Enterprise Funds of the City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

Enterprise Funds of the City of Stoughton, Wisconsin

TABLE OF CONTENTS As of and for the Years Ended December 31, 2016 and 2015

Independent Auditors' Report	1 - 2
Required Supplementary Information	
Management's Discussion and Analysis	3 - 20
Financial Statements	
Electric Utility	
Statements of Net Position	21 - 22
Statements of Revenues, Expenses, and Changes in Net Position	23
Statements of Cash Flows	24 - 25
Water Utility	
Statements of Net Position	26 - 27
Statements of Revenues, Expenses, and Changes in Net Position	28
Statements of Cash Flows	29 - 30
Wastewater Utility	
Statements of Net Position	31 - 32
Statements of Revenues, Expenses, and Changes in Net Position	33
Statements of Cash Flows	34 - 35
Notes to Financial Statements	36 - 76
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Asset	77
Notes to Required Supplementary Information	78

Enterprise Funds of the City of Stoughton, Wisconsin

TABLE OF CONTENTS As of and for the Years Ended December 31, 2016 and 2015

Supplemental Information	
Electric Utility	
Utility Plant	79
Operating Revenues and Expenses	80 - 81
Rate of Return - Regulatory Basis	82
Water Utility	
Utility Plant	83
Operating Revenues and Expenses	84 - 85
Rate of Return - Regulatory Basis	86
Wastewater Utility	
Utility Plant	87
Operating Revenues and Expenses	88



INDEPENDENT AUDITORS' REPORT

To the Utilities Committee Stoughton Utilities Stoughton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Stoughton Utilities, enterprise funds of the City of Stoughton, Wisconsin, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Stoughton Utilities' 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 Stoughton Utilities' 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 Stoughton Utilities as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



To the Utilities Committee Stoughton Utilities

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Stoughton Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Stoughton, Wisconsin, as of December 31, 2016 and 2015 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Madison, Wisconsin April 24, 2017

Baker Tilly Virchaw Krause, LLP

Page 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

The management of the Stoughton Utilities (utilities) offers all persons interested in the financial position of the utilities an objective, easy to read overview and analysis of the utilities' financial performance during the years ending December 31, 2016, 2015 and 2014. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Electric sales increased by .50% in 2016 due to a corresponding increase in power purchased.
- The electric division's net position increased by \$827,300 from the prior year.
- Completed \$1.2 million of capital improvements to accommodate developments and improve operations and electric system reliability.

WATER:

- Completed \$1.9 million of capital improvements and received \$972,200 in municipal and customer contributions.
- The water division's net position increased by \$1.0 million from the prior year.
- Sales increased by \$192,800 or 10.95% in 2016 due to a 13% increase in retail rates effective May 1, 2016.

WASTEWATER:

- Completed \$1.3 million of sewer projects and received \$846,800 in municipal and customer contributions.
- The utility experienced a slight increase in sales revenues of \$5,200 or .26% in 2016 due to a slight increase in residential and commercial sales offset by a decrease in industrial sales.
- The wastewater division's net position increased by \$921,100 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016 and 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The utilities are self-supporting entities and separate enterprise funds of the City of Stoughton (city). The utilities provide electric, water, and wastewater service to properties within the city and also provides electric service to the following Townships: Dunkirk, Dunn, Pleasant Springs, Porter and Rutland.

The water and electric utilities are managed by a Utilities Committee and operate under service rules and rates that are established by the Public Service Commission of Wisconsin (PSCW). The accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW, and in accordance with the Governmental Accounting Standards Board.

The Utilities Committee also manages the wastewater utility. The Utilities Committee and the Common Council establish rates and service rules. Accounting records are maintained in accordance with the Governmental Accounting Standards Board.

This annual report consists of two parts: Management's Discussion and Analysis, and the basic financial statements, including the independent auditor's report.

An analysis of the utilities' financial position begins with a review of the Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the utilities' net position and changes therein. The utilities' net position – 'the difference between assets and liabilities' is key to measuring the financial health of the utilities. Over time, increases or decreases in the net position value are an indicator of whether the overall financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

UTILITY FINANCIAL ANALYSIS

The Statement of Net Position includes all of the utilities' assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utilities.

A summary of the utilities' Statements of Net Position is presented below in Tables 1 through 3.

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Position – Electric Utility

	2016	2015	2014	2016-2015 Change			
	2010	2013	2014	Change			
Current and Other Assets	\$ 13,309,505	\$ 10,989,389	\$ 10,529,265	\$ 2,320,116			
Capital Assets	14,402,176	14,249,247	14,350,749	152,929			
Total Assets	27,711,681	25,238,636	24,880,014	2,473,045			
Deferred Outflows of Resources	575,914	158,933		416,981			
Long-Term Debt Outstanding	6,250,000	4,460,000	4,460,000	1,790,000			
Other Liabilities	2,275,608	2,223,030	2,628,423	52,578			
Total Liabilities	8,525,608	6,683,030	7,088,423	1,842,578			
Deferred Inflows of Resources	221,246	1,063		220,183			
Investment in Capital Assets	9,860,679	9,740,384	9,349,914	120,295			
Restricted	1,090,228	1,198,784	1,089,205	(108,556)			
Unrestricted	8,589,834	7,774,308	7,352,472	815,526			
Total Net Position	\$ 19,540,741	\$ 18,713,476	\$ 17,791,591	\$ 827,265			

In 2016, the electric utility net position increased \$827,265, an increase of 4.42%. The increase was as anticipated and in line with the 2016 operating budget.

In 2015, the electric utility net position increased \$921,885, an increase of 5.19%. The increase was as anticipated and in line with the 2015 operating budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2 Condensed Statement of Net Position – Water Utility

	2016	2015	2014	2016-2015 Change		
Current and Other Assets	\$ 2,416,880	\$ 1,610,745	\$ 1,203,476	\$ 806,135		
Capital Assets	15,281,587	13,898,850	12,747,318	1,382,737		
Total Assets	17,698,467	15,509,595	13,950,794	2,188,872		
Deferred Outflows of Resources	206,806	57,424	<u>-</u>	149,382		
Long-Term Debt Outstanding	3,417,424	2,297,381	1,775,381	1,120,043		
Other Liabilities	656,534	560,512	624,686	96,022		
Total Liabilities	4,073,958	2,857,893	2,400,067	1,216,065		
Deferred Inflows of Resources	77,947	390		77,557		
Investment in Capital Assets	12,041,652	11,601,469	10,820,680	440,183		
Restricted	528,997	442,722	406,334	86,275		
Unrestricted	1,182,719	664,545	323,713	518,174		
Total Net Position	\$ 13,753,368	\$ 12,708,736	\$ 11,550,727	\$ 1,044,632		

In 2016, the water utility net position increased \$1,044,632, an increase of 8.22%. The increase was mainly due to capital improvements that were financed by customers or developers and the implementation of a 13% retail rate adjustment effective May 1, 2016.

In 2015, the water utility net position increased \$1,158,009, an increase of 10.03%. The increase was mainly due to capital improvements that were financed by customers or developers and the implementation of a 3% retail rate adjustment in July 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3 Condensed Statements of Net Position – Wastewater Utility

	2016	2015	2016-2015 Change		
Current and Other Assets	\$ 3,523,717	\$ 3,551,473	\$ 2,890,768	\$ (27,756)	
Capital Assets	18,723,878	18,211,980	17,931,136	511,898	
Total Assets	22,247,595	21,763,453	20,821,904	484,142	
Deferred Outflows of Resources	227,166	62,601	<u>-</u>	164,565	
Long-Term Debt Outstanding	5,474,363	5,908,753	5,312,592	(434,390)	
Other Liabilities	277,920	202,878	633,136	75,042	
Total Liabilities	5,752,283	6,111,631	5,945,728	(359,348)	
Deferred Inflows of Resources	87,394	418		86,976	
Investment in Capital Assets	13,249,636	12,303,350	12,236,966	946,286	
Restricted	1,472,409	1,494,868	1,489,947	(22,459)	
Unrestricted	1,913,039	1,915,787	1,149,263	(2,748)	
Total Net Position	\$16,635,084	\$ 15,714,005	\$ 14,876,176	\$ 921,079	

In 2016, the wastewater utility net position increased \$921,079, an increase of 5.86%. The increase was mainly due to capital improvements that were financed by customers or developers.

In 2015, the wastewater utility net position increased \$837,829, an increase of 5.63%. The increase was mainly due to capital improvements that were financed by customers or developers and the implementation of a 2.74% retail rate adjustment on January 1, 2015.

The restricted portion of net position includes accounts that are limited by bond covenants. Listed below are restricted assets:

Redemption – Used for debt service payments.

Reserve - Used for any deficiencies in the redemption account.

Depreciation - Used to restore deficiencies in the redemption and reserve accounts, and for

funding plant replacements.

Construction – Bond issue proceeds used only for the restricted construction project(s).

Replacement - Used for plant replacement.

The specific nature or source of these changes becomes more evident in the Statement of Revenues, Expenses and Changes in Net Position as shown in Tables 4 through 6.

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Revenues, Expenses, and Changes in Net Position provides an indication of the utilities' financial health.

