

Annual Financial Report

City of Alexandria Board of Public Works
DBA Alexandria Light and Power
A Component Unit of the City
Alexandria, Minnesota

For the Years Ended
December 31, 2016 and 2015

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CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
 DBA ALEXANDRIA LIGHT AND POWER
 ANNUAL FINANCIAL REPORT
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 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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INTRODUCTORY SECTION

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

APPOINTED

| <u>Name</u> | <u>Title</u> |
|------------------|--|
| Kevin Mahoney | Chairperson |
| Steve Senden | Vice-Chairperson |
| Brett Paradis | Member |
| James Scott | Member |
| Bobbie Osterberg | Member |
| Al Crowser | Secretary/Treasurer and General Manager |

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FINANCIAL SECTION

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Public Works
DBA Alexandria Light and Power
Alexandria, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Public Works DBA Alexandria Light and Power (the Board), a component unit of the City of Alexandria, Minnesota, as of and for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions and the Schedule of Funding Progress for Other Postemployment Benefit Plan starting on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

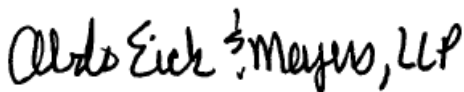
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2017, 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 7, 2017

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**FUND FINANCIAL STATEMENTS -
PROPRIETARY FUNDS**

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

| | Enterprise Funds | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Electric Utility | | Water Utility | |
| | 2016 | 2015 | 2016 | 2015 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and temporary investments | \$ 8,959,280 | \$ 8,913,599 | \$ 3,501,411 | \$ 2,894,898 |
| Interest receivable | 17,389 | 17,156 | 7,621 | 8,897 |
| Customer accounts receivable, net of allowance for doubtful accounts of \$55,706 and \$55,953, respectively | 715,768 | 593,128 | 246,807 | 195,301 |
| Due from the City of Alexandria | 13,393 | 13,248 | - | - |
| Special assessments receivable | - | - | 1,326 | 1,192 |
| Inventories | 1,114,999 | 1,191,913 | 79,965 | 103,058 |
| Prepaid items | 71,467 | 154,308 | 6,578 | 18,033 |
| Restricted debt service reserve deposits | 732,477 | 703,040 | 252,650 | 252,650 |
| TOTAL CURRENT ASSETS | 11,624,773 | 11,586,392 | 4,096,358 | 3,474,029 |
| NONCURRENT ASSETS | | | | |
| Capital assets | | | | |
| Land and land rights | 64,669 | 64,669 | 66,807 | 66,807 |
| Service territory acquired | 234,533 | 234,533 | - | - |
| Buildings and structures | 2,371,719 | 2,342,482 | 129,609 | 129,609 |
| Transmission plant | 2,763,581 | 2,753,133 | - | - |
| Distribution plant | 41,421,930 | 38,442,181 | 39,470,924 | 39,129,438 |
| General equipment | 3,257,433 | 3,068,715 | 1,411,694 | 1,078,765 |
| Construction in progress | 1,160,028 | 1,780,366 | 199,032 | 511,033 |
| Less accumulated depreciation | (25,813,642) | (24,594,448) | (11,666,411) | (10,764,117) |
| Total capital assets (net of accumulated depreciation) | 25,460,251 | 24,091,631 | 29,611,655 | 30,151,535 |
| TOTAL ASSETS | 37,085,024 | 35,678,023 | 33,708,013 | 33,625,564 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred pension resources | 1,090,682 | 218,078 | 126,820 | 25,358 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 1,804,826 | 1,658,764 | 32,201 | 4,572 |
| Due to other governments | 79,699 | 82,483 | 2,708 | 6,180 |
| Due to the City of Alexandria | 908,330 | 863,469 | - | - |
| Due to Alexandria Lakes Area Sanitary District (ALASD) | 477,960 | 434,858 | - | - |
| Accrued interest payable | 20,196 | 10,257 | 27,282 | 29,452 |
| Accrued wages payable | 56,086 | 45,113 | 13,047 | 8,918 |
| Compensated absences payable | 197,472 | 216,113 | 62,855 | 50,106 |
| Customer meter deposits payable | 356,135 | 339,552 | - | - |
| Bonds and notes payable - current portion | 770,000 | 760,000 | 229,000 | 223,000 |
| TOTAL CURRENT LIABILITIES | 4,670,704 | 4,410,609 | 367,093 | 322,228 |
| NONCURRENT LIABILITIES | | | | |
| Other postemployment benefits payable | 158,725 | 150,972 | 14,018 | 13,329 |
| Compensated absences payable | 472,819 | 498,909 | 218,465 | 187,125 |
| Pension liability | 2,967,685 | 1,867,471 | 345,072 | 217,148 |
| Bonds and notes payable - net of current maturities | 6,683,920 | 7,455,442 | 2,707,000 | 2,936,000 |
| TOTAL NONCURRENT LIABILITIES | 10,283,149 | 9,972,794 | 3,284,555 | 3,353,602 |
| TOTAL LIABILITIES | 14,953,853 | 14,383,403 | 3,651,648 | 3,675,830 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred pension resources | 329,537 | 389,515 | 38,318 | 45,292 |
| NET POSITION | | | | |
| Net investment in capital assets | 20,498,552 | 20,054,495 | 26,675,655 | 26,992,535 |
| Restricted for debt service | 732,477 | 703,040 | 252,650 | 252,650 |
| Unrestricted | 1,661,287 | 365,648 | 3,216,562 | 2,684,615 |
| TOTAL NET POSITION | \$ 22,892,316 | \$ 21,123,183 | \$ 30,144,867 | \$ 29,929,800 |

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

Enterprise Funds

| Fiber | | Totals | |
|---------------------|---------------------|----------------------|----------------------|
| Utility | | | |
| 2016 | 2015 | 2016 | 2015 |
| \$ 1,222,694 | \$ 1,265,446 | \$ 13,683,385 | \$ 13,073,943 |
| 3,125 | - | 28,135 | 26,053 |
| 2,538 | 5,170 | 965,113 | 793,599 |
| - | - | 13,393 | 13,248 |
| - | - | 1,326 | 1,192 |
| - | - | 1,194,964 | 1,294,971 |
| 2,135 | 7,213 | 80,180 | 179,554 |
| - | - | 985,127 | 955,690 |
| <u>1,230,492</u> | <u>1,277,829</u> | <u>16,951,623</u> | <u>16,338,250</u> |
| - | - | 131,476 | 131,476 |
| - | - | 234,533 | 234,533 |
| - | - | 2,501,328 | 2,472,091 |
| - | - | 2,763,581 | 2,753,133 |
| - | - | 80,892,854 | 77,571,619 |
| 1,875,321 | 1,718,065 | 6,544,448 | 5,865,545 |
| 64,809 | 37,618 | 1,423,869 | 2,329,017 |
| <u>(1,156,960)</u> | <u>(1,092,017)</u> | <u>(38,637,013)</u> | <u>(36,450,582)</u> |
| <u>783,170</u> | <u>663,666</u> | <u>55,855,076</u> | <u>54,906,832</u> |
| <u>2,013,662</u> | <u>1,941,495</u> | <u>72,806,699</u> | <u>71,245,082</u> |
| <u>50,730</u> | <u>10,143</u> | <u>1,268,232</u> | <u>253,579</u> |
| 3,329 | 3,113 | 1,840,356 | 1,666,449 |
| - | 1,545 | 82,407 | 90,208 |
| - | - | 908,330 | 863,469 |
| - | - | 477,960 | 434,858 |
| - | - | 47,478 | 39,709 |
| 1,639 | 1,626 | 70,772 | 55,657 |
| 16,505 | 9,901 | 276,832 | 276,120 |
| - | - | 356,135 | 339,552 |
| - | - | 999,000 | 983,000 |
| <u>21,473</u> | <u>16,185</u> | <u>5,059,270</u> | <u>4,749,022</u> |
| 3,412 | 3,240 | 176,155 | 167,541 |
| 38,175 | 22,962 | 729,459 | 708,996 |
| 138,032 | 86,857 | 3,450,789 | 2,171,476 |
| - | - | 9,390,920 | 10,391,442 |
| <u>179,619</u> | <u>113,059</u> | <u>13,747,323</u> | <u>13,439,455</u> |
| <u>201,092</u> | <u>129,244</u> | <u>18,806,593</u> | <u>18,188,477</u> |
| <u>15,327</u> | <u>18,116</u> | <u>383,182</u> | <u>452,923</u> |
| 783,170 | 663,666 | 47,957,377 | 47,710,696 |
| - | - | 985,127 | 955,690 |
| <u>1,064,803</u> | <u>1,140,612</u> | <u>5,942,652</u> | <u>4,190,875</u> |
| <u>\$ 1,847,973</u> | <u>\$ 1,804,278</u> | <u>\$ 54,885,156</u> | <u>\$ 52,857,261</u> |

