

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

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017

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

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018

Appointed

<u>Name</u>
Bobbie Osterberg
Sara Carlson
Ron Kirscht
John Kes
Brett Paradis

<u>Title</u>
Member
Member
Member
Vice President
President

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

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the Board's OPEB Liability and Related Ratios, starting on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

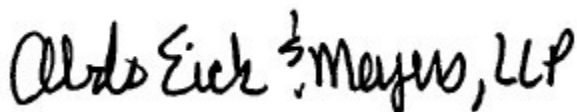
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019, 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 12, 2019

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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, 2018 AND 2017

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Statements of Net Position
Proprietary Funds
December 31, 2018 and 2017

	Enterprise Funds			
	Electric Utility		Water Utility	
	2018	Restated 2017	2018	Restated 2017
Assets				
Current Assets				
Cash and temporary investments	\$ 7,084,676	\$ 7,352,660	\$ 4,160,973	\$ 3,911,888
Interest receivable	23,500	23,801	12,522	10,734
Customer accounts receivable, net of allowance for doubtful accounts of \$56,729 and \$55,057, respectively	618,747	645,615	228,542	213,559
Due from the City of Alexandria	14,905	33,189	759	5,933
Special assessments receivable	-	-	2,196	1,006
Inventories	1,222,768	1,119,220	92,977	81,404
Prepaid items	133,666	69,290	3,530	6,324
Restricted debt service reserve deposits	635,746	670,623	252,650	252,650
Total Current Assets	<u>9,734,008</u>	<u>9,914,398</u>	<u>4,754,149</u>	<u>4,483,498</u>
Noncurrent Assets				
Capital assets				
Land and land rights	64,669	64,669	66,807	66,807
Service territory acquired	255,813	234,533	-	-
Buildings and structures	2,422,166	2,422,166	333,532	333,532
Transmission plant	2,763,581	2,763,581	-	-
Distribution plant	46,510,752	43,546,738	43,639,241	43,450,041
General equipment	3,590,678	3,484,432	1,475,436	1,457,268
Construction in progress	1,603,152	1,841,474	273,830	14,740
Less accumulated depreciation	<u>(28,307,199)</u>	<u>(26,942,712)</u>	<u>(13,575,914)</u>	<u>(12,578,892)</u>
Total capital assets (net of accumulated depreciation)	<u>28,903,612</u>	<u>27,414,881</u>	<u>32,212,932</u>	<u>32,743,496</u>
Total Assets	<u>38,637,620</u>	<u>37,329,279</u>	<u>36,967,081</u>	<u>37,226,994</u>
Deferred Outflows of Resources				
Deferred pension resources	337,103	564,690	39,199	65,661
Deferred other postemployment benefit resources	1,494	-	174	-
Total Deferred Outflows of Resources	<u>338,597</u>	<u>564,690</u>	<u>39,373</u>	<u>65,661</u>
Liabilities				
Current Liabilities				
Accounts payable	1,521,589	1,629,711	28,840	6,636
Due to other governments	76,842	74,665	6,090	5,946
Due to the City of Alexandria	154,872	155,820	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	501,841	470,181	-	-
Accrued interest payable	16,706	16,884	22,754	25,053
Accrued wages payable	53,998	72,449	12,601	13,945
Compensated absences payable	252,425	259,568	73,248	139,249
Customer meter deposits payable	336,968	347,980	-	-
Bonds and notes payable - current portion	395,000	795,000	242,000	236,000
Total Current Liabilities	<u>3,310,241</u>	<u>3,822,258</u>	<u>385,533</u>	<u>426,829</u>
Noncurrent Liabilities				
Other postemployment benefits payable	74,631	64,865	8,678	7,542
Compensated absences payable	430,663	444,542	122,501	69,898
Pension liability	1,965,623	2,311,371	228,565	268,761
Bonds and notes payable - net of current maturities	<u>5,465,876</u>	<u>5,862,398</u>	<u>2,229,000</u>	<u>2,471,000</u>
Total Noncurrent Liabilities	<u>7,936,793</u>	<u>8,683,176</u>	<u>2,588,744</u>	<u>2,817,201</u>
Total Liabilities	<u>11,247,034</u>	<u>12,505,434</u>	<u>2,974,277</u>	<u>3,244,030</u>
Deferred Inflows of Resources				
Deferred pension resources	525,131	538,819	61,063	62,653
Net Position				
Net investment in capital assets	23,042,736	21,745,887	29,741,932	30,036,496
Restricted for debt service	635,746	670,623	252,650	252,650
Unrestricted	<u>3,525,570</u>	<u>2,433,206</u>	<u>3,976,532</u>	<u>3,696,826</u>
Total Net Position	<u>\$ 27,204,052</u>	<u>\$ 24,849,716</u>	<u>\$ 33,971,114</u>	<u>\$ 33,985,972</u>

