

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, 2014 and 2013

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CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
 DBA ALEXANDRIA LIGHT AND POWER
 ANNUAL FINANCIAL REPORT
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 FOR THE YEAR ENDED DECEMBER 31, 2014

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INTRODUCTORY SECTION

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

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
DBA ALEXANDRIA LIGHT AND POWER
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

APPOINTED

<u>Name</u>	<u>Title</u>
Kevin Mahoney	Chairperson
Steve Senden	Vice-Chairperson
Ed Rooney	Member
John Perino	Member
Rick Paulsen	Member
Al Crowser	Secretary/Treasurer and General Manager

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FINANCIAL SECTION

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

FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Public Works DBA Alexandria Light and Power (the Board), a component unit of the City of Alexandria, Minnesota, as of and for the year ended December 31, 2014 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, 2014, 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.

Prior Period Financial Statements

The financial statements of the Board as of December, 31 2013 were audited by other auditors whose report dated March 26, 2014, expressed an unmodified opinion on those statements.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress starting on page 40 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

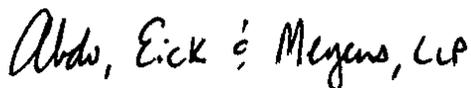
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 10, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
April 10, 2015

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**FUND FINANCIAL STATEMENTS -
PROPRIETARY FUNDS**

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

FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014 AND 2013

	Enterprise Funds			
	Electric Utility		Water Utility	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 5,416,783	\$ 6,203,948	\$ 3,465,232	\$ 2,845,535
Interest receivable	17,638	17,852	3,485	3,203
Customer accounts receivable (net)	620,300	676,341	198,284	206,430
Special assessments receivable	-	-	2,023	2,154
Inventories	1,192,848	1,061,284	81,540	125,605
Prepaid items	102,880	59,682	5,115	6,742
Restricted debt service reserve deposits	471,336	471,303	252,650	252,650
TOTAL CURRENT ASSETS	7,821,785	8,490,410	4,008,329	3,442,319
NONCURRENT ASSETS				
Capital assets				
Land and land rights	64,669	64,669	66,807	66,807
Service territory acquired	234,533	234,533	-	-
Plant in service	44,817,425	43,163,701	39,986,176	39,622,473
Construction in progress	2,046,685	1,348,076	29,135	228,124
Less accumulated depreciation	<u>(24,969,528)</u>	<u>(23,819,063)</u>	<u>(10,392,469)</u>	<u>(9,485,013)</u>
Total capital assets (net of accumulated depreciation)	<u>22,193,784</u>	<u>20,991,916</u>	<u>29,689,649</u>	<u>30,432,391</u>
TOTAL NONCURRENT ASSETS	22,193,784	20,991,916	29,689,649	30,432,391
TOTAL ASSETS	30,015,569	29,482,326	33,697,978	33,874,710
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,669,089	1,758,078	2,238	(13,483)
Due to other governments	118,507	66,155	6,113	5,880
Due to the City of Alexandria	888,535	834,721	-	-
Due to Alexandria Lakes Area Sanitary District (ALASD)	387,107	365,131	-	-
Accrued interest payable	11,264	13,172	44,992	41,236
Accrued wages payable	37,549	36,575	4,429	4,531
Compensated absences payable	239,003	423,425	57,138	95,955
Customer meter deposits payable	322,473	333,202	-	-
Bonds and notes payable - current portion	<u>510,000</u>	<u>490,000</u>	<u>299,530</u>	<u>295,160</u>
TOTAL CURRENT LIABILITIES	4,183,527	4,320,459	414,440	429,279
NONCURRENT LIABILITIES				
Other postemployment benefits payable	138,251	121,418	12,198	10,793
Compensated absences payable	463,231	285,239	183,586	148,436
Bonds and notes payable - net of current maturities	<u>2,790,000</u>	<u>3,300,000</u>	<u>3,159,000</u>	<u>3,458,530</u>
TOTAL NONCURRENT LIABILITIES	3,391,482	3,706,657	3,354,784	3,617,759
TOTAL LIABILITIES	7,575,009	8,027,116	3,769,224	4,047,038
NET POSITION				
Net investment in capital assets	18,893,784	17,201,916	26,231,119	26,678,701
Restricted for debt service	471,336	471,303	252,650	252,650
Unrestricted	<u>3,075,440</u>	<u>3,781,991</u>	<u>3,444,985</u>	<u>2,896,321</u>
TOTAL NET POSITION	\$ 22,440,560	\$ 21,455,210	\$ 29,928,754	\$ 29,827,672

