DELANO WATER, LIGHT, AND POWER COMMISSION
(A COMPONENT UNIT OF THE CITY OF DELANO, MINNESOTA)

FINANCIAL STATEMENTS AND STATISTICAL INFORMATION

YEAR ENDED DECEMBER 31, 2017

DELANO WATER, LIGHT, AND POWER COMMISSION
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

INTRODUCTORY SECTION	
ORGANIZATION SCHEDULE	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	11
STATEMENT OF CASH FLOWS	12
NOTES TO BASIC FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION	
GERF SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	29
GERF SCHEDULE OF COMMISSION CONTRIBUTIONS	30
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION BY FUND	31
SCHEDULE OF OPERATING REVENUES BY FUND	32
SCHEDULE OF OPERATING EXPENSES BY FUND	33
SCHEDULE OF NONOPERATING INCOME AND EXPENSES BY FUND	34
OTHER INFORMATION	
SCHEDULE OF LARGEST UTILITY USERS (UNAUDITED)	35

INTRODUCTORY SECTION

DELANO WATER, LIGHT, AND POWER COMMISSION
ORGANIZATION SCHEDULE
DECEMBER 31, 2017

Board of Commissioners	Title	Term Expires
Jon Ness	Chairman	02/28/2018
Adam Steffl	Vice Chair	02/28/2019
Randy Keranen	Secretary	02/28/2020
Larry Nelson	Commissioner	02/28/2020
Betsy Stolfa	Commissioner	02/28/2018
City Council		
Dale Graunke	Mayor	12/31/2018
Jason Franzen	Council	12/31/2018
Holly Schrupp	Council	12/31/2018
Jon Sutherland	Council	12/31/2020
Betsy Stolfa	Council	12/31/2020

Administration		
Paul Twite	General Manager	Hired in 2015

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Delano Water, Light, and Power Commission
Delano, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Delano Water, Light, and Power Commission (the Commission), a component unit of the City of Delano, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Delano Water, Light, and Power Commission as of December 31, 2017, and the respective 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.

Report on Summarized Comparative Information

We have previously audited the Delano Water, Light, and Power Commission's 2016 financial statements of each major fund and we expressed unmodified opinions on those financial statements in our report dated February 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Commission's proportionate share of net pension liability, and schedule of the Commission's pension contributions, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delano Water, Light, and Power Commission's basic financial statements. The supplementary fund schedules and schedule of largest utility users are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary fund schedules are the responsibility of management and were 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 fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

The other information, as listed in the table of contents, 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 March 5, 2018, on our consideration of Delano Water, Light, and Power Commission'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Delano Water, Light, and Power Commission's 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 Delano Water, Light, and Power Commission's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 5, 2018

This discussion and analysis of Delano Water, Light, and Power Commission's (Commission) performance provides an overview of the Commission's activities for the year ended December 31, 2017. The information presented should be read in connection with the financial statements and the accompanying notes to the financial statements.

Delano Water, Light, and Power Commission's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position, the statement of revenues, expenses, and change in net position, and the statement of cash flows.

The statement of net position provides information about the nature of assets, deferred outflows, obligations (liabilities), and deferred inflows of Delano Water, Light, and Power Commission as of the end of the year. The statement of revenues, expenses, and change in net position reports revenues and expenses for each utility for the current year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing activities, capital and related financing activities, and investing activities.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Delano Water, Light, and Power Commission exceeded liabilities and deferred inflows of resources at the close of 2017 in the amount of $20,776,419 (net position). This is an increase of $935,293 over net position at the close of 2016, mostly due to continuing investments in the water main infrastructure as part of street improvement projects performed in conjunction with the City of Delano as well as new residential developments.

- By far, the largest portion of the Delano Water, Light and Power Commission's net position (approximately 92%) reflects its investment in utility plant assets (e.g. buildings, structures and improvements, generating plant equipment, station equipment, distribution lines and distribution mains, meters, furniture and equipment, transportation equipment, power operated equipment, and communication equipment), less the related debt used to acquire those assets that is still outstanding. The Delano Water, Light, and Power Commission uses the utility plant assets to provide services to our customers, consequently, these assets are not available for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Delano Water, Light, and Power Commission is a political subdivision of the City of Delano, Minnesota and is responsible for the full operation and management of the electric and water system of the City. The annual report of the Delano Water, Light, and Power Commission includes the basic financial statements, the independent auditors' report, and notes detailing the financial statements and this management's discussion and analysis report. This report also includes supplementary information for each of the Delano Water, Light, and Power Commission's funds as well as other information.

BASIC FINANCIAL STATEMENTS REQUIRED

The financial statements report information about the Delano Water, Light, and Power Commission using accepted accounting methods.

The statement of net position includes the Delano Water, Light, and Power Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and provides information regarding the nature and amount of investments in various assets and obligations to creditors.

