242,366	-	242,366	-
Total Investments			\$ 9,241,488	\$ 6,838,305	\$ 2,028,809	\$ -

(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, 2017 and 2016.

**Cash and Investments Summary**

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

	2017	2016
Carrying Amount of Deposits	\$ 3,708,512	\$ 5,426,774
Investments	9,822,212	9,241,488
Cash on Hand	250	250
Total Cash and Temporary Investments	<u>\$ 13,530,974</u>	<u>\$ 14,668,512</u>
Cash and Cash Equivalents	\$ 12,607,701	\$ 13,683,385
Restricted Debt Service Reserve Deposits	923,273	985,127
Total	<u>\$ 13,530,974</u>	<u>\$ 14,668,512</u>

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Notes to the Financial Statements  
December 31, 2017 and 2016

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

**B. Capital Assets**

Capital asset activity for the Board for the year ended December 31, 2017 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
Srevice territory acquired	234,533	-	-	234,533
Construction in progress	1,423,869	3,029,776	(2,565,559)	1,888,086
Total Capital Assets Not Being Depreciated	<u>1,789,878</u>	<u>3,029,776</u>	<u>(2,565,559)</u>	<u>2,254,095</u>
Capital Assets Being Depreciated				
Buildings and structures	2,501,328	254,370	-	2,755,698
Transmission plant	2,763,581	-	-	2,763,581
Distribution plant	80,892,854	6,103,925	-	86,996,779
General equipment	6,544,448	540,037	(193,968)	6,890,517
Total Capital Assets Being Depreciated	<u>92,702,211</u>	<u>6,898,332</u>	<u>(193,968)</u>	<u>99,406,575</u>
Less Accumulated Depreciation For				
Buildings and structures	(1,971,704)	(59,385)	-	(2,031,089)
Transmission plant	(1,042,124)	(83,542)	-	(1,125,666)
Distribution plant	(31,149,145)	(1,841,185)	-	(32,990,330)
General equipment	(4,474,040)	(314,505)	188,470	(4,600,075)
Total Accumulated Depreciation	<u>(38,637,013)</u>	<u>(2,298,617)</u>	<u>188,470</u>	<u>(40,747,160)</u>
Total Capital Assets Being Depreciated, Net	<u>54,065,198</u>	<u>4,599,715</u>	<u>(5,498)</u>	<u>58,659,415</u>
Business-Type Activities Capital Assets, Net	<u>\$ 55,855,076</u>	<u>\$ 7,629,491</u>	<u>\$ (2,571,057)</u>	<u>\$ 60,913,510</u>



City of Alexandria, Minnesota  
Board of Public Works  
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Notes to the Financial Statements  
December 31, 2017 and 2016

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

Capital asset activity for the Board for the year ended December 31, 2016 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
Srevice territory acquired	234,533			234,533
Construction in progress	2,329,017	2,906,557	(3,811,705)	1,423,869
Total Capital Assets and Being Depreciated	<u>2,695,026</u>	<u>2,906,557</u>	<u>(3,811,705)</u>	<u>1,789,878</u>
Capital Assets Being Depreciated				
Buildings and structures	2,472,091	29,237	-	2,501,328
Transmission plant	2,753,133	10,448	-	2,763,581
Distribution plant	77,571,619	3,333,264	(12,029)	80,892,854
General equipment	5,865,545	731,439	(52,536)	6,544,448
Total Capital Assets Being Depreciated	<u>88,662,388</u>	<u>4,104,388</u>	<u>(64,565)</u>	<u>92,702,211</u>
Less Accumulated Depreciation For				
Buildings and structures	(1,923,209)	(48,495)	-	(1,971,704)
Transmission plant	(958,687)	(83,437)	-	(1,042,124)
Distribution plant	(29,355,063)	(1,795,054)	972	(31,149,145)
General equipment	(4,213,623)	(299,521)	39,104	(4,474,040)
Total Accumulated Depreciation	<u>(36,450,582)</u>	<u>(2,226,507)</u>	<u>40,076</u>	<u>(38,637,013)</u>
Total Capital Assets Being Depreciated, Net	<u>52,211,806</u>	<u>1,877,881</u>	<u>(24,489)</u>	<u>54,065,198</u>
Business-Type Activities Capital Assets, Net	<u>\$ 54,906,832</u>	<u>\$ 4,784,438</u>	<u>\$ (3,836,194)</u>	<u>\$ 55,855,076</u>