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

Enterprise Funds

Fiber Utility		Totals	
2014	2013	2014	2013
\$ 1,323,296	\$ 1,217,664	\$ 10,205,311	\$ 10,267,147
-	-	21,123	21,055
8,603	9,342	827,187	892,113
-	-	2,023	2,154
-	-	1,274,388	1,186,889
3,259	2,535	111,254	68,959
-	-	723,986	723,953
<u>1,335,158</u>	<u>1,229,541</u>	<u>13,165,272</u>	<u>13,162,270</u>
-	-	131,476	131,476
-	-	234,533	234,533
1,545,509	1,435,771	86,349,110	84,221,945
38,546	108,433	2,114,366	1,684,633
<u>(1,071,269)</u>	<u>(1,032,602)</u>	<u>(36,433,266)</u>	<u>(34,336,678)</u>
<u>512,786</u>	<u>511,602</u>	<u>52,396,219</u>	<u>51,935,909</u>
<u>512,786</u>	<u>511,602</u>	<u>52,396,219</u>	<u>51,935,909</u>
<u>1,847,944</u>	<u>1,741,143</u>	<u>65,561,491</u>	<u>65,098,179</u>
5,202	15,225	1,676,529	1,759,820
1,528	1,470	126,148	73,505
-	-	888,535	834,721
-	-	387,107	365,131
-	-	56,256	54,408
1,068	590	43,046	41,696
9,270	15,331	305,411	534,711
-	-	322,473	333,202
-	-	809,530	785,160
<u>17,068</u>	<u>32,616</u>	<u>4,615,035</u>	<u>4,782,354</u>
2,957	2,698	153,406	134,909
19,318	9,788	666,135	443,463
-	-	5,949,000	6,758,530
<u>22,275</u>	<u>12,486</u>	<u>6,768,541</u>	<u>7,336,902</u>
<u>39,343</u>	<u>45,102</u>	<u>11,383,576</u>	<u>12,119,256</u>
512,786	511,602	45,637,689	44,392,219
-	-	723,986	723,953
<u>1,295,815</u>	<u>1,184,439</u>	<u>7,816,240</u>	<u>7,862,751</u>
<u>\$ 1,808,601</u>	<u>\$ 1,696,041</u>	<u>\$ 54,177,915</u>	<u>\$ 52,978,923</u>

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

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Enterprise Funds			
	Electric Utility		Water Utility	
	2014	2013	2014	2013
OPERATING REVENUES				
Sales	\$ 23,402,777	\$ 22,696,583	\$ 1,947,478	\$ 1,923,056
Other operating revenue	431,107	491,374	30,169	30,612
TOTAL OPERATING REVENUES	<u>23,833,884</u>	<u>23,187,957</u>	<u>1,977,647</u>	<u>1,953,668</u>
OPERATING EXPENSES				
Personal services	797,677	742,739	106,191	107,987
Production plant and purchased power	17,351,683	16,993,681	-	-
Transmission system - maintenance	11,905	-	-	-
Distribution system - operations	682,905	618,474	58,089	81,153
Distribution system - maintenance	658,103	620,983	413,489	384,614
Other operating	-	-	276,791	291,303
Customer accounts	728,413	653,177	88,137	75,601
Administration and general	612,175	595,682	81,133	75,579
Depreciation and amortization	1,159,797	1,292,230	907,456	765,585
TOTAL OPERATING EXPENSES	<u>22,002,658</u>	<u>21,516,966</u>	<u>1,931,286</u>	<u>1,781,822</u>
OPERATING INCOME	<u>1,831,226</u>	<u>1,670,991</u>	<u>46,361</u>	<u>171,846</u>
NONOPERATING INCOME (EXPENSES)				
Investment income (loss)	427,806	(239,221)	175,939	(123,732)
Other revenue	62,438	31,267	20,437	12,413
Special assessments	-	-	1,076	-
Interest and issuance costs expense	(154,444)	(169,833)	(111,216)	(115,998)
TOTAL NONOPERATING INCOME (EXPENSES)	<u>335,800</u>	<u>(377,787)</u>	<u>86,236</u>	<u>(227,317)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,167,026	1,293,204	132,597	(55,471)
CAPITAL CONTRIBUTIONS	-	-	11,522	7,642,910
TRANSFERS TO CITY - PAYMENT IN LIEU OF TAXES	<u>(1,181,676)</u>	<u>(1,187,576)</u>	<u>(43,037)</u>	<u>(44,820)</u>
CHANGE IN NET POSITION	985,350	105,628	101,082	7,542,619
NET POSITION, JANUARY 1	<u>21,455,210</u>	<u>21,349,582</u>	<u>29,827,672</u>	<u>22,285,053</u>
NET POSITION, DECEMBER 31	<u>\$ 22,440,560</u>	<u>\$ 21,455,210</u>	<u>\$ 29,928,754</u>	<u>\$ 29,827,672</u>

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

Enterprise Funds

Fiber Utility		Totals	
2014	2013	2014	2013
\$ 371,102	\$ 379,924	\$ 25,721,357	\$ 24,999,563
-	-	461,276	521,986
<u>371,102</u>	<u>379,924</u>	<u>26,182,633</u>	<u>25,521,549</u>
41,176	43,194	945,044	893,920
-	-	17,351,683	16,993,681
-	-	11,905	-
142,145	129,891	883,139	829,518
-	-	1,071,592	1,005,597
-	-	276,791	291,303
20,207	16,338	836,757	745,116
21,367	21,504	714,675	692,765
38,667	40,745	2,105,920	2,098,560
<u>263,562</u>	<u>251,672</u>	<u>24,197,506</u>	<u>23,550,460</u>
<u>107,540</u>	<u>128,252</u>	<u>1,985,127</u>	<u>1,971,089</u>
-	-	603,745	(362,953)
5,020	6,377	87,895	50,057
-	-	1,076	-
-	-	(265,660)	(285,831)
<u>5,020</u>	<u>6,377</u>	<u>427,056</u>	<u>(598,727)</u>
112,560	134,629	2,412,183	1,372,362
-	-	11,522	7,642,910
-	-	(1,224,713)	(1,232,396)
112,560	134,629	1,198,992	7,782,876
<u>1,696,041</u>	<u>1,561,412</u>	<u>52,978,923</u>	<u>45,196,047</u>
<u>\$ 1,808,601</u>	<u>\$ 1,696,041</u>	<u>\$ 54,177,915</u>	<u>\$ 52,978,923</u>