The statement of revenues, expenses, and change in net position accounts for all the current year's revenues and expenses.

The statement of cash flows provides information about the Delano Water, Light, and Power Commission's cash receipts and cash payments during the reporting period.

CONDENSED FINANCIAL STATEMENTS

A summary of the statement of net position is presented below:

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	2017	2016	Change
Net Utility Plant	$ 24,554,569	$ 25,133,209	$ (578,640)
Current Assets	4,288,311	3,133,706	1,154,605
Other Assets	-	163,466	(163,466)
Total Assets	28,842,880	28,430,381	412,499
Deferred Outflows of Resources	223,616	549,617	(326,001)
Total Assets and Deferred Outflows of Resources	$ 29,066,496	$ 28,979,998	$ 86,498
Current and Other Liabilities	$ 1,434,356	$ 1,245,226	$ 189,130
Noncurrent Liabilities	5,990,479	7,100,630	(1,110,151)
Total Liabilities	7,424,835	8,345,856	(921,021)
Deferred Inflows of Resources	865,242	793,016	72,226
Net Position:			
Net Investment in Utility Plant	19,012,856	19,080,983	(68,127)
Unrestricted	1,763,563	760,143	1,003,420
Total Net Position	20,776,419	19,841,126	935,293
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 29,066,496	$ 28,979,998	$ 86,498

CONDENSED FINANCIAL STATEMENTS (CONTINUED)

A summary of the statement of revenues, expenses, and change in net position is presented below:

TABLE 2
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	2017	2016	Change
Total Operating Revenues	$ 6,912,206	$ 6,818,123	$ 94,083
Operating Expenses:			
Production	3,821,052	3,743,709	77,343
Distribution	214,257	205,566	8,691
General and Administration	1,235,444	1,392,004	(156,560)
Depreciation and Amortization	1,085,134	1,061,877	23,257
Total Operating Expenses	6,355,887	6,403,156	(47,269)
Operating Income (Loss)	556,319	414,967	141,352
Non-Operating Income	702,528	391,719	310,809
Non-Operating Expenses	(377,371)	(461,302)	83,931
Income (Loss) before Contributions	881,476	345,384	536,092
Capital Contributions	53,817	56,526	(2,709)
Change in Net Position	935,293	401,910	533,383
Net Position - Beginning of Year	19,841,126	19,439,216	401,910
Net Position - End of Year	$ 20,776,419	$ 19,841,126	$ 935,293

FINANCIAL STATEMENT ANALYSIS

Total gross investment in utility plant increased from $40,365,296 in 2016 to $40,855,253 in 2017. Some of the projects and purchases that contributed to this increase are as follows: continued water service upgrades on First Street and Railroad Avenue as well as new residential developments in Highland Ridge and Parkview Hills. Electric infrastructure was also expanded in new residential developments in Highland Ridge and Parkview Hills.

Total operating revenues increased by $94,083 from 2016 to 2017. Operating expenses decreased by $47,269 from 2016 to 2017. Electric Fund operating revenues increased $48,165 from 2016 primarily due to the Power Cost Adjustment being capped at 0.5¢. Operating expenses decreased in the Electric Fund due to more focus on water main upgrades and a decrease in staff overhead expenses.

UTILITY PLANT ASSETS AND LONG-TERM DEBT ACTIVITY

Delano Water, Light, and Power Commission made capital asset additions to the utility plant and construction in progress in the amount of $517,359 for the year ended December 31, 2017. These additions consisted of continued upgrades to underground distribution infrastructure and water mains, new infrastructure in residential developments in Highland Ridge and Parkview Hills, continued generator upgrades, street lighting updates, and new additions to the Industrial Park.

Delano Water, Light, and Power Commission's long-term debt consisted of revenue bonds payable in the amount of $4,930,000, a lease purchase agreement in the amount of $207,896, as well as a long-term liability in the amount of $403,817 related to the acquisition of additional service territory from Wright-Hennepin Electric Cooperative. Further information on the Commission's debt activity can be found in Note 4 to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Delano Water, Light, and Power Commission's finances for all of those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Delano Water, Light, and Power Commission, P.O. Box 65, Delano, MN 55328 or by phone at (763) 972-0557.

FINANCIAL STATEMENTS

DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	2017			2016
	Electric	Water	Total	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 1,825,643	$ 939,748	$ 2,765,391	$ 1,616,556
Accounts Receivable - Customer	539,737	264,249	803,986	831,390
Miscellaneous Receivables	62,671	473	63,144	40,404
Prepaid Expenses	6,250	920	7,170	7,552
Inventory	560,145	88,475	648,620	637,804
Total Current Assets	2,994,446	1,293,865	4,288,311	3,133,706
OTHER ASSETS				
Advances to Other Funds	-	-	-	163,466
UTILITY PLANT				
Utility Plant Capital Investment	20,515,725	18,876,808	39,392,533	39,176,017
Intangible Assets - Service Territory Acquisition	510,588	-	510,588	506,770
Construction Work in Progress	920,498	31,634	952,132	682,509
Total	21,946,811	18,908,442	40,855,253	40,365,296
Less: Accumulated Depreciation	(10,533,654)	(5,767,030)	(16,300,684)	(15,232,087)
Net Utility Plant	11,413,157	13,141,412	24,554,569	25,133,209
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	170,843	52,773	223,616	549,617
Total Assets and Deferred Outflows Resources	$ 14,578,446	$ 14,488,050	$ 29,066,496	$ 28,979,998

See accompanying Notes to Basic Financial Statements.

DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	2017			2016
	Electric	Water	Total	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Current Portion of Long-Term Debt	$ 144,181	$ 420,000	$ 564,181	$ 515,830
Accounts Payable	386,662	183,154	569,816	500,297
Compensated Absences, Current Portion	22,002	7,090	29,092	25,263
Interest Payable	-	9,625	9,625	10,191
Customer Deposits	91,065	-	91,065	90,105
Unearned Revenue	-	170,577	170,577	103,540
Total Current Liabilities	643,910	790,446	1,434,356	1,245,226
LONG-TERM LIABILITIES				
Long-Term Debt	832,532	4,145,000	4,977,532	5,537,896
Compensated Absences	66,007	21,270	87,277	75,789
Net Pension Liability	707,212	218,458	925,670	1,323,479
Advances from Other Funds	-	-	-	163,466
Total Long-Term Liabilities	1,605,751	4,384,728	5,990,479	7,100,630
Total Liabilities	2,249,661	5,175,174	7,424,835	8,345,856
DEFERRED INFLOWS OF RESOURCES				
Regulatory Collections to Cover Future Costs	610,551	-	610,551	635,795
Pension Related Amounts	194,584	60,107	254,691	157,221
Total Deferred Inflows of Resources	805,135	60,107	865,242	793,016
NET POSITION				
Net Investment in Capital Assets	10,436,444	8,576,412	19,012,856	19,080,983
Unrestricted	1,087,206	676,357	1,763,563	760,143
Total Net Position	11,523,650	9,252,769	20,776,419	19,841,126
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 14,578,446	$ 14,488,050	$ 29,066,496	$ 28,979,998

DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	2017			2016
	Electric	Water	Total	Total
OPERATING REVENUES				
Sales	$ 5,771,003	$ 1,080,025	$ 6,851,028	$ 6,755,526
Other Operating Revenues	61,178	-	61,178	62,597
Total Operating Revenues	5,832,181	1,080,025	6,912,206	6,818,123
OPERATING EXPENSES				
Production	3,657,665	163,387	3,821,052	3,743,709
Distribution	107,806	106,451	214,257	205,566
Administrative and General Expenses	952,261	283,183	1,235,444	1,392,004
Depreciation and Amortization	649,460	435,674	1,085,134	1,061,877
Total Operating Expenses	5,367,192	988,695	6,355,887	6,403,156
OPERATING INCOME (LOSS)	464,989	91,330	556,319	414,967
NON-OPERATING INCOME	179,386	523,142	702,528	391,719
NON-OPERATING EXPENSES	(153,404)	(223,967)	(377,371)	(461,302)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	490,971	390,505	881,476	345,384
CONTRIBUTIONS	53,817	-	53,817	56,526
CHANGE IN NET POSITION	544,788	390,505	935,293	401,910
Net Position - Beginning of Year	10,978,862	8,862,264	19,841,126	19,439,216
NET POSITION - END OF YEAR	$ 11,523,650	$ 9,252,769	$ 20,776,419	$ 19,841,126

See accompanying Notes to Basic Financial Statements.

DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	2017			2016
	Electric	Water	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 5,822,544	$ 1,094,326	$ 6,916,870	$ 6,788,375
Cash Paid to Suppliers and Others	(3,721,371)	(521,730)	(4,243,101)	(4,167,917)
Cash Paid to Employees	(740,500)	(208,472)	(948,972)	(1,169,536)
Net Cash Provided by Operating Activities	1,360,673	364,124	1,724,797	1,450,922
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Other Non-Capital Income	174,163	587,936	762,099	381,859
Payments In Lieu of Taxes	(106,000)	-	(106,000)	(106,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	68,163	587,936	656,099	275,859
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Utility Plant, Net	(444,250)	(63,396)	(507,646)	(1,419,798)
Net Cash Activity in State Conservation Program Escrow	(24,321)	-	(24,321)	(75,074)
Collections from Customers for Service Territory Escrow	52,894	-	52,894	55,747
Proceeds from Loan Payable	-	-	-	900,000
Principal Paid on Revenue Bond Maturities	(145,830)	(370,000)	(515,830)	(435,245)
Interest Paid on Long-Term Debt	(27,113)	(217,511)	(244,624)	(235,046)
Net Cash Used by Capital and Related Financing Activities	(588,620)	(650,907)	(1,239,527)	(1,209,416)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investment	5,223	2,243	7,466	7,094
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	845,439	303,396	1,148,835	524,459
Cash and Cash Equivalents - Beginning of Year	980,204	636,352	1,616,556	1,092,097
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,825,643	$ 939,748	$ 2,765,391	$ 1,616,556

See accompanying Notes to Basic Financial Statements.

DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	2017			2016
	Electric	Water	Total	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 464,989	$ 91,330	$ 556,319	$ 414,967
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities:				
Depreciation	649,460	435,674	1,085,134	1,061,877
Other Expenditures Included in Cash Flow from Operating	(15,322)	(7,022)	(22,344)	(28,162)
(Increase) Decrease in Assets:				
Accounts Receivable - Customer and Miscellaneous	(9,637)	14,301	4,664	(29,748)
Prepaid Expenses	(95)	477	382	(720)
Inventory	1,587	(12,403)	(10,816)	73,396
Advances to Other Funds	163,466	-	163,466	21,179
(Increase) Decrease in Deferred Outflows:				
Pensions	246,866	79,135	326,001	(426,791)
Increase (Decrease) in Liabilities:				
Accounts Payable	75,727	(5,248)	70,479	(47,028)
Salaries and Benefits Payable	-	-	-	(28,242)
Advances from Other Funds	-	(163,466)	(163,466)	(21,179)
Compensated Absences	7,167	8,150	15,317	(57,682)
Net Pension Liability	(298,632)	(99,177)	(397,809)	468,363
Increase (Decrease) in Deferred Inflows:				
Pensions	75,097	22,373	97,470	50,692
Net Cash Provided by Operating Activities	$ 1,360,673	$ 364,124	$ 1,724,797	$ 1,450,922
NONCASH CAPITAL ACTIVITIES				
Capital Asset Additions included in Accounts Payable and Long-Term Liabilities	$ 40,928	$ -	$ 40,928	$ 263,726

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

The Water, Light, and Power Commission (the Commission or Delano Municipal Utilities) is a component unit of the City of Delano, Minnesota (the City) established under Minnesota Statute 412.321 to manage, control, and operate the light, power, and water utilities of the City. The Commission is governed by a five-member Board of Commissioners. Board members are appointed by the City Council to three-year terms. The basic financial statements presented here are also included in the financial statements of the City.

The accounting policies of the Commission conform to generally accepted accounting principles.

The Commission reports the following major funds:

- The Electric Fund accounts for the operations of the Delano Municipal Utilities owned electric system.
- The Water Fund accounts for the operations of the Delano Municipal Utilities owned water system.

Financial Reporting Entity

The Commission's basic financial statements include all funds, departments, agencies, boards, commissions, and other organizations over which Commission officials exercise oversight responsibility.

Component units are legally separate entities for which the Commission (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Commission.

Basis of Accounting

The accrual basis of accounting is used by the Commission. Under this method, revenues are recorded when earned and expenses are recorded when the related fund liability is incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from other 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 revenue of the Commission is charges to customers for sales of electricity and water. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as other revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Measurement Focus

The accounting and reporting treatment applied to the utility plant assets and long-term liabilities associated with a fund are determined by its measurement focus. All proprietary funds are accounted for on a full accrual, economic resource basis. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net position. The Commission's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

Utility Plant

Utility plant is recorded at cost, including cost of labor and materials on self-constructed assets. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 50 years.

During the current period, Commission employees worked on projects that were related to the improvement of utility plant assets. As such, the wages relating to that portion of time devoted to these projects has been capitalized as part of the respective project cost. The total amount of capitalized wages was $191,345 for 2017. The Commission does not capitalize interest relating to its work in progress as the amounts are immaterial.

Investments

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools are valued at net asset value per share.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both:

A. Readily convertible to known amounts of cash, or
B. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The Commission's policy considers cash equivalents to be those that meet the above criteria and have maturities of three months or less when purchased.

Cash and cash equivalents consist of checking, savings, certificates of deposit, money market accounts, and cash on hand.

Accounts Receivable

At December 31, 2017, there is no allowance for doubtful accounts reflected in the basic financial statements. Accounts receivable are uncollateralized.

Inventories

Inventory is stated at average cost.

Deferred Outflows of Resources

Deferred outflows of resources represent items which are related to the Commission's net pension liability and are to be recognized as outflows in future periods.

Advances to/from Other Funds

Effective December 31, 2010, the Electric Fund advanced $375,000 to the Water Fund. The Water Fund will repay the advance through December 31, 2025 via annual principal payments ranging from $25,000 to $35,000 plus interest at 2.05%. The remaining principal balance was paid in full during 2017.

Compensated Absences

Accumulated unpaid vacation amounts are accrued when incurred.