Table 4
Condensed Statement of Revenues,
Expenses and Changes in Net Position Electric Utility

	2016	2015	2014	2016-2015 Change
Operating Revenues	\$ 15,116,204	\$ 15,057,028	\$ 15,603,989	\$ 59,176
Non-Operating Revenues	103,266	113,721	94,519	(10,455)
Total Revenues	15,219,470	15,170,749	15,698,508	48,721
Depreciation Expense	996,954	965,661	934,151	31,293
Other Operating Expense	13,329,607	13,261,410	13,770,271	68,197
Non-Operating Expenses	262,172	149,159	158,954	113,013
Total Expenses	14,588,733	14,376,230	14,863,376	212,503
Income Before Capital Contributions and Transfers	630,737	794,519	835,132	(163,782)
Capital Contributions	324,625	220,414	80,949	104,211
Capital Contribution - Municipal	269,901	-	-	269,901
Transfers - Tax Equivalent	(376,785)	(370,260)	(366,032)	(6,525)
Transfers	(21,213)	(23,455)	(19,212)	2,242
Changes in Net Position	827,265	621,218	530,837	206,047
Beginning Net Position	18,713,476	17,791,591	17,260,754	921,885
Cumulative Effect of Change in Accounting Principle		300,667		(300,667)
Total Net Position - Ending	\$ 19,540,741	\$ 18,713,476	\$ 17,791,591	\$ 827,265

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 5 Condensed Statement of Revenues, Expenses and Changes in Net Position Water Utility

				2016-2015
	2016	2015	2015 2014	
Operating Revenues	\$ 2,001,124	\$ 1,784,416	\$ 1,750,961	\$ 216,708
Non-Operating Revenues	27,981	8,608	2,118	19,373
Total Revenues	2,029,105	1,793,024	1,753,079	236,081
Depreciation Expense	428,084	408,632	390,653	19,452
Other Operating Expense	1,012,205	885,770	924,261	126,435
Non-Operating Expenses	126,093	87,136	84,281	38,957
Total Expenses	1,566,382	1,381,538	1,399,195	184,844
Income Before Capital				
Contributions and Transfers	462,723	411,486	353,884	51,237
Capital Contributions	756,373	501,276	26,500	255,097
Capital Contribution - Municipal	215,803	498,076	-	(282,273)
Transfers - Tax Equivalent	(387,855)	(363,249)	(352,700)	(24,606)
Transfers	(2,412)	(59)	(6,001)	(2,353)
Changes in Net Position	1,044,632	1,047,530	21,683	(2,898)
Beginning Net Position	12,708,736	11,550,727	11,529,044	1,158,009
Cumulative Effect of Change in				
Accounting Principle		110,479		(110,479)
Total Net Position - Ending	\$ 13,753,368	\$ 12,708,736	\$ 11,550,727	\$ 1,044,632

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

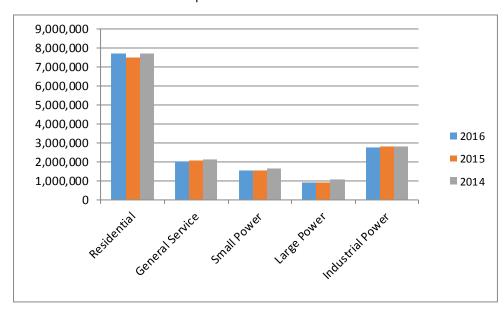
Table 6 Condensed Statement of Revenues, Expenses and Changes in Net Position Wastewater Utility

	2016	2015	2014	2016-2014 Change
Operating Revenues	\$ 2,036,002	\$ 2,037,835	\$ 2,050,885	\$ (1,833)
Non-Operating Revenues	2,485	9,863	11,559	(7,378)
Total Revenues	2,038,487	2,047,698	2,062,444	(9,211)
Depreciation Expense	796,285	777,150	726,884	19,135
Other Operating Expense	1,020,298	1,042,161	944,780	(21,863)
Non-Operating Expenses	147,663	156,284	105,611	(8,621)
Total Expenses	1,964,246	1,975,595	1,777,275	(11,349)
Income Before Capital				
Contributions and Transfers	74,241	72,103	285,169	2,138
Capital Contributions	846,838	647,528	37,600	199,310
Changes in Net Position	921,079	719,631	322,769	201,448
Beginning Net Position	15,714,005	14,876,176	14,553,407	837,829
Cumulative Effect of Change in				
Accounting Principle		118,198		(118,198)
Total Net Position - Ending	\$ 16,635,084	\$ 15,714,005	\$ 14,876,176	\$ 921,079

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



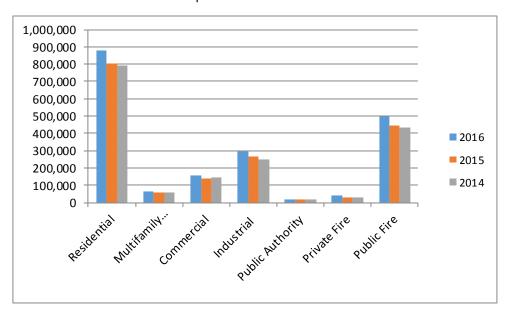
Electric sales increased by .50% in 2016. The increase is mainly due to a slight increase in electric consumption and the lingering effects of a .60% retail rate increase effective September 1, 2015.

	2016 2015		2015			2014	
Residential	\$	7,708,713	•	\$	7,467,797	\$	7,705,020
General Service		1,975,648			2,049,345		2,099,107
Small Power		1,509,874			1,548,289		1,618,430
Large Power		914,513			885,980		1,044,735
Industrial Power		2,742,903			2,814,381		2,805,130
Public Lighting		129,286	_		140,565		147,079
Total Electric Sales	\$	14,980,937		\$	14,906,357	\$	15,419,501

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



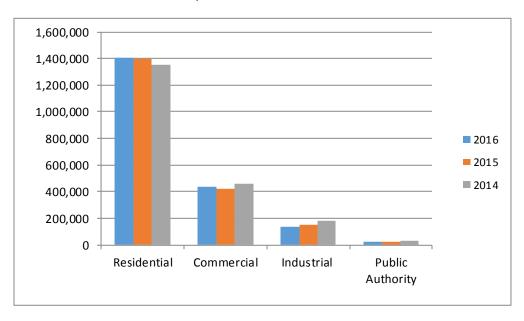
Sales increased by \$192,800 or 10.95% in 2016 mainly due to the implementation of a 13% retail rate adjustment effective May 1, 2016.

	2016		2015		2014
Residential	\$ 876,828	\$	805,271	\$	793,284
Multifamily Residential	65,660		56,463		59,595
Commercial	158,636		136,433		146,790
Industrial	296,674		268,342		251,139
Public Authority	18,747		18,485		16,738
Private Fire	38,842		29,373		28,385
Public Fire	498,439		446,666		432,068
	_	<u></u>	<u> </u>		_
Total Water Sales	\$ 1,953,826	\$	1,761,033	\$	1,727,999

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



The utility experienced a slight increase in revenues of \$5,200 or .26% in 2016 due to a slight increase in residential and commercial sales offset by a decrease in industrial sales.

2016 2015			2014		
\$	1,405,052	\$	1,399,906	\$	1,354,439
	434,528		417,257		456,341
	135,789		150,898		180,296
	23,174		25,331		26,590
		-			
\$	1,998,543	\$	1,993,392	\$	2,017,666
		\$ 1,405,052 434,528 135,789 23,174	434,528 135,789 23,174	\$ 1,405,052 \$ 1,399,906 434,528 417,257 135,789 150,898 23,174 25,331	\$ 1,405,052 \$ 1,399,906 \$ 434,528 417,257 135,789 150,898 23,174 25,331

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Table 7
Condensed Statements of Cash Flows
Electric Utility

	2016	 2015		2014	2016-2015 Change		
Cash Flows From:							
Operating activites	\$ 1,855,536	\$ 2,082,750	\$	1,665,622	\$	(227,214)	
Non-capital financing activities	(341,973)	(340,958)		(352,219)		(1,015)	
Capital and related financing							
activities	838,779	(1,147,670)		(1,200,647)		1,986,449	
Investing activities	30,632	 115,694		(289,421)		(85,062)	
Net Change in Cash and Cash Equivalents	2,382,974	709,816		(176,665)		1,673,158	
Cash and Cash Equivalents Beginning of Year	4,285,700	3,575,884		3,752,549		709,816	
Cash and Cash Equivalents End of Year	\$ 6,668,674	\$ 4,285,700	\$	3,575,884	\$	2,382,974	

The increase in cash and cash equivalents in 2016 is mainly the result of cash flows from normal operating activities and proceeds from long-term debt issued during 2016.

The increase in cash and cash equivalents in 2015 is a result of cash flows from normal operating activities and maturity of long-term investments during the year.

The electric utility's goal is to maintain unrestricted cash and cash equivalent balances to cover a minimum of 6 months of average operating expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8 Condensed Statements of Cash Flows Water Utility

	2016		2015		2014			016-2015 Change
Cash Flows From:								
Operating activites	\$	1,020,539	\$	940,902	\$	824,521	\$	79,637
Non-Capital financing activities		(359,016)		(343,995)		(367,821)		(15,021)
Capital and related financing								
activities		120,688		(738,915)		(819,346)		859,603
Investing activities		37,294		53,308		40,654		(16,014)
Net Change in Cash and Cash Equivalents		819,505		(88,700)		(321,992)		908,205
Cash and Cash Equivalents Beginning of Year		259,711		348,411		670,403		(88,700)
Cash and Cash Equivalents	Φ	4.070.040	c	050.744	Φ	240 444	Ф	040 505
End of Year	\$	1,079,216	\$	259,711	\$	348,411	\$	819,505

The water utility experienced an increase in cash and cash equivalents in 2016 resulting mainly from the 13% increase in retail rates effective May 1, 2016 and proceeds from long-term debt issued during 2016.

The water utility experienced a decrease in cash and cash equivalents of \$88,700 in 2015. The decrease was anticipated and is primarily due to the acquisition and construction of capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9 Condensed Statements of Cash Flows Wastewater Utility

	2016	2015 2014		2016-2015 Change		
Cash Flows From: Operating activites	\$ 1,067,230	\$	1,033,828	\$ 1,061,317	\$	33,402
Capital and related financing activities Investing activities	(1,052,534) (336,570)		(762,538) 35,624	 (504,963) 42,552		(289,996) (372,194)
Net Change in Cash and Cash Equivalents	(321,874)		306,914	598,906		(628,788)
Cash and Cash Equivalents Beginning of Year	2,355,598		2,048,684	 1,449,778		306,914
Cash and Cash Equivalents End of Year	\$ 2,033,724	\$	2,355,598	\$ 2,048,684	\$	(321,874)

The utility experienced a decrease in cash and cash equivalents in 2016 resulting mainly from increased purchases of long-term investments throughout the year.