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

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds			
	Electric Utility	Water Utility	Fiber Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 23,879,196	\$ 1,985,793	\$ 371,841	\$ 26,236,830
Payments to suppliers and vendors	(20,237,312)	(865,323)	(194,408)	(21,297,043)
Payments to and on behalf of employees	(786,300)	(108,555)	(36,970)	(931,825)
Other receipts	62,438	20,437	5,020	87,895
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,918,022	1,032,352	145,483	4,095,857
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers to City - payment in lieu of taxes	(1,181,676)	(43,037)	-	(1,224,713)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset acquisitions	(2,305,146)	(155,384)	(39,851)	(2,500,381)
Capital contributions received	-	11,522	-	11,522
Special assessment receipts	-	1,207	-	1,207
Principal paid on bonds and notes	(490,000)	(295,160)	-	(785,160)
Interest and issuance costs paid on bonds and notes	(156,352)	(107,460)	-	(263,812)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,951,498)	(545,275)	(39,851)	(3,536,624)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	428,020	175,657	-	603,677
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(787,132)	619,697	105,632	(61,803)
CASH AND CASH EQUIVALENTS, JANUARY 1	6,675,251	3,098,185	1,217,664	10,991,100
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 5,888,119	\$ 3,717,882	\$ 1,323,296	\$ 10,929,297
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Unrestricted	\$ 5,416,783	\$ 3,465,232	\$ 1,323,296	\$ 10,205,311
Restricted	471,336	252,650	-	723,986
TOTAL CASH AND CASH EQUIVALENTS	\$ 5,888,119	\$ 3,717,882	\$ 1,323,296	\$ 10,929,297
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,831,226	\$ 46,361	\$ 107,540	\$ 1,985,127
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,159,797	907,456	38,667	2,105,920
Other income related to operations	62,438	20,437	5,020	87,895
Changes in assets and liabilities				
(Increase) decrease in				
Customer accounts receivable	56,041	8,146	739	64,926
Inventories	(131,564)	44,065	-	(87,499)
Prepaid items	(43,198)	1,627	(724)	(42,295)
Increase (decrease) in				
Accounts payable	(145,508)	6,391	(10,023)	(149,140)
Due to other governments	52,352	233	58	52,643
Due to the City of Alexandria	53,814	-	-	53,814
Due to Alexandria Lakes Area Sanitary District (ALASD)	21,976	-	-	21,976
Accrued wages payable	974	(102)	478	1,350
Compensated absences payable	(6,430)	(3,667)	3,469	(6,628)
Other postemployment benefits payable	16,833	1,405	259	18,497
Customer meter deposits payable	(10,729)	-	-	(10,729)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,918,022	\$ 1,032,352	\$ 145,483	\$ 4,095,857
NONCASH CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired on account	\$ 56,519	\$ 9,330	\$ -	\$ 65,849

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, 2014 AND 2013

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 property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis.

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

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Board reports the following major proprietary funds:

The *Electric Utility fund* accounts for the costs associated with the Board's electric system and to ensure that user charges are sufficient to pay for those costs.

The *Water Utility fund* accounts for costs associated with the Board's water system and to ensure that user charges are sufficient to pay for those costs.

The *Fiber Utility fund* accounts for costs associated with the Board's fiber system and to ensure that user charges are sufficient to pay for those costs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board's enterprise funds are charges to customers for sales and services. The Board also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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, liabilities, and net position

Deposits and investments

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

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

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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 are recorded net of allowance for doubtful accounts of \$52,935 and \$49,678 as of December 31, 2014 and 2013, respectively. Accounts are considered past due based on how recently payments have been received. Accounts of customers who have terminated their electric service are considered uncollectible and charged-off if no payment has been received after 60 days.

Inventories and prepaid items

Inventories are generally used for construction, operation and maintenance work rather than for resale. They are valued at lower of cost or market utilizing the average cost method and charged to construction or expense when used.

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted assets

Certain proceeds of the Board's electric revenue bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The revenue bond debt service reserve account represents funds set aside to make up potential future deficiencies in the net revenues of the Electric and Water Utility funds.

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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

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.

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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.

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investments in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Payment in lieu of taxes

The Board is exempt from federal and state income taxes. However, the Board makes an annual payment in lieu of taxes to the City. That payment is reflected as a transfer on the statements of revenues, expenses and changes in net position.

Capital contributions

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

Presentation of sales taxes

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

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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 or bonds.

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, 2014 and 2013, the Board's carrying amounts of deposits were \$4,442,179 and \$4,444,592, and the bank balances were \$5,302,121 and \$4,261,186, respectively. Of the bank balances for 2014 and 2013, \$1,242,034 and \$1,240,098 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.