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

	2017	2016
Business-type Activities		
Electric	\$ 1,317,540	\$ 1,259,270
Water	912,481	902,294
Fiber	68,596	64,943
Total Depreciation Expense - Business-type Activities	<u>\$ 2,298,617</u>	<u>\$ 2,226,507</u>

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

**C. Interfund Transfers**

The Board has made transfers to the City of Alexandria for the years ended December 31, 2017 and 2016. The transfers represent payments in lieu of taxes.

	Transfer in City of Alexandria	
	2017	2016
Transfer Out		
Electric Utility fund	\$ 980,825	\$ 999,942
Water Utility fund	-	45,134
	\$ 980,825	\$ 1,045,076

**D. Long-term Debt**

General Obligation Bonds

The Board issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities.

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	
					2017	2016
Electric Utility Refunding Bonds of 2007A	\$ 6,310,000	4.00 - 4.125 %	06/15/07	12/01/24	\$ -	\$ 2,260,000
Electric Utility Revenue Bonds of 2015A	5,395,000	2.00 - 3.25	12/30/15	12/01/35	4,945,000	5,165,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	1,685,000	-
Total Revenue Bonds					\$ 6,630,000	\$ 7,425,000

Annual requirements to maturity for Revenue Bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2018	\$ 795,000	\$ 171,759	\$ 966,759
2019	395,000	150,075	545,075
2020	405,000	141,835	546,835
2021	410,000	133,385	543,385
2022	425,000	124,825	549,825
2023 - 2027	1,680,000	496,179	2,176,179
2028 - 2032	1,495,000	303,238	1,798,238
2033 - 2035	1,025,000	66,943	1,091,943
Total	\$ 6,630,000	\$ 1,588,239	\$ 8,218,239

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

G.O. Revenue Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
					2017	2016
G.O. Water Revenue Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 335,000	\$ 396,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,372,000	2,540,000
Total G.O. Revenue Notes					<u>\$ 2,707,000</u>	<u>\$ 2,936,000</u>

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

Year Ending December 31,	G.O. Revenue Notes		
	Principal	Interest	Total
2018	\$ 236,000	\$ 69,318	\$ 305,318
2019	242,000	62,959	304,959
2020	248,000	56,435	304,435
2021	254,000	49,744	303,744
2022	261,000	42,889	303,889
2023 - 2027	1,021,000	130,465	1,151,465
2028 - 2029	445,000	16,382	461,382
Total	<u>\$ 2,707,000</u>	<u>\$ 428,192</u>	<u>\$ 3,135,192</u>

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

	Electric Utility	Water Utility
Revenues	\$ 25,291,307	\$ 2,063,501
Principal and Interest	2,709,632	304,487
Percentage of Revenues	10.7%	14.8%

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 7,425,000	\$ 1,685,000	\$ (2,480,000)	\$ 6,630,000	\$ 795,000
G.O. Revenue Notes	2,936,000	-	(229,000)	2,707,000	236,000
Bond Premium	28,920	-	(1,522)	27,398	-
Bonds Payable	10,389,920	1,685,000	(2,710,522)	9,364,398	1,031,000
Compensated Absences Payable	1,006,291	355,901	(521,952)	971,223	420,489
Pension Liability					
GERF	3,450,789	3	(763,156)	2,687,636	-
Other Postemployment Benefits	176,155	7,846	(3,096)	180,905	-
Business-type Activity Long-term Liabilities	<u>\$ 15,023,155</u>	<u>\$ 2,048,750</u>	<u>\$ (3,998,726)</u>	<u>\$ 13,204,162</u>	<u>\$ 1,451,489</u>