In accordance with the Commission's policy, for employees hired prior to June 1, 1995, sick pay is accrued at 8 hours per month to be accumulated up to 90 days for usage. When leaving employment with the Commission, the employee will be paid 100% of accrued time up to and including 45 days. For employees hired June 1, 1995, or after, sick pay is accrued at 8 hours per month to be accumulated up to 90 days for usage. When leaving employment with the commission, employees hired after June 1, 1995, will not be paid for any unused accrued sick time. The accrued sick pay amount is $14,356 as of December 31, 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred inflows of resources represent regulatory collections for amounts which are permit payments that have been collected from developers and new property owners for future capital expenditures related to the acquisition of a service territory from another utility as well as state conservation programs. Deferred inflows of resources also represent items which are related to the Commission's net pension liability and are to be recognized as inflows in future periods.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements and is classified into three components:

a) Net investment in capital assets - This component consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding balance of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b) Restricted net position - Net position with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation are reflected in this component.

c) Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Payments In Lieu of Taxes

The Commission made payments during the year to the City of Delano in lieu of paying taxes to the City. This amount totaled $106,000 in 2017 and is presented in the basic financial statements as a nonoperating expense.

Comparative Data

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2016, from which the summarized information was derived. Certain comparative information has been reclassified to conform to the current year presentation.

NOTE 2 CASH AND INVESTMENTS

These amounts are classified within the balance sheet as follows:

Current Cash and Cash Equivalents	$ 2,765,391

A. Deposits

In accordance with Minnesota Statutes, the Commission maintains deposits at financial institutions authorized by the Delano City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

At December 31, 2017, all of the Commission's deposits at banks were covered by federal depository insurance or surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The Commission's investment policy allows investment of funds in either certificates of deposit or money market funds, at specified banks or investment brokers. Certificates of deposit should have a maturity of no longer than five years.

Concentration of Credit Risk – The Commission places no limits on the amount the Commission may invest in any one issuer or type of investment. At December 31, 2017, there were no investments which individually comprised more than 5% of the Commission's total investments.

The Commission currently does not have any investments.

NOTE 3 CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction Work in Progress	$ 682,508	$ 523,600	$ (253,976)	$ 952,132
Intangible Asset (Service Territory)	506,771	3,817	-	510,588
Total Capital Assets, Not Being Depreciated	1,189,279	527,417	(253,976)	1,462,720
Capital Assets, Being Depreciated				
Utility Plant:				
Electric	20,336,376	206,751	(27,402)	20,515,725
Water	18,839,641	37,167	-	18,876,808
Total Utility Plant	39,176,017	243,918	(27,402)	39,392,533
Less: Accumulated Depreciation	(15,232,087)	(1,085,134)	16,537	(16,300,684)
Net Plant in Service	23,943,930	(841,216)	(10,865)	23,091,849
Net Utility Plant	$ 25,133,209	$ (313,799)	$ (264,841)	$ 24,554,569

NOTE 4 LONG-TERM LIABILITIES

Long-term liabilities outstanding at December 31, 2017 are comprised of the following:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding 2017
Loans Payable					
Water General Obligation Loan	4.1425%	October 2005	2025	$ 7,160,000	$ 3,665,000
Electric Revenue Loan	4.1425%	October 2005	2025	700,000	365,000
Water GO Revenue Bonds	2.0 - 3.0%	July 2016	2036	900,000	900,000
Other Long-Term Liabilities					
Service Territory Acquisition	N/A	December 2013	2024	500,245	403,817
Lease Purchase Agreement	2.1000%	December 2016	2021	257,200	207,896
Total					$ 5,541,713

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Principal and Interest payments required on existing long-term debt are:

Year Ending December 31,	Service Territory Acquisition Principal	Service Territory Acquisition Interest	Lease Purchase Agreement Principal	Lease Purchase Agreement Interest
2018	$ 53,817	$ -	$ 50,364	$ 3,883
2019	50,000	-	51,417	2,815
2020	50,000	-	52,508	1,725
2021	50,000	-	53,607	613
2022	50,000	-	-	-
2023-2027	150,000	-	-	-
2028-2032	-	-	-	-
2033-2037	-	-	-	-
Total	$ 403,817	$ -	$ 207,896	$ 9,036

Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Principal	Total Interest
$ 460,000	$ 215,909	$ 564,181	$ 219,792
485,000	194,073	586,417	196,888
505,000	171,284	607,508	173,009
525,000	147,316	628,607	147,929
555,000	122,458	605,000	122,458
1,920,000	229,274	2,070,000	229,274
255,000	43,881	255,000	43,881
225,000	12,306	225,000	12,306
$ 4,930,000	$ 1,136,501	$ 5,541,713	$ 1,145,537