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

Enterprise Funds

Fiber Utility		Totals	
2018	Restated 2017	2018	Restated 2017
\$ 1,436,273	\$ 1,343,153	\$ 12,681,922	\$ 12,607,701
6,249	4,688	42,271	39,223
11,148	5,682	858,437	864,856
60	957	15,724	40,079
-	-	2,196	1,006
16,398	19,487	1,332,143	1,220,111
3,371	2,275	140,567	77,889
-	-	888,396	923,273
<u>1,473,499</u>	<u>1,376,242</u>	<u>15,961,656</u>	<u>15,774,138</u>
-	-	131,476	131,476
-	-	255,813	234,533
-	-	2,755,698	2,755,698
-	-	2,763,581	2,763,581
-	-	90,149,993	86,996,779
2,037,304	1,948,817	7,103,418	6,890,517
56,615	31,872	1,933,597	1,888,086
<u>(1,298,427)</u>	<u>(1,225,556)</u>	<u>(43,181,540)</u>	<u>(40,747,160)</u>
<u>795,492</u>	<u>755,133</u>	<u>61,912,036</u>	<u>60,913,510</u>
<u>2,268,991</u>	<u>2,131,375</u>	<u>77,873,692</u>	<u>76,687,648</u>
15,678	26,264	391,980	656,615
70	-	1,738	-
<u>15,748</u>	<u>26,264</u>	<u>393,718</u>	<u>656,615</u>
1,140	4,036	1,551,569	1,640,383
-	-	82,932	80,611
-	-	154,872	155,820
-	-	501,841	470,181
-	-	39,460	41,937
1,865	2,579	68,464	88,973
20,276	21,672	345,949	420,489
-	-	336,968	347,980
-	-	637,000	1,031,000
<u>23,281</u>	<u>28,287</u>	<u>3,719,055</u>	<u>4,277,374</u>
3,471	3,017	86,780	75,424
25,000	36,294	578,164	550,734
91,419	107,504	2,285,607	2,687,636
-	-	7,694,876	8,333,398
<u>119,890</u>	<u>146,815</u>	<u>10,645,427</u>	<u>11,647,192</u>
<u>143,171</u>	<u>175,102</u>	<u>14,364,482</u>	<u>15,924,566</u>
<u>24,423</u>	<u>25,061</u>	<u>610,617</u>	<u>626,533</u>
795,492	755,133	53,580,160	52,537,516
-	-	888,396	923,273
<u>1,321,653</u>	<u>1,202,343</u>	<u>8,823,755</u>	<u>7,332,375</u>
<u>\$ 2,117,145</u>	<u>\$ 1,957,476</u>	<u>\$ 63,292,311</u>	<u>\$ 60,793,164</u>

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

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Years Ended December 31, 2018 and 2017

	Enterprise Funds			
	Electric Utility		Water Utility	
	2018	Restated 2017	2018	Restated 2017
Operating Revenues				
Sales	\$ 25,280,102	\$ 24,724,008	\$ 2,109,339	\$ 2,028,338
Other operating revenue	807,399	567,299	47,711	35,163
Total Operating Revenues	<u>26,087,501</u>	<u>25,291,307</u>	<u>2,157,050</u>	<u>2,063,501</u>
Operating Expenses				
Personal services	801,985	977,050	132,828	169,392
Production plant and purchased power	17,719,259	17,502,426	-	-
Transmission system - maintenance	2,837	10,744	-	-
Distribution system - operations	729,950	727,933	102,159	99,026
Distribution system - maintenance	691,557	649,802	423,302	320,194
Other operating	-	-	305,002	267,360
Customer accounts	630,438	605,495	81,167	74,769
Administration and general	779,613	640,519	109,004	83,035
Depreciation and amortization	1,389,159	1,317,540	997,022	912,481
Total Operating Expenses	<u>22,744,798</u>	<u>22,431,509</u>	<u>2,150,484</u>	<u>1,926,257</u>
Operating Income	<u>3,342,703</u>	<u>2,859,798</u>	<u>6,566</u>	<u>137,244</u>
Nonoperating Income (Expenses)				
Investment income (loss)	125,568	117,424	43,952	22,807
Other revenue	53,504	128,705	-	7,671
Special assessments	-	-	2,196	1,006
Gain (loss) on sale of capital assets	(2,672)	(5,498)	-	-
Amortization expense	1,522	1,522	-	-
Bond issuance costs	-	(37,165)	-	-
Interest and other	(172,719)	(226,320)	(69,318)	(73,258)
Pension revenue	15,017	-	1,746	-
Total Nonoperating Income (Expenses)	<u>20,220</u>	<u>(21,332)</u>	<u>(21,424)</u>	<u>(41,774)</u>
Income (Loss) Before Capital Contributions and Transfers	3,362,923	2,838,466	(14,858)	95,470
Capital Contributions from the City of Alexandria	-	-	-	3,740,514
Transfers to City of Alexandria - Payment in Lieu of Taxes	<u>(1,008,587)</u>	<u>(980,825)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,354,336	1,857,641	(14,858)	3,835,984
Net Position - January 1 as Restated	24,849,716	22,892,316	33,985,972	30,144,867
Prior Period Restatement (Note 9)	<u>-</u>	<u>99,759</u>	<u>-</u>	<u>5,121</u>
Net Position, December 31 as Restated	<u>\$ 27,204,052</u>	<u>\$ 24,849,716</u>	<u>\$ 33,971,114</u>	<u>\$ 33,985,972</u>

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

Enterprise Funds

Fiber Utility		Totals	
2018	Restated 2017	2018	Restated 2017
\$ 456,284	\$ 423,473	\$ 27,845,725	\$ 27,175,819
-	-	855,110	602,462
<u>456,284</u>	<u>423,473</u>	<u>28,700,835</u>	<u>27,778,281</u>
52,802	66,498	987,615	1,212,940
-	-	17,719,259	17,502,426
-	-	2,837	10,744
137,331	151,385	969,440	978,344
-	-	1,114,859	969,996
-	-	305,002	267,360
24,928	17,049	736,533	697,313
29,704	24,480	918,321	748,034
72,871	68,596	2,459,052	2,298,617
<u>317,636</u>	<u>328,008</u>	<u>25,212,918</u>	<u>24,685,774</u>
138,648	95,465	3,487,917	3,092,507
16,778	10,064	186,298	150,295
3,544	3,373	57,048	139,749
-	-	2,196	1,006
-	-	(2,672)	(5,498)
-	-	1,522	1,522
-	-	-	(37,165)
-	-	(242,037)	(299,578)
699	-	17,462	-
<u>21,021</u>	<u>13,437</u>	<u>19,817</u>	<u>(49,669)</u>
159,669	108,902	3,507,734	3,042,838
-	-	-	3,740,514
-	-	(1,008,587)	(980,825)
159,669	108,902	2,499,147	5,802,527
1,957,476	1,847,973	60,793,164	54,885,156
-	601	-	105,481
<u>\$ 2,117,145</u>	<u>\$ 1,957,476</u>	<u>\$ 63,292,311</u>	<u>\$ 60,793,164</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, 2018 and 2017

