

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, 2015 and 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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

	Page No.
INTRODUCTORY SECTION	
Elected and Appointed Officials	5
FINANCIAL SECTION	
Independent Auditor's Report	9
Basic Financial Statements	
Fund Financial Statements - Proprietary Funds	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Notes to the Financial Statements	17
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	38
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	38
Schedule of Employer's Funding Progress for Other Postemployment Benefit Plan	38
SUPPLEMENTARY INFORMATION	
Schedule of Property, Plant and Equipment	40
Schedules of Other Operating Revenues	44
Schedules of Production and Purchased Power Expense - Electric Utility	45
Schedules of Distribution Expense - Operations	46
Schedules of Distribution Expense - Maintenance	47
Schedules of Customer Accounts Expense	48
Schedules of Administration and General Expense	49
Schedules of Other Nonoperating Revenues	50
OTHER REQUIRED REPORTS	
Independent Auditor's Report on Minnesota Legal Compliance	53
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 <i>Government Auditing Standards</i>	54

THIS PAGE IS LEFT BLANK
INTENTIONALLY

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED
DECEMBER 31, 2015

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

APPOINTED

Name	Title
Kevin Mahoney	Chairperson
Steve Senden	Vice-Chairperson
Ed Rooney	Member
James Scott	Member
Rick Paulsen	Member
Al Crowser	Secretary/Treasurer and General Manager

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FINANCIAL SECTION

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

FOR THE YEAR ENDED
DECEMBER 31, 2015

THIS PAGE IS LEFT BLANK
INTENTIONALLY



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 year ended December 31, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

Change in Accounting Standards

As described in Note 9 to the financial statements, the Board adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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 38 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 13, 2016, 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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
April 13, 2016

People
+ Process[®]
Going
Beyond the
Numbers

THIS PAGE IS LEFT BLANK
INTENTIONALLY

**FUND FINANCIAL STATEMENTS -
PROPRIETARY FUNDS**

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

FOR THE YEAR ENDED
DECEMBER 31, 2015

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

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Fiber Utility	
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 8,913,599	\$ 2,894,898	\$ 1,265,446	\$ 13,073,943
Interest receivable	17,156	8,897	-	26,053
Customer accounts receivable, net of allowance for doubtful accounts of \$55,953	606,376	195,301	5,170	806,847
Special assessments receivable	-	1,192	-	1,192
Inventories	1,191,913	103,058	-	1,294,971
Prepaid items	154,308	18,033	7,213	179,554
Restricted debt service reserve deposits	703,040	252,650	-	955,690
TOTAL CURRENT ASSETS	11,586,392	3,474,029	1,277,829	16,338,250
NONCURRENT ASSETS				
Capital assets				
Land and land rights	64,669	66,807	-	131,476
Service territory acquired	234,533	-	-	234,533
Plant in service	46,606,511	40,337,812	1,718,065	88,662,388
Construction in progress	1,780,366	511,033	37,618	2,329,017
Less accumulated depreciation	(24,594,448)	(10,764,117)	(1,092,017)	(36,450,582)
Total capital assets (net of accumulated depreciation)	24,091,631	30,151,535	663,666	54,906,832
TOTAL ASSETS	35,678,023	33,625,564	1,941,495	71,245,082
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	218,078	25,358	10,143	253,579
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,658,764	4,572	3,113	1,666,449
Due to other governments	82,483	6,180	1,545	90,208
Due to the City of Alexandria	863,469	-	-	863,469
Due to Alexandria Lakes Area Sanitary District (ALASD)	434,858	-	-	434,858
Accrued interest payable	10,257	29,452	-	39,709
Accrued wages payable	45,113	8,918	1,626	55,657
Compensated absences payable	216,113	50,106	9,901	276,120
Customer meter deposits payable	339,552	-	-	339,552
Bonds and notes payable - current portion	760,000	223,000	-	983,000
TOTAL CURRENT LIABILITIES	4,410,609	322,228	16,185	4,749,022
NONCURRENT LIABILITIES				
Other postemployment benefits payable	150,972	13,329	3,240	167,541
Compensated absences payable	498,909	187,125	22,962	708,996
Pension liability	1,867,471	217,148	86,857	2,171,476
Bonds and notes payable - net of current maturities	7,455,442	2,936,000	-	10,391,442
TOTAL NONCURRENT LIABILITIES	9,972,794	3,353,602	113,059	13,439,455
TOTAL LIABILITIES	14,383,403	3,675,830	129,244	18,188,477
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	389,515	45,292	18,116	452,923
NET POSITION				
Net investment in capital assets	20,054,495	26,992,535	663,666	47,710,696
Restricted for debt service	703,040	252,650	-	955,690
Unrestricted	365,648	2,684,615	1,140,612	4,190,875
TOTAL NET POSITION	\$ 21,123,183	\$ 29,929,800	\$ 1,804,278	\$ 52,857,261