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

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | Enterprise Funds | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Electric Utility | | Water Utility | |
| | 2016 | 2015 | 2016 | 2015 |
| OPERATING REVENUES | | | | |
| Sales | \$ 24,615,068 | \$ 24,584,568 | \$ 2,190,290 | \$ 2,188,406 |
| Other operating revenue | 727,733 | 354,244 | 38,544 | 38,195 |
| TOTAL OPERATING REVENUES | 25,342,801 | 24,938,812 | 2,228,834 | 2,226,601 |
| OPERATING EXPENSES | | | | |
| Personal services | 1,035,221 | 847,294 | 169,204 | 112,824 |
| Production plant and purchased power | 17,691,784 | 18,237,533 | - | - |
| Distribution system - operations | 710,160 | 782,765 | 111,221 | 53,546 |
| Distribution system - maintenance | 743,726 | 740,213 | 321,542 | 387,190 |
| Other operating | - | - | 280,244 | 278,445 |
| Customer accounts | 615,958 | 618,693 | 73,406 | 83,826 |
| Administration and general | 626,004 | 605,429 | 79,133 | 89,664 |
| Depreciation and amortization | 1,259,270 | 1,225,280 | 902,294 | 906,905 |
| TOTAL OPERATING EXPENSES | 22,682,123 | 23,057,207 | 1,937,044 | 1,912,400 |
| OPERATING INCOME | 2,660,678 | 1,881,605 | 291,790 | 314,201 |
| NONOPERATING INCOME (EXPENSES) | | | | |
| Investment income (loss) | 149,447 | 114,423 | 24,042 | 28,450 |
| Other revenue | 232,794 | 87,961 | 22,365 | 21,049 |
| Special assessments | - | - | 1,326 | 1,192 |
| Gain (loss) on sale of capital assets | (24,489) | (26,220) | - | - |
| Amortization expense | 1,522 | - | - | - |
| Bond issuance costs | - | (125,581) | - | - |
| Interest and other | (250,877) | (132,207) | (79,322) | (79,831) |
| TOTAL NONOPERATING INCOME (EXPENSES) | 108,397 | (81,624) | (31,589) | (29,140) |
| INCOME (LOSS) BEFORE TRANSFERS | 2,769,075 | 1,799,981 | 260,201 | 285,061 |
| TRANSFERS TO CITY - PAYMENT IN LIEU OF TAXES | (999,942) | (1,069,558) | (45,134) | (45,904) |
| CHANGE IN NET POSITION | 1,769,133 | 730,423 | 215,067 | 239,157 |
| NET POSITION, JANUARY | 21,123,183 | 20,392,760 | 29,929,800 | 29,690,643 |
| NET POSITION, DECEMBER 31 | \$ 22,892,316 | \$ 21,123,183 | \$ 30,144,867 | \$ 29,929,800 |

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

Enterprise Funds

| Fiber Utility | | Totals | |
|---------------------|---------------------|----------------------|----------------------|
| 2016 | 2015 | 2016 | 2015 |
| \$ 394,037 | \$ 367,353 | \$ 27,199,395 | \$ 27,140,327 |
| - | - | 766,277 | 392,439 |
| <u>394,037</u> | <u>367,353</u> | <u>27,965,672</u> | <u>27,532,766</u> |
| 66,619 | 43,856 | 1,271,044 | 1,003,974 |
| - | - | 17,691,784 | 18,237,533 |
| 182,468 | 142,251 | 1,003,849 | 978,562 |
| - | - | 1,065,268 | 1,127,403 |
| - | - | 280,244 | 278,445 |
| 20,699 | 23,795 | 710,063 | 726,314 |
| 23,988 | 26,092 | 729,125 | 721,185 |
| <u>64,943</u> | <u>40,395</u> | <u>2,226,507</u> | <u>2,172,580</u> |
| <u>358,717</u> | <u>276,389</u> | <u>24,977,884</u> | <u>25,245,996</u> |
| <u>35,320</u> | <u>90,964</u> | <u>2,987,788</u> | <u>2,286,770</u> |
| (5,250) | - | 168,239 | 142,873 |
| 13,625 | (34) | 268,784 | 108,976 |
| - | - | 1,326 | 1,192 |
| - | - | (24,489) | (26,220) |
| - | - | 1,522 | - |
| - | - | - | (125,581) |
| <u>-</u> | <u>-</u> | <u>(330,199)</u> | <u>(212,038)</u> |
| <u>8,375</u> | <u>(34)</u> | <u>85,183</u> | <u>(110,798)</u> |
| 43,695 | 90,930 | 3,072,971 | 2,175,972 |
| <u>-</u> | <u>-</u> | <u>(1,045,076)</u> | <u>(1,115,462)</u> |
| 43,695 | 90,930 | 2,027,895 | 1,060,510 |
| <u>1,804,278</u> | <u>1,713,348</u> | <u>52,857,261</u> | <u>51,796,751</u> |
| <u>\$ 1,847,973</u> | <u>\$ 1,804,278</u> | <u>\$ 54,885,156</u> | <u>\$ 52,857,261</u> |

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

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | Enterprise Funds | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Electric Utility | | Water Utility | |
| | 2016 | 2015 | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 25,236,599 | \$ 24,969,815 | \$ 2,177,328 | \$ 2,229,584 |
| Payments to suppliers and vendors | (20,105,739) | (21,078,397) | (856,911) | (924,747) |
| Payments to and on behalf of employees | (893,594) | (823,113) | (100,809) | (111,726) |
| Other receipts | 232,794 | 87,961 | 22,365 | 21,049 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 4,470,060 | 3,156,266 | 1,241,973 | 1,214,160 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfers to City - payment in lieu of taxes | (999,942) | (1,069,558) | (45,134) | (45,904) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital asset acquisitions | (2,543,276) | (3,129,740) | (312,344) | (1,368,750) |
| Special assessment receipts | - | - | 1,192 | 2,023 |
| Proceeds from bonds, net of premiums | - | 5,425,442 | - | - |
| Principal paid on bonds and notes | (760,000) | (510,000) | (223,000) | (299,530) |
| Bond issuance costs | - | (125,581) | - | - |
| Interest paid on long-term debt | (240,938) | (133,214) | (81,492) | (95,371) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (3,544,214) | 1,526,907 | (615,644) | (1,761,628) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received on investments | 149,214 | 114,905 | 25,318 | 23,038 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 75,118 | 3,728,520 | 606,513 | (570,334) |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 9,616,639 | 5,888,119 | 3,147,548 | 3,717,882 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 9,691,757 | \$ 9,616,639 | \$ 3,754,061 | \$ 3,147,548 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | | |
| Unrestricted | \$ 8,959,280 | \$ 8,913,599 | \$ 3,501,411 | \$ 2,894,898 |
| Restricted | 732,477 | 703,040 | 252,650 | 252,650 |
| TOTAL CASH AND CASH EQUIVALENTS | \$ 9,691,757 | \$ 9,616,639 | \$ 3,754,061 | \$ 3,147,548 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income | \$ 2,660,678 | \$ 1,881,605 | \$ 291,790 | \$ 314,201 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation expense | 1,259,270 | 1,225,280 | 902,294 | 906,905 |
| Other income related to operations | 232,794 | 87,961 | 22,365 | 21,049 |
| (Increase) decrease in assets | | | | |
| Customer accounts receivable | (109,392) | 13,924 | (51,506) | 2,983 |
| Due from the City of Alexandria | (13,393) | - | - | - |
| Inventories | 76,914 | 935 | 23,093 | (21,518) |
| Prepaid items | 82,841 | (51,428) | 11,455 | (12,918) |
| (Increase) decrease in deferred outflows of resources | | | | |
| Deferred pension resources | (872,604) | 74,046 | (101,462) | 8,609 |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | 36,959 | (29,932) | (22,441) | 2,293 |
| Due to other governments | (2,784) | (36,024) | (3,472) | 67 |
| Due to the City of Alexandria | 44,861 | (25,066) | - | - |
| Due to Alexandria Lakes Area Sanitary District (ALASD) | 43,102 | 47,751 | - | - |
| Accrued wages payable | 10,973 | 7,564 | 4,129 | 4,489 |
| Compensated absences payable | (44,731) | 12,788 | 44,089 | (3,493) |
| Pension liability | 1,100,214 | 25,300 | 127,924 | 2,947 |
| Other postemployment benefits payable | 7,753 | 12,721 | 689 | 1,131 |
| Customer meter deposits payable | 16,583 | 17,079 | - | - |
| Increase (decrease) in deferred inflows of resources | | | | |
| Deferred pension resources | (59,978) | (108,238) | (6,974) | (12,585) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 4,470,060 | \$ 3,156,266 | \$ 1,241,973 | \$ 1,214,160 |
| NONCASH CAPITAL AND FINANCING ACTIVITIES | | | | |
| Book value of disposed/traded of capital assets | \$ 24,489 | \$ 26,220 | \$ - | \$ - |
| Capital assets acquired on account | 109,103 | 19,607 | 50,070 | 41 |
| Amortization of bond (premium) discount | (1,522) | - | - | - |