The utility experienced an increase in cash and cash equivalents of \$306,914 in 2015. The increase is mainly due to a retail rate adjustment of 2.74% implemented on January 1, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10 Capital Assets – Electric Utility

	2016	2015 2014		2016-2015 Change
Capital Assets				
Transmission and distribution	\$ 24,173,466	\$ 23,013,424	\$ 22,522,693	\$ 1,160,042
General	4,116,528	4,109,843	4,396,696	6,685
Total Capital Assets	28,289,994	27,123,267	26,919,389	1,166,727
Less: Accumulated depreciation	(14,429,881)	(13,478,535)	(12,594,695)	(951,346)
Construction in progress	189,399	251,853	26,055	(62,454)
Net Capital Assets	\$ 14,049,512	\$ 13,896,585	\$ 14,350,749	\$ 152,927

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

Table 11 Capital Assets – Water Utility

	2016		2015		2014		2016-2015 Change		
Capital Assets									
Source of supply	\$	607,365	\$	607,365	\$	581,758	\$	-	
Pumping		1,489,440		1,468,519		1,461,653		20,921	
Water treatment		90,763		90,763		90,763		-	
Transmission and distribution		18,550,405		16,779,796		15,354,937		1,770,609	
General		1,241,535		1,248,562		1,208,737		(7,027)	
Total Capital Assets		21,979,508		20,195,005		18,697,848		1,784,503	
Less: Accumulated depreciation		(6,778,559)		(6,402,633)		(5,981,157)		(375,926)	
Construction in progress		80,638		106,478		30,627		(25,840)	
Net Capital Assets	\$	15,281,587	\$	13,898,850	\$	12,747,318	\$	1,382,737	

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016 and 2015

UTILITY FINANCIAL ANALYSIS (cont.)

		ble 12 - Wastewater Uti	litv	
	2016	2016-2015 Change		
Conital Assets			2014	
Capital Assets	\$ 11.214.653	<u></u> ተ	\$ 9.360.156	Ф 0E0 046
Collection system	+ , ,	\$ 10,363,837	+ -,,	\$ 850,816
Collection system pumping	733,519	401,065	401,065	332,454
Treatment and disposal	15,554,351	15,554,351	15,550,149	-
General	1,376,617	1,314,953	1,308,895	61,664
Total Capital Assets	28,879,140	27,634,206	26,620,265	1,244,934
Less: Accumulated depreciation	(10,250,053)	(9,483,326)	(8,727,985)	(766,727)
Construction in progress	94,791	61,100	38,856	33,691
Net Capital Assets	\$ 18,723,878	\$ 18,211,980	\$ 17,931,136	\$ 511,898

LONG-TERM DEBT

As of December 31, 2016, the electric utility had total mortgage revenue bond debt outstanding of \$6,250,000 payable from and secured by a pledge of income and revenue to be derived from the operation of the electric utility. These issues were issued for electric system improvements, the construction of new substation, an east substation transformer, and costs associated with the implementation of automated meter reading (AMR).

As of December 31, 2016, the water utility had total mortgage revenue bond debt outstanding of \$2,943,424 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility and \$474,000 of general obligation bonds. These issues were primarily for additions and improvements to the water system, street improvement projects, AMR implementation and a new tower.

The wastewater utility had \$5,158,363 of clean water fund loans and \$316,000 of general obligation bonds outstanding as of December 31, 2016. These bonds were issued for a sewer main extension to 5 customers, a series of wastewater treatment plant upgrade and expansion projects, and an electrical upgrade in 2014.

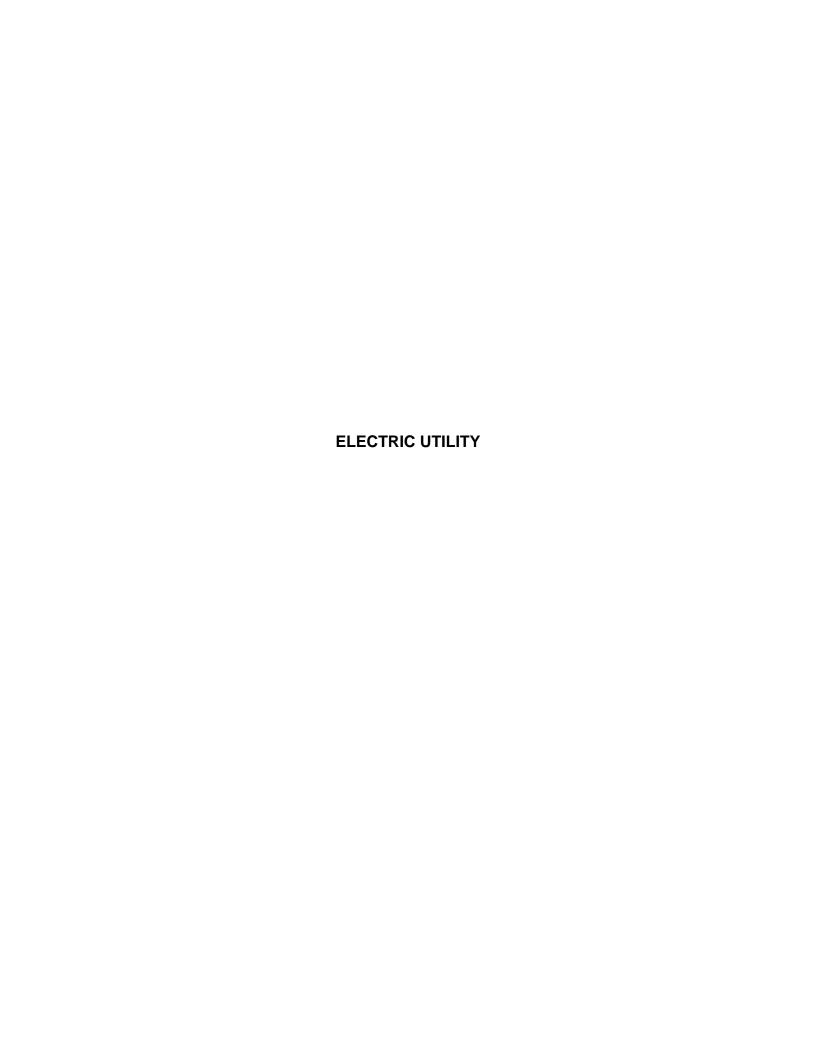
Tables of separate bond issues are included in note 6 of this audit report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016 and 2015

CONTACTING UTILITY MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact Jamin Friedl, CPA, Finance and Administrative Manager, Stoughton Utilities, 600 South Fourth Street, P.O. Box 383, Stoughton, WI 53589.

General information relating to the Stoughton Utilities can be found at the utilities' web site at www.stoughtonutilities.com.



STOUGHTON ELECTRIC UTILITY

STATEMENTS OF NET POSITION As of December 31, 2016 and 2015

ASSETS		2016		2015
CURRENT ASSETS	•	0.0=4.444	•	0.400.000
Cash and investments	\$	6,951,441	\$	6,493,536
Interest receivable		49,995		22,562
Restricted Assets				
Redemption account		486,538		408,357
Customer accounts receivable		1,526,861		1,449,831
Other accounts receivable		161,218		205,779
Due from municipality		15,289		6,652
Materials and supplies		163,294		129,405
Prepayments		3,276		2,535
Current portion of advance	_	39,190		37,088
Total Current Assets	_	9,397,102	_	8,755,745
NONCURRENT ASSETS				
Restricted Assets				
Reserve account		649,338		649,338
Depreciation account		25,000		25,000
Construction account		1,840,074		, -
Net pension asset		-		150,770
Other Assets				
Electric plant and maintenance reserve account		508,914		507,821
Sick leave reserve account		171,811		170,083
Advances to other funds		337,463		376,653
Investment in ATC		361,850		336,026
Property held for future use		352,664		352,664
Non-utility property, net		17,953		17,953
Capital Assets				
Plant in service		28,289,994		27,123,265
Accumulated depreciation		(14,429,881)		(13,478,535)
Construction work in progress		189,399		251,853
Total Noncurrent Assets		18,314,579		16,482,891
Total Assets		27,711,681		25,238,636
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	_	<u>575,914</u>		<u> 158,933</u>

LIABILITIES		2016		2015
CURRENT LIABILITIES	•	4 000 707	•	4 000 00=
Accounts payable	\$	1,068,767	\$	1,099,327
Due to municipality		462,554		409,561
Customer deposits		106,064		97,350
Accrued wages		2,973		6,919
Accrued interest		2,005		1,640
Accrued liabilities		102,073		103,131
Commitment to Community		26,651		26,088
Current Liabilities Payable from Restricted Assets		040.000		400.000
Current portion of revenue bonds Accrued interest		610,000		490,000
Total Current Liabilities	_	70,648	_	34,681
Total Current Liabilities	_	<u>2,451,735</u>	_	2,268,697
NONCURRENT LIABILITIES				
Revenue bonds		5,640,000		3,970,000
Unamortized debt premium		131,571		48,863
Accrued sick leave		171,811		170,083
Customer advances for construction		27,141		225,387
Net pension liability		103,350		225,507
Total Noncurrent Liabilities	_	6,073,873	_	4,414,333
Total Notice Parities		0,010,010		1,111,000
Total Liabilities		8,525,608		6,683,030
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension		221,246		1,063
NET POSITION				
Net investment in capital assets		9,860,679		9,740,384
Restricted for:		-,,		-,,
Debt service		1,090,228		1,048,014
Pension		-		150,770
Unrestricted		8,589,834		7,774,308
TOTAL NET POSITION	\$	19,540,741	\$	18,713,476

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2016 and 2015

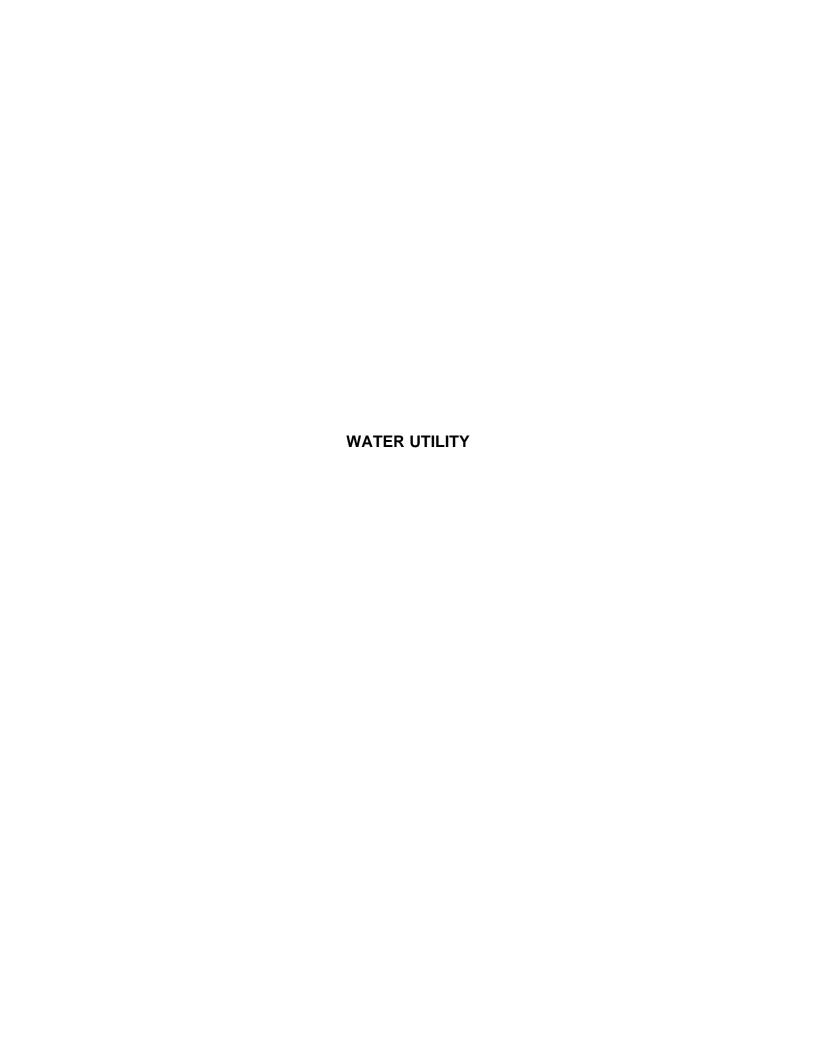
OPERATING REVENUES Sales of electricity Other Total Operating Revenues	2016 \$ 14,980,937	2015 \$ 14,906,357
OPERATING EXPENSES Operation and maintenance Depreciation Total Operating Expenses	13,329,607 <u>996,954</u> 14,326,561	13,261,410 <u>965,661</u> 14,227,071
OPERATING INCOME	<u>789,643</u>	829,957
NONOPERATING REVENUES (EXPENSES) Investment income Debt issuance costs Interest expense Amortization of premium Miscellaneous expenses Total Nonoperating Revenues (Expenses) Income Before Contributions and Transfers CAPITAL CONTRIBUTIONS CAPITAL CONTRIBUTIONS - MUNICIPAL TRANSFER IN (OUT) TRANSFERS - TAX EQUIVALENT	92,308 (110,140) (148,952) 10,958 (3,080) (158,906) 630,737 324,625 269,901 (21,213) (376,785)	101,749 (142,393) 11,972 (6,766) (35,438) 794,519 220,414 (23,455) (370,260)
TRANSFERS - TAX EQUIVALENT	(370,785)	(370,200)
CHANGE IN NET POSITION	827,265	621,218
NET POSITION - Beginning of Year	18,713,476	17,791,591
Cumulative effect of a change in accounting principle		300,667
NET POSITION - END OF YEAR	\$ 19,540,741	\$ 18,713,476