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

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

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the Board's investments to the list on page 25 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Board typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2014, 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, 2014 and 2013, 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	
			2014	2013
US Government Money Market Portfolio	Aaa	1 to 3 years	\$ 7,801	\$ 7,800
Minnesota Municipal Money Market Fund	N/A	1 to 3 years	500,005	5
Broker certificates of deposit	N/A	more than 3 years	1,237,497	-
US Government Agency Federal Home Loan Bank	Aaa	more than 3 years	<u>4,741,565</u>	<u>6,538,403</u>
Total investments			<u>\$ 6,486,868</u>	<u>\$ 6,546,208</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 and \$300 as of December 31, 2014 and 2013, respectively.

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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:

	<u>2014</u>	<u>2013</u>
Carrying amount of deposits	\$ 4,442,179	\$ 4,444,592
Investments	6,486,868	6,546,208
Cash on hand	<u>250</u>	<u>300</u>
 Total cash and temporary investments	 <u>\$ 10,929,297</u>	 <u>\$ 10,991,100</u>
 Cash and cash equivalents	 \$ 10,205,311	 \$ 10,267,147
Restricted debt service reserve deposits	<u>723,986</u>	<u>723,953</u>
 Total	 <u>\$ 10,929,297</u>	 <u>\$ 10,991,100</u>

B. Capital assets

Capital asset activity for the Board for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land and service territory acquired	\$ 366,009	\$ -	\$ -	\$ 366,009
Construction in progress	<u>1,684,633</u>	<u>2,642,858</u>	<u>(2,213,126)</u>	<u>2,114,365</u>
 Total capital assets not being depreciated	 <u>2,050,642</u>	 <u>2,642,858</u>	 <u>(2,213,126)</u>	 <u>2,480,374</u>
Capital assets being depreciated				
General plant	1,002,314	4,221	-	1,006,535
Machinery and equipment	5,430,364	181,248	(9,332)	5,602,280
Utility plant in service	<u>77,789,267</u>	<u>1,951,029</u>	<u>-</u>	<u>79,740,296</u>
 Total capital assets being depreciated	 <u>84,221,945</u>	 <u>2,136,498</u>	 <u>(9,332)</u>	 <u>86,349,111</u>
Less accumulated depreciation for				
Buildings	(526,925)	(35,376)	-	(562,301)
Production plant	(4,362,097)	(262,193)	9,332	(4,614,958)
Transmission and distribution system	<u>(29,447,656)</u>	<u>(1,808,351)</u>	<u>-</u>	<u>(31,256,007)</u>
 Total accumulated depreciation	 <u>(34,336,678)</u>	 <u>(2,105,920)</u>	 <u>9,332</u>	 <u>(36,433,266)</u>
 Total capital assets being depreciated, net	 <u>49,885,267</u>	 <u>30,578</u>	 <u>-</u>	 <u>49,915,845</u>
 Business-type activities capital assets, net	 <u>\$ 51,935,909</u>	 <u>\$ 2,673,436</u>	 <u>\$ (2,213,126)</u>	 <u>\$ 52,396,219</u>

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital asset activity for the Board for the year ended December 31, 2013 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	1,431,363	253,270	-	1,684,633
Total capital assets and being depreciated	<u>1,797,372</u>	<u>253,270</u>	<u>-</u>	<u>2,050,642</u>
Capital assets being depreciated				
General plant	904,530	97,784	-	1,002,314
Machinery and equipment	5,373,214	144,785	(87,635)	5,430,364
Utility plant in service	68,512,903	9,276,364	-	77,789,267
Total capital assets being depreciated	<u>74,790,647</u>	<u>9,518,933</u>	<u>(87,635)</u>	<u>84,221,945</u>
Less accumulated depreciation for				
General plant	(495,699)	(31,226)	-	(526,925)
Machinery and equipment	(4,173,398)	(276,334)	87,635	(4,362,097)
Utility plant in service	(27,807,341)	(1,640,315)	-	(29,447,656)
Total accumulated depreciation	<u>(32,476,438)</u>	<u>(1,947,875)</u>	<u>87,635</u>	<u>(34,336,678)</u>
Total capital assets being depreciated, net	<u>42,314,209</u>	<u>7,571,058</u>	<u>-</u>	<u>49,885,267</u>
Business-type activities capital assets, net	<u>\$ 44,111,581</u>	<u>\$ 7,824,328</u>	<u>\$ -</u>	<u>\$ 51,935,909</u>

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

	2014	2013
Business-type activities		
Electric	\$ 1,159,797	\$ 1,141,545
Water	907,456	765,585
Fiber	38,667	40,745
Total depreciation expense - business-type activities	<u>\$ 2,105,920</u>	<u>\$ 1,947,875</u>

C. Interfund transfers

The Board has made transfers to the City of Alexandria for the years ended December 31, 2014 and 2013. The transfers represent payments in lieu of taxes.