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

Enterprise Funds

| Fiber Utility | | Totals | |
|---------------------|---------------------|----------------------|----------------------|
| 2016 | 2015 | 2016 | 2015 |
| \$ 396,669 | \$ 370,786 | \$ 27,810,596 | \$ 27,570,185 |
| (212,496) | (198,198) | (21,175,146) | (22,201,342) |
| (36,818) | (39,163) | (1,031,221) | (974,002) |
| - | - | 255,159 | 109,010 |
| <u>147,355</u> | <u>133,425</u> | <u>5,859,388</u> | <u>4,503,851</u> |
| - | - | (1,045,076) | (1,115,462) |
| (181,732) | (191,275) | (3,037,352) | (4,689,765) |
| - | - | 1,192 | 2,023 |
| - | - | - | 5,425,442 |
| - | - | (983,000) | (809,530) |
| - | - | - | (125,581) |
| - | - | (322,430) | (228,585) |
| <u>(181,732)</u> | <u>(191,275)</u> | <u>(4,341,590)</u> | <u>(425,996)</u> |
| (8,375) | - | 166,157 | 137,943 |
| (42,752) | (57,850) | 638,879 | 3,100,336 |
| <u>1,265,446</u> | <u>1,323,296</u> | <u>14,029,633</u> | <u>10,929,297</u> |
| <u>\$ 1,222,694</u> | <u>\$ 1,265,446</u> | <u>\$ 14,668,512</u> | <u>\$ 14,029,633</u> |
| \$ 1,222,694 | \$ 1,265,446 | \$ 13,683,385 | \$ 13,073,943 |
| - | - | 985,127 | 955,690 |
| <u>\$ 1,222,694</u> | <u>\$ 1,265,446</u> | <u>\$ 14,668,512</u> | <u>\$ 14,029,633</u> |
| \$ 35,320 | \$ 90,964 | \$ 2,987,788 | \$ 2,286,770 |
| 64,943 | 40,395 | 2,226,507 | 2,172,580 |
| 13,625 | (34) | 268,784 | 108,976 |
| 2,632 | 3,433 | (158,266) | 20,340 |
| - | - | (13,393) | - |
| - | - | 100,007 | (20,583) |
| 5,078 | (3,954) | 99,374 | (68,300) |
| (40,587) | 3,445 | (1,014,653) | 86,100 |
| (2,499) | (2,089) | 12,019 | (29,728) |
| (1,545) | 17 | (7,801) | (35,940) |
| - | - | 44,861 | (25,066) |
| - | - | 43,102 | 47,751 |
| 13 | 558 | 15,115 | 12,611 |
| 21,817 | 4,275 | 21,175 | 13,570 |
| 51,175 | 1,169 | 1,279,313 | 29,416 |
| 172 | 283 | 8,614 | 14,135 |
| - | - | 16,583 | 17,079 |
| <u>(2,789)</u> | <u>(5,037)</u> | <u>(69,741)</u> | <u>(125,860)</u> |
| <u>\$ 147,355</u> | <u>\$ 133,425</u> | <u>\$ 5,859,388</u> | <u>\$ 4,503,851</u> |
| \$ - | \$ - | \$ 24,489 | 26,220 |
| 2,715 | - | 161,888 | 19,648 |
| - | - | (1,522) | - |

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

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CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 Alexandria Light and Power, 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 ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Board’s recurring fair value measurements are listed in detail on page 28 and are valued using quoted market prices (Level 1 inputs).

The Board has the following recurring fair value measurements as of December 31, 2016:

- Government agency securities of \$6,838,305 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$2,028,809 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The Board’s investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
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 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable of \$965,113 and \$806,847 are recorded net of the allowance for doubtful accounts of \$55,706 and \$55,953 as of December 31, 2016 and 2015, 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 estimated fair market value at the date of donation. The Board maintains a threshold level of \$1,500 or more for capitalization.

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

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

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

| Assets | Years |
|----------------------------|----------|
| Land improvements | 30 to 50 |
| Buildings and improvements | 30 to 50 |
| Machinery and equipment | 5 to 30 |

Deferred outflows of resources

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

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

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

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

Sick leave is accounted for in the following manner:

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

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

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

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2016.

Long-term obligations

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

Pensions

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

Deferred inflows of resources

In addition to liabilities, the statement 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.

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 investments 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 - Consist 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 ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

At December 31, 2016, the Board's carrying amount of deposits was \$7,586,361 and the bank balance was \$7,797,212. Of the bank balance \$1,243,790 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 ALEXANDRIA LIGHT AND POWER
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

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 23 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, 2016 and 2015, 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, 2016, the Board had the following investments that are insured or registered, or securities held by the Board or it's agent in the Board's name:

| Types of Investments | Credit Quality/ Ratings (1) | Segmented Time Distribution (2) | Amount | Fair Value Measurement Using | | |
|---|--------------------------------|---------------------------------|---------------------|------------------------------|---------------------|-------------|
| | | | | Level 1 | Level 2 | Level 3 |
| Pooled investments at amortized costs | | | | | | |
| 4M Fund | N/A | less than 6 months | \$ 5 | | | |
| Non-pooled investments at amortized costs | | | | | | |
| Money Market Funds | N/A | less than 6 months | 374,369 | | | |
| Non-pooled investments at fair value | | | | | | |
| Government Agency Securities | Aaa | 1 to 3 years | 813,681 | \$ 813,681 | \$ - | \$ - |
| Government Agency Securities | Aaa | more than 3 years | 986,625 | 986,625 | - | - |
| Government Agency Securities | AAA | more than 3 years | 5,037,999 | 5,037,999 | - | - |
| Negotiable certificates of deposit | N/A | less than 6 months | 200,026 | - | 200,026 | - |
| Negotiable certificates of deposit | N/A | 6 months to 1 year | 400,024 | - | 400,024 | - |
| Negotiable certificates of deposit | N/A | 1 to 3 years | 1,186,393 | - | 1,186,393 | - |
| Negotiable certificates of deposit | N/A | more than 3 years | 242,366 | - | 242,366 | - |
| Total investments | | | \$ 9,241,488 | \$ 6,838,305 | \$ 2,028,809 | \$ - |

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
 (2) Interest rate risk is disclosed using the segmented time distribution method.
 N/A Indicates not applicable or available.

