

FINANCIAL STATEMENTS
DECEMBER 31, 2015



MOORHEAD PUBLIC SERVICE

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INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the each major fund of Moorhead Public Service, a component unit of the City of Moorhead, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Moorhead Public Service'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 financial position of each major fund of Moorhead Public Service, as of December 31, 2015, 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.

Emphasis of Matter

As discussed in notes 1 and 7 to the financial statements, Moorhead Public Service has adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2015. Our opinions are not modified with respect to this matter.

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 funding progress, schedule of employer's share of net pension liability, and schedule of employer contributions 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Moorhead Public Service's financial statements. The analysis of electric plant and accumulated depreciation/amortization and analysis of water plant and accumulated depreciation/amortization is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of Moorhead Public Service'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 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 Moorhead Public Service's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 21, 2016

**MOORHEAD PUBLIC SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

This section of the Moorhead Public Service (MPS) annual financial report presents an analysis of MPS' financial performance for the calendar year ending December 31, 2015. This information is presented in conjunction with the audited basic financial statements that follow this section.

MPS is organized into two operating divisions – the Electric Division and the Water Division. This discussion and analysis presents the highlights of each division separately, and in combined form.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- MPS' combined net position decreased \$1.7 million, or 2.0%, from \$83.4 million to \$81.7 million. The Electric Division's net position decreased \$2.4 million from \$44.3 million to \$41.9 million. The Water Division's net position increased \$0.7 million from \$39.1 million to \$39.8 million.
- Combined operating revenues increased \$1.1 million, or 2.5%, from \$45.4 million to \$46.5 million. Electric Division operating revenues increased \$0.5 million, or 1.4%, from \$38.6 million to \$39.1 million. Water Division operating revenues increased \$0.6 million, or 8.8%, from \$6.8 million to \$7.4 million.
- Combined net transfers to the City of Moorhead increased \$338,000, or 4.0%, from \$8.4 million to \$8.7 million. Net Electric Division transfers increased \$308,000, or 3.9%, from \$7.9 million to \$8.2 million. Water Division transfers increased \$30,000, or 6.4%, from \$466,000 to \$496,000.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements and Other Supplementary Information. The Financial Statements include notes that provide additional detail for some of the information included in the Financial Statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements report information utilizing generally accepted electric and water utility accounting practices. In general, these practices follow the Federal Energy Regulatory Commission's (FERC) prescribed Uniform System of Accounts (USOA). The financial statements consist of three required reports.

The *Statement of Net Position* summarizes MPS' assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to MPS' creditors (liabilities). The statement also provides information that can assist in making a variety of financial assessments about MPS' rate of return, structure, liquidity, and financial flexibility.

The *Statement of Revenues, Expenses, and Changes in Net Position* summarizes the current year's revenues and expenses. This statement quantifies the success of MPS's operations. The statement can serve as a tool in determining how well MPS covered its costs through rates, fees, and other revenues. This statement also highlights MPS' profitability and credit worthiness.

The *Statement of Cash Flows* is the third required financial statement. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF MOORHEAD PUBLIC SERVICE

Table 1, Condensed Statement of Net Position, provides a summary of MPS' net position. The table presents the net positions of the Electric and Water Divisions separately, and in combined form.

During 2015, the Electric Division's total assets decreased by \$1.4 million, or 2.0%. Within total assets, current and other assets decreased by \$2.0 million while capital assets increased by \$0.6 million. The reduction in current assets was primarily due to expensing remediation costs related to the demolition of the Elm Street power plant.

During 2015, the Electric Division's liabilities increased by \$1.0 million, or 4.5%. The increase was primarily due to an increase in year-end payable balances at the end of 2015 compared to payable balances at the end of 2014.

The net effect of the changes in total assets and total liabilities within the Electric Division resulted in a decrease of \$2.4 million, or 5.4%, in total net position from \$44.3 million to \$41.9 million.

During 2015, the Water Division's total assets increased \$10.9 million, or 24.0%. Within total assets, current and other assets increased by \$1.7 million while capital assets increased by \$9.2 million. Most of the increase was due to the completion of the new high service pumping station.

During 2015, the Water Division's liabilities increased by \$10.2 million, or 157.1%. The increase was primarily due to an increase in long-term debt incurred to pay for construction of the new high service pumping station.

The net effect of the changes in total assets and total liabilities resulted in an increase in the net position of the Water Division of \$700,000, or 1.8%, from \$39.1 million to \$39.8 million.

Table 1

Moorhead Public Service Condensed Statement of Net Position (In thousands of dollars)

	Electric				Water				Combined			
	2015	2014	Dollar Change	Percent change	2015	2014	Dollar Change	Percent change	2015	2014	Dollar Change	Percent change
Current and Other Assets	20,178	22,156	-1,978	-8.9%	5,870	4,143	1,727	41.7%	26,048	26,299	-251	-1.0%
Capital Assets ¹	45,805	45,184	621	1.4%	50,667	41,466	9,201	22.2%	96,472	86,650	9,822	11.3%
Total Assets	65,983	67,340	-1,357	-2.0%	56,537	45,609	10,928	24.0%	122,520	112,949	9,571	8.5%
Long-term Debt	17,208	16,284	924	5.7%	14,375	4,374	10,001	228.6%	31,583	20,658	10,925	52.9%
Other Liabilities	6,850	6,733	117	1.7%	2,365	2,136	229	10.7%	9,215	8,869	346	3.9%
Total Liabilities	24,058	23,017	1,041	4.5%	16,740	6,510	10,230	157.1%	40,798	29,527	11,271	38.2%
Net investment in capital assets	29,645	28,042	1,603	5.7%	36,943	36,398	545	1.5%	66,588	64,440	2,148	3.3%
Restricted	2,140	2,342	-202	-8.6%	598	596	2	0.3%	2,738	2,938	-200	-6.8%
Unrestricted	10,139	13,939	-3,800	-27.3%	2,255	2,104	151	7.2%	12,394	16,043	-3,649	-22.7%
Total Net Position	41,925	44,323	-2,398	-5.4%	39,797	39,099	698	1.8%	81,722	83,422	-1,700	-2.0%

¹ See Table 3 for details

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2, Condensed Statement of Revenues, Expenses, and Changes in Net Position, provides a summary of the changes in MPS' net position. The table presents the changes in net position for each division separately, and in combined form.

Combined total revenue was \$47.4 million in 2015. Operating revenues of the Electric and Water Divisions were \$39.1 million and \$7.4 million, respectively. The Electric Division's revenue increase of 1.4% was primarily the result of a 1.0% rate increase effective January 2015. The Water Division experienced an increase in operating revenue of 8.8%. The increase was the result of increased customer sales volume in 2015 along with a 6.5% rate increase effective January 2015.

Combined total expenses were \$44.0 million in 2015. Within total expenses, operating expenses (net of depreciation) increased 3.8% to \$30.6 million. In addition, net transfers to the City of Moorhead increased 4.0% to \$8.7 million.

MPS' combined net position decreased by \$1.7 million, or -2.0%. The net decrease was the result of a decrease in the net position of the Electric Division of \$2.4 million and an increase in the net position of the Water Divisions of \$700,000. Combined total revenues of \$47.4 million exceeded combined total expenses of \$44.0 million by \$3.4 million. Capital contributions in the forms of watermain, grants, and sales tax refunds added \$300,000 to overall net position. Special items and prior period adjustments reduced the Electric Division's net position by \$4.6 million and resulted in a net reduction to the Water Division's net position by \$856,000.