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Revenue Bonds	\$ 8,185,000	\$ -	\$ (760,000)	\$ 7,425,000	\$ 776,000
G.O. Revenue Notes	3,159,000	-	(223,000)	2,936,000	223,000
Bond Premium	30,442	-	(1,522)	28,920	-
Bonds payable	11,374,442	-	(984,522)	10,389,920	999,000
Compensated Absences Payable	985,116	347,350	(326,176)	1,006,291	276,832
Pension Liability					
GERF	2,171,476	1,477,355	(198,042)	3,450,789	-
Other Postemployment Benefits	167,541	29,441	(20,827)	176,155	-
Business-type activity long-term liabilities	<u>\$ 14,698,575</u>	<u>\$ 1,854,146</u>	<u>\$ (1,529,567)</u>	<u>\$ 15,023,155</u>	<u>\$ 1,275,832</u>

Current Refunding

On October 16, 2017 the Board issued \$1,685,000 of Electric Utility Revenue Refunding Bonds, Series 2017A. The bonds issued refunded the 2007A Electric Utility Revenue Refunding Bond. As a result of the refunding issue, the Board will save \$60,666 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$731,393.

**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, 2017 and 2016 totaled \$464,531 and \$477,960 respectively.

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

**A. Plan Description**

The Board participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the Board are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**B. Benefits Provided**

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

GERF Benefits

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year 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.

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

**C. Contributions**

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The Board was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The Board's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$207,978, \$200,269 and \$193,803, respectively. The Board's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension Costs**

GERF Pension Costs

At December 31, 2017, the Board reported a liability of \$2,687,636 for its proportionate share of the GERF's net pension liability. The Board's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$33,825. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Board's proportionate share was 0.0421 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Board recognized pension expense of \$298,617 for its proportionate share of GERF's pension expense. In addition, the Board recognized an additional \$2,526 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2017, the Board reported its proportionate share of GERF'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	\$ 88,608	\$ 174,233
Changes in Actuarial Assumptions	446,421	269,436
Net Difference Between Projected and Actual Earnings on Plan Investments	-	114,526
Changes in Proportion	16,603	68,338
Contributions to GERF Subsequent to the Measurement Date	104,983	-
Total	<u>\$ 656,615</u>	<u>\$ 626,533</u>

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

Deferred outflows of resources totaling \$104,983 related to pensions resulting from the Board's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$	(62,384)
2019		158,271
2020		(56,703)
2021		(114,085)

At December 31, 2016, the Board reported its proportionate share of GERF'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	\$ 11,150	\$ 283,088
Changes in Actuarial Assumptions	743,686	-
Net Difference Between Projected and Actual Earnings on Plan Investments	387,888	-
Changes in Proportion	24,905	100,094
Contributions to GERF Subsequent to the Measurement Date To the Measurement Date	100,603	-
<b>Total</b>	<b><u>\$ 1,268,232</u></b>	<b><u>\$ 383,182</u></b>

Deferred outflows of resources totaling \$100,603 related to pensions resulting from the Board's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$	198,170
2018		120,487
2019		341,142
2020		124,648

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

GERF

- 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was 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.



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

**G. Pension Liability Sensitivity**

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

	Board's Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 4,168,723	\$ 2,687,636

**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).

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

**A. Plan Description**

The Board administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible employees and their spouses through the Board’s group health insurance plan. The Board engaged an actuary to determine the Board’s liability for postemployment healthcare benefits other than pensions as of January 1, 2017. 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. Annual OPEB Cost and Net OPEB Obligation**

The Board’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board’s annual OPEB cost for 2017 and 2016, the amount actually contributed to the plan, and changes in the Board’s net OPEB obligation:

	2017	2016
Annual Required Contribution	\$ 11,259	\$ 32,429
Interest on Net Opeb Obligation	6,165	6,702
Adjustment to Annual Required Contribution	(9,578)	(9,690)
Annual OPEB cost (expense)	7,846	29,441
Contributions Made	(3,096)	(20,827)
Increase in Net Opeb Obligation	4,750	8,614
Net OPEB Obligation - Beginning of Year	176,155	167,541
Net OPEB Obligation - End of Year	\$ 180,905	\$ 176,155

The Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the previous two years follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 7,846	39.5 %	\$ 180,905
12/31/16	29,441	70.7	176,155
12/31/15	29,101	51.4	167,541

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

**D. Funded Status and Funding Progress**

As of January 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$57,398 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,649,274 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.2 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5 percent, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period is not more than 30 years.