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
 DBA ALEXANDRIA LIGHT AND POWER
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

As of December 31, 2015, the Board had the following investments that are insured or registered, or securities held by the Board or it's agent in the Board's name:

| Types of Investments | Credit Quality/ Ratings (1) | Segmented Time Distribution (2) | Amount | Fair Value Measurement Using | | |
|---|--------------------------------|---------------------------------|---------------------|------------------------------|---------------------|-------------|
| | | | | Level 1 | Level 2 | Level 3 |
| Pooled investments at amortized costs | | | | | | |
| 4M Fund | N/A | less than 6 months | \$ 5 | | | |
| Non-pooled investments at amortized costs | | | | | | |
| Money Market Funds | N/A | less than 6 months | 692,886 | | | |
| Non-pooled investments at fair value | | | | | | |
| Government Agency Securities | Aaa | 1 to 3 years | 249,600 | \$ 249,600 | \$ - | \$ - |
| Government Agency Securities | Aaa | more than 3 years | 3,508,089 | 3,508,089 | - | - |
| Government Agency Securities | AAA | more than 3 years | 497,100 | 497,100 | - | - |
| Negotiable certificates of deposit | N/A | more than 3 years | 1,495,342 | - | 1,495,342 | - |
| Total investments | | | <u>\$ 6,443,022</u> | <u>\$ 4,254,789</u> | <u>\$ 1,495,342</u> | <u>\$ -</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, 2016 and 2015.

Cash and investments summary

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

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Carrying amount of deposits | \$ 5,426,774 | \$ 7,586,361 |
| Investments | 9,241,488 | 6,443,022 |
| Cash on hand | <u>250</u> | <u>250</u> |
| Total cash and temporary investments | <u>\$ 14,668,512</u> | <u>\$ 14,029,633</u> |
| Cash and cash equivalents | \$ 13,683,385 | \$ 13,073,943 |
| Restricted debt service reserve deposits | <u>985,127</u> | <u>955,690</u> |
| Total | <u>\$ 14,668,512</u> | <u>\$ 14,029,633</u> |

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the Board for the year ended December 31, 2016, 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 | 2,329,017 | 2,906,557 | (3,811,705) | 1,423,869 |
| Total capital assets not being depreciated | <u>2,695,026</u> | <u>2,906,557</u> | <u>(3,811,705)</u> | <u>1,789,878</u> |
| Capital assets being depreciated | | | | |
| Buildings and structures | 2,472,091 | 29,237 | - | 2,501,328 |
| Transmission plant | 2,753,133 | 10,448 | - | 2,763,581 |
| Distribution plant | 77,571,619 | 3,333,264 | (12,029) | 80,892,854 |
| General equipment | 5,865,545 | 731,439 | (52,536) | 6,544,448 |
| Total capital assets being depreciated | <u>88,662,388</u> | <u>4,104,388</u> | <u>(64,565)</u> | <u>92,702,211</u> |
| Less accumulated depreciation for | | | | |
| Buildings and structures | (1,923,209) | (48,495) | - | (1,971,704) |
| Transmission plant | (958,687) | (83,437) | - | (1,042,124) |
| Distribution plant | (29,355,063) | (1,795,054) | 972 | (31,149,145) |
| General equipment | (4,213,623) | (299,521) | 39,104 | (4,474,040) |
| Total accumulated depreciation | <u>(36,450,582)</u> | <u>(2,226,507)</u> | <u>40,076</u> | <u>(38,637,013)</u> |
| Total capital assets being depreciated, net | <u>52,211,806</u> | <u>1,877,881</u> | <u>(24,489)</u> | <u>54,065,198</u> |

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital asset activity for the Board for the year ended December 31, 2015, 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 |
| SERVICE territory acquired | 234,533 | | | 234,533 |
| Construction in progress | 2,114,366 | 4,683,344 | (4,468,693) | 2,329,017 |
| Total capital assets and being depreciated | 2,480,375 | 4,683,344 | (4,468,693) | 2,695,026 |
| Capital assets being depreciated | | | | |
| Buildings and structures | 2,497,428 | - | (25,337) | 2,472,091 |
| Transmission plant | 2,487,517 | 265,616 | - | 2,753,133 |
| Distribution plant | 75,135,193 | 3,878,005 | (1,441,579) | 77,571,619 |
| General equipment | 6,228,972 | 351,141 | (714,568) | 5,865,545 |
| Total capital assets being depreciated | 86,349,110 | 4,494,762 | (2,181,484) | 88,662,388 |
| Less accumulated depreciation for | | | | |
| Buildings and structures | (1,900,840) | (47,419) | 25,050 | (1,923,209) |
| Transmission plant | (882,839) | (75,848) | - | (958,687) |
| Distribution plant | (29,039,378) | (1,731,355) | 1,415,670 | (29,355,063) |
| General equipment | (4,610,209) | (317,958) | 714,544 | (4,213,623) |
| Total accumulated depreciation | (36,433,266) | (2,172,580) | 2,155,264 | (36,450,582) |
| Total capital assets being depreciated, net | 49,915,844 | 2,322,182 | (26,220) | 52,211,806 |
| Business-type activities capital assets, net | \$ 52,396,219 | \$ 7,005,526 | \$ (4,494,913) | \$ 54,906,832 |

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

| | 2016 | 2015 |
|---|--------------|--------------|
| Business-type activities | | |
| Electric | \$ 1,259,270 | \$ 1,225,280 |
| Water | 902,294 | 906,905 |
| Fiber | 64,943 | 40,395 |
| Total depreciation expense - business-type activities | \$ 2,226,507 | \$ 2,172,580 |

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund transfers

The Board has made transfers to the City of Alexandria for the years ended December 31, 2016 and 2015. The transfers represent payments in lieu of taxes.

| | Transfer in City of Alexandria | |
|-----------------------------|-----------------------------------|--------------|
| | 2016 | 2015 |
| Transfer out | | |
| Electric Utility fund | \$ 999,942 | \$ 1,069,558 |
| Water Utility fund | 45,134 | 45,904 |
| Total transfers out to City | \$ 1,045,076 | \$ 1,115,462 |

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 | |
|----------------------------|--------------------------|------------------|---------------|------------------|---------------------|--------------|
| | | | | | 2016 | 2015 |
| Electric Utility Refunding | | | | | | |
| Bonds of 2007A | \$ 6,310,000 | 4.00 - 4.125 % | 06/15/07 | 12/01/24 | \$ 2,260,000 | \$ 2,790,000 |
| Electric Utility Revenue | | | | | | |
| Bonds of 2015A | 5,395,000 | 2.00 - 3.25 | 12/30/15 | 12/01/35 | 5,165,000 | 5,395,000 |
| Total Revenue Bonds | | | | | \$ 7,425,000 | \$ 8,185,000 |

Annual requirements to maturity for Revenue Bonds is as follows:

| Year Ending December 31, | Revenue Bonds | | |
|-----------------------------|---------------|--------------|--------------|
| | Principal | Interest | Total |
| 2017 | \$ 770,000 | \$ 225,760 | \$ 995,760 |
| 2018 | 785,000 | 199,360 | 984,360 |
| 2019 | 395,000 | 172,360 | 567,360 |
| 2020 | 405,000 | 161,060 | 566,060 |
| 2021 | 415,000 | 149,460 | 564,460 |
| 2022 - 2026 | 1,865,000 | 561,551 | 2,426,551 |
| 2027 - 2031 | 1,445,000 | 345,508 | 1,790,508 |
| 2032 - 2035 | 1,345,000 | 109,680 | 1,454,680 |
| Total | \$ 7,425,000 | \$ 1,924,739 | \$ 9,349,739 |