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

		_
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 14,973,046	\$ 15,288,234
Received for street lighting	129,286	132,627
Paid to suppliers for goods and services	(12,486,322)	(12,517,485)
Paid to employees for operating payroll	<u>(760,474)</u>	(820,626)
Net Cash Flows From Operating Activities	<u>1,855,536</u>	2,082,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(370,260)	(366,032)
Received from municipality principal on Wisconsin Retirement	37,088	35,065
UAAL liability	01,000	33,333
Received from municipality interest on Wisconsin Retirement	12,412	13,464
UAAL liability	,	,
Transfers to other funds	(21,213)	(23,455)
Net Cash Flows From Noncapital Financing Activities	(341,973)	(340,958)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING		
ACTIVITIES	(4.400.007)	(700, 400)
Acquisition and construction of capital assets	(1,196,807)	(793,426)
Received from the sale of capital assets Capital contributions received	274 600	6,148 265,332
Premium on debt issue	374,680 93,666	200,332
Debt retired	(2,215,000)	(480,000)
Interest paid	(112,620)	(145,724)
Proceeds from debt issue	4,005,000	(145,724)
Debt issuance costs	(110,140)	_
Net Cash Flows From Capital and Related Financing	838,779	(1,147,670)
Activities		
CASH FLOWS FROM INVESTING ACTIVITIES	(4.000.705)	(070 000)
Investments purchased	(1,926,705)	(976,900)
Investments sold and matured	1,893,138	1,027,522
Dividends/(Investment) in ATC Investment income	15,064	18,082
Net Cash Flows From Investing Activities	49,135 30,632	46,990 115,694
Net Cash Flows From investing Activities	30,032	115,094
Net Change in Cash and Cash Equivalents	2,382,974	709,816
CASH AND CASH EQUIVALENTS - Beginning of Year	4,285,700	3,575,884
CACH AND CACH FOUNTALENTS. FND OF VEAD	Φ 0.000.074	¢ 4.005.700
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,668,674</u>	<u>\$ 4,285,700</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
ATC earnings allocated	<u>\$ 10,016</u>	\$ 18,900
Unrealized gain (loss) on investments	\$ (37,560)	\$ (29,432)
Capital Contribution	\$ -	
Capital Continuution	<u>Ψ -</u>	<u>\$ 94,320</u>

		2016		2015
RECONCILIATION OF OPERATING INCOME TO NET CASH				
FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$	789,643	\$	829,957
Nonoperating revenue (expense)		(3,080)		(3,106)
Noncash items in operating income				
Depreciation		996,954		965,661
Depreciation charged to clearing and other utilities		45,600		39,600
Changes in assets and liabilities				
Customer accounts receivable		(77,030)		302,140
Other accounts receivable		66,161		96,244
Due from other funds		(8,637)		6,677
Materials and supplies		(33,889)		686
Prepayments		(741)		383
Pension related deferrals and liabilities		57,322		(7,973)
Accounts payable		(29,236)		(106,421)
Due to other funds		46,468		1,408
Customer deposits		8,714		(38,122)
Accrued sick leave		1,728		3,210
Other current liabilities		(5,004)		(2,630)
Commitment to community		<u>563</u>		(4,964)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$	1,855,536	<u>\$</u>	2,082,750
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO				
STATEMENTS OF NET POSITION ACCOUNTS				
Cash and investments	\$	6,951,441	\$	6,493,536
Redemption account	•	486,538	•	408,357
Reserve account		649,338		649,338
Depreciation account		25,000		25,000
Construction account		1,840,074		-
Electric plant and maintenance reserve account		508,914		507,821
Sick leave reserve account		171,811		170,083
Total Cash and Investments	-	10,633,116		8,254,135
Less: Noncash equivalents		(3,964,442)	_	(3,968,435)
CASH AND CASH EQUIVALENTS	\$	6,668,674	\$	4,285,700



STOUGHTON WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2016 and 2015

ASSETS		2016		2015
CURRENT ASSETS	_		_	
Cash and investments	\$	412,856	\$	130,189
Interest receivable		3,858		665
Restricted Assets				
Redemption account		267,550		129,523
Customer accounts receivable		198,827		167,110
Other accounts receivable		38,421		19,662
Due from municipality		70,394		2,419
Materials and supplies		34,812		29,831
Prepayments		828		551
Current portion of special assessments		50,103		50,103
Total Current Assets		1,077,649		530,053
NONCURRENT ASSETS				
Restricted Assets				
Reserve account		244,677		244,677
Depreciation account		25,000		25,000
Construction account		213,127		-
Net pension asset		-		55,400
Other Assets				
Water plant and maintenance reserve account		328,378		176,688
Sick leave reserve account		96,587		93,082
Special assessments receivable		400,824		450,927
Non-utility property, net		30,638		34,918
Capital Assets				
Plant in service		21,979,508		20,195,005
Accumulated depreciation		(6,778,559)		(6,402,633)
Construction work in progress		80,638		106,478
Total Noncurrent Assets		16,620,818		14,979,542
Total Assets		17,698,467		<u>15,509,595</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension		206,806		57,424

LIABILITIES		2016		2015
CURRENT LIABILITIES	•	75 470	•	70 500
Accounts payable	\$	75,473	\$	73,563
Due to municipality Customer deposits		403,264		372,013 1,615
Accrued wages		8,515		4,486
Accrued interest		2,423		3,875
Current portion of general obligation debt		51,000		48,000
Current Liabilities Payable from Restricted Assets		01,000		.0,000
Current portion of revenue bonds		322,677		176,958
Accrued interest		8,230		11,878
Total Current Liabilities		871,582		692,388
NONCURRENT LIABILITIES				
General obligation debt		423,000		474,000
Revenue bonds		2,620,747		1,598,423
Unamortized debt premium Accrued sick leave		35,638 86,587		93,082
Net pension liability		36,404		93,062
Total Noncurrent Liabilities		3,202,376		2,165,505
Total Worldarient Elabinates	-	0,202,070		2,100,000
Total Liabilities		4,073,958		2,857,893
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension		77,947		390
Zoronou minono rolatou to ponoron		,		
NET POSITION				
Net investment in capital assets	1	12,041,652		11,601,469
Restricted for:				
Debt service		528,997		387,322
Pension		- 4 400 740		55,400
Unrestricted		<u>1,182,719</u>	_	<u>664,545</u>
TOTAL NET POSITION	<u>\$ 1</u>	13,753,368	\$	12,708,736

STOUGHTON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2016 and 2015

OPERATING REVENUES Sales of water	<u>2016</u> \$ 1,953,826	<u>2015</u> \$ 1,761,033
Other Total Operating Revenues	<u>47,298</u> <u>2,001,124</u>	23,383 1,784,416
OPERATING EXPENSES		
Operation and maintenance	1,012,205	885,770
Depreciation	428,084	408,632
Total Operating Expenses	1,440,289	1,294,402
OPERATING INCOME	560,835	490,014
NONOPERATING REVENUES (EXPENSES)		
Investment income	25,029	8,608
Interest expense	(74,001)	(76,423)
Amortization of premium	2,952	-
Miscellaneous expenses	(4,280)	(4,280)
Debt issuance costs	<u>(47,812</u>)	(6,433)
Total Nonoperating Revenues (Expenses)	(98,112)	(78,528)
Income Before Contributions	462,723	411,486
CAPITAL CONTRIBUTIONS	756,373	501,276
CAPITAL CONTRIBUTIONS - MUNICIPAL	215,803	498,076
TRANSFER IN (OUT)	(2,412)	(59)
TRANSFERS - TAX EQUIVALENT	(387,855)	(363,249)
CHANGE IN NET POSITION	1,044,632	1,047,530
NET POSITION - Beginning of Year	12,708,736	11,550,727
Cumulative effect of a change in accounting principle		110,479
NET POSITION - END OF YEAR	\$ 13,753,368	\$ 12,708,736

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

CASH FLOWS FROM OPERATING ACTIVITIES Received from customers Paid to suppliers for goods and services Paid to employees for operating payroll Net Cash Flows From Operating Activities	2016 \$ 2,000,726 (600,919) (379,268) 1,020,539	2015 \$ 1,803,916 (541,844) (321,170) 940,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES Paid to municipality for tax equivalent Transfers to other funds Net Cash Flows From Noncapital Financing Activities	(356,604) (2,412) (359,016)	(343,936) (59) (343,995)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Acquisition and construction of capital assets Capital contributions received Premium on debt issue Debt retired Interest paid Proceeds from debt issue Debt issuance costs Net Cash Flows From Capital and Related Financing	(1,497,384) 586,352 38,590 (1,399,957) (79,101) 2,520,000 (47,812) 120,688	(1,057,693) 22,311 - (151,257) (74,276) 522,000 (738,915)
Activities CASH FLOWS FROM INVESTING ACTIVITIES Investments purchased Investments sold and matured Investment income Net Cash Flows From Investing Activities Net Change in Cash and Cash Equivalents	(200,000) 222,122 15,172 37,294 819,505	(399,392) 442,818 <u>9,882</u> 53,308 (88,700)
CASH AND CASH EQUIVALENTS - Beginning of Year CASH AND CASH EQUIVALENTS - END OF YEAR	259,711 \$ 1,079,216	348,411 \$ 259,711
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital costs special assessed to customers Capital contributions Unrealized gain (loss) on investments	\$ <u>-</u> \$ 352,096 \$ (8,367)	\$ 501,030 \$ 476,011 \$ (2,007)