**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 one employee is eligible for the benefit once they retire, no other employees are or will be eligible for this benefit in the future.

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**Note 5: Retirement Pay (Continued)**

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

**Note 6: Deferred Compensation Plan**

**A. Plan Description**

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

**B. Matching Deferred Compensation**

For employees choosing this benefit option the Board will contribute an amount matching the employee contribution to the deferred compensation account on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 per year per employee for union employees and \$2,500 for non-union employees. New employees will be vested at the rate of 20 percent per year for the first 5 years of participation becoming fully vested after the 5th year. The Board contributed \$61,250 and \$53,567 in matching funds to the plan for the years ended December 31, 2017 and 2016, 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.

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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 2017 and 2016, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2017	\$ 2,528,007	96,279,000	\$ 12,062,810	199,699,072
2016	2,998,208	96,585,000	11,842,748	203,631,069

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,834,064 and \$2,813,500 in wheeling charges for 2017 and 2016, respectively.

**C. Concentrations**

Approximately 40 percent of the Board's labor force is subject to a collective bargaining agreement, which expires December 2019.

**Note 8: Unrestricted Net Position**

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

Electric Utility

County road 82 West (underground)	\$ 200,000
East industrial circuit project (underground)	850,000
New substation construction	1,000,000
Nokomis conversion (underground)	1,000,000
City Park, Jacobson Addition, Tabberts North (underground)	1,600,000
Undergrounding system	2,500,000
Rate stabilization	750,000
Total Electric Utility	<u>7,900,000</u>

Water Utility

Land and water tower north project	1,500,000
New well field project	700,000
Total Water Utility	<u>2,200,000</u>
Total Future Projects	<u><u>\$ 10,100,000</u></u>

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REQUIRED SUPPLEMENTARY  
INFORMATION

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

FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016

City of Alexandria, Minnesota  
Board of Public Works  
DBA ALP Utilities  
Required Supplementary Information  
For the Year Ended December 31, 2017

**Schedule of employer's share of PERA net pension liability - General Employees Retirement 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-Employee Payroll (c)	Board's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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 Retirement Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Board's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 207,978	\$ 207,978	\$ -	\$ 2,773,043	7.5 %
12/31/16	200,269	200,269	-	2,670,258	7.5
12/31/15	193,803	193,803	-	2,584,036	7.5

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

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

Changes in Actuarial Assumptions

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 Works  
DBA ALP Utilities  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

Changes in Plan Provisions

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 Funding Progress for the Postemployment Benefit Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/17	\$ -	\$ 57,398	\$ 57,398	- %	\$2,649,274	2.2 %
01/01/14	-	340,461	340,461	-	2,271,684	15.0
01/01/11	-	579,721	579,721	-	1,947,899	29.8

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

FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedule of Property, Plant and Equipment  
For the Year Ended December 31, 2017