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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 | |
|---|--------------------------|------------------|---------------|------------------|---------------------|---------------------|
| | | | | | 2016 | 2015 |
| G.O. Water Revenue Note of 2002 | \$ 1,050,116 | 3.38 % | 07/30/02 | 08/20/22 | \$ 396,000 | \$ 455,000 |
| G.O. Drinking Water Revenue Note of 2009 | 3,765,480 | 2.445 | 09/01/09 | 08/20/29 | <u>2,540,000</u> | <u>2,704,000</u> |
| Total G.O. Revenue Notes | | | | | <u>\$ 2,936,000</u> | <u>\$ 3,159,000</u> |

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

| Year Ending December 31, | G.O. Revenue Notes | | |
|-----------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2017 | \$ 229,000 | \$ 75,488 | \$ 304,488 |
| 2018 | 236,000 | 69,318 | 305,318 |
| 2019 | 242,000 | 62,959 | 304,959 |
| 2020 | 248,000 | 56,435 | 304,435 |
| 2021 | 254,000 | 49,744 | 303,744 |
| 2022 - 2026 | 1,068,000 | 157,242 | 1,225,242 |
| 2027 - 2029 | <u>659,000</u> | <u>32,494</u> | <u>691,494</u> |
| Total | <u>\$ 2,936,000</u> | <u>\$ 503,680</u> | <u>\$ 3,439,680</u> |

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

| | Electric Utility | Water Utility |
|------------------------|------------------|---------------|
| Revenues | \$ 25,342,801 | \$ 2,228,834 |
| Principal and interest | 1,000,938 | 304,492 |
| Percentage of revenues | 3.9% | 13.7% |

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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, 2016, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Business-type activities | | | | | |
| Revenue bonds | \$ 8,185,000 | \$ - | \$ (760,000) | \$ 7,425,000 | \$ 770,000 |
| G.O. revenue notes | 3,159,000 | - | (223,000) | 2,936,000 | 229,000 |
| Bond premium | 30,442 | - | (1,522) | 28,920 | - |
| | <u>11,374,442</u> | <u>-</u> | <u>(984,522)</u> | <u>10,389,920</u> | <u>999,000</u> |
| Bonds payable | 11,374,442 | - | (984,522) | 10,389,920 | 999,000 |
| Compensated absences payable | 985,116 | 347,350 | (326,176) | 1,006,291 | 276,832 |
| Pension liability | | | | | |
| GERF | 2,171,476 | 1,477,355 | (198,042) | 3,450,789 | - |
| Other postemployment benefits | 167,541 | 29,441 | (20,827) | 176,155 | - |
| | <u>14,698,575</u> | <u>1,854,146</u> | <u>(1,529,567)</u> | <u>15,023,155</u> | <u>1,275,832</u> |
| Business-type activity long-term liabilities | <u>\$ 14,698,575</u> | <u>\$ 1,854,146</u> | <u>\$ (1,529,567)</u> | <u>\$ 15,023,155</u> | <u>\$ 1,275,832</u> |

Long-term liability activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Business-type activities | | | | | |
| G.O. bonds | \$ 82,530 | \$ - | \$ (82,530) | \$ - | \$ - |
| Revenue bonds | 3,300,000 | 5,395,000 | (510,000) | 8,185,000 | 76,000 |
| G.O. revenue notes | 3,376,000 | - | (217,000) | 3,159,000 | 223,000 |
| Bond premium | - | 30,442 | - | 30,442 | - |
| | <u>6,758,530</u> | <u>5,425,442</u> | <u>(809,530)</u> | <u>11,374,442</u> | <u>299,000</u> |
| Bonds payable | 6,758,530 | 5,425,442 | (809,530) | 11,374,442 | 299,000 |
| Compensated absences payable | 971,546 | 326,865 | (313,295) | 985,116 | 276,120 |
| Pension liability | | | | | |
| GERF | - | 2,353,565 | (182,089) | 2,171,476 | - |
| Other postemployment benefits | 153,406 | 29,101 | (14,966) | 167,541 | - |
| | <u>7,883,482</u> | <u>8,134,973</u> | <u>(1,319,880)</u> | <u>14,698,575</u> | <u>575,120</u> |
| Business-type activity long-term liabilities | <u>\$ 7,883,482</u> | <u>\$ 8,134,973</u> | <u>\$ (1,319,880)</u> | <u>\$ 14,698,575</u> | <u>\$ 575,120</u> |

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

The Board collects revenue from customers of the Alexandria Lakes Area Sanitary District (ALASD). The collections are paid to ALASD monthly. Collections still owed by Alexandria Light and Power to ALASD at December 31, 2016 and 2015 totaled \$477,960 and \$434,858, respectively.

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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

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

B. Benefits provided

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

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

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The Board was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The Board's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$200,269, \$196,803 and \$175,557, respectively. The Board's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

D. Pension costs

GERF pension costs

At December 31, 2016, the Board reported a liability of \$3,450,789 for its proportionate share of the GERF's net pension liability. The Board's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$45,116. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Board's proportionate share was 0.0425 percent which was an increase of 0.0006 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Board recognized pension expense of \$395,143 for its proportionate share of GERF's pension expense. In addition, the Board recognized an additional \$13,452 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2016, the Board reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 11,150 | \$ 283,088 |
| Changes in actuarial assumptions | 743,686 | - |
| Net difference between projected and actual earnings on plan investments | 387,888 | - |
| Changes in proportion | 24,905 | 100,094 |
| Contributions to GERF subsequent to the measurement date | 100,603 | - |
| Total | \$ 1,268,232 | \$ 383,182 |

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

| | |
|------------|------------|
| 2017 | \$ 198,170 |
| 2018 | 120,487 |
| 2019 | 341,142 |
| 2020 | 124,648 |
| 2021 | - |
| Thereafter | - |

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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

At December 31, 2015, 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 | \$ 21,916 | \$ 109,479 |
| Changes in actuarial assumptions | 133,454 | - |
| Net difference between projected and actual earnings on plan investments | - | 193,301 |
| Changes in proportion | - | 150,143 |
| Contributions to GERF subsequent to the measurement date | 98,209 | - |
| Total | \$ 253,579 | \$ 452,923 |

Deferred outflows of resources totaling \$98,209 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| | |
|------------|-------------|
| 2016 | \$ (90,420) |
| 2017 | (90,420) |
| 2018 | (168,105) |
| 2019 | 51,392 |
| 2020 | - |
| Thereafter | - |

E. Actuarial assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------------------|----------------|
| Inflation | 2.50% per year |
| Active member payroll growth | 3.25% per year |
| Investment rate of return | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2014 tables for the GERF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

The following changes in actuarial assumptions occurred in 2016:

GERF

- 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.

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 | 45.00 % | 5.50 % |
| International stocks | 15.00 | 6.00 |
| Bonds | 18.00 | 1.45 |
| Alternative assets | 20.00 | 6.40 |
| Cash | <u>2.00</u> | 0.50 |
| Total | <u><u>100.00 %</u></u> | |

F. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

G. Pension liability sensitivity

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

| | Board's Proportionate Share of NPL | | |
|--|------------------------------------|-----------------|-------------------------------|
| | 1 Percent Decrease (6.50%) | Current (7.50%) | 1 Percent Increase (8.50%) |
| | GERF | \$ 4,901,143 | \$ 3,450,789 |

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.

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, 2014. 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 Alexandria Light and Power employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees’ expense.

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Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

C. Annual OPEB cost and net OPEB obligation

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for 2016 and 2015, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

| | 2016 | 2015 |
|--|------------|------------|
| Annual required contribution | \$ 32,429 | \$ 31,835 |
| Interest on net OPEB obligation | 6,702 | 6,136 |
| Adjustment to annual required contribution | (9,690) | (8,870) |
| Annual OPEB cost (expense) | 29,441 | 29,101 |
| Contributions made | (20,827) | (14,966) |
| Increase in net OPEB obligation | 8,614 | 14,135 |
| Net OPEB obligation - beginning of year | 167,541 | 153,406 |
| Net OPEB obligation - end of year | \$ 176,155 | \$ 167,541 |

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the previous two years follows:

| Fiscal Year Ending | Annual OPEB Cost | Percentage Annual OPEB Contributed | Net OPEB Obligation |
|--------------------------|---------------------|--|------------------------|
| 12/31/16 | \$ 29,441 | 70.7 % | \$ 176,155 |
| 12/31/15 | 29,101 | 51.4 | 167,541 |
| 12/31/14 | 28,583 | 35.3 | 153,406 |

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Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$340,461 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,271,684 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.0 percent.