Table 2

Moorhead Public Service

Condensed Statement of Revenues, Expenses, and Changes in Net Position
(In thousands of dollars)

	Electric				Water				Combined			
	2015	2014	Dollar Change	Percent change	2015	2014	Dollar Change	Percent change	2015	2014	Dollar Change	Percent change
Operating Revenues	39,123	38,594	529	1.4%	7,414	6,814	600	8.8%	46,537	45,408	1,129	2.5%
Nonoperating Revenues	590	321	269	83.8%	309	117	192	164.1%	899	438	461	105.3%
Total Revenue	39,713	38,915	798	2.1%	7,723	6,931	792	11.4%	47,436	45,846	1,590	3.5%
Depreciation Expense	2,532	2,186	346	15.8%	1,330	1,382	-52	-3.8%	3,862	3,568	294	8.2%
Other Operating Expense	26,379	25,142	1,237	4.9%	4,197	4,312	-115	-2.7%	30,576	29,454	1,122	3.8%
Nonoperating Expenses	565	583	-18	-3.1%	269	233	36	15.5%	834	816	18	2.2%
Transfers from City		-500	500	0.0%				0.0%		-500	500	0.0%
Transfers to City	8,210	8,402	-192	-2.3%	496	466	30	6.4%	8,706	8,868	-162	-1.8%
Total Expenses	37,686	35,813	1,873	5.2%	6,292	6,393	-101	-1.6%	43,978	42,206	1,772	4.2%
Income Before Capital Contributions, Special Items and Prior Period Adjustments	2,027	3,102	-1,075	-34.7%	1,431	538	893	166.0%	3,458	3,640	-182	-5.0%
Capital Contributions	176	281	-105	-37.4%	123	344	-221	-64.2%	299	625	-326	-52.2%
Special Items	-2,246		-2,246	0.0%	714		714	0.0%	-1,532		-1,532	0.0%
Prior Period Net Pension Liability Adjustments	-2,355		-2,355	0.0%	-1,570		-1,570	0.0%	-3,925		-3,925	0.0%
Changes in Net Position	-2,398	3,383	-5,781	-170.9%	698	882	-184	-20.9%	-1,700	4,265	-5,965	-57.2%
Beginning Net Position	44,323	40,940	3,383	8.3%	39,099	38,217	882	2.3%	83,422	79,157	4,265	5.4%
Ending Net Position	41,925	44,323	-2,398	-5.4%	39,797	39,099	698	1.8%	81,722	83,422	-1,700	-2.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

Table 3, Capital Assets Net of Depreciation, shows changes in the net depreciated value of capital assets from 2014 to 2015. Total capital assets at the end of 2015 were \$96.4 million compared to \$86.6 million at the end of 2014. Total capital assets increased \$9.8 million, or 11.3%. Net capital assets of the Electric Division increased by \$0.6 million, or 1.4%. Net capital assets of the Water Division increased by \$9.2 million, or 22.2%.

After depreciation, the Electric Division's increase in capital assets included a decrease in work-in-progress of \$0.6 million and an overall increase of \$1.2 million in total electric plant in-service assets.

After depreciation, the Water Division's increase in capital assets included an increase in work-in-progress of \$8.8 million and an overall increase of \$0.4 million in total water plant in-service assets.

Table 3

MOORHEAD PUBLIC SERVICE

Capital Assets Net of Depreciation

Electric Plant				
	Balance 12/31/2014	Balance 12/31/2015	Increase (Decrease)	Percent
<u>Plant in-Service</u>				
Land	\$ 885,747	\$ 885,747	\$ -	0.00%
Production Plant	5,649,018	5,475,425	(173,593)	-3.07%
Transmission Plant	9,324,290	9,974,698	650,408	6.98%
Distribution Plant	22,636,833	23,464,645	827,812	3.66%
General Plant	5,581,128	5,496,459	(84,669)	-1.52%
Total Electric Plant in-Service	44,077,016	45,296,974	1,219,958	2.77%
Work-in-Progress	1,107,183	507,735	(599,448)	-54.14%
Total Electric Plant	<u>\$ 45,184,199</u>	<u>\$ 45,804,709</u>	<u>\$ 620,510</u>	<u>1.37%</u>
Water Plant				
	Balance 12/31/2014	Balance 12/31/2015	Increase (Decrease)	Percent
<u>Plant in-Service</u>				
Land	\$ 574,942	\$ 577,368	\$ 2,426	0.42%
Source of Supply	4,649,463	4,975,922	326,459	7.02%
Water Treatment Plant	9,756,059	9,454,190	(301,869)	-3.09%
Transmission & Distribution Plant	22,739,894	23,075,550	335,656	1.48%
General Plant	981,412	1,012,698	31,286	3.19%
Total Water Plant in-Service	38,701,770	39,095,728	393,958	1.02%
Work-in-Progress	2,764,329	11,571,075	8,806,746	318.59%
Total Water Plant	<u>\$ 41,466,099</u>	<u>\$ 50,666,803</u>	<u>\$ 9,200,704</u>	<u>22.19%</u>
Consolidated				
Total MPS	<u>\$ 86,650,298</u>	<u>\$ 96,471,512</u>	<u>\$ 9,821,214</u>	<u>11.33%</u>

Additional information on capital assets can be found in Note 3 in the Notes to Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG-TERM DEBT

Table 4, Long-Term Debt, presents the change in the outstanding debt of MPS from 2014 to 2015. The combined total debt at the end of 2015 was \$31.6 million. The net change was an overall increase of \$10.9 million, or 52.9%. The Electric Division's long-term debt increased by \$0.9 million, or 5.7%. The Water Division's long-term debt increased by \$10.0 million, or 228.7%. MPS had \$3,555,208 in net pension liability on June 30, 2015 due to the implementation of GASB Statement No. 68 for the year ending December 31, 2015. See Note 7 for further information.

Table 4

MOORHEAD PUBLIC SERVICE

Long-Term Debt

Electric Division				
	Balance 12/31/2014	Balance 12/31/2015	Increase (Decrease)	Percent
Net OPEB Obligations	\$ 124,718	\$ 145,857	\$ 21,139	16.95%
Net Pension Liability	-	2,133,124	2,133,124	0.00%
Public Utility Revenue & Refunding Bonds	17,347,725	16,159,400	(1,188,325)	-6.85%
Total Long-Term Debt	17,472,443	18,438,381	965,938	5.53%
Less: Current Portion				
Public Utility Revenue & Refunding Bonds	1,188,325	1,230,200	41,875	3.52%
Total Current Portion of Long-Term Debt	1,188,325	1,230,200	41,875	3.52%
Net Long-Term Debt	<u>\$ 16,284,118</u>	<u>\$ 17,208,181</u>	<u>\$ 924,063</u>	<u>5.67%</u>
Water Division				
	Balance 12/31/2014	Balance 12/31/2015	Increase (Decrease)	Percent
Net OPEB Obligations	\$ 83,146	\$ 97,238	\$ 14,092	16.95%
Net Pension Liability	-	1,422,084	1,422,084	0.00%
Notes Payable	545,365	9,432,783	8,887,418	100.00%
Public Utility Revenue & Refunding Bonds	4,522,275	4,290,600	(231,675)	-5.12%
Total Long-Term Debt	5,150,786	15,242,705	10,091,919	195.93%
Less: Current Portion				
Notes Payable	545,365	628,000	82,635	100.00%
Public Utility Revenue & Refunding Bonds	231,675	239,800	8,125	3.51%
Total Current Portion of Long-Term Debt	777,040	867,800	90,760	11.68%
Net Long-Term Debt	<u>\$ 4,373,746</u>	<u>\$ 14,374,905</u>	<u>\$ 10,001,159</u>	<u>228.66%</u>
Consolidated				
Total MPS	<u>\$ 20,657,864</u>	<u>\$ 31,583,086</u>	<u>\$ 10,925,222</u>	<u>52.89%</u>