		2016		2015	
RECONCILIATION OF OPERATING INCOME TO NET CASH		2010		2010	
FLOWS FROM OPERATING ACTIVITIES					
Operating income	\$	560,835	\$	490,014	
Nonoperating revenue (expense)		-		(6,434)	
Noncash items in operating income				,	
Depreciation		428,084		408,632	
Depreciation charged to clearing and other utilities		31,606		31,875	
Changes in assets and liabilities					
Customer accounts receivable		(31,717)		22,728	
Other accounts receivable		14,969		(13,740)	
Due from other funds		(2,841)		(2,419)	
Materials and supplies		(4,981)		4,766	
Prepayments		(277)		147	
Pension related deferrals and liabilities		19,979		(1,955)	
Accounts payable		8,963		8,302	
Customer deposits		(1,615)		(118)	
Accrued wages		4,029		(10,547)	
Accrued sick leave		(6,495)		9,651	
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$</u>	1,020,539	<u>\$</u>	940,902	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS					
Cash and investments	\$	412,856	\$	130,189	
Redemption account		267,550		129,523	
Reserve account		244,677		244,677	
Depreciation account		25,000		25,000	
Construction account		213,127		-	
Water plant and maintenance reserve account		328,378		176,688	
Sick leave reserve account		96,587		93,082	
Total Cash and Investments		1,588,175		799,159	
Less: Noncash equivalents	_	<u>(508,959</u>)		(539,448)	
CASH AND CASH EQUIVALENTS	\$	1,079,216	\$	259,711	



STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2016 and 2015

ASSETS		2016		2015
CURRENT ASSETS				
Cash and investments	\$	1,333,682	\$	1,377,187
Interest receivable		1,921		1,609
Restricted Assets				
Redemption account		365,599		296,992
Customer accounts receivable		205,564		191,564
Other accounts receivable		6,718		8,389
Due from municipality		49,361		3,023
Prepayments		1,035		701
Current portion of special assessments	_	34,359	_	34,359
Total Current Assets	_	1,998,239		1,913,824
NONCURRENT ASSETS				
Restricted Assets				
Depreciation account		33,283		33,283
Replacement account		1,096,288		1,129,917
Construction account		123		123
Net pension asset		-		59,271
Other Assets				00,=: :
Sick leave reserve account		120,910		105,822
Special assessments receivable		274,874		309,233
Capital Assets		,		,
Plant in service		28,879,140		27,634,206
Accumulated depreciation	(10,250,053)		(9,483,326)
Construction work in progress		94,791		61,100
Total Noncurrent Assets		<u>20,249,356</u>		19,849,629
Total Assets		<u>22,247,595</u>		21,763,453
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension		227.166		62.601
Deterred editions related to periolon		221,100		02,001

LIABILITIES		2016		2015
CURRENT LIABILITIES				
Accounts payable	\$	66,855	\$	53,138
Due to municipality		9,073		5,843
Accrued wages		15,881		10,896
Accrued interest		1,615		2,584
Current portion of general obligation debt		34,000		32,000
Current Liabilities Payable from Restricted Assets		440.005		400.000
Current portion of revenue bonds		413,395		402,390
Accrued interest		22,761	_	<u>24,595</u>
Total Current Liabilities		<u>563,580</u>		<u>531,446</u>
NONCURRENT LIABILITIES				
General obligation debt		282,000		316,000
Revenue bonds		4,744,968		5,158,363
Accrued sick leave		120,910		105,822
Net pension liability		40,825		-
Total Noncurrent Liabilities		5,188,703		5,580,185
Total Liabilities		5,752,283		<u>6,111,631</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension		87,394		418
NET POSITION				
Net investment in capital assets	1	13,249,638		12,303,350
Restricted for:		10,210,000		12,000,000
Debt service		376,121		305,680
Equipment replacement		1,096,288		1,129,917
Pension		-		59,271
Unrestricted		1,913,037		1,915,787
TOTAL NET DOCITION	¢ 1	16,635,084	•	1 <u>5,714,005</u>
TOTAL NET POSITION	Ψ	10,000,004	Ψ	10,1 17,000

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2016 and 2015

OPERATING REVENUES Treatment charges Other Total Operating Revenues	2016 \$ 1,998,543 37,459 2,036,002	2015 \$ 1,993,392 44,443 2,037,835
OPERATING EXPENSES Operation and maintenance Depreciation Total Operating Expenses	1,020,298 <u>796,285</u> 1,816,583	1,042,161 <u>777,150</u> 1,819,311
OPERATING INCOME	<u>219,419</u>	<u>218,524</u>
NONOPERATING REVENUES (EXPENSES) Investment income Interest expense Debt issuance costs Total Nonoperating Revenues (Expenses)	2,485 (147,663) —	9,863 (151,995) (4,289) (146,421)
Income Before Contributions	74,241	72,103
CAPITAL CONTRIBUTIONS CAPITAL CONTRIBUTIONS - MUNICIPAL	660,959 185,879	328,994 318,534
CHANGE IN NET POSITION	921,079	719,631
NET POSITION - Beginning of Year	15,714,005	14,876,176
Cumulative effect of a change in accounting principle	_	118,198
NET POSITION - END OF YEAR	<u>\$ 16,635,084</u>	<u>\$ 15,714,005</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

CASH FLOWS FROM OPERATING ACTIVITIES Received from customers Paid to suppliers for goods and services Paid to employees for operating payroll Net Cash Flows From Operating Activities	2016 \$ 2,027,899 (579,463) (381,206) 1,067,230	2015 \$ 2,056,686 (648,839) (374,019) 1,033,828
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Acquisition and construction of capital assets Capital contributions received Debt retired Interest paid Proceeds from debt issue Net Cash Flows From Capital and Related Financing Activities	(745,230) 277,552 (434,390) (150,466) ———————————————————————————————————	(827,288) - (391,680) (149,710) <u>606,140</u> (762,538)
CASH FLOWS FROM INVESTING ACTIVITIES Investments purchased Investments sold and matured Investment income Net Cash Flows From Investing Activities Net Change in Cash and Cash Equivalents	(825,095) 469,943 18,582 (336,570) (321,874)	(447,009) 472,918 9,715 35,624 306,914
CASH AND CASH EQUIVALENTS - Beginning of Year CASH AND CASH EQUIVALENTS - END OF YEAR	<u>2,355,598</u> <u>\$ 2,033,724</u>	2,048,684 \$ 2,355,598
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital costs special assessed to customers Unrealized gain (loss) on investments Capital Contributions	\$ <u>-</u> \$ (26,717) \$ 563,389	\$ 343,592 \$ (1,111) \$ 303,936

RECONCILIATION OF OPERATING INCOME TO NET CASH	_	2016		2015
FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$	219,419	\$	218,524
Nonoperating revenue (expense)	*		*	(4,289)
Noncash items in operating income				(,,
Depreciation		796,285		777,150
Changes in assets and liabilities				
Customer accounts receivable		(14,000)		20,126
Other accounts receivable		7,568		6,037
Due from municipality		1,559		2,820
Prepayments		(334)		171
Pension related deferrals and liabilities		22,507		(3,256)
Accounts payable		14,153		7,502
Accrued sick leave		15,088		14,817
Other current liabilities	_	<u>4,985</u>		<u>(5,774</u>)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$	1,067,230	\$	1,033,828
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS				
Cash and investments	\$	1,333,682	\$	1,377,187
Redemption account	φ	365,599	φ	296,992
Depreciation account		33,283		33,283
Replacement account		1,096,288		1,129,917
Construction account		123		123
Sick leave reserve account		120,910		105,822
Total Cash and Investments		2,949,885		2,943,324
Less: Noncash equivalents	_	<u>(916,161</u>)		(587,726)
CASH AND CASH EQUIVALENTS	\$	2,033,724	\$	2,355,598

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stoughton Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utilities are described below.

REPORTING ENTITY

The utilities are separate enterprise funds of the City of Stoughton (municipality). The utilities were managed by a utilities committee. The utilities provide electric, water, and wastewater service to properties within the municipality. The utilities also provide electric service to the Townships of Dunkirk, Dunn, Pleasant Springs, Porter and Rutland.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The wastewater utility operates under rules and rates established by the utilities committee. The utilities are also regulated by the Wisconsin Department of Natural Resources.

MEASUREMENT FOCUS. BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The utilities are presented as enterprise funds of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In February 2015, the GASB issued statement No. 72 - Fair Value Measurement and Application. The statement addresses accounting and financial reporting issues to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash, and cash equivalents have original maturities of three months or less from the date of acquisition.

Investment of the utilities' funds were restricted by state statutes. Investments are limited to:

- > Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- > Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- > Bonds or securities issued or guaranteed by the federal government.
- > The local government investment pool.
- > Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- > Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- > Repurchase agreements with public depositories, with certain conditions.

The utilities have adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Transactions between the utilities and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utilities and other funds of the municipality are reported as due to/from other funds.

The utilities have the right under Wisconsin statutes to place delinquent electric, water, and wastewater bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

Materials and Supplies

Materials and supplies are generally used for construction, operation, and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (cont.)

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Investment in American Transmission Company (ATC)

The electric utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility owns less than 1/2 of 1% of ATC.

The investment earns dividends quarterly, some of which is paid in cash and some of which is required to be reinvested. From time to time, the utility has the option to contribute additional funds to maintain their proportionate share of ownership. The investment is valued at net asset value per share which is equal to the original cost plus additional contributions and reinvested dividends and approximates fair value.

Sick Leave Reserve Account

Upon retirement, these funds are used for insurance coverage for utility employees.

Plant and Maintenance Reserve Account

These accounts are utilized to segregate funds for the future repairs and replacements of electric and water utility capital assets as designated by the committee.

Special Assessments Receivable

This account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually.

Non-Utility Property

Electric utility non-utility property consists of the city dam with a balance of \$84,212 and leasehold rental property with a balance of \$91,458 at December 31, 2016 and 2015. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2016 and 2015. The costs are being amortized on a straight-line basis over their useful life.

Capital Assets

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (cont.)

Capital Assets (cont.)

Capital assets of the utilities are recorded at cost or the estimated acquisition value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	Years
Electric Plant	
Transmission	33
Distribution	25 - 54
General	5 - 30
Water Plant	
Source of supply	34
Pumping	23 - 31
Water treatment	30 - 31
Transmission and distribution	18 - 77
General	4 - 34
Wastewater Plant	
Collecting system	100
Collecting system pumping	25 - 50
Treatment and disposal	15 - 40
General	5 - 20

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Accrued Vacation and Sick Leave

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (cont.)