A summary of long-term debt activity for the year ended December 31, 2017 is as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds Payable	$ 5,340,000	$ -	$ 410,000	$ 4,930,000	$ 460,000
Lease Purchase Agreement	257,200	-	49,304	207,896	50,364
Service Territory Acquisition	456,526	3,817	56,526	403,817	53,817
Compensated Absences	101,052	60,592	45,275	116,369	29,092
Total Debt	$ 6,154,778	$ 64,409	$ 561,105	$ 5,658,082	$ 593,273

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

In August 2014 the Commission entered into an agreement with the Wright-Hennepin Cooperative Electric Association to acquire service territory previously served by the Co-op. The agreement went into effect in January 2015 and included four different service areas. Under the terms of the agreement once any given service area reached 7,500 KwH usage in total for a fiscal year, the Commission would be required to pay the Co-op a fee for that year and the subsequent nine years in an amount equal to 2.8¢ per KwH of energy sold for that year in that service area. In 2015 two of the four service areas reached the minimum KwH sold of 7,500 and thus triggered the 10-year liability. Based on the actual payments for 2015, 2016, and 2017 revenue (made in 2016, 2017, and 2018) as well as other factors, the total ten-year liability was estimated at $510,588. No interest payments or accruals are required as a part of the agreement.

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE

A. Plan Description

The Commission 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.

1. General Employees Retirement Fund (GERF)

   All full-time and certain part-time employees of the Commission 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 state 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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% 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.

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

1. 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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.

1. GERF Contributions
   Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The Commission's contributions to the GERF for the year ended December 31, 2017, were $64,404. The Commission's contributions were equal to the required contributions as set by state statute.

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs
At December 31, 2017, the Commission reported a liability of $925,670 for its proportionate share of the GERF's net pension liability. The Commission's net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the states contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Commission totaled $11,668. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Commission's proportion was .0145%, which was a decrease of .0018% from its proportion measured as of June 30, 2016.

There were no provision changes during the measurement period.

For the year ended December 31, 2017, the Commission recognized pension expense of $90,000 for its proportionate share of the GERF's pension expense.

At December 31, 2017, the Commission reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 30,507	$ 59,551
Changes in Actuarial Assumptions	153,681	92,798
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,979	-
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	-	102,342
Commission Contributions Subsequent to the Measurement Date	33,449	-
Total	$ 223,616	$ 254,691

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

D. Pension Costs (Continued)

$33,449 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expenses Amount
2018	$ (8,026)
2019	25,741
2020	(42,946)
2021	(39,293)

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% per year for all future years for the General Employees Plan through 2044 and then 2.5% thereafter.

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

The following changes in actuarial assumptions occurred in 2017 for the General Employees Fund:

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

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

E. Actuarial Assumptions (Continued)

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 below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

G. Pension Liability Sensitivity

The following presents the Commission’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 Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	One Percent Decreaase in Discount	Current Discount Rate	One Percnet Increase in Discount Rate
GERF Discount Rate	6.50 %	7.50 %	8.50 %
Commission's Proportionate Share of the GERF Net Pension Liability	$ 1,435,784	$ 925,670	$ 508,050

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 6 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; business interruption; error or omissions; employee’s injuries and illnesses; or natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 7 COMMITMENTS

Under authorization of state statutes, the Commission joined Central Municipal Power Agency/Services (CMPAS) with other municipal utilities to purchase electrical power through contracts for the mutual advantage of the governments. The governing body consists of members from each of the member utilities who are elected by the respective local utility commissions. Complete financial statements may be obtained by contacting CMPAS at 459 South Grove Street, Blue Earth, Minnesota, 56013.

NOTE 7 COMMITMENTS (CONTINUED)

The Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 0.73MW of electrical power from the Wolf Wind project in Rushmore, MN. CMPAS has a 6.25MW subscription that is allocated among its members based on load share ratio. The contractual period for this contract is March 1, 2005 to December 31, 2020.

In September 2003, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase electrical power from a new power plant constructed by the Omaha Public Power District (OPPD) and to provide a share of the construction funding. This new plant was completed and operational in 2009. The life of the contract is 40 years after the date of completion. The Commission has committed to purchase 2.4 megawatts from this 600 megawatt plant. The Commission's share of construction costs approximate $3,300,000. These construction costs are expected to be paid to CMMPA or OPPD via electricity purchase rates over the life of the 40-year contract. If other participants in this project were to default, the Commission could be held responsible for up to 160% of its stated commitment.

The Commission is committed to purchase power from Xcel Energy to meet its power requirements via an On Peak product through CMPAS (formerly CMMPA). This agreement (NSP 5x16) is a 3.0MW block of energy for the Commission and the initial contractual period was January 1, 2012 to December 31, 2015. In 2015 the Commission extended the agreement to December 31, 2020.