Additional information on long-term debt can be found in Note 4 in the Notes to Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING MOORHEAD PUBLIC SERVICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide MPS' rate payers, creditors, and investors with a general overview of MPS' finances and to demonstrate MPS' accountability for the money it receives. If you have questions about this report or need additional financial information, contact MPS' Administration and Finance Manager by mail at Moorhead Public Service, P. O. Box 779, Moorhead, MN 56561-0779; by e-mail at mps@mpsutility.com; or by calling 218-477-8000.

MOORHEAD PUBLIC SERVICE
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Electric	Water	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 1,895,318	\$ 1,854,361	\$ 3,749,679
Accounts receivable, net	2,367,959	361,167	2,729,126
Accounts receivable - unbilled revenues	2,835,400	458,900	3,294,300
Accrued interest receivable	37,968	10,093	48,061
Inventories	1,428,157	217,068	1,645,225
Prepaid items	84,972	18,704	103,676
Due from other governmental units	373,045	-	373,045
Due from special assessments			
Delinquent	-	2,887	2,887
	<u>9,022,819</u>	<u>2,923,180</u>	<u>11,945,999</u>
RESTRICTED ASSETS			
Revenue bond account	270,966	47,642	318,608
Bond reserve account	1,868,663	550,306	2,418,969
Bond proceeds	118	-	118
	<u>2,139,747</u>	<u>597,948</u>	<u>2,737,695</u>
OTHER ASSETS, less current maturities			
Notes receivable	47,262	-	47,262
Bond operations and maintenance reserve	4,636,000	727,000	5,363,000
Other long-term investments	3,890,303	1,327,617	5,217,920
	<u>8,573,565</u>	<u>2,054,617</u>	<u>10,628,182</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plans	<u>441,882</u>	<u>294,589</u>	<u>736,471</u>
CAPITAL ASSETS			
In-service	73,039,787	60,224,433	133,264,220
Land	885,747	577,368	1,463,115
Work-in-progress	507,735	11,571,075	12,078,810
	<u>74,433,269</u>	<u>72,372,876</u>	<u>146,806,145</u>
Less accumulated depreciation	28,628,560	21,706,073	50,334,633
	<u>45,804,709</u>	<u>50,666,803</u>	<u>96,471,512</u>
Total assets	<u>65,982,722</u>	<u>56,537,137</u>	<u>122,519,859</u>

Notes to Financial Statements are an integral part of this statement.

	Electric	Water	Total
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets			
Accounts payable	1,025,306	169,443	1,194,749
Power costs payable	2,032,158	-	2,032,158
Sales tax payable	146,936	-	146,936
Customer deposits	195,000	-	195,000
Accrued vacations and severance pay	310,000	264,000	574,000
Due to other city funds	1,345,097	702,468	2,047,565
	<u>5,054,497</u>	<u>1,135,911</u>	<u>6,190,408</u>
Payable from restricted assets			
Accrued interest	65,932	29,008	94,940
Current maturities of leases and notes	-	628,000	628,000
Current maturities of bonds payable	1,230,200	239,800	1,470,000
	<u>1,296,132</u>	<u>896,808</u>	<u>2,192,940</u>
LONG-TERM DEBT			
Net OPEB obligation	145,857	97,238	243,095
Net Pension Liability	2,133,124	1,422,084	3,555,208
Net Notes Payable	-	8,804,783	8,804,783
Bonds, less current maturities	14,929,200	4,050,800	18,980,000
	<u>17,208,181</u>	<u>14,374,905</u>	<u>31,583,086</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plans	499,366	332,911	832,277
	<u>499,366</u>	<u>332,911</u>	<u>832,277</u>
Total liabilities	<u>24,058,176</u>	<u>16,740,535</u>	<u>40,798,711</u>
NET POSITION			
NET POSITION			
Net Investment in Capital Assets	29,645,427	36,943,420	66,588,847
Restricted for:			
Debt service	2,139,747	597,948	2,737,695
Unrestricted	10,139,372	2,255,234	12,394,606
	<u>41,924,546</u>	<u>39,796,602</u>	<u>81,721,148</u>
Total net position	<u>41,924,546</u>	<u>39,796,602</u>	<u>81,721,148</u>
Total liabilities and net position	<u>\$ 65,982,722</u>	<u>\$ 56,537,137</u>	<u>\$ 122,519,859</u>

MOORHEAD PUBLIC SERVICE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

	Electric	Water	Total
OPERATING REVENUES			
Charges for services	\$ 37,948,290	\$ 7,375,952	\$ 45,324,242
Other	1,174,941	38,250	1,213,191
Total Operating Revenues	<u>39,123,231</u>	<u>7,414,202</u>	<u>46,537,433</u>
OPERATING EXPENSES			
Purchased power	19,647,248	-	19,647,248
Production of power	189,179	-	189,179
Transmission	1,723,039	-	1,723,039
Distribution	2,416,869	875,010	3,291,879
Source of supply and pumping	-	271,094	271,094
Water treatment	-	1,857,984	1,857,984
Customer accounts	729,740	270,485	1,000,225
Administrative	1,672,891	922,263	2,595,154
Depreciation and amortization	2,531,985	1,329,658	3,861,643
Total Operating Expenses	<u>28,910,951</u>	<u>5,526,494</u>	<u>34,437,445</u>
OPERATING INCOME	10,212,280	1,887,708	12,099,988
NONOPERATING REVENUES (EXPENSES)			
Interest income and market adjustments	165,583	34,607	200,190
Gain on sale of capital assets	70,587	7,771	78,358
Other income	352,937	264,983	617,920
Interest expense	(565,358)	(268,920)	(834,278)
Total Nonoperating Revenues (Expenses)	<u>23,749</u>	<u>38,441</u>	<u>62,190</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	10,236,029	1,926,149	12,162,178
TRANSFERS OUT			
General fund	(6,350,000)	(369,930)	(6,719,930)
Economic development fund	(50,000)	-	(50,000)
Capital improvement fund	(1,810,108)	(126,000)	(1,936,108)
Total Transfers Out	<u>(8,210,108)</u>	<u>(495,930)</u>	<u>(8,706,038)</u>
CONTRIBUTION OF CAPITAL ASSETS	176,178	123,452	299,630
SPECIAL ITEMS	<u>(2,245,985)</u>	<u>713,781</u>	<u>(1,532,204)</u>
CHANGE IN NET POSITION	(43,886)	2,267,452	2,223,566
NET POSITION, BEGINNING OF YEAR	44,323,305	39,099,065	83,422,370
PRIOR PERIOD ADJUSTMENT (NOTE 10)	<u>(2,354,873)</u>	<u>(1,569,915)</u>	<u>(3,924,788)</u>
ADJUSTED NET POSITION, BEGINNING OF YEAR	<u>41,968,432</u>	<u>37,529,150</u>	<u>83,422,370</u>
NET POSITION, END OF YEAR	<u>\$ 41,924,546</u>	<u>\$ 39,796,602</u>	<u>\$ 81,721,148</u>