	Cost			
	Balance January 01, 2017	Increases	Decreases	
<b>Electric Utility</b>				
Steam production plant				
Land and land rights	\$ 16,606	\$ -	\$ -	\$ 16,606
Service territory acquired	234,533	-	-	234,533
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>737,619</u>	<u>-</u>	<u>-</u>	<u>737,619</u>
Internal combustion plant				
Structures and improvements	813,683	-	-	813,683
Fuel holders and accessories	32,177	-	-	32,177
Generators	1,260,877	-	-	1,260,877
Accessory electrical equipment	21,910	-	-	21,910
Miscellaneous power plant equipment	22,785	-	-	22,785
Total Internal Combustion Plant	<u>2,151,432</u>	<u>-</u>	<u>-</u>	<u>2,151,432</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	145,306	30,884	-	176,190
Tools and fixtures	6,311,737	16,732	-	6,328,469
Poles, towers and fixtures	2,937,528	28,119	-	2,965,647
Overhead conductors and devices	3,449,287	-	-	3,449,287
Underground conduit, conductors and devices	16,140,291	1,559,381	-	17,699,672
Line transformers	6,299,926	394,135	-	6,694,061
Services	512,917	1,559	-	514,476
Meters	1,323,769	58,202	-	1,381,971
Installation customer premises	40,050	-	-	40,050
Street lights and signal system	2,287,991	65,330	-	2,353,321
Load management	645,266	1,350	-	646,616
Total Distribution Plant	<u>40,111,702</u>	<u>2,155,692</u>	<u>-</u>	<u>42,267,394</u>
General plant				
Land and land rights	30,429	-	-	30,429
Structures and improvements	988,262	19,563	-	1,007,825
Office furniture	838,018	55,772	(23,089)	870,701
Transportation equipment	1,181,515	70,835	(39,932)	1,212,418
Stores equipment	2,252	-	-	2,252
Tools, shop and garage equipment	206,230	2,618	-	208,848
Laboratory equipment	95,443	12,180	-	107,623
Power operated equipment	583,381	279,562	(130,947)	731,996
Communications equipment	123,615	-	-	123,615
Miscellaneous equipment	154,176	-	-	154,176
Total General Plant	<u>4,203,321</u>	<u>440,530</u>	<u>(193,968)</u>	<u>4,449,883</u>

Accumulated Depreciation

Balance January 01, 2017	Increases	Decreases	Balance December 31, 2017	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	234,533
(424,468)	-	-	(424,468)	-
(33,904)	-	-	(33,904)	-
(17,751)	(900)	-	(18,651)	9,457
<u>(476,123)</u>	<u>(900)</u>	<u>-</u>	<u>(477,023)</u>	<u>260,596</u>
(770,605)	(6,604)	-	(777,209)	36,474
(25,206)	(1,073)	-	(26,279)	5,898
(1,260,877)	-	-	(1,260,877)	-
(14,623)	(450)	-	(15,073)	6,837
(22,785)	-	-	(22,785)	-
<u>(2,094,096)</u>	<u>(8,127)</u>	<u>-</u>	<u>(2,102,223)</u>	<u>49,209</u>
(853,474)	(70,274)	-	(923,748)	1,401,974
(188,650)	(13,268)	-	(201,918)	235,941
<u>(1,042,124)</u>	<u>(83,542)</u>	<u>-</u>	<u>(1,125,666)</u>	<u>1,637,915</u>
-	-	-	-	17,634
(78,195)	(5,913)	-	(84,108)	92,082
(3,592,122)	(154,992)	-	(3,747,114)	2,581,355
(2,413,380)	(38,487)	-	(2,451,867)	513,780
(2,189,660)	(82,281)	-	(2,271,941)	1,177,346
(4,894,294)	(456,395)	-	(5,350,689)	12,348,983
(2,855,462)	(153,352)	-	(3,008,814)	3,685,247
(342,841)	(10,586)	-	(353,427)	161,049
(684,183)	(30,633)	-	(714,816)	667,155
(39,395)	(52)	-	(39,447)	603
(1,109,734)	(65,544)	-	(1,175,278)	1,178,043
(539,594)	(17,833)	-	(557,427)	89,189
<u>(18,738,860)</u>	<u>(1,016,068)</u>	<u>-</u>	<u>(19,754,928)</u>	<u>22,512,466</u>
-	-	-	-	30,429
(615,050)	(35,691)	-	(650,741)	357,084
(755,256)	(33,370)	17,591	(771,035)	99,666
(1,076,702)	(55,043)	39,932	(1,091,813)	120,605
(2,252)	-	-	(2,252)	-
(164,734)	(10,926)	-	(175,660)	33,188
(65,250)	(10,713)	-	(75,963)	31,660
(386,391)	(56,017)	130,947	(311,461)	420,535
(121,323)	(1,553)	-	(122,876)	739
(129,271)	(5,591)	-	(134,862)	19,314
<u>(3,316,229)</u>	<u>(208,904)</u>	<u>188,470</u>	<u>(3,336,663)</u>	<u>1,113,220</u>