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
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Fiber Utility	
OPERATING REVENUES				
Sales	\$ 24,584,568	\$ 2,188,406	\$ 367,353	\$ 27,140,327
Other operating revenue	354,244	38,195	-	392,439
TOTAL OPERATING REVENUES	24,938,812	2,226,601	367,353	27,532,766
OPERATING EXPENSES				
Personal services	847,294	112,824	43,856	1,003,974
Production plant and purchased power	18,237,533	-	-	18,237,533
Distribution system - operations	782,765	53,546	142,251	978,562
Distribution system - maintenance	740,213	387,190	-	1,127,403
Other operating	-	278,445	-	278,445
Customer accounts	618,693	83,826	23,795	726,314
Administration and general	605,429	89,664	26,092	721,185
Depreciation and amortization	1,225,280	906,905	40,395	2,172,580
TOTAL OPERATING EXPENSES	23,057,207	1,912,400	276,389	25,245,996
OPERATING INCOME	1,881,605	314,201	90,964	2,286,770
NONOPERATING INCOME (EXPENSES)				
Investment income	114,423	28,450	-	142,873
Other revenue	87,961	21,049	(34)	108,976
Special assessments	-	1,192	-	1,192
Gain (loss) on sale of capital assets	(26,220)	-	-	(26,220)
Bond issuance costs	(125,581)	-	-	(125,581)
Interest and other	(132,207)	(79,831)	-	(212,038)
TOTAL NONOPERATING INCOME (EXPENSES)	(81,624)	(29,140)	(34)	(110,798)
INCOME (LOSS) BEFORE TRANSFERS	1,799,981	285,061	90,930	2,175,972
TRANSFERS TO CITY - PAYMENT IN LIEU OF TAXES	(1,069,558)	(45,904)	-	(1,115,462)
CHANGE IN NET POSITION	730,423	239,157	90,930	1,060,510
NET POSITION, JANUARY 1 AS RESTATED (NOTE 9)	20,392,760	29,690,643	1,713,348	51,796,751
NET POSITION, DECEMBER 31	\$ 21,123,183	\$ 29,929,800	\$ 1,804,278	\$ 52,857,261