MOORHEAD PUBLIC SERVICE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	Electric	Water	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 38,888,209	\$ 7,551,939	\$ 46,440,148
Payments to suppliers	(24,835,809)	(3,295,228)	(28,131,037)
Payments to employees	(1,601,752)	(875,171)	(2,476,923)
NET CASH FROM OPERATING ACTIVITIES	12,450,648	3,381,540	15,832,188
NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(8,210,108)	(495,930)	(8,706,038)
Payments received on notes and special receivables	(34,844)	2,618	(32,226)
Decrease in due to other funds	(490,700)	(114,177)	(604,877)
Increase in net pension liability and related deferred inflows and outflows of resources	2,190,608	1,460,406	3,651,014
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	(6,545,044)	852,917	(5,692,127)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of utility plant	(5,384,404)	(9,785,915)	(15,170,319)
Proceeds related to sale of assets	70,587	7,771	78,358
Proceeds from the issuance of long-term debt	-	9,513,291	9,513,291
Debt service - principal	(1,188,325)	(857,548)	(2,045,873)
Debt service - interest and fees	(569,558)	(247,706)	(817,264)
Net pension liability and related deferred inflows and outflows of resources	(2,354,873)	(1,569,915)	(3,924,788)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(9,426,573)	(2,940,022)	(12,366,595)
INVESTING ACTIVITIES			
Interest received and market adjustments	171,963	33,598	205,561
Purchase of investments	-	(336,200)	(336,200)
Proceeds from the sale of investments	2,107,164	-	2,107,164
NET CASH FROM (USED FOR) ACTIVITIES	2,279,127	(302,602)	1,976,525
NET CHANGE IN CASH BALANCE	(1,241,842)	991,833	(250,009)
CASH BALANCE, JANUARY 1	3,137,160	862,528	3,999,688
CASH BALANCE, DECEMBER 31	\$ 1,895,318	\$ 1,854,361	\$ 3,749,679

Notes to the Financial Statements are an integral part of this statement.

	Electric	Water	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 10,212,280	\$ 1,887,708	\$ 12,099,988
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization	2,531,985	1,329,658	3,861,643
Depreciation expensed to vehicle expense	162,102	92,786	254,888
Other income	352,937	264,984	617,921
Change in assets and liabilities			
Receivables	(214,914)	(127,247)	(342,161)
Inventories	(285,370)	(23,348)	(308,718)
Prepaid items	(26,913)	44,468	17,555
Due from others	(373,045)	-	(373,045)
Net OPEB Obligations	21,139	14,092	35,231
Accounts payable	20,447	(134,561)	(114,114)
Accrued vacations and severance pay	50,000	33,000	83,000
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 12,450,648</u>	<u>\$ 3,381,540</u>	<u>\$ 15,832,188</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Changes in capital assets through contributed capital and special items	<u>\$ (2,245,985)</u>	<u>\$ 713,781</u>	<u>\$ (1,532,204)</u>

**MOORHEAD PUBLIC SERVICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Moorhead Public Service, which is governed by the five appointed members of the Moorhead Public Service Commission, provides electric utility and water utility services to the citizens and business community of Moorhead, Minnesota. The public utility activities of the City of Moorhead are non-regulated. However, Moorhead Public Service follows the accounting requirements for similar regulated utilities to include the requirements set forth in the uniform system of accounts of the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners. However, the following of these accounting requirements does not materially affect the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

Moorhead Public Service's financial statements include all funds for which Moorhead Public Service is financially accountable.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. Moorhead Public Service is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. Able to impose its will on that organization, or
2. There is potential for the organization to provide specific financial benefits to, or impose financial burdens on Moorhead Public Service. Moorhead Public Service may be financially accountable if an organization is fiscally dependent on the entity.

Based upon the above criteria, there are no component units to be included within Moorhead Public Service as a reporting entity; however, Moorhead Public Service is includable as a component unit within the City of Moorhead as a reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Moorhead Public Service reports the following major proprietary funds:

Electric – This fund accounts for the provision of electric service to the citizens and business community of Moorhead, Minnesota.

Water – This fund accounts for the provision of water utility service to the citizens and business community of Moorhead, Minnesota, and one neighboring community.

NOTES TO FINANCIAL STATEMENTS

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Cash Equivalents

The Fund considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

Receivable and Credit Policy

Moorhead Public Service's trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 24 days from the invoice date. Customers are charged a one-time 5% fee for late payments. The receivables are non-interest bearing. Payments on trade receivables are applied to the oldest unpaid invoices. All trade receivables are shown net of an allowance for uncollectible accounts. These allowances are equal to estimated losses that may be incurred in collection of outstanding receivables. At the end of 2015, the allowances for uncollectible accounts were \$3,330 for electric division receivables and \$1,270 for water division receivables.

Notes receivable are stated at principal amounts and are uncollateralized. Notes receivable at year-end 2015 consisted of interest-bearing loans to customers who installed dual fuel heating equipment as well as amounts due from customers enrolled in MPS' 2015 Capture the Sun® purchase or licensing program. The term of all dual fuel notes receivable is 60 months and the term of the Capture the Sun® purchase or licensing commitments receivables is 12 months.

Capital Assets

Capital assets are defined by Moorhead Public Service as assets with an initial, individual cost of more than \$5,000. Utility capital assets are stated at cost. The cost of additions to utility capital assets includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their cost, less net salvage, is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Wind turbines	30 years
Substations, poles, lines, and transformers	33-35 years
Meters	25 years
Vehicles other than line trucks	8-10 years
Line trucks	12-15 years
Water buildings, wells, storage tanks, and distribution lines	50 years
Office furniture and fixtures	10 years

Investments

Investments are stated at fair value.

NOTES TO FINANCIAL STATEMENTS

Inventories

Inventories are stated at average cost.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

Compensated Absences

It is Moorhead Public Service's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. All employees are entitled to vacation time with pay based upon length of continuous service. Administrative employees do not have a ceiling on the total hours of vacation that may be accrued throughout the year, but their maximum at year-end is 288 hours. A maximum of 288 hours will be paid to administrative employees upon termination of employment. Union employees are allowed to carry over their current year accrual plus 80 hours of their prior year accrual, of which 40 hours must be used before April 1 of the following year. Employees shall be entitled to 50% of their accrued sick pay, up to a maximum of 650 hours, if they terminate employment for one of these four conditions: retirement, disability, survivor, or honorable conditions (25 years of service with good standing).

Revenue Recognition

Revenue for electricity and water is recorded when services are delivered. Any unbilled services are accrued and recorded as a receivable.

Power Costs

The monthly billings from the wholesale power supplier for power costs are reflected in the accounts to the end of the month.

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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of December 31, 2015, Moorhead Public Service adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governmental units to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 10 and the additional disclosures required by these standards are included in Note 7.