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedule of Property, Plant and Equipment (Continued)  
For the Year Ended December 31, 2017

	Cost			Balance December 31, 2017
	Balance January 01, 2017	Increases	Decreases	
Internet, WAN	\$ 146,210	\$ -	\$ -	\$ 146,210
Construction work-in-progress				
Electric	1,160,028	2,890,456	(2,209,010)	1,841,474
Total Electric Utility	<u>51,273,893</u>	<u>5,486,678</u>	<u>(2,402,978)</u>	<u>54,357,593</u>
<b>Water Utility</b>				
Water property				
Land and land rights	66,807	-	-	66,807
Structures and improvements	129,609	203,923	-	333,532
Pumping equipment	1,357,751	45,574	-	1,403,325
Treatment facilities	7,380,640	-	-	7,380,640
Production plant facilities	26,891	2,355	-	29,246
Distribution mains and hydrants	29,068,410	3,899,670	-	32,968,080
Water services	195,047	40,679	-	235,726
Water meters	688,911	36,413	-	725,324
Water storage reservoirs, towers and standpipes	2,111,025	-	-	2,111,025
Miscellaneous equipment	53,943	-	-	53,943
Total Water Property	<u>41,079,034</u>	<u>4,228,614</u>	<u>-</u>	<u>45,307,648</u>
Construction work-in-progress				
Water	199,032	93,087	(277,379)	14,740
Total Water Utility	<u>41,278,066</u>	<u>4,321,701</u>	<u>(277,379)</u>	<u>45,322,388</u>
<b>Fiber Utility</b>				
Fiber equipment and cable	1,798,661	73,496	-	1,872,157
BPL equipment	76,660	-	-	76,660
Construction work-in-progress				
Fiber	64,809	46,233	(79,170)	31,872
Total Fiber Utility	<u>1,940,130</u>	<u>119,729</u>	<u>(79,170)</u>	<u>1,980,689</u>
<b>Totals</b>	<u>\$ 94,492,089</u>	<u>\$ 9,928,108</u>	<u>\$ (2,759,527)</u>	<u>\$101,660,670</u>

Accumulated Depreciation				
Balance January 01, 2017	Increases	Decreases	Balance December 31, 2017	Net Book Value
\$ (146,210)	\$ -	\$ -	\$ (146,210)	\$ -
-	-	-	-	1,841,474
(25,813,642)	(1,317,541)	188,470	(26,942,713)	27,414,880
-	-	-	-	66,807
(83,386)	(11,177)	-	(94,563)	238,969
(522,963)	(68,498)	-	(591,461)	811,864
(2,364,095)	(184,487)	-	(2,548,582)	4,832,058
(22,944)	(3,101)	-	(26,045)	3,201
(6,743,407)	(579,514)	-	(7,322,921)	25,645,159
(97,853)	(4,173)	-	(102,026)	133,700
(351,447)	(24,848)	-	(376,295)	349,029
(1,442,537)	(33,834)	-	(1,476,371)	634,654
(37,779)	(2,848)	-	(40,627)	13,316
(11,666,411)	(912,480)	-	(12,578,891)	32,728,757
-	-	-	-	14,740
(11,666,411)	(912,480)	-	(12,578,891)	32,743,497
(1,104,446)	(67,248)	-	(1,171,694)	700,463
(52,514)	(1,348)	-	(53,862)	22,798
-	-	-	-	31,872
(1,156,960)	(68,596)	-	(1,225,556)	755,133
<u>\$ (38,637,013)</u>	<u>\$ (2,298,617)</u>	<u>\$ 188,470</u>	<u>\$ (40,747,160)</u>	<u>\$ 60,913,510</u>