Customer Advances for Construction

The balance represents fees collected for future capital improvements. The fees may be refundable based on rules filed with the PSCW or statutory requirements.

Commitment to Community

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the program so net collections and expenditures/remittances associated with the program are recorded as a current liability on the statements of net position.

Customer Deposits

This account represents amounts deposited with the utilities by customers as security for payment of bills.

Accrued liabilities

The balance represents collections of various payroll and sales taxes due to the state and federal government.

Long-Term Obligations

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position.

REVENUES AND EXPENSES

The utilities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise 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 nonoperating revenues and expenses.

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The utilities do accrue revenues beyond billing dates.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES (cont.)

Charges for Services (cont.)

Current electric rates were approved by the PSCW on September 1, 2015. The rates are designed to provide a 5.1% return on rate base.

Current water rates were approved by the PSCW effective May 1, 2016. The rates are designed to earn a 5.25% return on rate base.

Current wastewater rates were approved by the utilities committee effective January 1, 2015.

Capital Contributions

Cash and capital assets are contributed to the utilities from customers, the municipality, or external parties. The value of property contributed to the utilities were reported as revenue on the statements of revenues, expenses, and changes in net position.

Transfers

Transfers include the payment in lieu of taxes to the municipality and other operating transfers.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14, Statement No. 81, Irrevocable Split-Interest Agreements, and Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

		Carrying Value as of December 31,			
		2016	_	2015	Risks
Checking or savings Local government investment pool	•	8,664,392 1,119,688	\$	6,065,386 834,873	Custodial credit risk Credit and interest rate risks
Negotiable certificates of deposit		2,643,412		3,146,931	Custodial credit, credit, concentration, and interest rate risks
State and local bonds		1,029,196		-	Custodial credit, credit, concentration and interest rate risks
U.S. agency securities		1,713,738		1,948,678	Custodial credit, credit, concentration and interest rate risks
Petty cash		750		750	Tate Holle
Totals	<u>\$ 1</u>	<u>5,171,176</u>	\$	11,996,618	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

The utilities may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utilities alone. Therefore, coverage for the utilities may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

\$500,000 of the utilities' investments have coverage from the Securities Investor Protection Corporation (SIPC).

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$4,848,162 and \$2,514,834 at December 31, 2016 and 2015 respectively.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016 and 2015, the fair value of the LGIP's assets were substantially equal to the utilities' share.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Fair Value Measurements

The utilities categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The utilities value the fair value measurements using the market approach.

		Decembe	er 31, 2016			er 31, 2015		
Investment Type	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Certificates of deposit U.S. agency securities State and local bonds	\$ - -	\$ 2,643,412 1,713,738 1,029,196	\$ - -	\$ 2,643,412 1,713,738 1,029,196	\$ - -	\$ 3,146,931 1,948,678	\$ - -	\$ 3,146,931 1,948,678
Total	<u>\$</u>	\$ 5,386,346	<u>\$</u>	\$ 5,386,346	\$ -	\$ 5,095,609	<u>\$</u>	\$ 5,095,609

The investment in ATC is measured at the net asset value (NAV) per share of ownership. As of December 31, 2016 and 2015 the fair value of the investment was \$361,850 and \$336,026, respectively. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility elected to receive an investment in ATC at its inception rather than directly sell its transmission facilities. The utility owns less than 1/2 of 1 percent of ATC. The utility has no unfunded commitment at year end. The investment in ATC can only be redeemed by ATC or another existing member.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the utilities' deposits may not be returned to the utilities.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

The utilities maintain certain deposits in the same institutions as the municipality. The custodial credit risk pertaining specifically to the utilities' resources at these institutions cannot be determined individually for those accounts. The following is a summary of the utilities' total deposit balances at these institutions.

	 2016				2015			
	Bank Balance		Carrying Value		Bank Balance		Carrying Value	
Wells Fargo Wells Fargo Brokerage Associated Bank USB Financial Services	\$ 5,228,864 928 3,554,084 1,250	\$	5,108,339 928 3,553,875 1,250	\$	3,495,891 928 2,798,702	\$	3,265,756 928 2,798,702	
Totals	\$ 8,785,126	\$	8,664,392	\$	6,295,521	\$	6,065,386	

The utilities' investment policy does not address this risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2016 and 2015 the utilities' investments were exposed to custodial credit risk as follows:

Neither Insured nor Registered and Held by Counterparty		2016		2015
U.S. agencies - implicitly guaranteed	\$	1,713,738	\$	1,948,678
State and local bonds	_	1,029,196	_	
Total Neither Insured nor Registered and Held by Counterparty	\$	2,742,934	\$	1,948,678

The utilities' investment policy does not address this risk.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2016, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. agencies - implicitly guaranteed State and local bonds Negotiable certificates of deposit	AAA AA not rated	Aa Aa1 - Aa2

As of December 31, 2015, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. agencies - implicitly guaranteed Negotiable certificates of deposit	AAA not rated	Aa

The utilities held investments in the Local Government Investment Pool which is an external pool that is not rated.

The utilities' investment policy follows state statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2016 and 2015, the utilities' investment portfolio was concentrated as follows:

		Percentage of Portfolio		
lssuer	Investment Type	2016	2015	
Ginnie Mae	U.S. agencies - implicitly guaranteed	8.78%	15.89%	
FHLMC	U.S. agencies - implicitly guaranteed	7.65%	10.22%	
FHLB	U.S. agencies - implicitly guaranteed	6.09%	6.75%	
State of Wisconsin	State and local bonds	10.30%	-%	
Arkansas State	State and local bonds	5.51%	-%	

The utilities' investment policy does not address this risk.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2016, the utilities' investments were as follows:

Investment Type	Maturity (In Years)						
	Fair Value	Less than 1	1 - 3	3 or more			
U.S. agencies - implicitly guaranteed State and local bonds Negotiable certificates of deposit	\$ 1,713,738 1,029,196 2,643,412	\$ - - 682,461	\$ - - 1,960,951	\$ 1,713,738 1,029,196			
Totals	\$ 5,386,346	\$ 682,461	<u>\$ 1,960,951</u>	\$ 2,742,934			

As of December 31, 2015, the utilities' investments were as follows:

Investment Type	Fair Value	Less than 1	1 - 3	3 or more
U.S. agencies - implicitly guaranteed Negotiable Certificates of Deposit	\$ 1,948,678 3,146,931	\$ - 1,986,925	\$ - 1,160,006	\$ 1,948,678
Totals	\$ 5,095,609	\$ 1,986,925	<u>\$ 1,160,006</u>	\$ 1,948,678

The utilities maintain certain investments commingled with the municipality. The interest rate risk pertaining specifically to the utilities' resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on this risk.

The utilities' investment policy does not address this risk.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2016 and 2015:

			2016		2015
Due To	Due From	Amount	Principal Purpose	Amount	Principal Purpose
	•				
Municipality	Water utility	\$ 387,855	Payment in lieu of taxes	\$ 363,249	Payment in lieu of taxes
Municipality	Water utility	15,409	Operating	8,764	Operating
Electric utility	Municipality	15,289	Operating	6,652	Operating
Water utility	Municipality	70,394	Operating and special assessments	2,419	Operating
Wastewater utility	Municipality	49,361	Operating and special assessments	3,023	Operating
Municipality	Electric utility	85,769	Stormwater	39,301	Stormwater
Municipality	Electric utility	376,785	Payment in lieu of taxes	370,260	Payment in lieu of taxes
Municipality	Wastewater utility	9,073	Operating	5,843	Operating

The following is a schedule of transfer balances for the years ending December 31, 2016 and 2015:

			2016				2015
To	From	_	Amount	Principal Purpose		Amount	Principal Purpose
Municipality	Electric utility	\$	21,213	Operating	\$	23,455	Operating
Municipality	Electric utility		376,785	Payment in lieu of taxes		370,260	Payment in lieu of taxes
Municipality	Water utility		2,412	Operating		59	Operating
Municipality	Water utility		387,855	Payment in lieu of taxes		363,249	Payment in lieu of taxes

NOTE 4 - RESTRICTED ASSETS

Restricted Accounts

Certain proceeds of the utilities' debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Accounts (cont.)

Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the

redemption account.

Construction - Used to report debt proceeds restricted for use in construction.

Replacement Account

As a condition of receiving state and federal funds for wastewater plant construction, the utilities have established an account for replacement of certain mechanical equipment.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Restricted Net Position

The following calculation supports the amount of electric restricted net position:

		2016		2015
Restricted Assets				
Redemption account	\$	486,538	\$	408,357
Reserve account		649,338		649,338
Depreciation account		25,000		25,000
Construction account		1,840,074		-
Net pension asset				150,770
Total Restricted Assets	_	3,000,950	_	1,233,465
Less: Restricted Assets Not Funded by Revenues				
Construction account	_	(1,840,074)	_	<u>-</u>
Current Liabilities Payable From Restricted Assets		(70,648)	_	(34,681)
Total Restricted Net Position as Calculated	\$	1,090,228	\$	1,198,784
The purpose of the restricted net position is as follows:				
		2016	_	2015
Debt service	\$	1,090,228	\$	1,048,014
Pension		<u> </u>		150,770
Totals	\$	1,090,228	\$	1,198,784
			_	

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position (cont.)

The following calculation supports the amount of water restricted net position:

	 2016	 2015
Restricted Assets Redemption account Reserve account	\$ 267,550 244,677	\$ 129,523 244,677
Depreciation account Construction account Net pension asset	25,000 213,127	25,000 - 55,400
Total Restricted Assets	750,354	454,600
Less: Restricted Assets Not Funded by Revenues Construction account	 (213,127)	
Current Liabilities Payable From Restricted Assets	(8,230)	(11,878)
Total Restricted Net Position as Calculated	\$ 528,997	\$ 442,722
The purpose of the restricted net position is as follows:	2016	2015
Debt service Pension	\$ 528,997 	\$ 387,322 55,400
Totals	\$ 528,997	\$ 442,722

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 4 - RESTRICTED ASSETS (cont.)