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

E. Methods and assumptions

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

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5 percent, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period is not more than 30 years.

Note 5: RETIREMENT PAY

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

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

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

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

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 5: RETIREMENT PAY - CONTINUED

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

Note 6: DEFERRED COMPENSATION PLAN

A. Plan description

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

B. Matching deferred compensation

For employees choosing this benefit option the Board will contribute an amount matching the employee contribution to the deferred compensation account on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 per year per employee. 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 \$53,567 and \$50,234 in matching funds to the plan for the years ended December 31, 2016 and 2015, respectively.

Note 7: OTHER INFORMATION

A. Risk management

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

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

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

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
 DBA ALEXANDRIA LIGHT AND POWER
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

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 2016 and 2015, power purchased from WAPA and MBMPA was expensed as follows:

| | WAPA | | MBMPA | |
|------|--------------|----------------|---------------|----------------|
| | Amount | Kilowatt Hours | Amount | Kilowatt Hours |
| 2016 | \$ 2,998,208 | 96,585,000 | \$ 11,842,748 | 203,631,069 |
| 2015 | 2,992,980 | 96,279,000 | 12,954,051 | 203,836,942 |

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,813,497 and \$2,241,723 in wheeling charges for 2016 and 2015, respectively.

C. Concentrations

Approximately 40 percent of the Board's labor force is subject to a collective bargaining agreement, which expires December 2016.

Note 8: UNRESTRICTED NET POSITION

Alexandria Light and Power board formally approved the following future Electric and Water Utility Projects:

ELECTRIC UTILITY

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

WATER UTILITY

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

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
 DBA ALEXANDRIA LIGHT AND POWER
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

| Required Supplementary Information | | | | | | | |
|------------------------------------|---|--|--|--------------|-----------------------------|---|--|
| 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 |
| 06/30/16 | 0.0425 % | \$ 2,450,789 | \$ 45,116 | \$ 2,495,905 | \$ 2,638,344 | 92.9 % | 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

| Required Supplementary Information | | | | | |
|------------------------------------|---------------------------------------|--|--|-----------------------------|--|
| 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) |
| 12/31/16 | \$ 200,269 | \$ 200,269 | \$ - | \$ 2,670,258 | 7.5 % |
| 12/31/15 | 193,803 | 193,803 | - | 2,584,040 | 7.5 |

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

Schedule of funding progress for the postemployment benefit plan

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

SUPPLEMENTARY INFORMATION

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Cost | | | |
|---|--------------------------------|------------------|-----------------|-------------------|
| | Balance January 01, 2016 | Increases | Decreases | |
| ELECTRIC UTILITY | | | | |
| Steam production plant | | | | |
| Land and land rights | \$ 16,606 | \$ - | \$ - | \$ 16,606 |
| Service territory acquired | 234,533 | - | - | 234,533 |
| Structures and improvements | 424,468 | - | - | 424,468 |
| Turbogenerator units | 33,904 | - | - | 33,904 |
| Miscellaneous power plant equipment | 28,108 | - | - | 28,108 |
| Total steam production plant | <u>737,619</u> | <u>-</u> | <u>-</u> | <u>737,619</u> |
| Internal combustion plant | | | | |
| Structures and improvements | 813,683 | - | - | 813,683 |
| Fuel holders and accessories | 32,177 | - | - | 32,177 |
| Generators | 1,260,877 | - | - | 1,260,877 |
| Accessory electrical equipment | 21,910 | - | - | 21,910 |
| Miscellaneous power plant equipment | 22,785 | - | - | 22,785 |
| Total internal combustion plant | <u>2,151,432</u> | <u>-</u> | <u>-</u> | <u>2,151,432</u> |
| Transmission plant | | | | |
| Station equipment | 2,325,722 | - | - | 2,325,722 |
| Poles and fixtures | 427,411 | 10,448 | - | 437,859 |
| Total transmission plant | <u>2,753,133</u> | <u>10,448</u> | <u>-</u> | <u>2,763,581</u> |
| Distribution plant | | | | |
| Land and land rights | 17,634 | - | - | 17,634 |
| Structures and improvements | 116,069 | 29,237 | - | 145,306 |
| Tools and fixtures | 6,301,680 | 10,057 | - | 6,311,737 |
| Poles, towers and fixtures | 2,932,009 | 5,519 | - | 2,937,528 |
| Overhead conductors and devices | 3,449,287 | - | - | 3,449,287 |
| Underground conduit, conductors and devices | 14,088,628 | 2,063,692 | (12,029) | 16,140,291 |
| Line transformers | 5,667,600 | 632,326 | - | 6,299,926 |
| Services | 501,805 | 11,112 | - | 512,917 |
| Meters | 1,269,790 | 53,979 | - | 1,323,769 |
| Installation customer premises | 40,050 | - | - | 40,050 |
| Street lights and signal system | 2,075,578 | 212,413 | - | 2,287,991 |
| Load management | 642,586 | 2,680 | - | 645,266 |
| Total distribution plant | <u>37,102,716</u> | <u>3,021,015</u> | <u>(12,029)</u> | <u>40,111,702</u> |
| General plant | | | | |
| Land and land rights | 30,429 | - | - | 30,429 |
| Structures and improvements | 988,262 | - | - | 988,262 |
| Office furniture | 830,052 | 7,966 | - | 838,018 |
| Transportation equipment | 1,155,367 | 49,923 | (23,775) | 1,181,515 |
| Stores equipment | 2,252 | - | - | 2,252 |
| Tools, shop and garage equipment | 187,348 | 18,882 | - | 206,230 |
| Laboratory equipment | 95,443 | - | - | 95,443 |
| Power operated equipment | 447,659 | 164,483 | (28,761) | 583,381 |
| Communications equipment | 123,615 | - | - | 123,615 |
| Miscellaneous equipment | 154,176 | - | - | 154,176 |
| Total general plant | <u>4,014,603</u> | <u>241,254</u> | <u>(52,536)</u> | <u>4,203,321</u> |

| Accumulated Depreciation | | | | |
|--------------------------------|-----------|-----------|---------------------------------|-------------------|
| Balance January 01, 2016 | Increases | Decreases | Balance December 31, 2016 | Net Book Value |
| \$ - | \$ - | \$ - | \$ - | \$ 16,606 |
| - | - | - | - | 234,533 |
| (424,468) | - | - | (424,468) | - |
| (33,904) | - | - | (33,904) | - |
| (16,851) | (900) | - | (17,751) | 10,357 |
| (475,223) | (900) | - | (476,123) | 261,496 |
| (764,001) | (6,604) | - | (770,605) | 43,078 |
| (24,133) | (1,073) | - | (25,206) | 6,971 |
| (1,260,877) | - | - | (1,260,877) | - |
| (14,173) | (450) | - | (14,623) | 7,287 |
| (22,785) | - | - | (22,785) | - |
| (2,085,969) | (8,127) | - | (2,094,096) | 57,336 |
| (783,200) | (70,274) | - | (853,474) | 1,472,248 |
| (175,487) | (13,163) | - | (188,650) | 249,209 |
| (958,687) | (83,437) | - | (1,042,124) | 1,721,457 |
| - | - | - | - | 17,634 |
| (74,276) | (3,919) | - | (78,195) | 67,111 |
| (3,433,123) | (158,999) | - | (3,592,122) | 2,719,615 |
| (2,373,972) | (39,408) | - | (2,413,380) | 524,148 |
| (2,105,960) | (83,700) | - | (2,189,660) | 1,259,627 |
| (4,484,520) | (410,746) | 972 | (4,894,294) | 11,245,997 |
| (2,714,470) | (140,992) | - | (2,855,462) | 3,444,464 |
| (332,143) | (10,698) | - | (342,841) | 170,076 |
| (654,414) | (29,769) | - | (684,183) | 639,586 |
| (39,299) | (96) | - | (39,395) | 655 |
| (1,053,674) | (56,060) | - | (1,109,734) | 1,178,257 |
| (520,799) | (18,795) | - | (539,594) | 105,672 |
| (17,786,650) | (953,182) | 972 | (18,738,860) | 21,372,842 |
| - | - | - | - | 30,429 |
| (579,758) | (35,292) | - | (615,050) | 373,212 |
| (712,045) | (43,211) | - | (755,256) | 82,762 |
| (1,028,604) | (71,873) | 23,775 | (1,076,702) | 104,813 |
| (2,252) | - | - | (2,252) | - |
| (152,252) | (12,482) | - | (164,734) | 41,496 |
| (54,833) | (10,417) | - | (65,250) | 30,193 |
| (370,810) | (30,910) | 15,329 | (386,391) | 196,990 |
| (117,806) | (3,517) | - | (121,323) | 2,292 |
| (123,680) | (5,591) | - | (129,271) | 24,905 |
| (3,142,040) | (213,293) | 39,104 | (3,316,229) | 887,092 |