NOTES TO FINANCIAL STATEMENTS

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Moorhead Public Service has two items that qualify for reporting in this category. They are in the contributions made to pension plans after the measurement date and prior to the fiscal year-end and changes in the net pension liability not included in pension expense reported in the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Moorhead Public Service has one item that qualifies for reporting in this category. The item is to recognize the change in the net position liability that is not included in pension expense reported in the statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in Moorhead Public Service's financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Moorhead Public Service's practice to use unrestricted resources first, and then restricted resources, in accordance with bond covenants.

Reclassifications

Certain reclassifications of expenditure amounts previously reported have been made to the accompanying financial statements to maintain constituency between periods presented. The reclassifications had no impact on previously reported net position.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, a depositor's funds may not be returned. Moorhead Public Service does not have a formal policy to further limit exposure to custodial credit risk. In accordance with Minnesota state statutes, Moorhead Public Service maintains deposits at depository banks authorized by the Moorhead City Council, of which all are members of the Federal Reserve System. Minnesota statutes require that all Moorhead Public Service 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 bonds (140% in the case of mortgage notes pledged). Minnesota statutes require that securities pledged as collateral be held in safekeeping by the financial officer or in a financial institution other than that furnishing the collateral. As of December 31, 2015, Moorhead Public Service's deposits were fully insured or properly collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Moorhead Public Service's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. After the liquidity needs and scheduled maturity needs are satisfied, the balance of the funds available for investment are placed with institutions that offer the greatest safety and highest rate of return consistent with the maturities as determined by Moorhead Public Service.

Investments

Statutes authorize Moorhead Public Service to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, bankers' acceptances, certain repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. As of December 31, 2015, Moorhead Public Service had the following investments and maturities:

Restricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	\$ 2,298,054	\$ -	\$ 831,961	\$ 864,139	\$ 601,954	\$ -
Money Market Funds	439,641	439,641			-	-
Total Restricted Investments	<u>\$ 2,737,695</u>	<u>\$ 439,641</u>	<u>\$ 831,961</u>	<u>\$ 864,139</u>	<u>\$ 601,954</u>	<u>\$ -</u>
Unrestricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	<u>\$ 10,580,920</u>	<u>\$ -</u>	<u>\$ 994,460</u>	<u>\$ 5,951,705</u>	<u>\$ 2,325,987</u>	<u>\$ 1,308,768</u>

NOTES TO FINANCIAL STATEMENTS

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Beyond what is stated in state statutes, Moorhead Public Service does not have a formal policy to further limit its exposure to credit risk. Moorhead Public Service's investments in the U.S. government bonds and money market funds are not rated.

Restricted Assets

Bond resolutions related to the bonds described in Note 4 provide for the maintenance of the following:

1. A revenue bond account that will be used to pay bond principal and interest. This account is funded by an irrevocable monthly pledge of 1/12 of the interest and principal due during the following 12 months.
2. A bond reserve account to supplement the revenue bond account. This account shall contain an amount sufficient to pay the lesser of the largest sum of principal and interest due during any year or 10% of the original principal amount of all outstanding Parity Bonds.
3. A bond proceeds account is set up to record the unexpended bond proceeds.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

Capital assets for the Electric Fund are as follows:

Electric Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 885,747	\$ -	\$ -	\$ 885,747
Construction work in progress	1,107,183	3,316,654	3,916,102	507,735
	<u>1,992,930</u>	<u>3,316,654</u>	<u>3,916,102</u>	<u>1,393,482</u>
Capital assets, being depreciated:				
Miscellaneous intangible plant	255,373	-	-	255,373
Production plant	7,328,783	130,617	-	7,459,400
Transmission plant	14,380,495	1,187,376	-	15,567,871
Distribution plant	38,441,481	2,164,108	885,017	39,720,572
General plant	9,644,766	434,001	42,196	10,036,571
Plant held for future use	-	-	-	-
	<u>70,050,898</u>	<u>3,916,102</u>	<u>927,213</u>	<u>73,039,787</u>
Less accumulated depreciation for:				
Miscellaneous intangible plant	255,373	-	-	255,373
Production plant	1,679,765	304,210	-	1,983,975
Transmission plant	5,056,205	536,968	-	5,593,173
Distribution plant	15,804,648	1,336,296	885,017	16,255,927
General plant	4,063,638	516,613	40,139	4,540,112
Plant held for future use	-	-	-	-
	<u>26,859,629</u>	<u>2,694,087</u>	<u>925,156</u>	<u>28,628,560</u>
Total capital assets, being depreciated, net	<u>43,191,269</u>	<u>1,222,015</u>	<u>2,057</u>	<u>44,411,227</u>
Capital assets, net	<u>\$ 45,184,199</u>	<u>\$ 4,538,669</u>	<u>\$ 3,918,159</u>	<u>\$ 45,804,709</u>

NOTES TO FINANCIAL STATEMENTS

Capital assets for the Water Fund are as follows:

Water Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 574,942	\$ 2,426	\$ -	\$ 577,368
Construction work in progress	2,764,329	10,623,148	1,816,402	11,571,075
	<u>3,339,271</u>	<u>10,625,574</u>	<u>1,816,402</u>	<u>12,148,443</u>
Capital assets, being depreciated:				
Source of supply plant structure and improvements	8,626,735	517,986	-	9,144,721
Pumping plant	30,914	-	-	30,914
Water treatment plant	16,970,909	21,066	-	16,991,975
Transmission and distribution plant	30,919,348	1,082,054	37,280	31,964,122
General plant	1,976,441	192,870	76,610	2,092,701
	<u>58,524,347</u>	<u>1,813,976</u>	<u>113,890</u>	<u>60,224,433</u>
Less accumulated depreciation for:				
Source of supply plant structure and improvements	3,977,272	191,527	-	4,168,799
Pumping plant	30,914	-	-	30,914
Water treatment plant	7,214,850	322,935	-	7,537,785
Transmission and distribution plant	8,179,454	746,398	37,280	8,888,572
General plant	995,029	161,584	76,610	1,080,003
	<u>20,397,519</u>	<u>1,422,444</u>	<u>113,890</u>	<u>21,706,073</u>
Total capital assets, being depreciated, net	<u>38,126,828</u>	<u>391,532</u>	<u>-</u>	<u>38,518,360</u>
Capital assets, net	<u>\$ 41,466,099</u>	<u>\$ 11,017,106</u>	<u>\$ 1,816,402</u>	<u>\$ 50,666,803</u>

NOTES TO FINANCIAL STATEMENTS

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

Business-type activities:	
Electric Division	\$ 2,694,087
Water Division	<u>1,422,444</u>
Total depreciation expense - business-type activities	\$ 4,116,531
 Depreciation and amortization per Statement of Revenues, Expenses, and Changes in Net Position	 <u>\$ 3,861,643</u>
Difference from Statement of Revenues, Expenses, and Changes in Net Position	<u><u>\$ 254,888</u></u>

Depreciation and amortization expense reflected in the Statement of Revenues, Expenses, and Changes In Net Position is \$3,861,643. The difference of \$254,888 is expensed to vehicle expense per the guidelines established by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in debt for Moorhead Public Service as of December 31, 2015.