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
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Fiber Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 24,969,815	\$ 2,229,584	\$ 370,786	\$ 27,570,185
Payments to suppliers and vendors	(21,078,397)	(924,747)	(198,198)	(22,201,342)
Payments to and on behalf of employees	(823,113)	(111,726)	(39,163)	(974,002)
Other receipts	87,961	21,049	-	109,010
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,156,266	1,214,160	133,425	4,503,851
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers to City - payment in lieu of taxes	(1,069,558)	(45,904)	-	(1,115,462)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset acquisitions	(3,129,740)	(1,368,750)	(191,275)	(4,689,765)
Special assessment receipts	-	2,023	-	2,023
Proceeds from bonds, net of premiums	5,425,442	-	-	5,425,442
Principal paid on bonds and notes	(510,000)	(299,530)	-	(809,530)
Bond issuance costs	(125,581)	-	-	(125,581)
Interest paid on long-term debt	(133,214)	(95,371)	-	(228,585)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,526,907	(1,761,628)	(191,275)	(425,996)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	114,905	23,038	-	137,943
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,728,520	(570,334)	(57,850)	3,100,336
CASH AND CASH EQUIVALENTS, JANUARY 1	5,888,119	3,717,882	1,323,296	10,929,297
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 9,616,639	\$ 3,147,548	\$ 1,265,446	\$ 14,029,633
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Unrestricted	\$ 8,913,599	\$ 2,894,898	\$ 1,265,446	\$ 13,073,943
Restricted	703,040	252,650	-	955,690
TOTAL CASH AND CASH EQUIVALENTS	\$ 9,616,639	\$ 3,147,548	\$ 1,265,446	\$ 14,029,633
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,881,605	\$ 314,201	\$ 90,964	\$ 2,286,770
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,225,280	906,905	40,395	2,172,580
Other income related to operations	87,961	21,049	(34)	108,976
(Increase) decrease in assets				
Customer accounts receivable	13,924	2,983	3,433	20,340
Inventories	935	(21,518)	-	(20,583)
Prepaid items	(51,428)	(12,918)	(3,954)	(68,300)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	74,046	8,609	3,445	86,100
Increase (decrease) in liabilities				
Accounts payable	(29,932)	2,293	(2,089)	(29,728)
Due to other governments	(36,024)	67	17	(35,940)
Due to the City of Alexandria	(25,066)	-	-	(25,066)
Due to Alexandria Lakes Area Sanitary District (ALASD)	47,751	-	-	47,751
Accrued wages payable	7,564	4,489	558	12,611
Compensated absences payable	12,788	(3,493)	4,275	13,570
Pension liability	25,300	2,947	1,169	29,416
Other postemployment benefits payable	12,721	1,131	283	14,135
Customer meter deposits payable	17,079	-	-	17,079
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(108,238)	(12,585)	(5,037)	(125,860)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,156,266	\$ 1,214,160	\$ 133,425	\$ 4,503,851
NONCASH CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed/traded of capital assets	\$ 26,220	\$ -	\$ -	\$ 26,220
Capital assets acquired on account	19,607	41	-	19,648

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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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, 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, 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.

Investments for the Board are reported at fair value. 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.

Accounts receivable

Accounts receivable of \$806,847 are recorded net of the allowance for doubtful accounts of \$55,953 as of December 31, 2015. 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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 financial 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.

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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2014.

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 financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net 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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2015, 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, 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 19 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, 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, 2105 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)	Fair Value and Carrying Amount
Pooled investments			
U.S. Government Money Market Portfolio	N/A	less than 6 months	\$ 692,891
Non-pooled investments			
Broker certificates of deposit	AAA/AA+	less than 6 months	986,000
	N/A	1 to 3 years	1,744,941
	AAA/AA+	2 to 3 years	1,492,800
U.S. Government Agency	N/A	more than 3 years	1,526,390
Total investments			<u>\$ 6,443,022</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, 2015.

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

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

Carrying amount of deposits	\$ 7,586,361
Investments	6,443,022
Cash on hand	<u>250</u>
 Total cash and temporary investments	 <u><u>\$ 14,029,633</u></u>
 Cash and cash equivalents	 \$ 13,073,943
Restricted debt service reserve deposits	<u>955,690</u>
 Total	 <u><u>\$ 14,029,633</u></u>

B. Capital assets

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 service territory acquired	\$ 366,009	\$ -	\$ -	\$ 366,009
Construction in progress	<u>2,114,365</u>	<u>4,683,345</u>	<u>(4,468,693)</u>	<u>2,329,017</u>
 Total capital assets not being depreciated	 <u>2,480,374</u>	 <u>4,683,345</u>	 <u>(4,468,693)</u>	 <u>2,695,026</u>
Capital assets being depreciated				
General plant	1,006,535	-	(18,272)	988,263
Machinery and equipment	5,602,280	336,985	(1,079,082)	4,860,183
Utility plant in service	<u>79,740,296</u>	<u>4,157,776</u>	<u>(1,084,130)</u>	<u>82,813,942</u>
 Total capital assets being depreciated	 <u>86,349,111</u>	 <u>4,494,761</u>	 <u>(2,181,484)</u>	 <u>88,662,388</u>
Less accumulated depreciation for				
Buildings	(562,301)	(35,478)	18,021	(579,758)
Production plant	(4,614,958)	(264,271)	1,079,055	(3,800,174)
Transmission and distribution system	<u>(31,256,007)</u>	<u>(1,872,831)</u>	<u>1,058,188</u>	<u>(32,070,650)</u>
 Total accumulated depreciation	 <u>(36,433,266)</u>	 <u>(2,172,580)</u>	 <u>2,155,264</u>	 <u>(36,450,582)</u>
 Total capital assets being depreciated, net	 <u>49,915,845</u>	 <u>2,322,181</u>	 <u>(26,220)</u>	 <u>52,211,806</u>
 Business-type activities capital assets, net	 <u><u>\$ 52,396,219</u></u>	 <u><u>\$ 7,005,526</u></u>	 <u><u>\$ (4,494,913)</u></u>	 <u><u>\$ 54,906,832</u></u>