Transfer out	Transfer in City of Alexandria	
	2014	2013
Electric Utility fund	\$ 1,181,676	\$ 1,187,576
Water Utility fund	43,037	44,820
Total transfers out to City	<u>\$ 1,224,713</u>	<u>\$ 1,232,396</u>

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

G.O. revenue bonds

The following bonds 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	
					2014	2013
G.O. Water Revenue Bonds of 2004A	\$ 842,310	3.00 - 4.00 %	12/01/11	02/01/15	<u>\$ 82,530</u>	<u>\$ 165,690</u>

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

Year Ending December 31,	G.O. Revenue Bonds		
	Principal	Interest	Total
2015	<u>\$ 82,530</u>	<u>\$ 16,081</u>	<u>\$ 98,611</u>

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	
					2014	2013
Electric Utility Refunding Bonds of 2007A	\$ 6,310,000	4.00 - 4.125 %	06/15/07	12/01/24	<u>\$ 3,300,000</u>	<u>\$ 3,790,000</u>

Annual requirements to maturity for Revenue Bonds is as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2015	\$ 510,000	\$ 132,905	\$ 642,905
2016	530,000	112,505	642,505
2017	550,000	91,305	641,305
2018	565,000	69,305	634,305
2019	170,000	46,705	216,705
2020 - 2024	<u>975,000</u>	<u>124,324</u>	<u>1,099,324</u>
Total	<u>\$ 3,300,000</u>	<u>\$ 577,049</u>	<u>\$ 3,877,049</u>

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

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	
					2014	2013
G.O. Water Revenue Note of 2002	\$ 1,050,116	3.38 %	07/30/02	08/20/22	\$ 512,000	\$ 567,000
G.O. Drinking Water Revenue Note of 2009	3,765,480	2.445	09/01/09	08/20/29	2,864,000	3,021,000
Total G.O. Revenue Notes					<u>\$ 3,376,000</u>	<u>\$ 3,588,000</u>

Annual requirements to maturity for Revenue Notes is as follows:

Year Ending December 31,	G.O. Revenue Notes Governmental Activities		
	Principal	Interest	Total
2015	\$ 217,000	\$ 87,330	\$ 304,330
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 - 2024	1,157,000	215,988	1,372,988
2025 - 2029	1,072,000	79,927	1,151,927
Total	<u>\$ 3,376,000</u>	<u>\$ 672,502</u>	<u>\$ 4,048,502</u>

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

	Electric Utility	Water Utility
Revenues	\$ 23,833,884	\$ 1,977,647
Principal and interest	646,352	402,620
Percentage of revenues	2.7%	20.4%

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Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
G.O. bonds	\$ 165,690	\$ -	\$ (83,160)	\$ 82,530	\$ 82,530
Revenue bonds	3,790,000	-	(490,000)	3,300,000	510,000
G.O. revenue notes	3,588,000	-	(212,000)	3,376,000	217,000
Bonds payable	7,543,690	-	(785,160)	6,758,530	809,530
Compensated absences payable	978,174	285,417	(292,045)	971,546	305,411
Other postemployment benefits	134,909	28,583	(10,086)	153,406	-
Business-type activity long-term liabilities	<u>\$ 8,656,773</u>	<u>\$ 314,000</u>	<u>\$ (1,087,291)</u>	<u>\$ 7,883,482</u>	<u>\$ 1,114,941</u>

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
G.O. bonds	\$ 248,850	\$ -	\$ (83,160)	\$ 165,690	\$ 83,160
Revenue bonds	4,255,000	-	(465,000)	3,790,000	490,000
G.O. revenue notes	3,794,000	-	(206,000)	3,588,000	212,000
Bonds payable	8,297,850	-	(754,160)	7,543,690	785,160
Compensated absences payable	974,506	214,959	(211,291)	978,174	534,711
Other postemployment benefits	114,350	51,787	(31,228)	134,909	-
Business-type activity long-term liabilities	<u>\$ 9,386,706</u>	<u>\$ 266,746</u>	<u>\$ (996,679)</u>	<u>\$ 8,656,773</u>	<u>\$ 1,319,871</u>

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

The Board collects revenue from customers of the Alexandria Lakes Area Sanitary District (ALASD). The collections are paid to ALASD monthly. Collections still owed by Alexandria Light and Power to ALASD at December 31, 2014 and 2013 totaled \$387,107 and \$365,131, respectively.

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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the Board are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after five years of credited service. The defined retirement 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 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 10 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 10 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 GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF ALEXANDRIA, MINNESOTA
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Note 3: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The Board makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. In 2014, the Board was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. The Board's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$175,557, \$161,095, and \$153,221, respectively. The Board's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The Board administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible employees and their spouses through the Board's group health insurance plan. The Board engaged an actuary to determine the Board's liability for postemployment healthcare benefits other than pensions as of January 1, 2014. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding policy

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

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Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 2014 and 2013, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

	2014	2013
Annual required contribution	\$ 30,989	\$ 53,826
Interest on net OPEB obligation	5,396	4,574
Adjustment to annual required contribution	(7,802)	(6,613)
Annual OPEB cost (expense)	28,583	51,787
Contributions made	(10,086)	(31,228)
Increase in net OPEB obligation	18,497	20,559
Net OPEB obligation - beginning of year	134,909	114,350
Net OPEB obligation - end of year	\$ 153,406	\$ 134,909

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the previous two years follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 28,583	35.3 %	\$ 153,406
12/31/13	51,787	60.3	134,909
12/31/12	51,591	63.5	114,350

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS
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Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

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

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

E. Methods and assumptions

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

In the January 1, 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.

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Note 5: RETIREMENT PAY - CONTINUED

Retirement pay provided for an employee leaving employment may not exceed an amount equivalent to one year of pay. Currently five 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.