	Beginning Balance	Additions	Reductions	Ending Balance	Long-Term After One Year	Due Within One Year
Compensated Absences	\$ 491,000	\$ 83,000	\$ -	\$ 574,000	\$ -	\$ 574,000
Net OPEB Obligation	207,864	35,231	-	243,095	243,095	-
Net Pension Liability	-	3,555,208	-	3,555,208	3,555,208	-
Notes Payable	545,365	9,513,291	625,873	9,432,783	8,804,783	628,000
Public Utility Revenue & Refunding Bonds						
Series 2007A	5,340,000	-	315,000	5,025,000	4,695,000	330,000
Series 2009A	1,560,000	-	240,000	1,320,000	1,065,000	255,000
Series 2010A	9,855,000	-	265,000	9,590,000	9,330,000	260,000
Series 2012E	5,115,000	-	600,000	4,515,000	3,890,000	625,000
	<u>\$ 23,114,229</u>	<u>\$ 13,186,730</u>	<u>\$ 2,045,873</u>	<u>\$ 34,255,086</u>	<u>\$ 31,583,086</u>	<u>\$ 2,672,000</u>

Revenue & Refunding Bonds

The following is a summary of bonds payable for the year ended December 31, 2015:

	Interest Rates	Electric	Water	Total
Public Utility Revenue & Refunding Bonds				
Series 2007A	5.17%	\$ 2,361,750	\$ 2,663,250	\$ 5,025,000
Series 2009A	3.0% - 4.75%	1,275,000	45,000	1,320,000
Series 2010C	2.0% - 4.875%	8,007,650	1,582,350	9,590,000
Series 2012E	2.0% - 3.0%	4,515,000	-	4,515,000
		16,159,400	4,290,600	20,450,000
Plus (less) unamortized discount or premium		-	-	-
		16,159,400	4,290,600	20,450,000
Less current maturities		(1,230,200)	(239,800)	(1,470,000)
		<u>\$ 14,929,200</u>	<u>\$ 4,050,800</u>	<u>\$ 18,980,000</u>

Moorhead Public Service is in compliance with all significant limitations and restrictions contained in the various bond indentures. Assets restricted by the provisions of the bond resolutions are set forth in Note 2.

The net revenues of the Moorhead Public Service are pledged as security for these debts. The bonds call for semiannual payments of interest and annual payments of principal on various dates through 2027.

NOTES TO FINANCIAL STATEMENTS

Principal repayments on the above debt to maturity are as follows:

	Electric		Water	
	Principal	Interest	Principal	Interest
2016	\$ 1,230,200	\$ 517,102	\$ 239,800	\$ 181,292
2017	1,264,600	483,485	250,400	170,617
2018	1,353,150	448,226	351,850	159,312
2019	1,419,300	408,699	370,700	145,682
2020	1,472,925	364,505	387,075	130,789
2021-2025	8,294,425	1,066,247	2,245,575	400,660
2026-2027	1,124,800	56,272	445,200	26,243
	<u>\$ 16,159,400</u>	<u>\$ 3,344,536</u>	<u>\$ 4,290,600</u>	<u>\$ 1,214,595</u>

Notes Payable

The following is a summary of notes payable for the year ended December 31, 2015:

	Interest Rates	Electric	Water	Total
Minnesota Public Facilities Authority Drinking Water SRF Bond Fund Loan MPFA-09-0036-R-FY15	1.02%	\$ -	\$ 9,432,783	\$ 9,432,783
Less current maturities		-	(628,000)	(628,000)
		<u>\$ -</u>	<u>\$ 8,804,783</u>	<u>\$ 8,804,783</u>

Principal repayments on the above debt to maturity are as follows:

	Electric		Water	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ -	\$ 628,000	\$ 96,214
2017	-	-	634,000	89,809
2018	-	-	640,000	83,342
2019	-	-	647,000	76,814
2020	-	-	623,000	70,215
2021-2025	-	-	3,213,000	254,438
2026-2030	-	-	3,047,783	87,097
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,432,783</u>	<u>\$ 757,929</u>

NOTES TO FINANCIAL STATEMENTS

OPEB Obligations

Moorhead Public Service engaged an actuary to determine MPS' liability for post-employment health care benefits other than pensions as of December 31, 2008. Updated studies were completed in 2011 and 2014. The actuary determined the only obligation Moorhead Public Service has to record is the implied subsidy portion as described in the standard. The alternative measurement method, a simplified method of calculating the liability for plans with fewer than 100 plan members, was used.

Plan Description

All employees are allowed to, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd. 2b, participate in Moorhead Public Service's health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between Moorhead Public Service and the unions representing employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report.

Funding Policy

Moorhead Public Service has elected to fund the plan on a pay-as-you-go method.

Annual OPEB Cost and Net OPEB Obligation

Moorhead Public Service's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table shows the components of MPS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in MPS' net OPEB obligation:

Normal Cost	\$	35,679
Amortization of UAAL over 30 years		22,441
Interest on OPEB Obligation		<u>9,354</u>
Total year-end ARC		67,474
Contributions made		<u>(32,243)</u>
Increase in OPEB Obligation		35,231
Net OPEB Obligation, Beginning of Year		<u>207,864</u>
Net OPEB Obligation, End of Year	\$	<u><u>243,095</u></u>

NOTES TO FINANCIAL STATEMENTS

MPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and three prior years was as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 53,178	\$ 28,882	54%	\$ 146,023
12/31/2013	52,686	34,684	66%	164,025
12/31/2014	68,319	24,480	36%	207,864
12/31/2015	67,474	32,243	48%	243,095

Funded Status and Funding Progress

As of January 1, 2014, the date of the most recent actuarial valuation, the plan was unfunded. The actuarial accrued liability for benefits was \$531,674, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$531,674. The covered payroll (annual payroll of active employees covered by the plan) was \$3,783,000, and the ratio of the UAAL to the covered payroll was 14.1%.

Actuarial valuations of an ongoing plan involve 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 healthcare cost trends. 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, begins with fiscal year 2008 and is updated annually to present 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial 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, 2011 and the January 1, 2014, actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The January 1, 2011 valuation included actuarial assumptions that projected an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. The January 1, 2014 valuation included actuarial assumptions that projected an adjusted annual healthcare cost trend rate of 7.5% for 2015, grading to 5% over 10 years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INTERFUND PAYABLES AND RECEIVABLES

Interfund payables and receivables are used to record accrued obligations between funds. A summary of the interfund balances as of December 31, 2015, is as follows:

Payable	Amount
Electric Fund - Due to City of Moorhead's General, Capital Improvement, Economic Development, Sanitation, and Wastewater Funds	<u>\$ 1,345,097</u>
Water Fund - Due to City of Moorhead General Fund	<u>\$ 702,468</u>

Receivable	Amount
Water Fund - Due from City of Moorhead Special Assessment Fund	<u>\$ 2,887</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – APPROPRIATION TRANSFERS

According to the Moorhead City Charter (City Charter), annual transfers from MPS' net revenues to the city's general fund shall not exceed 20% of gross income from the electric utility and 5% from any other utility. The City Charter also authorizes transfers from its public utilities' net revenues to the city's capital improvement fund in an amount not to exceed 5% of gross income.

Late in 2014, the Moorhead City Council and Moorhead Public Service Commission entered into an Electric Fund Transfer Agreement (Transfer Agreement) for years 2015 to 2018. The Transfer Agreement provides a reasonable and predictable approach for the annual determination of the Electric Fund transfer to the General Fund. The Transfer Agreement formula for calculating the annual transfer for future years is based on a Net Revenue Transfer Multiplier applied to net kilowatt hour sales from a previous year, subject to a base transfer floor.