In 2010, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 1.0MW of electrical power from the Iberdrola Wind project in Rugby, SD. CMMPA has a 13.1MW subscription that is allocated among its members based on agreed upon levels of commitment. The contractual period for this contract is January 1, 2011, to December 31, 2025. In 2011, the Commission signed another agreement with CMPAS to purchase an additional 2.6MW of electrical power from the Iberdrola Wind Project for a total commitment of 3.6MW.

In 2012, the Commission signed an agreement to commit to purchasing power from the WPPI/Point Beach Nuclear Project. This agreement is for 1.20 MW of energy annually and extends through March 8, 2033.

In April 2007, the Commission and other municipal utilities signed an unsecured guaranty of a stand-by letter of credit between Utilities Plus (a component unit of CMPAS) and a bank. The letter of credit is to be used by Utilities Plus for payment of transmission or transmission service obligations to Midwest Independent Transmission System Operator, Inc. (MISO). The Commission's share of the guaranty is not to exceed $434,734. Additionally, the Commission's guaranty only applies to transactions involving the Commission's purchase of electricity, transmission, and transmission services from Utilities Plus. No changes were made to this agreement during 2017 and there is no outstanding balance on the line of credit.

NOTE 8 MAJOR CUSTOMERS

During the year ended December 31, 2017, net sales to one customer totaled $635,723, representing 11.13% of total electric sales.

NOTE 9 RELATED PARTIES

An employee of the Commission is also a member of CMPAS Board of Directors.

REQUIRED SUPPLEMENTARY INFORMATION

DELANO WATER, LIGHT, AND POWER COMMISSION
GERF SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2017

	Measurement Date June 30,			
	2017	2016	2015	2014
Commission's Proportion of the Net Pension Liability	0.0145 %	0.0163 %	0.0165 %	0.0183 %
Commission's Proportionate Share of the Net Pension Liability	$ 925,670	$ 1,323,479	$ 855,116	$ 859,642
State's Proportionate Share of the Net Pension Liability Associated with DMU	11,668	-	-	-
Total	$ 937,338	$ 1,323,479	$ 855,116	$ 859,642
Commission's Covered Payroll	$ 929,242	$ 1,008,407	$ 968,376	$ 995,462
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.62 %	131.24 %	88.30 %	86 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90 %	68.96 %	78.70 %	83.20 %

DELANO WATER, LIGHT, AND POWER COMMISSION
GERF SCHEDULE OF COMMISSION CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2017

	Fiscal Year Ended December 31,			
	2017	2016	2015	2014
Statutorily Required Contribution	$ 64,404	$ 73,268	$ 74,844	$ 72,171
Contributions in Relation to the Statutorily Required Contribution	(64,404)	(73,268)	(74,844)	(72,171)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Commission's Covered Payroll	$ 8,587	$ 9,769	$ 9,979	$ 9,955
Contributions as a Percentage of Covered Payroll	7.50 %	7.50 %	7.50 %	7.25 %

SUPPLEMENTARY INFORMATION

DELANO WATER, LIGHT, AND POWER COMMISSION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION BY FUND
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	Electric Fund		Water Fund	
	2017	2016	2017	2016
OPERATING REVENUES				
Sales	$ 5,771,003	$ 5,721,419	$ 1,080,025	$ 1,034,107
Other Operating Revenues	61,178	62,597	-	-
Total Operating Revenues	5,832,181	5,784,016	1,080,025	1,034,107
OPERATING EXPENSES				
Production	3,657,665	3,572,584	163,387	171,125
Distribution	107,806	136,503	106,451	69,063
Administrative and General Expenses	952,261	1,110,648	283,183	281,356
Depreciation and Amortization	649,460	661,464	435,674	400,413
Total Operating Expenses	5,367,192	5,481,199	988,695	921,957
OPERATING INCOME (LOSS)	464,989	302,817	91,330	112,150
NON-OPERATING INCOME	179,386	148,709	523,142	243,010
NON-OPERATING EXPENSES	(153,404)	(231,671)	(223,967)	(229,631)
INCOME (LOSS) BEFORE CONTRIBUTIONS	490,971	219,855	390,505	125,529
CONTRIBUTIONS	53,817	56,526	-	-
CHANGE IN NET POSITION	544,788	276,381	390,505	125,529
Net Position - Beginning of Year	10,978,862	10,702,481	8,862,264	8,736,735
NET POSITION - END OF YEAR	$ 11,523,650	$ 10,978,862	$ 9,252,769	$ 8,862,264

DELANO WATER, LIGHT, AND POWER COMMISSION
SCHEDULE OF OPERATING REVENUES BY FUND
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	Electric Fund		Water Fund	
	2017	2016	2017	2016
OPERATING REVENUES				
Residential	$ 2,241,061	$ 2,220,581	$ 817,963	$ 775,038
Commercial	400,296	371,985	116,715	117,143
Industrial	3,072,720	3,077,612	145,347	141,926
Street and Security Lighting	56,926	51,241	-	-
Capacity and Energy Sales	61,178	62,597	-	-
Total Operating Revenues	$ 5,832,181	$ 5,784,016	$ 1,080,025	$ 1,034,107