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Business-type activities	
Electric	\$ 1,225,280
Water	906,905
Fiber	<u>40,395</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,172,580</u></u>

C. Interfund transfers

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

Transfer out	
Electric Utility fund	\$ 1,069,558
Water Utility fund	<u>45,904</u>
Total transfers out to City	<u><u>\$ 1,115,462</u></u>

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

Annual requirements to maturity for Revenue Bonds is as follows:

Year Ending December 31,	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 760,000	\$ 240,358	\$ 1,000,358
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 - 2025	2,015,000	619,644	2,634,644
2026 - 2030	1,400,000	384,837	1,784,837
2031 - 2035	<u>1,655,000</u>	<u>161,718</u>	<u>1,816,718</u>
Total	<u><u>\$ 8,185,000</u></u>	<u><u>\$ 2,165,097</u></u>	<u><u>\$ 10,350,097</u></u>

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

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
G.O. Water Revenue Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 455,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	<u>2,704,000</u>
Total G.O. Revenue Notes					<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
2016	\$ 223,000	\$ 81,492	\$ 304,492
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 - 2025	1,113,000	185,763	1,298,763
2026 - 2029	<u>868,000</u>	<u>53,717</u>	<u>921,717</u>
Total	<u>\$ 3,159,000</u>	<u>\$ 585,172</u>	<u>\$ 3,744,172</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:

	<u>Electric Utility</u>	<u>Water Utility</u>
Revenues	\$ 24,938,812	\$ 2,226,601
Principal and interest	643,214	394,901
Percentage of revenues	2.6%	17.7%

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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	760,000
G.O. revenue notes	3,376,000	-	(217,000)	3,159,000	223,000
Bond premium	-	30,442	-	30,442	-
	6,758,530	5,425,442	(809,530)	11,374,442	983,000
Bonds payable					
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	-
	\$ 7,883,482	\$ 8,134,973	\$ (1,319,880)	\$ 14,698,575	\$ 1,259,120
Business-type activity long-term liabilities					

* Includes January 1, 2015 pension liability related to GASB Statement No. 68 implementation. See Note 9 for further detail.

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, 2015 totaled \$434,858.

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

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 2015. 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 2015. The Board's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$196,803, \$175,557 and \$161,095, respectively. The Board's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

D. Pension costs

GERF pension costs

At December 31, 2015, the Board reported a liability of \$2,171,476 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Board's proportionate share was 0.0419 percent which was a decrease of 0.0037 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Board recognized pension revenue of \$183,460 for its proportionate share of GERF's pension expense.

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	51,391
2020	-
Thereafter	-

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

Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERP.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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

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 (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF	\$ 3,414,331	\$ 2,171,476

H. Pension plan fiduciary net position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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.

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

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 2015 and 2014, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

	2015	2014
Annual required contribution	\$ 31,835	\$ 30,989
Interest on net OPEB obligation	6,136	5,396
Adjustment to annual required contribution	(8,870)	(7,802)
Annual OPEB cost (expense)	29,101	28,583
Contributions made	(14,966)	(10,086)
Increase in net OPEB obligation	14,135	18,497
Net OPEB obligation - beginning of year	153,406	134,909
Net OPEB obligation - end of year	\$ 167,541	\$ 153,406

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the previous two years follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 29,101	51.4 %	\$ 167,541
12/31/14	28,583	35.3	153,406
12/31/13	51,787	60.3	134,909

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

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, 2014 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, 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 \$50,234 and \$48,077 in matching funds to the plan for the years ended December 31, 2015 and 2014, 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, 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 2020, while the MRES contract expires in January 2046. During 2015 and 2014, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2015	\$ 2,992,980	96,279,000	\$ 12,954,051	203,836,942
2014	2,992,980	96,729,000	12,248,371	211,644,091