	Enterprise Funds			
	Electric Utility		Water Utility	
	2018	Restated 2017	2018	Restated 2017
Cash Flows from Operating Activities				
Receipts from customers	\$ 26,121,641	\$ 25,333,509	\$ 2,147,241	\$ 2,090,816
Payments to suppliers and vendors	(20,750,066)	(21,043,609)	(1,020,396)	(817,826)
Payments to and on behalf of employees	(965,035)	(842,009)	(161,932)	(232,839)
Other receipts	68,521	128,705	1,746	7,671
Net Cash Provided by Operating Activities	<u>4,475,061</u>	<u>3,576,596</u>	<u>966,659</u>	<u>1,047,822</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers to City - payment in lieu of taxes	(1,008,587)	(980,825)	-	-
Cash Flows from Capital and Related Financing Activities				
Capital asset acquisitions	(2,927,307)	(3,313,460)	(453,127)	(353,878)
Special assessment receipts	-	-	1,006	1,326
Proceeds from bonds, net of premiums	-	1,685,000	-	-
Principal paid on bonds and notes	(795,000)	(2,480,000)	(236,000)	(229,000)
Bond issuance costs	-	(37,165)	-	-
Interest paid on long-term debt	(172,897)	(229,632)	(71,617)	(75,487)
Net Cash Used by Capital and Related Financing Activities	<u>(3,895,204)</u>	<u>(4,375,257)</u>	<u>(759,738)</u>	<u>(657,039)</u>
Cash Flows from Investing Activities				
Interest received on investments	125,869	111,012	42,164	19,694
Net Increase (Decrease) in Cash and Cash Equivalents	(302,861)	(1,668,474)	249,085	410,477
Cash and Cash Equivalents, January 1	8,023,283	9,691,757	4,164,538	3,754,061
Cash and Cash Equivalents, December 31	<u>\$ 7,720,422</u>	<u>\$ 8,023,283</u>	<u>\$ 4,413,623</u>	<u>\$ 4,164,538</u>
Reconciliation of Cash and Cash Equivalents				
Unrestricted	\$ 7,084,676	\$ 7,352,660	\$ 4,160,973	\$ 3,911,888
Restricted	635,746	670,623	252,650	252,650
Total Cash and Cash Equivalents	<u>\$ 7,720,422</u>	<u>\$ 8,023,283</u>	<u>\$ 4,413,623</u>	<u>\$ 4,164,538</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 3,342,703	\$ 2,859,798	\$ 6,566	\$ 137,244
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,389,159	1,317,540	997,022	912,481
Other income related to operations	68,521	128,705	1,746	7,671
(Increase) decrease in assets				
Customer accounts receivable	26,868	70,153	(14,983)	33,248
Due from the City of Alexandria	18,284	(19,796)	5,174	(5,933)
Inventories	(103,548)	(4,221)	(11,573)	(1,439)
Prepaid items	(64,376)	2,177	2,794	254
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	227,587	525,992	26,462	61,159
Deferred other postemployment benefit resources	(1,494)	-	(174)	-
Increase (decrease) in liabilities				
Accounts payable	(61,377)	(139,323)	8,873	24,505
Due to other governments	2,177	(5,034)	144	3,238
Due to the City of Alexandria	(948)	(752,510)	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	31,660	(7,779)	-	-
Accrued wages payable	(18,451)	16,363	(1,344)	898
Compensated absences payable	(21,022)	33,819	(13,398)	(72,173)
Pension liability	(345,748)	(656,314)	(40,196)	(76,311)
Other postemployment benefits payable	9,766	5,899	1,136	(1,355)
Customer meter deposits payable	(11,012)	(8,155)	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(13,688)	209,282	(1,590)	24,335
Net Cash Provided by Operating Activities	<u>\$ 4,475,061</u>	<u>\$ 3,576,596</u>	<u>\$ 966,659</u>	<u>\$ 1,047,822</u>
Noncash Capital and Financing Activities				
Book value of disposed/traded of capital assets	\$ 2,672	\$ 5,498	\$ -	\$ -
Capital assets acquired on account	26,566	73,311	13,331	-
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	
2018	Restated 2017	2018	Restated 2017
\$ 451,715	\$ 419,372	\$ 28,720,597	\$ 27,843,697
(189,242)	(205,826)	(21,959,704)	(22,067,261)
(71,959)	(58,394)	(1,198,926)	(1,133,242)
699	-	70,966	136,376
<u>191,213</u>	<u>155,152</u>	<u>5,632,933</u>	<u>4,779,570</u>
-	-	(1,008,587)	(980,825)
(113,310)	(43,194)	(3,493,744)	(3,710,532)
-	-	1,006	1,326
-	-	-	1,685,000
-	-	(1,031,000)	(2,709,000)
-	-	-	(37,165)
-	-	(244,514)	(305,119)
<u>(113,310)</u>	<u>(43,194)</u>	<u>(4,768,252)</u>	<u>(5,075,490)</u>
15,217	8,501	183,250	139,207
93,120	120,459	39,344	(1,137,538)
1,343,153	1,222,694	13,530,974	14,668,512
<u>\$ 1,436,273</u>	<u>\$ 1,343,153</u>	<u>\$ 13,570,318</u>	<u>\$ 13,530,974</u>
\$ 1,436,273	\$ 1,343,153	\$ 12,681,922	\$ 12,607,701
-	-	888,396	923,273
<u>\$ 1,436,273</u>	<u>\$ 1,343,153</u>	<u>\$ 13,570,318</u>	<u>\$ 13,530,974</u>
\$ 138,648	\$ 95,465	\$ 3,487,917	\$ 3,092,507
72,871	68,596	2,459,052	2,298,617
4,243	3,373	74,510	139,749
(5,466)	(3,144)	6,419	100,257
897	(957)	24,355	(26,686)
3,089	(19,487)	(112,032)	(25,147)
(1,096)	(140)	(62,678)	2,291
10,586	24,466	264,635	611,617
(70)	-	(1,738)	-
(2,816)	3,342	(55,320)	(111,476)
-	-	2,321	(1,796)
-	-	(948)	(752,510)
-	-	31,660	(7,779)
(714)	940	(20,509)	18,201
(12,690)	3,286	(47,110)	(35,068)
(16,085)	(30,528)	(402,029)	(763,153)
454	206	11,356	4,750
-	-	(11,012)	(8,155)
<u>(638)</u>	<u>9,734</u>	<u>(15,916)</u>	<u>243,351</u>
<u>\$ 191,213</u>	<u>\$ 155,152</u>	<u>\$ 5,632,933</u>	<u>\$ 4,779,570</u>
\$ -	\$ -	\$ 2,672	\$ 5,498
-	80	39,897	73,391
-	-	-	3,740,514
-	-	(1,522)	(1,522)

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City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017

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
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

The Board may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government Entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Board's recurring fair value measurements are listed in detail on page 30 and are valued using quoted market prices (Level 1 inputs).