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Cost | | | Balance December 31, 2016 |
|---|--------------------------------|---------------------|-----------------------|---------------------------------|
| | Balance January 01, 2016 | Increases | Decreases | |
| Internet, WAN | \$ 146,210 | \$ - | \$ - | \$ 146,210 |
| Construction work-in-progress | | | | |
| Electric | 1,780,366 | 2,473,885 | (3,094,223) | 1,160,028 |
| Total Electric Utility | 48,686,079 | 5,746,602 | (3,158,788) | 51,273,893 |
| WATER UTILITY | | | | |
| Water property | | | | |
| Land and land rights | 66,807 | - | - | 66,807 |
| Structures and improvements | 129,609 | - | - | 129,609 |
| Pumping equipment | 1,024,822 | 332,929 | - | 1,357,751 |
| Treatment facilities | 7,332,726 | 47,914 | - | 7,380,640 |
| Production plant facilities | 26,891 | - | - | 26,891 |
| Distribution mains and hydrants | 28,820,174 | 248,236 | - | 29,068,410 |
| Water services | 195,047 | - | - | 195,047 |
| Water meters | 643,575 | 45,336 | - | 688,911 |
| Water storage reservoirs, towers and standpipes | 2,111,025 | - | - | 2,111,025 |
| Miscellaneous equipment | 53,943 | - | - | 53,943 |
| Total water property | 40,404,619 | 674,415 | - | 41,079,034 |
| Construction work-in-progress | | | | |
| Water | 511,033 | 338,270 | (650,271) | 199,032 |
| Total Water Utility | 40,915,652 | 1,012,685 | (650,271) | 41,278,066 |
| FIBER UTILITY | | | | |
| Fiber equipment and cable | 1,641,405 | 157,256 | - | 1,798,661 |
| BPL equipment | 76,660 | - | - | 76,660 |
| Construction work-in-progress | | | | |
| Fiber | 37,618 | 94,402 | (67,211) | 64,809 |
| Total Fiber Utility | 1,755,683 | 251,658 | (67,211) | 1,940,130 |
| TOTALS | \$ 91,357,414 | \$ 7,010,945 | \$ (3,876,270) | \$ 94,492,089 |

| Accumulated Depreciation | | | | |
|--------------------------------|-----------------------|------------------|---------------------------------|----------------------|
| Balance January 01, 2016 | Increases | Decreases | Balance December 31, 2016 | Net Book Value |
| \$ (145,879) | \$ (331) | \$ - | \$ (146,210) | \$ - |
| - | - | - | - | 1,160,028 |
| (24,594,448) | (1,259,270) | 40,076 | (25,813,642) | 25,460,251 |
| - | - | - | - | 66,807 |
| (80,706) | (2,680) | - | (83,386) | 46,223 |
| (470,909) | (52,054) | - | (522,963) | 834,788 |
| (2,180,430) | (183,665) | - | (2,364,095) | 5,016,545 |
| (20,314) | (2,630) | - | (22,944) | 3,947 |
| (6,163,830) | (579,577) | - | (6,743,407) | 22,325,003 |
| (93,952) | (3,901) | - | (97,853) | 97,194 |
| (328,177) | (23,270) | - | (351,447) | 337,464 |
| (1,391,193) | (51,344) | - | (1,442,537) | 668,488 |
| (34,606) | (3,173) | - | (37,779) | 16,164 |
| (10,764,117) | (902,294) | - | (11,666,411) | 29,412,623 |
| - | - | - | - | 199,032 |
| (10,764,117) | (902,294) | - | (11,666,411) | 29,611,655 |
| (1,040,851) | (63,595) | - | (1,104,446) | 694,215 |
| (51,166) | (1,348) | - | (52,514) | 24,146 |
| - | - | - | - | 64,809 |
| (1,092,017) | (64,943) | - | (1,156,960) | 783,170 |
| <u>\$ (36,450,582)</u> | <u>\$ (2,226,507)</u> | <u>\$ 40,076</u> | <u>\$ (38,637,013)</u> | <u>\$ 55,855,076</u> |

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF OTHER OPERATING REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| ELECTRIC UTILITY | | |
| Penalties and forfeited discounts | \$ 154,973 | \$ 140,482 |
| Miscellaneous service revenues | 14,350 | 15,100 |
| Rental income - transmission equipment - Nokomis Substation | - | 52,252 |
| Rental income - utility poles | 26,185 | 26,185 |
| Administrative service billed to ALASD | 80,869 | 80,229 |
| Other electric revenue | 449,556 | 38,776 |
| NSF fees | 1,800 | 1,220 |
| Total Electric Utility | 727,733 | 354,244 |
| WATER UTILITY | | |
| Rent from water property | 30,453 | 28,011 |
| Miscellaneous service revenues | 8,091 | 10,184 |
| Total Water Utility | 38,544 | 38,195 |
| TOTAL OTHER OPERATING REVENUES | \$ 766,277 | \$ 392,439 |

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF PRODUCTION AND PURCHASED POWER EXPENSE - ELECTRIC UTILITY
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| INTERNAL COMBUSTION ENGINE OPERATION | | |
| Fuel - oil | \$ 9,659 | \$ 1,625 |
| Fuel - natural gas | 4,437 | 10,066 |
| Other expenses | 7,521 | 8,711 |
| Total internal combustion engine operation | 21,617 | 20,402 |
| POWER SUPPLY | | |
| Purchased power | 17,654,456 | 18,188,754 |
| System control and load dispatching | - | 131 |
| Total power supply | 17,654,456 | 18,188,885 |
| INTERNAL COMBUSTION ENGINE MAINTENANCE | | |
| Maintenance of structures | 1,177 | 5,617 |
| Maintenance of internal combustion engine, generators and switchgear | 14,534 | 22,629 |
| Total internal combustion engine maintenance | 15,711 | 28,246 |
| TOTAL PRODUCTION AND PURCHASED POWER EXPENSE | \$ 17,691,784 | \$ 18,237,533 |