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 \$48,077 and \$47,430 in matching funds to the plan for the years ended December 31, 2014 and 2013, respectively.

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS
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 DECEMBER 31, 2014 AND 2013

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.

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 2014 and 2013, power purchased from WAPA and MBMPA was expensed as follows:

	WAPA		MBMPA	
	Amount	Kilowatt Hours	Amount	Kilowatt Hours
2014	\$ 2,992,980	96,279,000	\$ 12,248,371	211,644,091
2013	2,992,980	96,729,000	11,863,390	212,674,325

In addition to the power purchased through MRES, Alexandria Light and Power expensed \$2,067,588 and \$2,097,393 in wheeling charges for 2014 and 2013, respectively.

C. Concentrations

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

CITY OF ALEXANDRIA, MINNESOTA
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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)	\$ 1,000,000
East industrial circuit project (underground)	850,000
50th avenue project (feeder circuit)	470,000
West Lake Carlos (underground)	600,000
Southwest Substation project	650,000
Undergrounding system	2,000,000
Rate stabilization	<u>750,000</u>
 Total Electric Utility	 <u>6,320,000</u>

WATER UTILITY

Land and water tower north project	1,500,000
New well field project	<u>700,000</u>
 Total Water Utility	 <u>2,200,000</u>
 TOTAL FUTURE PROJECTS	 <u><u>\$ 8,520,000</u></u>

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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

FOR THE YEARS ENDED
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CITY OF ALEXANDRIA, MINNESOTA
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 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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
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FOR THE YEARS ENDED
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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, 2014

	Cost			Balance December 31, 2014
	Balance January 01, 2014	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	-	-	36,460
Total steam production plant	748,432	-	-	748,432
Internal combustion plant				
Structures and improvements	814,335	-	-	814,335
Fuel holders and accessories	32,177	-	-	32,177
Generators	1,264,845	-	-	1,264,845
Accessory electrical equipment	23,166	-	-	23,166
Miscellaneous power plant equipment	37,775	-	-	37,775
Total internal combustion plant	2,172,298	-	-	2,172,298
Transmission plant				
Station equipment	2,060,107	-	-	2,060,107
Poles and fixtures	427,411	-	-	427,411
Total transmission plant	2,487,518	-	-	2,487,518
Distribution plant				
Land and land rights	17,634	-	-	17,634
Structures and improvements	122,481	-	-	122,481
Tools and fixtures	6,289,991	-	-	6,289,991
Poles, towers and fixtures	2,920,613	9,522	-	2,930,135
Overhead conductors and devices	3,449,287	-	-	3,449,287
Underground conduit, conductors and devices	11,513,182	1,232,224	-	12,745,406
Line transformers	4,984,914	265,104	-	5,250,018
Services	494,289	7,516	-	501,805
Meters	1,150,936	57,425	-	1,208,361
Installation customer premises	40,050	-	-	40,050
Street lights and signal system	1,399,674	12,765	-	1,412,439
Load management	644,267	2,770	-	647,037
Total distribution plant	33,027,318	1,587,326	-	34,614,644
General plant				
Land and land rights	30,429	-	-	30,429
Structures and improvements	1,002,313	4,221	-	1,006,534
Office furniture	1,095,948	33,913	-	1,129,861
Transportation equipment	1,138,507	27,793	(9,332)	1,156,968
Stores equipment	4,359	-	-	4,359
Tools, shop and garage equipment	339,242	1,860	-	341,102
Laboratory equipment	66,179	-	-	66,179
Power operated equipment	436,736	6,252	-	442,988
Communications equipment	147,703	-	-	147,703
Miscellaneous equipment	152,486	1,691	-	154,177
Total general plant	4,413,902	75,730	(9,332)	4,480,300

Accumulated Depreciation

Balance January 01, 2014	Increases	Decreases	Balance December 31, 2014	Net Book Value
\$ -	\$ -	\$ -	\$ -	\$ 16,606
-	-	-	-	234,533
(424,468)	-	-	(424,468)	-
(658)	-	-	(658)	-
(33,904)	-	-	(33,904)	-
(1,803)	-	-	(1,803)	-
(23,403)	(900)	-	(24,303)	12,157
(484,236)	(900)	-	(485,136)	263,296
(751,444)	(6,604)	-	(758,048)	56,287
(21,987)	(1,073)	-	(23,060)	9,117
(1,264,845)	-	-	(1,264,845)	-
(14,529)	(450)	-	(14,979)	8,187
(37,419)	(238)	-	(37,657)	118
(2,090,224)	(8,365)	-	(2,098,589)	73,709
(658,079)	(62,225)	-	(720,304)	1,339,803
(149,583)	(12,952)	-	(162,535)	264,876
(807,662)	(75,177)	-	(882,839)	1,604,679
-	-	-	-	17,634
(75,270)	(2,727)	-	(77,997)	44,484
(3,610,841)	(138,541)	-	(3,749,382)	2,540,609
(2,286,676)	(45,808)	-	(2,332,484)	597,651
(1,933,147)	(87,855)	-	(2,021,002)	1,428,285
(3,787,183)	(327,421)	-	(4,114,604)	8,630,802
(2,461,255)	(122,736)	-	(2,583,991)	2,666,027
(309,862)	(11,258)	-	(321,120)	180,685
(599,544)	(26,729)	-	(626,273)	582,088
(38,943)	(194)	-	(39,137)	913
(973,575)	(35,021)	-	(1,008,596)	403,843
(504,223)	(18,162)	-	(522,385)	124,652
(16,580,519)	(816,452)	-	(17,396,971)	17,217,673
-	-	-	-	30,429
(526,925)	(35,376)	-	(562,301)	444,233
(947,105)	(63,765)	-	(1,010,870)	118,991
(847,312)	(110,843)	9,332	(948,823)	208,145
(4,359)	-	-	(4,359)	-
(289,198)	(10,112)	-	(299,310)	41,792
(56,159)	(6,591)	-	(62,750)	3,429
(332,191)	(18,768)	-	(350,959)	92,029
(132,820)	(4,777)	-	(137,597)	10,106
(112,513)	(5,576)	-	(118,089)	36,088
(3,248,582)	(255,808)	9,332	(3,495,058)	985,242