The Board has the following recurring fair value measurements as of December 31, 2018:

- Government agency securities of \$7,075,944 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$1,881,883 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
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable of \$858,437 and \$864,856 are recorded net of the allowance for doubtful accounts of \$56,729 and \$55,057 as of December 31, 2018 and 2017, 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:

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

Deferred Outflows of Resources

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

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

Sick leave is accounted for in the following manner:

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

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

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

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2018.

Long-term Obligations

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

Pensions

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

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017

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, 2018 the Board's carrying amount of deposits was \$4,442,097 and the bank balance was \$4,589,663. Of the bank balance \$1,245,606 was covered by federal depository insurance. The remaining balances were collateralized with securities held by the pledging financial institution's trust department in the Board's name.

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.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018, the Board had the following investments that are insured or registered, or securities held by the Board or it's agent in the Board's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 6 months	\$ 5		
Non-pooled Investments at Amortized Costs					
Money Market Funds	N/A	less than 6 months	170,139		
Non-pooled Investments at Fair Value					
Government Agency Securities	Aaa	1 to 3 years	4,088,978	\$ 4,088,978	\$ -
Government Agency Securities	Aaa	more than 3 years	2,488,951	2,488,951	-
Government Agency Securities	AAA	6 months to 1 year	498,015	498,015	-
Negotiable certificates of deposit	N/A	6 months to 1 year	1,413,107	-	1,413,107
Negotiable certificates of deposit	N/A	1 to 3 years	-	-	-
Negotiable certificates of deposit	N/A	more than 3 years	468,776	-	468,776
Total Investments			<u>\$ 9,127,971</u>	<u>\$ 7,075,944</u>	<u>\$ 1,881,883</u>

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

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

N/A Indicates not applicable or available.

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 2: Detailed Notes on all Funds (Continued)

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
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
Total Investments			<u>\$ 9,822,212</u>	<u>\$ 7,084,345</u>	<u>\$ 1,905,363</u>

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

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

N/A Indicates not applicable or available.

Cash on Hand

Cash in the possession of the Board, consisting of petty cash and change funds, totaled \$250 as of December 31, 2018 and 2017.

Cash and Investments Summary

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

	2018	2017
Carrying Amount of Deposits	\$ 4,442,097	\$ 3,708,512
Investments	9,127,971	9,822,212
Cash on Hand	250	250
Total Cash and Temporary Investments	<u>\$ 13,570,318</u>	<u>\$ 13,530,974</u>
Cash and Cash Equivalents	\$ 12,681,922	\$ 12,607,701
Restricted Debt Service Reserve Deposits	888,396	923,273
Total	<u>\$ 13,570,318</u>	<u>\$ 13,530,974</u>

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 2: Detailed Notes on all Funds (Continued)

B. Capital Assets

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

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

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 2: Detailed Notes on all Funds (Continued)

Capital asset activity for the Board for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land and land rights	\$ 131,476	\$ -	\$ -	\$ 131,476
Srevice territory acquired	234,533			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>

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

	2018	2017
Business-type Activities		
Electric	\$ 1,389,159	\$ 1,317,540
Water	997,022	912,481
Fiber	72,871	68,596
Total Depreciation Expense - Business-type Activities	<u>\$ 2,459,052</u>	<u>\$ 2,298,617</u>

Construction Commitments

The City has active construction projects as of December 31, 2018. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric Distribution Improvements 2018	\$ 545,280	\$ 173,505

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Note 2: Detailed Notes on all Funds (Continued)

C. Payment in Lieu of Taxes - City of Alexandria

The amounts paid from the Board to the City of Alexandria for the payment in lieu of taxes for the period ending 2018 and 2017 totaled \$1,008,587 and \$980,825, respectively.

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	
					2018	2017
Electric Utility Revenue Bonds of 2015A	\$ 5,395,000	2.00 - 3.25 %	12/30/15	12/01/35	\$ 4,725,000	\$ 4,945,000
Electric Utility Refunding Bonds of 2017A	1,685,000	2.20	10/16/17	12/01/24	1,110,000	1,685,000
Total Revenue Bonds					<u>\$ 5,835,000</u>	<u>\$ 6,630,000</u>

Annual requirements to maturity for Revenue Bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
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	440,000	115,945	555,945
2024 - 2028	1,520,000	458,223	1,978,223
2029 - 2033	1,545,000	258,067	1,803,067
2034 - 2035	695,000	34,125	729,125
Total	<u>\$ 5,835,000</u>	<u>\$ 1,416,480</u>	<u>\$ 7,251,480</u>

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Note 2: Detailed Notes on all Funds (Continued)

G.O. Revenue Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
					2018	2017
G.O. Water Revenue Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 272,000	\$ 335,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,199,000	2,372,000
Total G.O. Revenue Notes					<u>\$ 2,471,000</u>	<u>\$ 2,707,000</u>

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

Year Ending December 31,	G.O. Revenue Notes		
	Principal	Interest	Total
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	195,000	35,844	230,844
2024 - 2028	1,046,000	105,502	1,151,502
2029	225,000	5,501	230,501
Total	<u>\$ 2,471,000</u>	<u>\$ 358,874</u>	<u>\$ 2,829,874</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	\$ 26,087,501	\$ 2,157,050
Principal and Interest	967,897	307,617
Percentage of Revenues	3.7%	14.3%

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Note 2: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