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Other Operating Revenues  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Electric Utility</b>		
Penalties and forfeited discounts	\$ 153,047	\$ 154,973
Miscellaneous service revenues	12,321	14,350
Rental income - capacity purchase agreement	21,142	-
Rental income - utility poles	5,005	26,185
Administrative service billed to ALASD	81,959	80,869
Other electric revenue	291,600	449,556
NSF fees	2,225	1,800
Total Electric Utility	567,299	727,733
<b>Water Utility</b>		
Rent from water property	30,453	30,453
Miscellaneous service revenues	4,710	8,091
Total Water Utility	35,163	38,544
<b>Total Other Operating Revenues</b>	<b>\$ 602,462</b>	<b>\$ 766,277</b>



City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Production and Purchased Power Expense - Electric Utility  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Internal Combustion Engine Operation</b>		
Fuel - oil	\$ 27,741	\$ 9,659
Fuel - natural gas	-	4,437
Other expenses	11,760	7,521
Total Internal Combustion Engine Operation	39,501	21,617
<b>Power Supply</b>		
Purchased power	17,424,881	17,654,456
<b>Internal Combustion Engine Maintenance</b>		
Maintenance of structures	3,220	1,177
Maintenance of internal combustion engine, generators and switchgear	34,824	14,534
Total Internal Combustion Engine Maintenance	38,044	15,711
<b>Total Production and Purchased Power Expense</b>	<b>\$ 17,502,426</b>	<b>\$ 17,691,784</b>

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Distribution Expense - Operations  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Electric Utility</b>		
Station	\$ 38,572	\$ 32,351
Overhead lines	203,990	220,496
Underground lines	72,903	62,175
Street lighting and signal system	321	1,207
Meter expenses - removing and resetting meters	8,215	11,776
Customer installation expense and service on premises	24,088	17,105
Load management	47,355	39,363
Miscellaneous distribution	148,919	150,635
Rent	4,262	4,262
Supplies	78,751	81,740
Safety supplies	100,557	89,050
Total Electric Utility	727,933	710,160
<b>Water Utility</b>		
Salary - superintendent	47,261	50,576
Station labor	1,075	435
Water locating	46,951	58,792
Well closure	3,739	1,418
Total Water Utility	99,026	111,221
<b>Fiber Utility</b>		
Fiber expense	151,385	182,468
<b>Total Distribution Expense - Operations</b>	\$ 978,344	\$ 1,003,849

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Distribution Expense - Maintenance  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Electric Utility</b>		
Supervision	\$ 30,617	\$ 27,061
Maintenance		
Station equipment	73,961	127,305
Overhead lines	316,273	310,511
Underground lines	63,239	84,543
Line transformers	8,323	45,346
Street lighting and signal system	59,774	68,845
Customer electric meters	77,847	60,107
Power operated equipment	19,257	19,455
Structures distribution substations	-	501
Miscellaneous distribution	511	52
Total Electric Utility	649,802	743,726
<b>Water Utility</b>		
Maintenance		
Pumping equipment	1,318	-
Wells	10,731	27,771
Filter plant equipment	150,047	93,446
Distribution System		
Water mains	30,715	62,605
Water services	70,819	88,076
Customer water meters	3,061	2,460
Water hydrants	17,826	34,343
Storage facilities, tanks, etc.	35,677	12,841
Total Water Utility	320,194	321,542
<b>Total Distribution Expense - Maintenance</b>	<b>\$ 969,996</b>	<b>\$ 1,065,268</b>

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Customer Accounts Expense  
For the Years Ended December 31, 2017 and 2016

	December 31, 2017			Total
	Electric Utility	Water Utility	Fiber Utility	
Meter Reading	\$ 117,707	\$ 20,757	\$ -	\$ 138,464
Collection Expense	118,963	6,299	1,260	126,522
Billing and Accounting Salaries	219,227	41,105	13,702	274,034
Uncollectible Accounts	27,297	4,820	-	32,117
Customer Conservation Consultant	68,668	-	-	68,668
Informational Advertising	14,009	1,788	2,087	17,884
Customer Assistance	39,624	-	-	39,624
<b>Total Customer Accounts Expense</b>	<b>\$ 605,495</b>	<b>\$ 74,769</b>	<b>\$ 17,049</b>	<b>\$ 697,313</b>