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,241,723 and \$2,067,588 in wheeling charges for 2015 and 2014, 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)	\$ 500,000
East industrial circuit project (underground)	850,000
New substation construction	1,000,000
West Lake Carlos (underground)	1,600,000
City Park, Jacobson Addition, Tabberts North (underground)	450,000
Undergrounding system	2,500,000
Rate stabilization	750,000
Total Electric Utility	7,650,000

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	\$ 9,850,000

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

Note 9: CHANGE IN ACCOUNTING STANDARDS

During 2015, the Board implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 3.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Business-type activities	\$ 54,177,915	\$ (2,381,164)	\$ 51,796,751
Business-type activities			
Electric Utility	\$ 22,440,560	\$ (2,047,800)	\$ 20,392,760
Water Utility	29,928,754	(238,111)	29,690,643
Fiber Utility	1,808,601	(95,253)	1,713,348
Total business-type activities	\$ 54,177,915	\$ (2,381,164)	\$ 51,796,751

- (1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
 DBA ALEXANDRIA LIGHT AND POWER
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015

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
06/30/15	0.0419 %	\$ 2,171,475	-	\$ 2,171,475	\$ 2,421,840	89.7 %	78.2 %

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)	
12/31/15	\$ 193,803	\$ 193,803	-	\$ 2,584,040	7.5 %	

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, 2015 AND 2014

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, 2015

	Cost			Balance December 31, 2015
	Balance January 01, 2015	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
Boiler plant equipment	658	-	(658)	-
Turbogenerator units	33,904	-	-	33,904
Accessory electrical equipment	1,803	-	(1,803)	-
Miscellaneous power plant equipment	36,460	-	(8,352)	28,108
Total steam production plant	<u>748,432</u>	<u>-</u>	<u>(10,813)</u>	<u>737,619</u>
Internal combustion plant				
Structures and improvements	814,335	-	(651)	813,684
Fuel holders and accessories	32,177	-	-	32,177
Generators	1,264,845	-	(3,968)	1,260,877
Accessory electrical equipment	23,166	-	(1,256)	21,910
Miscellaneous power plant equipment	37,775	-	(14,990)	22,785
Total internal combustion plant	<u>2,172,298</u>	<u>-</u>	<u>(20,865)</u>	<u>2,151,433</u>
Transmission plant				
Station equipment	2,060,107	265,616	-	2,325,723
Poles and fixtures	427,411	-	-	427,411
Total transmission plant	<u>2,487,518</u>	<u>265,616</u>	<u>-</u>	<u>2,753,134</u>
Distribution plant				
Land and land rights	17,634	-	-	17,634
Structures and improvements	122,481	-	(6,412)	116,069
Tools and fixtures	6,289,991	498,838	(487,149)	6,301,680
Poles, towers and fixtures	2,930,135	1,875	-	2,932,010
Overhead conductors and devices	3,449,287	-	-	3,449,287
Underground conduit, conductors and devices	12,745,406	1,347,129	(3,910)	14,088,625
Line transformers	5,250,018	417,584	-	5,667,602
Services	501,805	-	-	501,805
Meters	1,208,361	61,429	-	1,269,790
Installation customer premises	40,050	-	-	40,050
Street lights and signal system	1,412,439	663,139	-	2,075,578
Load management	647,037	15,273	(19,724)	642,586
Total distribution plant	<u>34,614,644</u>	<u>3,005,267</u>	<u>(517,195)</u>	<u>37,102,716</u>
General plant				
Land and land rights	30,429	-	-	30,429
Structures and improvements	1,006,534	-	(18,272)	988,262
Office furniture	1,129,861	61,157	(360,965)	830,053
Transportation equipment	1,156,968	27,200	(28,803)	1,155,365
Stores equipment	4,359	-	(2,107)	2,252
Tools, shop and garage equipment	341,102	4,061	(157,816)	187,347
Laboratory equipment	66,179	47,695	(18,431)	95,443
Power operated equipment	442,988	4,670	-	447,658
Communications equipment	147,703	-	(24,088)	123,615
Miscellaneous equipment	154,177	-	-	154,177
Total general plant	<u>4,480,300</u>	<u>144,783</u>	<u>(610,482)</u>	<u>4,014,601</u>