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

	Balance as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
Revenue bonds	\$ 6,630,000	\$ -	\$ (795,000)	\$ 5,835,000	\$ 395,000
G.O. revenue notes	2,707,000	-	(236,000)	2,471,000	242,000
Bond premium	27,398	-	(1,522)	25,876	-
Total Bonds Payable	<u>9,364,398</u>	<u>-</u>	<u>(1,032,522)</u>	<u>8,331,876</u>	<u>637,000</u>
Compensated Absences Payable	971,223	365,025	(410,037)	924,113	345,949
Pension Liability					
GERF	2,687,636	6	(402,035)	2,285,607	-
Other Postemployment Benefits	75,424	11,356	-	86,780	-
Business-type Activity Long-term Liabilities	<u>\$ 13,098,681</u>	<u>\$ 376,387</u>	<u>\$ (1,844,594)</u>	<u>\$ 11,628,376</u>	<u>\$ 982,949</u>

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

	Beginning Balance	Increases	Decreases	Balance as Restated	Due Within One Year
Business-type activities					
Bonds Payable					
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	-
Total Bonds Payable	<u>10,389,920</u>	<u>1,685,000</u>	<u>(2,710,522)</u>	<u>9,364,398</u>	<u>1,031,000</u>
Compensated Absences Payable	1,137,274	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	(108,577)	75,424	-
Business-type Activity Long-term Liabilities	<u>\$ 15,154,138</u>	<u>\$ 2,048,750</u>	<u>\$ (4,104,207)</u>	<u>\$ 13,098,681</u>	<u>\$ 1,451,489</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.

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Note 2: Detailed Notes on all Funds (Continued)

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

The Board collects revenue from customers of the Alexandria Lakes Area Sanitary District (ALASD). The collections are paid to ALASD monthly. Collections still owed by ALP Utilities to ALASD at December 31, 2018 and 2017 totaled \$501,841 and \$470,181, respectively.

Note 3: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

General Employees Retirement 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

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. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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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

Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2018. The Board was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2018. The Board's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$209,286, \$207,978 and \$200,269, respectively. The Board's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the Board reported a liability of \$2,285,607 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 \$16 million to the fund in 2018. 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 \$74,881. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportionate share of the net pension liability was based on the Board's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Board's proportionate share was 0.0412 percent which was a decrease of 0.0009 percent from its proportion measured as of June 30, 2017.

Board's proportionate share of the net pension liability	\$ 2,285,607
State of Minnesota's proportionate share of the net pension liability associated with the Board	74,881
Total	\$ 2,360,488

For the year ended December 31, 2018, the Board recognized negative pension expense of \$153,310 for its proportionate share of GERF's pension expense. In addition, the Board recognized an additional \$17,462 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

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

At December 31, 2018, 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	\$ 60,464	\$ 59,510
Changes in Actuarial Assumptions	216,529	256,812
Net Difference Between Projected and Actual Earnings on Plan Investments	-	238,630
Changes in Proportion	8,301	55,665
Contributions to GERF Subsequent to the Measurement Date	106,686	-
Total	\$ 391,980	\$ 610,617

Deferred outflows of resources totaling \$106,686 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

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

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 To the Measurement Date	104,983	-
Total	\$ 656,615	\$ 626,533

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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 GERP 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 GERP pensions will be recognized in pension expense as follows:

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

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 after retirement for retirees are assumed to be 1.25 percent per year for GERP and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERP plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERP

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	36.0 %	5.10 %
International Stocks	17.0	5.30
Bonds	20.0	0.75
Alternative Assets	25.0	5.90
Cash	<u>2.0</u>	-
Total	<u><u>100.0 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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.

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:

	<u>Board's Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
GERF	\$ 3,714,404	\$ 2,285,607	\$ 1,106,176

H. Pension Plan Fiduciary Net Position

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

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Note 4: Postemployment Benefits Other Than Pensions

A. Plan Description

The Board administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible employees and their spouses through the Board’s group health insurance plan. The Board engaged an actuary to determine the Board’s liability for postemployment healthcare benefits other than pensions as of January 1, 2018. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding Policy

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

C. Actuarial Methods and Assumptions

The Board’s total OPEB liability of \$86,780 was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2018. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.31%
20-Year Municipal Bond Yield	3.31%
Inflation Rate	2.75%
Medical Trend Rate	6.90% in 2018 grading to 4.40% in 2074

The discount rate used to measure the total OPEB liability was 3.31 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on a scale MP-2015, and other adjustments.

Health care cost trend rates were based on actual premium rates for 2017 and 6.90% for 2018, gradually decreasing over several decades to an ultimate rate of 4.40% in 2074 and later years. In addition, the medical trend rates were increased to reflect the projected effect of the Affordable Care Act’s Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.40% beginning calendar year 2045 for plans other than Medicare plans.

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Note 4: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	\$ 75,424
Changes for the Year:	
Service cost	6,212
Interest	3,110
Changes in assumptions or other inputs	2,034
Net Changes	11,356
Balances at December 31, 2018	\$ 86,780

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases due to per capital claims costs and plan premiums.
- Index rate for 20-year, tax exempt municipal bonds changed from 3.81% to 3.31%.
- The discount rate was changed from 3.81% to 3.31%.

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

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

1 Percent Decrease (2.31%)	Current (3.31%)	1 Percent Increase (4.31%)
\$ 90,790	\$ 86,780	\$ 82,711

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.90 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.90 percent decreasing to 5.40 percent) than the current discount rate:

1 Percent Decrease (5.90% decreasing to 3.40%)	Healthcare Cost Trend Rates (6.90% decreasing to 4.40%)	1 Percent Increase (7.90% decreasing to 5.40%)
\$ 77,898	\$ 86,780	\$ 97,242

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Note 4: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2018, the Board recognized OPEB expense of \$11,356 . At December 31, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 1,738	\$ -

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

2019	\$	(296)
2020		(296)
2021		(296)
2022		(296)
2023		(296)
Thereafter		(258)

Note 5: Retirement Pay

The Board offers union and non-union employees a choice between two benefit options. Option 1, Matching Deferred Compensation is described in Note 6. Option 2, Retirement Pay is described below. Employees hired after January 1, 2000, are only eligible for Option 1. Those employees with dates of employment before January 1, 2000 may choose whichever option is more beneficial to them.