In 2015, the Electric Division transferred the base transfer of \$6,350,000 to the General Fund, 5%, or \$1,810,108 of its gross income net of certain revenues exempted from the calculation by the City Council to the capital improvement fund, and \$50,000 to the economic development fund, as provided by state law.

In 2015, the Water Division transferred 5%, or \$369,930 of its gross income net of certain revenues exempted from the calculation by the City Council to the general fund and \$126,000 to the capital improvement fund.

Appropriation Transfers - Electric Division	2015	2014	Net Change
General Fund	\$ 6,350,000	\$ 6,050,900	\$ 299,100
General Fund - Special One-Time	-	541,000	(541,000)
Economic Development Fund	50,000	50,000	-
Capital Improvement Fund	1,810,108	1,759,916	50,192
Total	<u>\$ 8,210,108</u>	<u>\$ 8,401,816</u>	<u>\$ (191,708)</u>

Appropriation Transfers - Water Division	2015	2014	Net Change
General Fund	\$ 369,930	\$ 340,068	\$ 29,862
Capital Improvement Fund	126,000	126,000	-
Total	<u>\$ 495,930</u>	<u>\$ 466,068</u>	<u>\$ 29,862</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN

A. Plan Description

Moorhead Public Service (MPS) participates in the following cost-sharing multiple-employer defined benefit pension plan 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.

All full-time and certain part-time employees of MPS 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.

Benefits to pension plan members 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.

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 2015. MPS was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. Contributions made by MPS to the GERF for the year ended December 31, 2015, were \$311,115. Contributions made by MPS were equal to the required contributions as set by state statute.

D. Pension Costs

NOTES TO FINANCIAL STATEMENTS

At December 31, 2015, MPS reported a liability of \$3,555,208 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MPS' proportion of the net pension liability was based on the MPS' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, MPS' proportion share was 0.0686 % which was a decrease of 0.0064 % from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the MPS recognized pension expense of \$273,774 for its proportionate share of the GERF's pension expense.

At December 31, 2015, MPS reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 32,970	\$ 179,243
Changes in actuarial assumptions	221,406	-
Difference between projected and actual investment earnings	336,556	653,034
MPS's contributions to GERF subsequent to the measurement date	145,539	-
Total	<u>\$ 736,471</u>	<u>\$ 832,277</u>

The \$145,539 reported as deferred outflows of resources related to pensions resulting from MPS' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended December 31,</u>	<u>Pension Expense Amount</u>
2016	\$ (66,099)
2017	(66,100)
2018	(193,287)
2019	84,139
2020	0
Thereafter	0

NOTES TO FINANCIAL STATEMENTS

E. Actuarial Assumptions

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

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

G. Pension Liability Sensitivity

The following presents MPS' 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 MPS' proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.90%	7.90%	8.90%
MPS' proportionate share of the GERF net pension liability	\$ 5,590,051	\$ 3,555,208	\$ 1,874,741

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS

Wholesale Power Agreements

Under its wholesale power agreement, the municipality is committed to purchase a fixed amount of electric power and energy requirements from Western Area Power Administration until December 31, 2050.

The municipality is also committed to purchase its supplemental power from Missouri River Energy Services. The agreement, which runs until January 1, 2057, provides that the municipality purchase electric power in excess of that available from Western Area Power Administration, up to the level required in 2020. Beginning in 2027, and each fifth year thereafter, the municipality has the opportunity to continue receiving 100% of its supplemental power from Missouri River Energy Services or establish a maximum rate of delivery.

Construction Commitments

In 2014, the Electric Division started a project to demolish and remediate the old, inactive Elm Street power station on the west edge of town near the river. The entire project was completed in 2015. As of December 31, 2014, demolition costs incurred totaled \$891,700. During calendar year 2015, final demolition and remediation costs of \$1,354,285 were incurred for grand total of \$2,245,985. In 2015 it became evident by actions taken by the Moorhead City Council in June 2015 that their intention was to enter into an agreement to lease the prime real estate property to a non-profit entity for a nominal fee. As a result, it was determined there would be little or no likelihood of MPS recapturing any of the demolition and remediation costs and they were expensed in the current year as a special item.

During 2013, the Water Division began the planning and design portion of a project to construct a new high-speed pumping station next to the current water treatment plant. Construction of the station was expected to begin in the spring of 2014 but delays in the procurement of qualifying materials delayed the start until fall of 2014. The station was initially expected to be completed in 2015 but the delay has extended the expected completion until the spring of 2016. The initial estimated cost of the project at the end of 2013 was \$6.9 million. At the end of 2014, the total expected cost of the project was \$12.0 million. After substantial completion of the project during 2015, at the time of this report, the total expected cost of the project will be \$12.2 million. At the end of 2015, total construction work-in-process payments for the project totaled \$10.7 million.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - SPECIAL ITEM: ANNEXATION

As of January 1, 2015, the City of Moorhead annexed Oakport Township into the City. With the annexation, Moorhead Public Service assumed the water infrastructure assets that existed within the Township. These assets comprised of a water tower and water mains with a fair value of \$693,448 as of the annexation date. During 2015 Moorhead Public Service recognized \$20,332 in depreciation expense on these assets.

NOTE 10 – ADOPTION OF A NEW ACCOUNTING STANDARD

As of December 31, 2015, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

The adjustments to the beginning balance of net position were as follows:

Electric Fund

Net Position - December 31, 2014, as previously reported	\$ 44,323,305
Restatement due to implementation of GASB 68	<u>(2,354,873)</u>
Net Position - January 1, 2015, as restated	\$ 41,968,432

Water Fund

Net Position - December 31, 2014, as previously reported	\$ 39,099,065
Restatement due to implementation of GASB 68	<u>(1,569,915)</u>
Net Position - January 1, 2015, as restated	\$ 37,529,150

REQUIRED SUPPLEMENTARY INFORMATION

MOORHEAD PUBLIC SERVICE
SCHEDULE OF OTHER POST-EMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS
DECEMBER 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 383,098	\$ 383,098	0%	\$ 3,589,313	10.7%
1/1/2011	\$ -	\$ 436,164	\$ 436,164	0%	\$ 3,392,400	12.9%
1/1/2014	\$ -	\$ 531,674	\$ 531,674	0%	\$ 3,783,000	14.1%

NOTE TO THE SCHEDULE OF FUNDING PROGRESS

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. MPS implemented the standard as of January 1, 2008, and to date there have been three valuations performed. As such, there are three valuations disclosed above.

The Accrued Liability as of January 1, 2014, was expected to be \$494,652. The actual Accrued Liability is \$531,674. The difference between the actual and expected liability are due to changes in the claims cost methodology, claims and premium experience, retirement experience, as well as the following actuarial assumption changes since the last actuarial valuation as of January 1, 2011:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2014 based on Scale BB.

Effective January 1, 2013, differing health insurance plans were offered to the three employee groups. Employees within one bargaining unit and all non-union employees are covered under a new health insurance plan while employees within the other bargaining unit remained on the existing health insurance plan.

MOORHEAD PUBLIC SERVICE
COST-SHARING PENSION PLAN SCHEDULES
DECEMBER 31, 2015

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With MPS (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
GERF	6/30/2015	0.0686%	\$ 3,555,208	N/A	\$ 3,555,208	\$ 6,393,326	179.8%	78.2%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, Moorhead Public Service will present information for those years for which information is available.