DELANO WATER, LIGHT, AND POWER COMMISSION
SCHEDULE OF OPERATING EXPENSES BY FUND
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	Electric Fund		Water Fund	
	2017	2016	2017	2016
PRODUCTION EXPENSES				
Salaries	$ 43,704	$ 70,239	$ 20,999	$ 23,730
Fuel Oil	5,423	-	-	-
Natural Gas	321	1,572	-	-
Supplies	659	-	-	-
Maintenance of Buildings	72,662	50,787	-	-
Maintenance of Engines	21,177	4,712	-	-
Maintenance of Substation	2,589	2,851	-	-
Purchased Power	3,458,909	3,391,496	24,698	20,566
Insurance	44,860	44,514	14,926	11,129
Connection Fee	-	-	13,376	13,077
Water Treatment	-	-	82,309	98,873
Miscellaneous	7,361	6,413	7,079	3,750
Total Production Expenses	3,657,665	3,572,584	163,387	171,125
DISTRIBUTION EXPENSES				
Salaries	54,770	88,516	44,881	40,647
Maintenance of Wells, Mains and Hydrants	-	-	42,885	15,847
Maintenance of Lines	37,869	34,988	-	-
Maintenance of Transformers	5,439	2,437	-	-
Maintenance of Lighting	7,875	10,348	-	-
Maintenance of Meters	1,853	214	3,732	54
Maintenance of Facilities	-	-	14,953	12,515
Total Distribution Expenses	107,806	136,503	106,451	69,063
ADMINISTRATIVE AND GENERAL EXPENSES				
Salaries	363,511	436,797	116,385	94,463
Meter Reading and Collections	20,633	18,228	20,207	17,725
Maintenance	47,253	16,628	-	-
Transportation Expense	15,580	11,688	-	-
Office Expense	54,243	67,142	17,078	15,810
Commission Expense	6,018	7,692	1,548	1,898
Outside Services Employed	31,501	22,639	10,138	16,467
Insurance/Med/Life/Disability	232,611	292,419	75,626	72,967
Employee Payroll Expense	122,014	192,705	32,342	51,864
Other Expenses	3,591	2,076	2,981	1,548
Dues/Conventions/Safety/Drug	55,306	42,634	6,878	8,614
Total Administrative and General Expenses	952,261	1,110,648	283,183	281,356
DEPRECIATION AND AMORTIZATION EXPENSE				
Depreciation Expense	649,460	661,464	435,674	400,413
Total Operating Expenses	$ 5,367,192	$ 5,481,199	$ 988,695	$ 921,957

DELANO WATER, LIGHT, AND POWER COMMISSION
SCHEDULE OF NONOPERATING INCOME AND EXPENSES BY FUND
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016)

	Electric Fund		Water Fund	
	2017	2016	2017	2016
NONOPERATING INCOME				
City Billing	$ 39,428	$ 38,566	$ -	$ -
Interest	5,223	5,383	2,243	1,711
Sale of Scrap Inventory	4,207	2,669	-	-
Penalties	35,218	31,133	23,016	23,311
Permits and Fees	2,373	1,516	492,250	211,450
Contract Labor	65,348	38,804	4,349	5,786
Miscellaneous Service Revenue	-	-	-	(409)
Miscellaneous Income	27,589	30,638	1,284	1,161
Total Nonoperating Income	$ 179,386	$ 148,709	$ 523,142	$ 243,010
NONOPERATING EXPENSES				
Interest - Other	$ 2,224	$ 451	$ 2,247	$ 3,998
Interest - Long-Term Debt	24,889	21,638	214,698	219,150
Loss on Asset Disposal	6,775	81,903	-	-
Payments in Lieu of Taxes	106,000	106,000	-	-
Other Miscellaneous Expenses	13,516	21,679	7,022	6,483
Total Nonoperating Expenses	$ 153,404	$ 231,671	$ 223,967	$ 229,631

OTHER INFORMATION

DELANO WATER, LIGHT, AND POWER COMMISSION
SCHEDULE OF LARGEST UTILITY USERS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Customer	Revenues	Percent of Total Sales
LANDSCAPE STRUCTURES	$ 635,723	11.13 %
DELANO SCHOOLS	397,595	6.96
SIL-PRO, LLC	456,052	7.98
COBORNS	286,953	5.02
MODERN MOLDING	174,217	3.05
RANDYS SANITATION	183,153	3.21
SOLAR PLASTICS	107,243	1.88
ARCTIC FOX	99,137	1.73
J AND E PRECISION MACHINING CO.	61,629	1.08
INDUSTRIAL LOUVERS	57,902	1.01
Electric: Total Sales	$ 5,714,077	

(Not including CIP, tax, and street/security lights)