The Board will make a retirement payment to those non-union employees who choose this option. The retirement payment will be \$2,000 for each year of completed employment with the Board. Non-union employees will be eligible for this severance payment upon reaching the age of 55 and having 3 or more years of service or upon having 30 or more years of service regardless of age (if first hired prior to July 1, 1989).

Union employees will be eligible for this retirement payment upon reaching the age for full retirement benefits as defined by PERA. Retirement pay will be paid over a five-year period in 60 monthly installments. If a separated employee dies before all or a portion of the retirement pay has been disbursed, the balance due must be paid to a named beneficiary, or lacking one, to the decedent's estate.

Retirement pay provided for an employee leaving employment may not exceed an amount equivalent to one year of pay. Currently, no employee is eligible for the benefit once they retire or will be eligible for this benefit in the future.

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

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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 \$62,743 and \$62,150 in matching funds to the plan for the years ended December 31, 2018 and 2017, 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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December 31, 2018 and 2017

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 2018 and 2017, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2018	\$ 2,154,300	96,279,000	\$ 12,445,052	206,197,222
2017	2,528,007	96,279,000	12,062,810	199,699,072

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,857,571 and \$2,834,064 in wheeling charges for 2018 and 2017, respectively.

C. Concentrations

Approximately 51 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

McKay Ave Mainline (underground)	\$ 600,000
Industrial circuit, Darling circuit, (underground)	1,215,000
3M circuit, 82 East (underground)	1,822,000
Nokomis conversion (underground)	1,000,000
Casa Marina, Westwood, Little Germany, Nelson (underground)	1,660,000
Undergrounding system	2,500,000
Rate stabilization	750,000
Total Electric Utility	<u>9,547,000</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>\$ 11,747,000</u>

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Notes to the Financial Statements
December 31, 2018 and 2017

Note 9: Change in Accounting Principle

During fiscal year 2018, the Board implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Business-type activities			
Electricity	\$ 24,749,957	\$ 99,759	\$ 24,849,716
Water	33,980,851	5,121	33,985,972
Fiber	1,956,875	601	1,957,476
Total Business-type Activities	<u>\$ 60,687,683</u>	<u>\$ 105,481</u>	<u>\$ 60,793,164</u>

(1) To restate beginning net OPEB liability at January 1, 2018.

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REQUIRED SUPPLEMENTARY
INFORMATION

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

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Required Supplementary Information
For the Year Ended December 31, 2018

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 Payroll (c)	Board's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0412 %	\$ 2,285,607	\$ 74,881	\$ 2,360,488	\$ 2,767,756	85.3 %	79.5 %
06/30/17	0.0421	2,687,636	33,825	2,721,461	2,714,643	100.3	75.9
06/30/16	0.0425	3,450,789	45,116	3,495,905	2,638,344	132.5	68.9
06/30/15	0.0419	2,171,475	-	2,171,475	2,421,840	89.7	78.2

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

Schedule of Employer's PERA Contributions - General Employees 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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 209,286	\$ 209,286	\$ -	\$ 2,790,474	7.5 %
12/31/17	207,978	207,978	-	2,773,043	7.5
12/31/16	200,269	200,269	-	2,670,258	7.5
12/31/15	193,803	193,803	-	2,584,036	7.5

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

City of Alexandria, Minnesota
Board of Public Works
DBA ALP Utilities
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

	2018
Total OPEB liability	
Service cost	\$ 6,212
Interest	3,110
Changes in assumptions	2,034
Net change in total OPEB liability	11,356
Total OPEB liability - beginning	75,424
Total OPEB liability - ending	\$ 86,780
Covered - employee payroll	\$ 2,649,274
Board's total OPEB liability as a percentage of covered employee payroll	3.28 %

Benefit changes:

There have been no significant plan changes in the plan provisions or census since the January 1, 2017 valuation.

Changes in assumptions:

In 2018, the following assumptions changes:

The health care trend rates were changed to better anticipate short term and long term medical increases due to per capital claims costs and plan premiums.

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

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

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

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SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedule of Property, Plant and Equipment
For the Year Ended December 31, 2018

	Cost			
	Balance January 01, 2018	Increases	Decreases	
Electric Utility				
Steam production plant				
Land and land rights	\$ 16,606	\$ -	\$ -	\$ 16,606
Service territory acquired	234,533	21,280	-	255,813
Structures and improvements	424,468	-	-	424,468
Turbogenerator units	33,904	-	-	33,904
Miscellaneous power plant equipment	28,108	-	-	28,108
Total Steam Production Plant	<u>737,619</u>	<u>21,280</u>	<u>-</u>	<u>758,899</u>
Internal combustion plant				
Structures and improvements	813,683	-	-	813,683
Fuel holders and accessories	32,177	-	-	32,177
Generators	1,260,877	177,072	-	1,437,949
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>177,072</u>	<u>-</u>	<u>2,328,504</u>
Transmission plant				
Station equipment	2,325,722	-	-	2,325,722
Poles and fixtures	437,859	-	-	437,859
Total Transmission Plant	<u>2,763,581</u>	<u>-</u>	<u>-</u>	<u>2,763,581</u>
Distribution plant				
Land and land rights	17,634	-	-	17,634
Structures and improvements	176,190	-	-	176,190
Tools and fixtures	6,328,469	-	-	6,328,469
Poles, towers and fixtures	2,965,647	7,921	-	2,973,568
Overhead conductors and devices	3,449,287	-	-	3,449,287
Underground conduit, conductors and devices	17,699,672	1,909,845	-	19,609,517
Line transformers	6,694,061	696,705	-	7,390,766
Services	514,476	9,542	-	524,018
Meters	1,381,971	53,953	-	1,435,924
Installation customer premises	40,050	6,774	-	46,824
Street lights and signal system	2,353,321	102,202	-	2,455,523
Load management	646,616	-	-	646,616
Total Distribution Plant	<u>42,267,394</u>	<u>2,786,942</u>	<u>-</u>	<u>45,054,336</u>
General plant				
Land and land rights	30,429	-	-	30,429
Structures and improvements	1,007,825	-	-	1,007,825
Office furniture	870,701	67,846	-	938,547
Transportation equipment	1,212,418	49,186	(27,344)	1,234,260
Stores equipment	2,252	-	-	2,252
Tools, shop and garage equipment	208,848	16,558	-	225,406
Laboratory equipment	107,623	-	-	107,623
Power operated equipment	731,996	-	-	731,996
Communications equipment	123,615	-	-	123,615
Miscellaneous equipment	154,176	-	-	154,176
Total General Plant	<u>4,449,883</u>	<u>133,590</u>	<u>(27,344)</u>	<u>4,556,129</u>