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF DISTRIBUTION EXPENSE - OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------------|-------------------|
| ELECTRIC UTILITY | | |
| Station | \$ 32,351 | \$ 43,180 |
| Overhead lines | 220,496 | 210,165 |
| Underground lines | 62,175 | 64,949 |
| Street lighting and signal system | 1,207 | 3,889 |
| Meter expenses - removing and resetting meters | 11,776 | 11,960 |
| Customer installation expense and service on premises | 17,105 | 24,651 |
| Load management | 39,363 | 48,489 |
| Miscellaneous distribution | 150,635 | 135,408 |
| Rent | 4,262 | 4,262 |
| Supplies | 81,740 | 138,891 |
| Safety supplies | 89,050 | 96,921 |
| Total Electric Utility | 710,160 | 782,765 |
| WATER UTILITY | | |
| Salary - superintendent | 50,576 | 48,658 |
| Station labor | 435 | 1,215 |
| Water locating | 58,792 | - |
| Well closure | 1,418 | 3,673 |
| Total Water Utility | 111,221 | 53,546 |
| FIBER UTILITY | | |
| Fiber expense | 182,468 | 142,251 |
| TOTAL DISTRIBUTION EXPENSE - OPERATIONS | \$ 1,003,849 | \$ 978,562 |

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF DISTRIBUTION EXPENSE - MAINTENANCE
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------------|---------------------|
| ELECTRIC UTILITY | | |
| Supervision | \$ 27,061 | \$ 26,900 |
| Maintenance | | |
| Station equipment | 127,305 | 117,830 |
| Overhead lines | 310,511 | 357,278 |
| Underground lines | 84,543 | 101,895 |
| Line transformers | 45,346 | 11,368 |
| Street lighting and signal system | 68,845 | 54,059 |
| Customer electric meters | 60,107 | 55,673 |
| Power operated equipment | 19,455 | 14,989 |
| Structures distribution substations | 501 | 221 |
| Miscellaneous distribution | 52 | - |
| Total Electric Utility | 743,726 | 740,213 |
| WATER UTILITY | | |
| Maintenance | | |
| Well head protection | - | 543 |
| Wells | 27,771 | 12,737 |
| Filter plant equipment | 93,446 | 110,640 |
| Distribution System | | |
| Water mains | 62,605 | 42,597 |
| Water services | 88,076 | 181,367 |
| Customer water meters | 2,460 | 2,534 |
| Water hydrants | 34,343 | 17,441 |
| Storage facilities, tanks, etc. | 12,841 | 19,331 |
| Total Water Utility | 321,542 | 387,190 |
| TOTAL DISTRIBUTION EXPENSE - MAINTENANCE | \$ 1,065,268 | \$ 1,127,403 |

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF CUSTOMER ACCOUNTS EXPENSE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | December 31, 2016 | | | Total |
|--|--------------------------|-------------------------|-------------------------|--------------------------|
| | Electric Utility | Water Utility | Fiber Utility | |
| Meter reading | \$ 117,309 | \$ 21,676 | \$ - | \$ 138,985 |
| Collection expense | 121,296 | 6,445 | 1,289 | 129,030 |
| Billing and accounting salaries | 214,907 | 41,372 | 13,791 | 270,070 |
| Uncollectible accounts | 18,941 | - | - | 18,941 |
| Customer conservation consultant | 62,018 | - | - | 62,018 |
| Informational advertising | 24,017 | 3,913 | 5,619 | 33,549 |
| Customer assistance | 57,470 | - | - | 57,470 |
| TOTAL CUSTOMER ACCOUNTS EXPENSE | <u>\$ 615,958</u> | <u>\$ 73,406</u> | <u>\$ 20,699</u> | <u>\$ 710,063</u> |
| | December 31, 2015 | | | |
| | Electric Utility | Water Utility | Fiber Utility | Total |
| Meter reading | \$ 124,964 | \$ 21,128 | \$ - | \$ 146,092 |
| Collection expense | 130,598 | 6,473 | 1,295 | 138,366 |
| Billing and accounting salaries | 213,810 | 53,487 | 17,829 | 285,126 |
| Uncollectible accounts | 15,764 | - | - | 15,764 |
| Customer conservation consultant | 58,462 | - | - | 58,462 |
| Informational advertising | 17,445 | 2,738 | 4,671 | 24,854 |
| Customer assistance | 57,650 | - | - | 57,650 |
| TOTAL CUSTOMER ACCOUNTS EXPENSE | <u>\$ 618,693</u> | <u>\$ 83,826</u> | <u>\$ 23,795</u> | <u>\$ 726,314</u> |

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF ADMINISTRATION AND GENERAL EXPENSE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | December 31, 2016 | | | |
|--|---------------------|-------------------|------------------|---------------------|
| | Electric Utility | Water Utility | Fiber Utility | Total |
| Administration salaries - manager | \$ 203,053 | \$ 68,667 | \$ 27,016 | \$ 298,736 |
| Office supplies | 86,783 | 9,684 | 1,697 | 98,164 |
| Outside services | 23,851 | 2,650 | - | 26,501 |
| Insurance | 130,891 | 16,098 | 3,220 | 150,209 |
| Employee pension and benefits | 836,398 | 101,007 | 39,603 | 977,008 |
| Employee school expense | 35,199 | 7,430 | 1,269 | 43,898 |
| Employer contribution - deferred compensation and severance | 46,067 | 5,357 | 2,143 | 53,567 |
| Regulatory commission expense | 33,386 | 4,314 | - | 37,700 |
| Miscellaneous | 49,442 | 6,083 | 172 | 55,697 |
| Water conservation expense | - | (40) | - | (40) |
| Maintenance of general plant | 211,792 | 26,568 | 15,175 | 253,535 |
| Health insurance deductible | 4,363 | 519 | 312 | 5,194 |
| TOTAL ADMINISTRATION AND GENERAL EXPENSE | \$ 1,661,225 | \$ 248,337 | \$ 90,607 | \$ 2,000,169 |

| | December 31, 2015 | | | |
|--|---------------------|-------------------|------------------|---------------------|
| | Electric Utility | Water Utility | Fiber Utility | Total |
| Administration salaries - manager | \$ 198,544 | \$ 42,678 | \$ 16,529 | \$ 257,751 |
| Office supplies | 83,725 | 9,241 | 1,848 | 94,814 |
| Outside services | 26,946 | 12,580 | - | 39,526 |
| Insurance | 144,106 | 16,375 | 3,275 | 163,756 |
| Employee pension and benefits | 652,856 | 70,602 | 27,327 | 750,785 |
| Employee school expense | 18,773 | 7,870 | 1,110 | 27,753 |
| Employer contribution - deferred compensation and severance | 43,201 | 5,023 | 2,009 | 50,233 |
| Regulatory commission expense | 29,783 | 3,420 | - | 33,203 |
| Miscellaneous | 59,540 | 6,414 | 283 | 66,237 |
| Water conservation expense | - | 2,870 | - | 2,870 |
| Maintenance of general plant | 192,185 | 24,766 | 17,505 | 234,456 |
| Health insurance deductible | 867 | 103 | 62 | 1,032 |
| Transportation expense | 2,197 | 546 | - | 2,743 |
| TOTAL ADMINISTRATION AND GENERAL EXPENSE | \$ 1,452,723 | \$ 202,488 | \$ 69,948 | \$ 1,725,159 |

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF OTHER NONOPERATING REVENUES
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|------------|------------|
| ELECTRIC UTILITY | | |
| Merchandising, jobbing and contract work | \$ 17,285 | \$ 32,943 |
| Miscellaneous nonoperating income | 215,509 | 55,018 |
| Total Electric Utility | 232,794 | 87,961 |
| WATER UTILITY | | |
| Miscellaneous service revenue | 22,365 | 21,049 |
| FIBER UTILITY | | |
| Miscellaneous service revenue | 13,625 | (34) |
| TOTAL NONOPERATING REVENUES | \$ 268,784 | \$ 108,976 |

OTHER REQUIRED REPORTS

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER

FOR THE YEAR ENDED
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the Board of Public Works
DBA Alexandria Light and Power
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 Alexandria Light and Power, (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated April 7, 2017.

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.

Albdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
April 7, 2017



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 Alexandria Light and Power
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 Alexandria Light and Power (the Board), a component unit of the City of Alexandria, Minnesota as of and for the years ended December 31, 2016 and 2015, 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 7, 2017.

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.

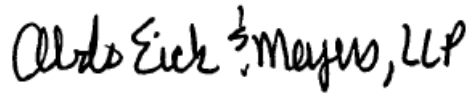
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 7, 2017