	December 31, 2016			Total
	Electric Utility	Water Utility	Fiber Utility	
Meter Reading	\$ 117,309	\$ 21,676	\$ -	\$ 138,985
Collection Expense	121,296	6,445	1,289	129,030
Billing and Accounting Salaries	214,907	41,372	13,791	270,070
Uncollectible Accounts	18,941	-	-	18,941
Customer Conservation Consultant	62,018	-	-	62,018
Informational Advertising	24,017	3,913	5,619	33,549
Customer Assistance	57,470	-	-	57,470
<b>Total Customer Accounts Expense</b>	<b>\$ 615,958</b>	<b>\$ 73,406</b>	<b>\$ 20,699</b>	<b>\$ 710,063</b>

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Administration and General Expense  
For the Years Ended December 31, 2017 and 2016

	December 31, 2017			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration Salaries - Manager	\$ 199,396	\$ 75,497	\$ 30,005	\$ 304,898
Office Supplies	84,141	12,829	1,979	98,949
Outside Services	42,117	5,304	-	47,421
Insurance	140,245	15,937	3,188	159,370
Employee Pension and Benefits	782,018	94,380	36,493	912,891
Employee School Expense	25,415	3,274	1,195	29,884
Employer Contribution - Deferred Compensation and Severance	52,675	6,125	2,450	61,250
Regulatory Commission Expense	31,687	3,521	-	35,208
Miscellaneous	49,580	5,490	95	55,165
Maintenance of General Plant	208,964	29,912	15,478	254,354
Health Insurance Deductible	1,331	158	95	1,584
<b>Total Administration and General Expense</b>	<b>\$ 1,617,569</b>	<b>\$ 252,427</b>	<b>\$ 90,978</b>	<b>\$ 1,960,974</b>

	December 31, 2016			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration Salaries - Manager	\$ 203,053	\$ 68,667	\$ 27,016	\$ 298,736
Office Supplies	86,783	9,684	1,697	98,164
Outside Services	23,851	2,650	-	26,501
Insurance	130,891	16,098	3,220	150,209
Employee Pension and Benefits	836,398	101,007	39,603	977,008
Employee School Expense	35,199	7,430	1,269	43,898
Employer Contribution - Deferred Compensation and Severance	46,067	5,357	2,143	53,567
Regulatory Commission Expense	33,386	4,314	-	37,700
Miscellaneous	49,442	6,083	172	55,697
Water Conservation Expense	-	(40)	-	(40)
Maintenance of General Plant	211,792	26,568	15,175	253,535
Health Insurance Deductible	4,363	519	312	5,194
<b>Total Administration and General Expense</b>	<b>\$ 1,661,225</b>	<b>\$ 248,337</b>	<b>\$ 90,607</b>	<b>\$ 2,000,169</b>

City of Alexandria, Minnesota  
Board of Public Works - DBA ALP Utilities  
Schedules of Other Nonoperating Revenues  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Electric Utility</b>		
Merchandising, jobbing and contract work	\$ 22,995	\$ 17,285
Miscellaneous nonoperating income	105,710	215,509
Total Electric Utility	128,705	232,794
<b>Water Utility</b>		
Miscellaneous service revenue	7,671	22,365
<b>Fiber Utility</b>		
Merchandising, jobbing and contract work	3,348	13,625
Miscellaneous service revenue	25	-
Total Fiber Utility	3,373	13,625
<b>Total Nonoperating Revenues</b>	\$ 139,749	\$ 268,784

OTHER REQUIRED REPORTS

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

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Board of Public Works DBA ALP Utilities, (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced provisions.

This report is intended solely for the information and use those charged with governance and management of the Board and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 3, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Public Works DBA ALP Utilities (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 3, 2018.

**Internal Control Over Financial Reporting**

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

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

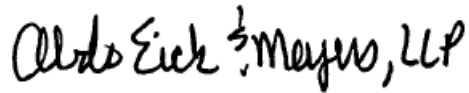
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters, 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. 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, EICK & MEYERS, LLP  
Mankato, Minnesota  
April 3, 2018