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, 2014

	Cost			Balance December 31, 2014
	Balance January 01, 2014	Increases	Decreases	
Internet, WAN	\$ 613,435	\$ -	\$ -	\$ 613,435
Construction work-in-progress Electric	1,348,076	2,316,060	(1,617,451)	2,046,685
Total Electric Utility	44,810,979	3,979,116	(1,626,783)	47,163,312
WATER UTILITY				
Land and land rights	66,807	-	-	66,807
Structures and improvements	99,306	30,303	-	129,609
Pumping equipment	840,733	223,535	-	1,064,268
Treatment facilities	7,541,950	6,199	-	7,548,149
Production plant facilities	34,027	-	-	34,027
Distribution mains and hydrants	27,997,644	4,327	-	28,001,971
Water services	171,986	23,062	-	195,048
Water meters	514,536	74,506	-	589,042
Water storage reservoirs, towers and standpipes	2,348,068	-	-	2,348,068
Miscellaneous equipment	74,223	1,771	-	75,994
TOTAL WATER UTILITY	39,689,280	363,703	-	40,052,983
Construction work-in-progress Water	228,124	293,040	(492,029)	29,135
Total Water Utility	39,917,404	656,743	(492,029)	40,082,118
FIBER UTILITY				
Fiber equipment, cable, BPL equipment	1,435,771	109,738	-	1,545,509
Construction work-in-progress Fiber	108,433	33,759	(103,646)	38,546
Total Fiber Utility	1,544,204	143,497	(103,646)	1,584,055
TOTALS	<u>\$ 86,272,587</u>	<u>\$ 4,779,356</u>	<u>\$ (2,222,458)</u>	<u>\$ 88,829,485</u>

Accumulated Depreciation

Balance January 01, 2014	Increases	Decreases	Balance December 31, 2014	Net Book Value
\$ (607,840)	\$ (3,095)	\$ -	\$ (610,935)	\$ 2,500
-	-	-	-	2,046,685
(23,819,063)	(1,159,797)	9,332	(24,969,528)	22,193,784
-	-	-	-	66,807
(76,104)	(1,922)	-	(78,026)	51,583
(410,033)	(49,697)	-	(459,730)	604,538
(2,030,935)	(182,274)	-	(2,213,209)	5,334,940
(22,108)	(2,713)	-	(24,821)	9,206
(5,029,313)	(562,781)	-	(5,592,094)	22,409,877
(86,466)	(3,585)	-	(90,051)	104,997
(289,250)	(17,822)	-	(307,072)	281,970
(1,476,218)	(84,195)	-	(1,560,413)	787,655
(64,586)	(2,467)	-	(67,053)	8,941
(9,485,013)	(907,456)	-	(10,392,469)	29,660,514
-	-	-	-	29,135
(9,485,013)	(907,456)	-	(10,392,469)	29,689,649
(1,032,602)	(38,667)	-	(1,071,269)	474,240
-	-	-	-	38,546
(1,032,602)	(38,667)	-	(1,071,269)	512,786
<u>\$ (34,336,678)</u>	<u>\$ (2,105,920)</u>	<u>\$ 9,332</u>	<u>\$ (36,433,266)</u>	<u>\$ 52,396,219</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, 2014 AND 2013

	2014	2013
ELECTRIC UTILITY		
Penalties and forfeited discounts	\$ 147,307	\$ 137,881
Miscellaneous service revenues	14,500	13,825
Rental income - capacity purchase agreement	69,030	170,538
Rental income - transmission equipment - Nokomis Substation	52,623	49,083
Rental income - utility poles	26,186	22,396
Administrative service billed to ALASD	79,430	79,372
Other electric revenue	41,241	17,414
NSF fees	790	865
	431,107	491,374
 WATER UTILITY		
Rent from water property	30,119	30,612
Miscellaneous service revenues	50	-
	30,169	30,612
 TOTAL OTHER OPERATING REVENUES	\$ 461,276	\$ 521,986