Accumulated Depreciation				
Balance January 01, 2015	Increases	Decreases	Balance December 31, 2015	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	234,533
(424,468)	-	-	(424,468)	-
(658)	-	658	-	-
(33,904)	-	-	(33,904)	-
(1,803)	-	1,803	-	-
(24,303)	(900)	8,352	(16,851)	11,257
<u>(485,136)</u>	<u>(900)</u>	<u>10,813</u>	<u>(475,223)</u>	<u>262,396</u>
(758,048)	(6,604)	651	(764,001)	49,683
(23,060)	(1,073)	-	(24,133)	8,044
(1,264,845)	-	3,968	(1,260,877)	-
(14,979)	(450)	1,256	(14,173)	7,737
(37,657)	(118)	14,990	(22,785)	-
<u>(2,098,589)</u>	<u>(8,245)</u>	<u>20,865</u>	<u>(2,085,969)</u>	<u>65,464</u>
(720,304)	(62,896)	-	(783,200)	1,542,523
(162,535)	(12,952)	-	(175,487)	251,924
<u>(882,839)</u>	<u>(75,848)</u>	<u>-</u>	<u>(958,687)</u>	<u>1,794,447</u>
-	-	-	-	17,634
(77,997)	(2,657)	6,378	(74,276)	41,793
(3,749,382)	(144,982)	461,241	(3,433,123)	2,868,557
(2,332,484)	(41,488)	-	(2,373,972)	558,038
(2,021,002)	(84,958)	-	(2,105,960)	1,343,327
(4,114,604)	(373,826)	3,910	(4,484,520)	9,604,105
(2,583,991)	(130,479)	-	(2,714,470)	2,953,132
(321,120)	(11,023)	-	(332,143)	169,662
(626,273)	(28,141)	-	(654,414)	615,376
(39,137)	(162)	-	(39,299)	751
(1,008,596)	(45,078)	-	(1,053,674)	1,021,904
(522,385)	(18,138)	19,724	(520,799)	121,787
<u>(17,396,971)</u>	<u>(880,932)</u>	<u>491,253</u>	<u>(17,786,650)</u>	<u>19,316,066</u>
-	-	-	-	30,429
(562,301)	(35,478)	18,021	(579,758)	408,504
(1,010,870)	(62,113)	360,938	(712,045)	118,008
(948,823)	(108,584)	28,803	(1,028,604)	126,761
(4,359)	-	2,107	(2,252)	-
(299,310)	(10,758)	157,816	(152,252)	35,095
(62,750)	(10,514)	18,431	(54,833)	40,610
(350,959)	(19,851)	-	(370,810)	76,848
(137,597)	(4,297)	24,088	(117,806)	5,809
(118,089)	(5,591)	-	(123,680)	30,497
<u>(3,495,058)</u>	<u>(257,186)</u>	<u>610,204</u>	<u>(3,142,040)</u>	<u>872,561</u>

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, 2015

	Cost			Balance December 31, 2015
	Balance January 01, 2015	Increases	Decreases	
Internet, WAN	\$ 613,435	\$ -	\$ (467,225)	\$ 146,210
Construction work-in-progress				
Electric	2,046,685	3,037,676	(3,303,995)	1,780,366
Total Electric Utility	47,163,312	6,453,342	(4,930,575)	48,686,079
WATER UTILITY				
Land and land rights	66,807	-	-	66,807
Structures and improvements	129,609	-	-	129,609
Pumping equipment	1,064,268	-	(39,449)	1,024,819
Treatment facilities	7,548,149	-	(215,422)	7,332,727
Production plant facilities	34,027	-	(7,137)	26,890
Distribution mains and hydrants	28,001,971	818,205	-	28,820,176
Water services	195,048	-	-	195,048
Water meters	589,042	54,533	-	643,575
Water storage reservoirs, towers and standpipes	2,348,068	-	(237,043)	2,111,025
Miscellaneous equipment	75,994	14,156	(36,207)	53,943
TOTAL WATER UTILITY	40,052,983	886,894	(535,258)	40,404,619
Construction work-in-progress				
Water	29,135	1,429,133	(947,235)	511,033
Total Water Utility	40,082,118	2,316,027	(1,482,493)	40,915,652
FIBER UTILITY				
Fiber equipment, cable, BPL equipment	1,545,509	192,202	(19,646)	1,718,065
Construction work-in-progress				
Fiber	38,546	216,535	(217,463)	37,618
Total Fiber Utility	1,584,055	408,737	(237,109)	1,755,683
TOTALS	<u>\$ 88,829,485</u>	<u>\$ 9,178,106</u>	<u>\$ (6,650,177)</u>	<u>\$ 91,357,414</u>