Accumulated Depreciation

Balance January 01, 2018	Increases	Decreases	Balance December 31, 2018	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	255,813
(424,468)	-	-	(424,468)	-
(33,904)	-	-	(33,904)	-
(18,651)	(900)	-	(19,551)	8,557
<u>(477,023)</u>	<u>(900)</u>	<u>-</u>	<u>(477,923)</u>	<u>280,976</u>
(777,209)	(6,604)	-	(783,813)	29,870
(26,279)	(1,073)	-	(27,352)	4,825
(1,260,877)	(7,870)	-	(1,268,747)	169,202
(15,073)	(450)	-	(15,523)	6,387
(22,785)	-	-	(22,785)	-
<u>(2,102,223)</u>	<u>(15,997)</u>	<u>-</u>	<u>(2,118,220)</u>	<u>210,284</u>
(923,748)	(70,274)	-	(994,022)	1,331,700
(201,918)	(13,268)	-	(215,186)	222,673
<u>(1,125,666)</u>	<u>(83,542)</u>	<u>-</u>	<u>(1,209,208)</u>	<u>1,554,373</u>
-	-	-	-	17,634
(84,108)	(6,763)	-	(90,871)	85,319
(3,747,114)	(147,004)	-	(3,894,118)	2,434,351
(2,451,867)	(38,551)	-	(2,490,418)	483,150
(2,271,941)	(80,804)	-	(2,352,745)	1,096,542
(5,350,689)	(518,752)	-	(5,869,441)	13,740,076
(3,008,814)	(170,607)	-	(3,179,421)	4,211,345
(353,427)	(10,201)	-	(363,628)	160,390
(714,816)	(32,208)	-	(747,024)	688,900
(39,447)	(143)	-	(39,590)	7,234
(1,175,278)	(69,814)	-	(1,245,092)	1,210,431
(557,427)	(16,744)	-	(574,171)	72,445
<u>(19,754,928)</u>	<u>(1,091,591)</u>	<u>-</u>	<u>(20,846,519)</u>	<u>24,207,817</u>
-	-	-	-	30,429
(650,741)	(30,682)	-	(681,423)	326,402
(771,035)	(41,701)	-	(812,736)	125,811
(1,091,813)	(36,173)	24,672	(1,103,314)	130,946
(2,252)	-	-	(2,252)	-
(175,660)	(11,469)	-	(187,129)	38,277
(75,963)	(11,987)	-	(87,950)	19,673
(311,461)	(59,160)	-	(370,621)	361,375
(122,876)	(365)	-	(123,241)	374
(134,862)	(5,591)	-	(140,453)	13,723
<u>(3,336,663)</u>	<u>(197,128)</u>	<u>24,672</u>	<u>(3,509,119)</u>	<u>1,047,010</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, 2018

	Cost			Balance December 31, 2018
	Balance January 01, 2018	Increases	Decreases	
Internet, WAN	\$ 146,210	\$ -	\$ -	\$ 146,210
Construction work-in-progress				
Electric	1,841,474	2,765,444	(3,003,766)	1,603,152
Total Electric Utility	<u>54,357,593</u>	<u>5,884,328</u>	<u>(3,031,110)</u>	<u>57,210,811</u>
Water Utility				
Water property				
Land and land rights	66,807	-	-	66,807
Structures and improvements	333,532	-	-	333,532
Pumping equipment	1,403,325	11,409	-	1,414,734
Treatment facilities	7,380,640	16,916	-	7,397,556
Production plant facilities	29,246	14,740	-	43,986
Distribution mains and hydrants	32,968,080	57,758	-	33,025,838
Water services	235,726	-	-	235,726
Water meters	725,324	50,418	-	775,742
Water storage reservoirs, towers and standpipes	2,111,025	49,368	-	2,160,393
Miscellaneous equipment	53,943	6,759	-	60,702
Total Water Property	<u>45,307,648</u>	<u>207,368</u>	<u>-</u>	<u>45,515,016</u>
Construction work-in-progress				
Water	14,740	362,630	(103,540)	273,830
Total Water Utility	<u>45,322,388</u>	<u>569,998</u>	<u>(103,540)</u>	<u>45,788,846</u>
Fiber Utility				
Fiber equipment and cable	1,872,157	88,487	-	1,960,644
BPL equipment	76,660	-	-	76,660
Construction work-in-progress				
Fiber	31,872	89,818	(65,075)	56,615
Total Fiber Utility	<u>1,980,689</u>	<u>178,305</u>	<u>(65,075)</u>	<u>2,093,919</u>
Totals	<u>\$ 101,660,670</u>	<u>\$ 6,632,631</u>	<u>\$ (3,199,725)</u>	<u>\$ 105,093,576</u>