The following calculation supports the amount of wastewater restricted net position:

	_	2016	2015
Restricted Assets Redemption account Depreciation account Replacement account Construction account Net pension asset Total Restricted Assets	\$	365,599 33,283 1,096,288 123 - 1,495,293	\$ 296,992 33,283 1,129,917 123 59,271 1,519,586
Less: Restricted Assets Not Funded by Revenues Construction account		(123)	 (123)
Current Liabilities Payable From Restricted Assets		(22,761)	 (24,595)
Total Restricted Net Position as Calculated	\$	1,472,409	\$ 1,494,868
The purpose of the restricted net position is as follows:		2016	2015
Debt service Equipment replacement Pension	\$	376,121 1,096,288	\$ 305,680 1,129,917 59,271
Totals	\$	1,472,409	\$ 1,494,868

NOTE 5 - ADVANCES TO OTHER FUNDS

In December 2011, the Electric Utility provided an advance to the General Fund in the amount of \$554,744 for the purpose of full payment of the Wisconsin Retirement System Unfunded Actuarial Accrued Liability. The General Fund will repay the Electric Utility over a period of fourteen years at 3.0% annual interest. The amount outstanding at December 31, 2016 is \$376,653.

Repayment requirements to maturity follow:

Year Ending December 31	<u>Principal</u>		Interest		Total	
2017 2018 2019 2020 2021	\$	39,190 41,375 43,646 46,007 48,459	\$	11,300 10,124 8,883 7,573 6,193	\$	50,490 51,499 52,529 53,580 54,652
2022-2025		157,976		9,726	_	167,702
Totals	<u>\$</u>	376,653	\$	53,799	\$	430,452

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated Land and land rights	\$ 220,797	\$ -	<u> </u>	\$ 220,797
Capital assets being depreciated Transmission Distribution	15,019 22,777,607	- 1,251,311	- 91,267	15,019 23,937,651
General Total Capital Assets Being	4,109,842	6,685		4,116,527
Depreciated	26,902,468	1,257,996	91,267	28,069,197
Total Capital Assets	27,123,265	1,257,996	91,267	28,289,994
Less: Accumulated depreciation	(40.000)			(40.000)
Transmission	(19,366)	- (0.4=.000)	-	(19,366)
Distribution	(10,731,629)	(845,302)	91,267	(11,485,664)
General Total Accumulated	(2,727,540)	(197,311)		(2,924,851)
Depreciation	(13,478,535)	(1,042,613)	91,267	(14,429,881)
Construction in progress	251,853	187,437	249,891	189,399
Net Capital Assets	<u>\$ 13,896,583</u>			<u>\$ 14,049,512</u>

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

A summary of changes in electric capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 220,797	<u>\$</u>	<u> </u>	\$ 220,797
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	22,286,877	612,671	121,941	22,777,607
General	4,044,032	65,810		4,109,842
Total Capital Assets Being				
Depreciated	26,345,928	678,481	121,941	26,902,468
Total Capital Assets	26,566,725	678,481	121,941	27,123,265
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(10,037,217)	(821,978)	127,566	(10,731,629)
General	(2,538,112)	(189,428)	-	(2,727,540)
Total Accumulated	,			
Depreciation	(12,594,695)	(1,011,406)	127,566	<u>(13,478,535</u>)
Construction in progress	26,055	496,480	270,682	251,853
Net Capital Assets	<u>\$ 13,998,085</u>			<u>\$ 13,896,583</u>

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated Land and land rights	\$ 430,131	\$ -	\$ -	<u>\$ 430,131</u>
Capital assets being depreciated				
Source of supply	595,730	-	-	595,730
Pumping	1,468,520	20,920	-	1,489,440
Water treatment	90,763	-	-	90,763
Transmission and distribution	16,766,589	1,827,934	66,782	18,527,741
General	843,272	2,431		<u>845,703</u>
Total Capital Assets Being Depreciated	19,764,874	1,851,285	66,782	21,549,377
Total Capital Assets	20,195,005	1,851,285	66,782	21,979,508
Less: Accumulated depreciation				
Source of supply	(352,437)	(17,276)	_	(369,713)
Pumping	(1,214,858)	(43,630)	-	(1,258,488)
Water treatment	(88,203)	(437)	-	(88,640)
Transmission and distribution	(3,999,252)	(316,262)	86,457	(4,229,057)
General	(747,883)	(84,778)		(832,661)
Total Accumulated				
Depreciation	(6,402,633)	(462,383)	86,457	(6,778,559)
Construction in progress	106,478	883,885	909,725	80,638
Net Capital Assets	<u>\$ 13,898,850</u>			<u>\$ 15,281,587</u>

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

A summary of changes in water capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15	
Capital assets, not being depreciated Land and land rights	\$ 430,131	\$ -	<u>\$</u> _	\$ 430,131	
Capital assets being depreciated					
Source of supply	570,123	25,607	-	595,730	
Pumping	1,461,654	6,866	-	1,468,520	
Water treatment	90,763	-	-	90,763	
Transmission and distribution	15,341,730	1,442,390	17,531	16,766,589	
General	803,447	41,325	<u>1,500</u>	843,272	
Total Capital Assets Being Depreciated	18,267,717	1,516,188	19,031	19,764,874	
Total Capital Assets	18,697,848	1,516,188	19,031	20,195,005	
Less: Accumulated depreciation					
Source of supply	(335,532)		-	(352,437)	
Pumping	(1,157,612)		-	(1,214,858)	
Water treatment	(87,766)		-	(88,203)	
Transmission and distribution	(3,723,745)	, ,	17,531	(3,999,252)	
General	<u>(676,502</u>)	(72,881)	<u>1,500</u>	<u>(747,883</u>)	
Total Accumulated					
Depreciation	(5,981,157)	(440,507)	19,031	(6,402,633)	
Construction in progress	30,627	995,690	919,839	106,478	
Net Capital Assets	<u>\$ 12,747,318</u>			<u>\$ 13,898,850</u>	

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

A summary of changes in wastewater capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16			
Capital assets being depreciated Collecting system Collecting system pumping Treatment and disposal General Total Capital Assets Being Depreciated	\$ 10,363,837 401,065 15,554,351 1,314,953 27,634,206	\$ 868,844 332,454 - 61,664 1,262,962	\$ 18,028 - - - - - 18,028	\$ 11,214,653 733,519 15,554,351 1,376,617 28,879,140			
Less: Accumulated depreciation	(9,483,326)	(796,285)	29,558	(10,250,053)			
Construction in progress	61,100	39,244	5,553	94,791			
Net Capital Assets	<u>\$ 18,211,980</u>			<u>\$ 18,723,878</u>			
A summary of changes in wastewater capital assets for 2015 follows:							
	Balance 1/1/15	Increases	Decreases	Balance 12/31/15			
Capital assets being depreciated Collecting system Collecting system pumping Treatment and disposal General Total Capital Assets Being Depreciated	\$ 9,360,156 401,065 15,550,149 1,308,895 26,620,265	\$ 1,023,865 5,702 6,058 1,035,625	\$ 20,184 - 1,500 - 21,684	\$ 10,363,837 401,065 15,554,351 1,314,953 27,634,206			
Less: Accumulated depreciation	(8,727,985)	(777,025)	21,684	(9,483,326)			
Construction in progress	38,856	783,193	760,949	61,100			
Net Capital Assets	<u>\$ 17,931,136</u>			<u>\$ 18,211,980</u>			

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	 Outstanding Amount 12/31/16
May 3, 2016	Electric system improvements, refund 2006 bonds	April 1, 2036	2.00 - 3.00%	\$ 4,005,000	\$ 4,005,000
February 15, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25	3,170,000	2,245,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	-

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31		PrincipalInterest				Total
2017	\$	610,000	\$	165,948	\$	775,948
2018		610,000		121,613		731,613
2019		620,000		109,313		729,313
2020		660,000		96,513		756,513
2021		670,000		82,813		752,813
2022 - 2026		1,715,000		251,844		1,966,844
2027 - 2031		635,000		157,575		792,575
2032 - 2036	_	730,000		55,950	_	785,950
Totals	<u>\$</u>	6,250,000	\$	1,041,569	\$	7,291,569

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2016 and 2015 were \$602,450 and \$625,724, respectively, not including the refunding in the current year. Total customer gross revenues as defined for the same periods were \$15,208,512 and \$15,158,777. Annual principal and interest payments are expected to require 2% of gross revenues on average.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	 Original Amount	_	Outstanding Amount 12/31/16
May 3, 2016	Additions and improvements, refund 2006 bonds	May 1, 2026	1.00 - 2.75%	\$ 2,520,000	\$	2,520,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018		423,424
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50	1,925,000		-

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31		Principal	Interest	Total
2017 2018 2019 2020 2021 2022 - 2026	\$	322,677 318,415 314,173 339,952 335,751 1,201,507	\$ 47,540 43,867 39,867 35,360 30,325 74,078	\$ 370,217 362,282 354,040 375,312 366,076 1,275,585
2027 - 2029		110,949	 4,492	 115,441
Totals	<u>\$</u>	2,943,424	\$ 275,529	\$ 3,218,953

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2016 and 2015 were \$243,450 and \$225,533, respectively, not including the refunding in the current year. Total customer gross revenues as defined for the same periods were \$2,026,153 and \$1,793,025. Annual principal and interest payments are expected to require 12% of gross revenues on average.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Wastewater

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	_	Outstanding Amount 12/31/16
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049%	\$ 623,465	\$	120,341
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259		280,959
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624		695,113
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762		1,015,168
November 1, 2014	WWTP improvements	May 1, 2034	2.625	3,305,713		3,046,782

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	_	Principal	_	Interest	_	Total		
2017	\$	413,395	\$	130,912	\$	544,307		
2018		424,703		119,449		544,152		
2019		436,322		107,670		543,992		
2020		405,676		96,216		501,892		
2021		340,971		86,252		427,223		
2022 - 2026		1,503,032		304,203		1,807,235		
2027 - 2031		1,022,944		143,079		1,166,023		
2032 - 2034	_	611,320	_	24,348	_	635,668		
Totals	<u>\$</u>	5,158,363	\$	1,012,129	\$	6,170,492		

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2016 and 2015 were \$544,459 and \$541,390, respectively. Total customer gross revenues as defined for the same periods were \$2,038,487 and \$2,047,698. Annual principal and interest payments are expected to require 17% of gross revenues on average.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Water

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Original Rate Amount			Outstanding Amount 12/31/16	
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$	522,000	\$	474,000

General obligation bonds debt service requirements to maturity follows:

Year Ending <u>December 31</u>	1	Principal	 Interest	 Total
2017 2018 2019 2020 2021 2022 - 2025	\$	51,000 51,000 51,000 51,000 51,000 219,000	\$ 9,180 8,160 7,140 6,120 5,100 9,518	\$ 60,180 59,160 58,140 57,120 56,100 228,518
Totals	\$	474,000	\$ 45,218	\$ 519,218

General Obligation Debt - Wastewater

The following general obligation bonds have been issued:

Date	Purpose	Final <u>Maturity</u>	Interest Rate	Origin Amou		Outstanding Amount 12/31/16		
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$	348,000	\$	316,000	