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, 2014 AND 2013

	2014	2013
INTERNAL COMBUSTION ENGINE OPERATION		
Fuel - oil	\$ 2,363	\$ 4,846
Fuel - natural gas	7,929	7,621
Other expenses	9,859	5,711
Total internal combustion engine operation	20,151	18,178
POWER SUPPLY		
Purchased power	17,308,939	16,953,763
System control and load dispatching	294	-
Total power supply	17,309,233	16,953,763
INTERNAL COMBUSTION ENGINE MAINTENANCE		
Maintenance of structures	37	512
Maintenance of internal combustion engine, generators and switchgear	22,262	21,228
Total internal combustion engine maintenance	22,299	21,740
TOTAL PRODUCTION AND PURCHASED POWER EXPENSE	\$ 17,351,683	\$ 16,993,681

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF DISTRIBUTION EXPENSE - OPERATIONS
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
ELECTRIC UTILITY		
Station	\$ 19,166	\$ 20,906
Overhead lines	214,614	201,111
Underground lines	56,796	53,984
Meter expenses - removing and resetting meters	18,596	11,710
Customer installation expense and service on premises	31,168	31,662
Load management	38,061	43,407
Miscellaneous distribution	116,426	94,813
Rent	4,262	4,262
Supplies	100,453	85,875
Safety supplies	83,363	70,744
Total Electric Utility	682,905	618,474
WATER UTILITY		
Salary - superintendent	47,937	49,210
Station labor	4,142	17,743
Well closure	6,010	14,200
Total Water Utility	58,089	81,153
FIBER UTILITY		
Fiber expense	142,145	129,891
TOTAL DISTRIBUTION EXPENSE - OPERATIONS	\$ 883,139	\$ 829,518

CITY OF ALEXANDRIA, MINNESOTA
BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
SCHEDULES OF DISTRIBUTION EXPENSE - MAINTENANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
ELECTRIC UTILITY		
Supervision	\$ 28,879	\$ 23,770
Maintenance		
Station equipment	82,335	86,304
Overhead lines	336,987	329,557
Underground lines	81,093	73,192
Line transformers	7,735	5,205
Street lighting and signal system	45,015	46,186
Customer electric meters	41,641	29,958
Power operated equipment	34,418	26,789
Fiber	-	22
	658,103	620,983
Total Electric Utility		
WATER UTILITY		
Maintenance		
Well head protection	4,138	-
Pumping equipment	44	730
Wells	6,197	10,165
Filter plant equipment	104,450	124,727
Distribution System		
Water mains	52,916	74,294
Water services	198,782	114,810
Customer water meters	6,460	13,646
Water hydrants	28,058	35,522
Storage facilities, tanks, etc.	12,444	10,720
	413,489	384,614
Total Water Utility		
TOTAL DISTRIBUTION EXPENSE - MAINTENANCE	\$ 1,071,592	\$ 1,005,597

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF CUSTOMER ACCOUNTS EXPENSE
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	December 31, 2014			Total
	Electric Utility	Water Utility	Fiber Utility	
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

	December 31, 2013			Total
	Electric Utility	Water Utility	Fiber Utility	
Meter reading	\$ 138,392	\$ 24,192	\$ -	\$ 162,584
Collection expense	116,036	5,993	1,199	123,228
Billing and accounting salaries	254,178	45,416	15,139	314,733
Uncollectible accounts	25,055	-	-	25,055
Customer conservation consultant	49,455	-	-	49,455
Informational advertising	21,366	-	-	21,366
Customer assistance	48,695	-	-	48,695
TOTAL CUSTOMER ACCOUNTS EXPENSE	\$ 653,177	\$ 75,601	\$ 16,338	\$ 745,116

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, 2014 AND 2013

	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

	December 31, 2013			
	Electric Utility	Water Utility	Fiber Utility	Total
Administration salaries - manager	\$ 114,448	\$ 39,061	\$ 15,624	\$ 169,133
Office supplies	94,124	9,767	1,953	105,844
Outside services	66,362	7,446	-	73,808
Insurance	130,313	14,925	2,985	148,223
Employee pension and benefits	628,291	68,926	27,570	724,787
Employee school expense	32,424	3,988	1,483	37,895
Employer contribution - deferred compensation and severance	40,790	4,743	1,897	47,430
Regulatory commission expense	47,593	5,302	-	52,895
Miscellaneous	64,828	4,789	-	69,617
Water conservation expense	-	756	-	756
Maintenance of general plant	112,176	22,948	12,687	147,811
Health insurance deductible	4,160	831	499	5,490
Transportation expense	2,912	84	-	2,996
TOTAL ADMINISTRATION AND GENERAL EXPENSE	\$ 1,338,421	\$ 183,566	\$ 64,698	\$ 1,586,685

CITY OF ALEXANDRIA, MINNESOTA
 BOARD OF PUBLIC WORKS - DBA ALEXANDRIA LIGHT AND POWER
 SCHEDULES OF OTHER NONOPERATING REVENUES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
ELECTRIC UTILITY		
Merchandising, jobbing and contract work	\$ 29,988	\$ 19,701
Miscellaneous nonoperating income	32,450	11,566
Total Electric Utility	62,438	31,267
WATER UTILITY		
Miscellaneous service revenue	20,437	12,413
FIBER UTILITY		
Miscellaneous service revenue	5,020	6,377
TOTAL NONOPERATING REVENUES	\$ 87,895	\$ 50,057

OTHER REQUIRED REPORTS

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

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivisions*. 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 10, 2015



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, 2014, 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 10, 2015.

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 10, 2015