Accumulated Depreciation				
Balance January 01, 2015	Increases	Decreases	Balance December 31, 2015	Net Book Value
\$ (610,935)	\$ (2,169)	\$ 467,225	\$ (145,879)	\$ 331
-	-	-	-	1,780,366
(24,969,528)	(1,225,280)	1,600,360	(24,594,448)	24,091,631
-	-	-	-	66,807
(78,026)	(2,680)	-	(80,706)	48,903
(459,730)	(50,628)	39,449	(470,909)	553,910
(2,213,209)	(182,643)	215,422	(2,180,430)	5,152,297
(24,821)	(2,630)	7,137	(20,314)	6,576
(5,592,094)	(571,736)	-	(6,163,830)	22,656,346
(90,051)	(3,901)	-	(93,952)	101,096
(307,072)	(21,105)	-	(328,177)	315,398
(1,560,413)	(67,823)	237,043	(1,391,193)	719,832
(67,053)	(3,760)	36,207	(34,606)	19,337
(10,392,469)	(906,906)	535,258	(10,764,117)	29,640,502
-	-	-	-	511,033
(10,392,469)	(906,906)	535,258	(10,764,117)	30,151,535
(1,071,269)	(40,394)	19,646	(1,092,017)	626,048
-	-	-	-	37,618
(1,071,269)	(40,394)	19,646	(1,092,017)	663,666
<u>\$ (36,433,266)</u>	<u>\$ (2,172,580)</u>	<u>\$ 2,155,264</u>	<u>\$ (36,450,582)</u>	<u>\$ 54,906,832</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, 2015 AND 2014

	2015	2014
ELECTRIC UTILITY		
Penalties and forfeited discounts	\$ 140,482	\$ 147,307
Miscellaneous service revenues	15,100	14,500
Rental income - capacity purchase agreement	-	69,030
Rental income - transmission equipment - Nokomis Substation	52,252	52,623
Rental income - utility poles	26,185	26,186
Administrative service billed to ALASD	80,229	79,430
Other electric revenue	38,776	41,241
NSF fees	1,220	790
Total Electric Utility	354,244	431,107
WATER UTILITY		
Rent from water property	28,011	30,119
Miscellaneous service revenues	10,184	50
Total Water Utility	38,195	30,169
TOTAL OTHER OPERATING REVENUES	\$ 392,439	\$ 461,276

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, 2015 AND 2014

	2015	2014
INTERNAL COMBUSTION ENGINE OPERATION		
Fuel - oil	\$ 1,625	\$ 2,363
Fuel - natural gas	10,066	7,929
Other expenses	8,711	9,859
Total internal combustion engine operation	20,402	20,151
POWER SUPPLY		
Purchased power	18,188,754	17,308,939
System control and load dispatching	131	294
Total power supply	18,188,885	17,309,233
INTERNAL COMBUSTION ENGINE MAINTENANCE		
Maintenance of structures	5,617	37
Maintenance of internal combustion engine, generators and switchgear	22,629	22,262
Total internal combustion engine maintenance	28,246	22,299
TOTAL PRODUCTION AND PURCHASED POWER EXPENSE	\$ 18,237,533	\$ 17,351,683