Accumulated Depreciation				
Balance January 01, 2018	Increases	Decreases	Balance December 31, 2018	Net Book Value
\$ (146,210)	\$ -	\$ -	\$ (146,210)	\$ -
-	-	-	-	1,603,152
(26,942,713)	(1,389,158)	24,672	(28,307,199)	28,903,612
-	-	-	-	66,807
(94,563)	(12,876)	-	(107,439)	226,093
(591,461)	(76,901)	-	(668,362)	746,372
(2,548,582)	(184,772)	-	(2,733,354)	4,664,202
(26,045)	(4,243)	-	(30,288)	13,698
(7,322,921)	(650,628)	-	(7,973,549)	25,052,289
(102,026)	(4,715)	-	(106,741)	128,985
(376,295)	(26,215)	-	(402,510)	373,232
(1,476,371)	(33,552)	-	(1,509,923)	650,470
(40,627)	(3,121)	-	(43,748)	16,954
(12,578,891)	(997,023)	-	(13,575,914)	31,939,102
-	-	-	-	273,830
(12,578,891)	(997,023)	-	(13,575,914)	32,212,932
(1,171,694)	(71,524)	-	(1,243,218)	717,426
(53,862)	(1,347)	-	(55,209)	21,451
-	-	-	-	56,615
(1,225,556)	(72,871)	-	(1,298,427)	795,492
<u>\$ (40,747,160)</u>	<u>\$ (2,459,052)</u>	<u>\$ 24,672</u>	<u>\$ (43,181,540)</u>	<u>\$ 61,912,036</u>

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Other Operating Revenues
For the Years Ended December 31, 2018 and 2017

	2018	2017
Electric Utility		
Penalties and forfeited discounts	\$ 147,997	\$ 153,047
Miscellaneous service revenues	11,250	12,321
Rental income - capacity purchase agreement	146,160	21,142
Rental income - utility poles	4,873	5,005
Administrative service billed to ALASD	82,020	81,959
Other electric revenue	413,199	291,600
NSF fees	1,900	2,225
Total Electric Utility	807,399	567,299
Water Utility		
Rent from water property	30,053	30,453
Miscellaneous service revenues	17,658	4,710
Total Water Utility	47,711	35,163
Total Other Operating Revenues	\$ 855,110	\$ 602,462

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, 2018 and 2017

	2018	2017
Internal Combustion Engine Operation		
Fuel - oil	\$ 8,690	\$ 27,741
Other expenses	4,766	11,760
Total Internal Combustion Engine Operation	13,456	39,501
Power Supply		
Purchased power	17,456,923	17,424,881
System control and load dispatching	1,613	-
Total Power Supply	17,458,536	17,424,881
Internal Combustion Engine Maintenance		
Maintenance of structures	3,970	3,220
Maintenance of internal combustion engine, generators and switchgear	243,297	34,824
Total Internal Combustion Engine Maintenance	247,267	38,044
Total Production and Purchased Power Expense	\$ 17,719,259	\$ 17,502,426

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Distribution Expense - Operations
For the Years Ended December 31, 2018 and 2017

	2018	2017
Electric Utility		
Station	\$ 25,177	\$ 38,572
Overhead lines	204,105	203,990
Underground lines	75,584	72,903
Street lighting and signal system	481	321
Meter expenses - removing and resetting meters	5,048	8,215
Customer installation expense and service on premises	32,765	24,088
Load management	52,884	47,355
Miscellaneous distribution	154,841	148,919
Rent	-	4,262
Supplies	103,141	78,751
Safety supplies	75,924	100,557
Total Electric Utility	729,950	727,933
Water Utility		
Salary - superintendent	44,284	47,261
Station labor	6,574	1,075
Water locating	46,139	46,951
Well closure	5,162	3,739
Total Water Utility	102,159	99,026
Fiber Utility		
Fiber expense	137,331	151,385
Total Distribution Expense - Operations	\$ 969,440	\$ 978,344

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Distribution Expense - Maintenance
For the Years Ended December 31, 2018 and 2017

	2018	2017
Electric Utility		
Supervision	\$ 33,136	\$ 30,617
Maintenance		
Station equipment	116,971	73,961
Overhead lines	321,231	316,273
Underground lines	85,692	63,239
Line transformers	9,904	8,323
Street lighting and signal system	40,728	59,774
Customer electric meters	58,331	77,847
Power operated equipment	24,956	19,257
Structures distribution substations	608	-
Miscellaneous distribution	-	511
Total Electric Utility	691,557	649,802
 Water Utility		
Maintenance		
Pumping equipment	825	1,318
Wells	3,379	10,731
Filter plant equipment	138,775	150,047
Distribution System		
Water mains	86,259	30,715
Water services	118,229	70,819
Customer water meters	7,672	3,061
Water hydrants	44,047	17,826
Storage facilities, tanks, etc.	24,116	35,677
Total Water Utility	423,302	320,194
 Total Distribution Expense - Maintenance	\$ 1,114,859	\$ 969,996

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Customer Accounts Expense
For the Years Ended December 31, 2018 and 2017

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

	December 31, 2017			
	Electric Utility	Water Utility	Fiber Utility	Total
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
Total Customer Accounts Expense	\$ 605,495	\$ 74,769	\$ 17,049	\$ 697,313

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Administration and General Expense
For the Years Ended December 31, 2018 and 2017

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

	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
Total Administration and General Expense	\$ 1,617,569	\$ 252,427	\$ 90,978	\$ 1,960,974

City of Alexandria, Minnesota
Board of Public Works - DBA ALP Utilities
Schedules of Other Nonoperating Revenues
For the Years Ended December 31, 2018 and 2017

	2018	2017
Electric Utility		
Merchandising, jobbing and contract work	\$ 24,976	\$ 22,995
Miscellaneous nonoperating income	28,528	105,710
Total Electric Utility	53,504	128,705
 Water Utility		
Miscellaneous service revenue	-	7,671
 Fiber Utility		
Merchandising, jobbing and contract work	3,544	3,348
Miscellaneous service revenue	-	25
Total Fiber Utility	3,544	3,373
 Total Nonoperating Revenues	 \$ 57,048	 \$ 139,749

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

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2019.

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 12, 2019



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, 2018 and 2017, 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 12, 2019.

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.

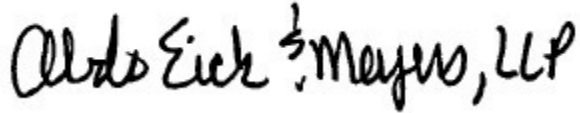
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 12, 2019