Schedule of Employer's Contributions

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
GERF	12/31/2015	\$ 311,115	\$ 311,115	\$ -	\$ 4,192,691	7.4%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, Moorhead Public Service will present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

MOORHEAD PUBLIC SERVICE
ANALYSIS OF ELECTRIC CAPITAL ASSETS AND ACCUMULATED
DEPRECIATION/AMORTIZATION
YEAR ENDED DECEMBER 31, 2015

	Electric Capital Assets			
	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015
PLANT IN-SERVICE				
Miscellaneous				
Intangible plant	\$ 255,373	\$ -	\$ -	\$ 255,373
Production plant				
Land	855,919	-	-	855,919
Structures and improvements	6,050,725	-	-	6,050,725
Accessory electric equipment	221,092	-	-	221,092
Wind turbine	1,056,966	130,617	-	1,187,583
	<u>7,328,783</u>	<u>130,617</u>	<u>-</u>	<u>7,459,400</u>
Transmission plant				
Land	29,828	-	-	29,828
Structures and improvements	14,380,495	1,187,376	-	15,567,871
	<u>14,380,495</u>	<u>1,187,376</u>	<u>-</u>	<u>15,567,871</u>
Distribution plant				
Station equipment	9,272,328	322,204	-	9,594,532
Poles, towers, and fixtures	2,814,201	-	-	2,814,201
Underground conduit	16,060,990	1,282,229	762,351	16,580,868
Line transformers	5,156,340	261,547	102,096	5,315,791
Services	1,822,214	83,888	-	1,906,102
Meters	1,889,750	177,935	20,570	2,047,115
Installations on customer premises	158,432	-	-	158,432
Street lighting and signal systems	1,267,226	36,305	-	1,303,531
	<u>38,441,481</u>	<u>2,164,108</u>	<u>885,017</u>	<u>39,720,572</u>
General plant				
Structures and Improvements	2,768,899	-	-	2,768,899
Office furniture and equipment	1,111,048	82,259	-	1,193,307
Transportation equipment	2,010,360	260,863	42,196	2,229,027
Stores equipment	3,681	-	-	3,681
Tools, shop, and garage equipment	306,131	-	-	306,131
Communication equipment	3,444,647	90,879	-	3,535,526
	<u>9,644,766</u>	<u>434,001</u>	<u>42,196</u>	<u>10,036,571</u>
Total electric plant in-service	<u>70,936,645</u>	<u>3,916,102</u>	<u>927,213</u>	<u>73,925,534</u>
PLANT HELD FOR FUTURE USE				
Production plant	-	-	-	-
CONSTRUCTION WORK-IN-PROGRESS	1,107,183	3,316,654	3,916,102	507,735
	<u>\$ 72,043,828</u>	<u>\$ 7,232,756</u>	<u>\$ 4,843,315</u>	<u>\$ 74,433,269</u>

Annual Depreciation Amortization Rates		Accumulated Depreciation/Amortization				Percent of Depreciation Amortization to Plant
		Balance 12/31/2014	Provision	Retirements	Balance 12/31/2015	
10.0 - 12.5	%	\$ 255,373	\$ -	\$ -	\$ 255,373	100.00%
		-	-	-	-	-
2		941,644	269,013	-	1,210,657	20.01%
3		221,092	-	-	221,092	100.00%
3		517,029	35,197	-	552,226	46.50%
		1,679,765	304,210	-	1,983,975	
		-	-	-	-	-
3		5,056,205	536,968	-	5,593,173	35.93%
		5,056,205	536,968	-	5,593,173	
2		3,358,596	308,863	-	3,667,459	38.22%
3		2,514,546	13,118	-	2,527,664	89.82%
2		5,959,172	618,670	762,351	5,815,491	35.07%
3		1,984,360	159,275	102,096	2,041,539	38.41%
3		1,013,443	55,382	-	1,068,825	56.07%
4		228,374	139,879	20,570	347,683	16.98%
4		85,311	2,709	-	88,020	55.56%
3		660,846	38,400	-	699,246	53.64%
		15,804,648	1,336,296	885,017	16,255,927	
10		670,751	57,935	-	728,686	26.32%
10		706,029	90,379	-	796,408	66.74%
5 - 25		941,703	162,102	40,139	1,063,666	47.72%
10		3,681	-	-	3,681	100.00%
10		238,541	10,399	-	248,940	81.32%
6		1,502,933	195,798	-	1,698,731	48.05%
		4,063,638	516,613	40,139	4,540,112	
		26,859,629	2,694,087	925,156	28,628,560	
3		-	-	-	-	0.00%
		-	-	-	-	
		\$ 26,859,629	\$ 2,694,087	\$ 925,156	\$ 28,628,560	

MOORHEAD PUBLIC SERVICE
ANALYSIS OF WATER CAPITAL ASSETS AND ACCUMULATED
DEPRECIATION/AMORTIZATION
YEAR ENDED DECEMBER 31, 2015

	Water Capital Assets			
	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015
PLANT IN-SERVICE				
Land	\$ 574,942	\$ 2,426	\$ -	\$ 577,368
Source of supply plant structures and improvements	8,626,735	517,986	-	9,144,721
Pumping plant	30,914	-	-	30,914
Water treatment plant	16,970,909	21,066	-	16,991,975
Transmission and distribution plant				
Towers	1,652,798	-	-	1,652,798
Mains	27,366,369	974,389	26,731	28,314,027
Meters	1,900,181	107,665	10,549	1,997,297
	30,919,348	1,082,054	37,280	31,964,122
General plant				
Office furniture and equipment	23,144	-	-	23,144
Transportation equipment	1,046,686	141,499	76,610	1,111,575
Tools, shop, and garage equipment	136,640	9,000	-	145,640
Laboratory equipment	359,936	-	-	359,936
SCADA equipment	410,035	42,371	-	452,406
	1,976,441	192,870	76,610	2,092,701
Total water plant in-service	59,099,289	1,816,402	113,890	60,801,801
CONSTRUCTION WORK-IN-PROGRESS	2,764,329	10,623,148	1,816,402	11,571,075
	\$ 61,863,618	\$ 12,439,550	\$ 1,930,292	\$ 72,372,876

Annual Depreciation Amortization Rates	Accumulated Depreciation/Amortization				Percent of Depreciation Amortization to Plant
	Balance 12/31/2014	Provision	Retirements	Balance 12/31/2015	
%	\$ -	\$ -	\$ -	\$ -	0.0%
2 - 25	3,977,272	191,527	-	4,168,799	45.6%
2	30,914	-	-	30,914	100.0%
2 - 3	7,214,850	322,935	-	7,537,785	44.4%
2	627,678	33,055	-	660,733	40.0%
2	7,168,874	590,021	26,731	7,732,164	27.3%
3	382,902	123,322	10,549	495,675	24.8%
	8,179,454	746,398	37,280	8,888,572	
10	14,791	928	-	15,719	67.9%
12	669,637	92,786	76,610	685,813	61.7%
5	100,158	5,967	-	106,125	72.9%
10	121,106	30,448	-	151,554	42.1%
14	89,337	31,455	-	120,792	26.7%
	995,029	161,584	76,610	1,080,003	
	20,397,519	1,422,444	113,890	21,706,073	
	-	-	-	-	
	\$ 20,397,519	\$ 1,422,444	\$ 113,890	\$ 21,706,073	