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF DISTRIBUTION EXPENSE - OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
ELECTRIC UTILITY		
Station	\$ 43,180	\$ 19,166
Overhead lines	210,165	214,614
Underground lines	64,949	56,796
Street lighting and signal system	3,889	-
Meter expenses - removing and resetting meters	11,960	18,596
Customer installation expense and service on premises	24,651	31,168
Load management	48,489	38,061
Miscellaneous distribution	135,408	116,426
Rent	4,262	4,262
Supplies	138,891	100,453
Safety supplies	96,921	83,363
Total Electric Utility	782,765	682,905
WATER UTILITY		
Salary - superintendent	48,658	47,937
Station labor	1,215	4,142
Well closure	3,673	6,010
Total Water Utility	53,546	58,089
FIBER UTILITY		
Fiber expense	142,251	142,145
TOTAL DISTRIBUTION EXPENSE - OPERATIONS	\$ 978,562	\$ 883,139

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF DISTRIBUTION EXPENSE - MAINTENANCE
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
ELECTRIC UTILITY		
Supervision	\$ 26,900	\$ 28,879
Maintenance		
Station equipment	117,830	82,335
Overhead lines	357,278	336,987
Underground lines	101,895	81,093
Line transformers	11,368	7,735
Street lighting and signal system	54,059	45,015
Customer electric meters	55,673	41,641
Power operated equipment	14,989	34,418
Structures distribution substations	221	-
	740,213	658,103
Total Electric Utility		
WATER UTILITY		
Maintenance		
Well head protection	543	4,138
Pumping equipment	-	44
Wells	12,737	6,197
Filter plant equipment	110,640	104,450
Distribution System		
Water mains	42,597	52,916
Water services	181,367	198,782
Customer water meters	2,534	6,460
Water hydrants	17,441	28,058
Storage facilities, tanks, etc.	19,331	12,444
	387,190	413,489
Total Water Utility		
TOTAL DISTRIBUTION EXPENSE - MAINTENANCE	\$ 1,127,403	\$ 1,071,592

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF CUSTOMER ACCOUNTS EXPENSE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	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	\$ 618,693	\$ 83,826	\$ 23,795	\$ 726,314

	December 31, 2014			
	Electric Utility	Water Utility	Fiber Utility	Total
Meter reading	\$ 159,946	\$ 29,111	\$ -	\$ 189,057
Collection expense	124,299	6,658	1,332	132,289
Billing and accounting salaries	279,628	51,826	17,275	348,729
Uncollectible accounts	29,299	-	-	29,299
Customer conservation consultant	56,625	-	-	56,625
Informational advertising	27,018	542	1,600	29,160
Customer assistance	51,598	-	-	51,598
TOTAL CUSTOMER ACCOUNTS EXPENSE	\$ 728,413	\$ 88,137	\$ 20,207	\$ 836,757

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, 2015 AND 2014

	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	-	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

	December 31, 2014			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration salaries - manager	\$ 119,006	\$ 41,730	\$ 16,340	\$ 177,076
Office supplies	90,756	10,227	2,203	103,186
Outside services	29,484	3,469	-	32,953
Insurance	158,188	14,282	2,857	175,327
Employee pension and benefits	686,580	65,340	24,836	776,756
Employee school expense	16,427	3,850	2,473	22,750
Employer contribution - deferred compensation and severance	41,393	4,774	1,910	48,077
Regulatory commission expense	25,366	15,736	-	41,102
Miscellaneous	59,955	6,049	259	66,263
Maintenance of general plant	182,094	21,795	11,622	215,511
Health insurance deductible	603	72	43	718
TOTAL ADMINISTRATION AND GENERAL EXPENSE	\$ 1,409,852	\$ 187,324	\$ 62,543	\$ 1,659,719

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF OTHER NONOPERATING REVENUES
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
ELECTRIC UTILITY		
Merchandising, jobbing and contract work	\$ 32,943	\$ 29,988
Miscellaneous nonoperating income	55,018	32,450
Total Electric Utility	87,961	62,438
WATER UTILITY		
Miscellaneous service revenue	21,049	20,437
FIBER UTILITY		
Miscellaneous service revenue	(34)	5,020
TOTAL NONOPERATING REVENUES	\$ 108,976	\$ 87,895

OTHER REQUIRED REPORTS

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

FOR THE YEAR ENDED
DECEMBER 31, 2015

THIS PAGE IS LEFT BLANK
INTENTIONALLY



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 year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2016.

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

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced provisions.

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
April 13, 2016



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 year ended December 31, 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 13, 2016.

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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
April 13, 2016