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31		Principal	ipal Interest		Total
2017 2018 2019 2020 2021 2022-2025	\$	34,000 34,000 34,000 34,000 34,000 146,000	\$	6,120 5,440 4,760 4,080 3,400 6,345	\$ 40,120 39,440 38,760 38,080 37,400 152,345
Totals	<u>\$</u>	316,000	\$	30,145	\$ 346,145

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

Long-term obligation activity for the year ended December 31, 2016 is as follows:

		1/1/16 Balance	 Additions		Reductions	 12/31/16 Balance		Due Within One Year
Revenue bonds Accrued sick leave Customer advances	\$	4,460,000 170,083	\$ 4,005,000 24,501	\$	2,215,000 22,773	\$ 6,250,000 171,811	\$	610,000
for construction Unamortized premium		225,387	175,808		374,054	27,141		-
on bonds Net pension liability	_	48,863 <u>-</u>	93,666 103,350		10,958 -	131,571 103,350	_	- -
Totals	\$	4,904,333	\$ 4,402,325	<u>\$</u>	2,622,785	\$ 6,683,873	\$	610,000

Long-term obligation activity for the year ended December 31, 2015 is as follows:

		1/1/15 Balance		Additions		Reductions		12/31/15 Balance	_[Due Within One Year
Revenue bonds Accrued sick leave	\$	4,940,000 166,873	\$	32,565	\$	480,000 29,355	\$	4,460,000 170,083	\$	490,000
Customer advances for construction		14,350		267,967		56,930		225,387		-
Unamortized premium on bonds	_	60,835	_		_	11,972	_	48,863	_	<u>-</u>
Totals	\$	5,182,058	\$	300,532	<u>\$</u>	578,257	\$	4,904,333	<u>\$</u>	490,000

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	_	1/1/16 Balance		Additions		Reductions	_	12/31/16 Balance	_	Due Within One Year
Revenue bonds General obligation	\$	1,775,381	\$	2,520,000	\$	1,351,957	\$	2,943,424	\$	322,677
debt		522,000		-		48,000		474,000		51,000
Accrued sick leave		93,082		-		6,495		86,587		-
Unamortized premium on bonds		-		38,590		2,952		35,638		-
Net pension liability	_		_	36,404	_		_	36,404	_	<u>-</u>
Totals	\$	2,390,463	\$	2,594,994	\$	1,409,404	\$	3,576,053	<u>\$</u>	373,677

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Water (cont.)

Long-term obligation activity for the year ended December 31, 2015 is as follows:

		1/1/15 Balance	 Additions	_F	Reductions	_	12/31/15 Balance	Oue Within One Year
Revenue bonds General obligation	\$	1,926,638	\$ -	\$	151,257	\$	1,775,381	\$ 176,958
debt Accrued sick leave	_	- 83,431	522,000 19,736		- 10,085		522,000 93,082	48,000
Totals	\$	2,010,069	\$ 541,736	\$	161,342	\$	2,390,463	\$ 224,958

Long-Term Obligations Summary - Wastewater

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	_	1/1/16 Balance	_	Additions		Reductions	_	12/31/16 Balance	_	Oue Within One Year
Revenue bonds General obligation	\$	5,560,753	\$	-	\$	402,390	\$	5,158,363	\$	413,395
debt Accrued sick leave Net pension liability		348,000 105,822	_	19,691 40,825		32,000 4,603		316,000 120,910 40,825		34,000 - -
Totals	\$	6,014,575	<u>\$</u>	60,516	<u>\$</u>	438,993	<u>\$</u>	5,636,098	\$	447,395

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	 1/1/15 Balance		Additions	_R	eductions	12/31/15 Balance	_	Oue Within One Year
Revenue bonds General obligation	\$ 5,694,293	\$	258,140	\$	391,680	\$ 5,560,753	\$	402,390
debt Accrued sick leave	 91,00 <u>5</u>		348,000 20,399		5,58 <u>2</u>	348,000 105,822		32,000
Totals	\$ 5,785,298	<u>\$</u>	626,539	\$	397,262	\$ 6,014,575	<u>\$</u>	434,390

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Current Refunding

On May 26, 2016, the electric utility issued bonds in the amount of \$4,005,000 with an average interest rate of 2.2% to refund \$1,725,000 of outstanding 2006 electric bonds with an average interest rate of 3.71% and provide \$2,445,000 of proceeds to fund new construction. \$1,560,000 of the net proceeds, along with \$188,616 of restricted funds on hand, were used to prepay the outstanding debt service requirements on the 2006 bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$2,058,000 from 2017 through 2023. The cash flow requirements on the new refunding bonds are \$1,685,833 from 2017 through 2023. The current refunding resulted in an economic gain of \$157,590.

On May 26, 2016, the water utility issued bonds in the amount of \$2,650,000 with an average interest rate of 1.77% to refund \$1,175,000 of outstanding 2006 water bonds with an average interest rate of 3.77% and provide \$1,320,000 of proceeds to fund new construction. \$1,200,000 of the net proceeds were used to prepay the outstanding debt service requirements on the 2006 bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$1,396,625 from 2017 through 2023. The cash flow requirements on the new refunding bonds are \$1,269,531 from 2017 through 2023. The current refunding resulted in an economic gain of \$122,199.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the utilities' revenue bonds:

Insurance

The utilities were exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The utilities were covered under the following insurance policies at December 31, 2016:

Type		<u>Coverage</u>					
Automobile	\$ 10,000,000	CVMIC	Self-Insured	1/1/17			
Excess Liability	5,000,000	CVMIC	Self-Insured	1/1/17			
Workers Compensation	5,000,000	CVMIC	Self-Insured	1/1/17			
•	1,000,000	CVMIC	Self-Insured	1/1/17			
Boiler Insurance	100,000,000	CVMIC	Self-Insured	1/1/17			
Property		Wiscons	in Local				
		Proper	ty Insurance				
	54,116,364	Fund		2/1/17			

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Debt Coverage - Electric

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.3 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2016 and 2015 as follows:

	2016	2015
Operating revenues Investment income Less: Operation and maintenance expenses	\$ 15,116,204 92,308 (13,329,607)	\$ 15,057,028 101,749 (13,261,410)
Net Defined Earnings	<u>\$ 1,878,905</u>	<u>\$ 1,897,367</u>
Minimum Required Earnings per Resolution: Highest annual debt service Coverage factor	\$ 775,948 1.30	\$ 649,338 1.30
Minimum Required Earnings	\$ 1,008,732	<u>\$ 844,139</u>
Actual Debt Coverage	2.42	2.92

Debt Coverage - Water

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.3 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2016 and 2015 as follows:

	_	2016		2015
Operating revenues Investment income Less: Operation and maintenance expenses	\$	2,001,124 25,029 (1,012,205)	\$	1,784,416 8,609 (885,770)
Net Defined Earnings	\$	1,013,948	\$	907,255
Minimum Required Earnings per Resolution: Highest annual debt service Coverage factor	\$	375,312 1.30	\$	244,677 1.30
Minimum Required Earnings	<u>\$</u>	487,906	<u>\$</u>	318,080
Actual Debt Coverage	_	2.70	_	3.71

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Debt Coverage - Wastewater

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.1 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was in 2016 and 2015 as follows:

	_	2016	_	2015
Operating revenues Investment income Less: Operation and maintenance expenses	\$	2,036,002 2,485 (1,020,298)	\$	2,037,835 9,863 (1,042,161)
Net Defined Earnings	<u>\$</u>	1,018,189	<u>\$</u>	1,005,537
Minimum Required Earnings per Resolution: Highest annual debt service Coverage factor	\$	544,307 1.10	\$	544,459 1.10
Minimum Required Earnings	<u>\$</u>	598,738	<u>\$</u>	598,905
Actual Debt Coverage	_	1.87	_	1.85

Number of Customers and Billed Volumes - Electric

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Custon	ners	Sales (000)0 kWh)	
	2016	2015	2016	2015	
Residential	7,714	7,659	69,348	63,093	
General	833	817	14,157	17,069	
Small power	52	48	13,291	15,539	
Large power	10	8	10,164	9,524	
Industrial	6	6	31,257	31,431	
Street and highway lighting	7	7	735	937	
Totals	8,622	8,545	138,952	137,593	

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Custor	mers	Sales (00)	0 gals)
	2016	2015	2016	2015
Residential	4.444	4.423	206,657	206,473
Multifamily residential	63	65	25,465	25,561
Commercial	366	355	53,304	51,253
Industrial	25	25	179,746	179,961
Public authority	44	42	5,304	6,336
Interdepartmental	6	6	533	773
Totals	4,948	4,916	471,009	470,357

Number of Customers and Billed Volumes - Wastewater

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	4,440	4,417	230,659	204,935
Multifamily residential	63	65	25,465	25,561
Commercial	349	341	50,898	48,780
Industrial	21	21	26,567	29,639
Public authority	32	31	3,554	4,191
Interdepartmental	1	1	50	44
Totals	4,906	4,876	337,193	313,150

Utility Budget

The 2016 and 2015 utility budgets were prepared and approved as required by the bond resolutions.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - NET POSITION

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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

The following calculation supports the electric net investment in capital assets:

	2016	2015
Construction work in progress Plant in service Accumulated depreciation Property held for future use Sub-Totals	\$ 189,399 28,289,994 (14,429,881 352,664 14,402,176	27,123,265 (13,478,535) 352,664
Less: Capital related debt Current portion of capital related long-term debt Long-term portion of capital related long-term debt Unamortized debt premium Sub-Totals	610,000 5,640,000 131,571 6,381,571	•
Add: Unspent debt proceeds Construction funds	1,840,074	
Total Net Investment in Capital Assets	\$ 9,860,679	\$ 9,740,384

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - NET POSITION (cont.)

The following calculation supports the water net investment in capital assets:

	2016	2015
Construction work in progress Plant in service Accumulated depreciation Sub-Totals	\$ 80,638 21,979,508 (6,778,559) 15,281,587	20,195,005
Less: Capital related debt Current portion of capital related long-term debt Long-term portion of capital related long-term debt Unamortized debt premium Sub-Totals	373,677 3,043,747 35,638 3,453,062	224,958 2,072,423 - 2,297,381
Add: Unspent debt proceeds Construction funds	213,127	_
Total Net Investment in Capital Assets	<u>\$ 12,041,652</u>	<u>\$ 11,601,469</u>
The following calculation supports the wastewater net investment in cap	ital assets:	

	2016	2015
Construction work in progress Plant in service Accumulated depreciation Sub-Totals	\$ 94,791 28,879,140 (10,250,053) 18,723,878	\$ 61,100 27,634,206 (9,483,326) 18,211,980
Less: Capital related debt Current portion of capital related long-term debt Long-term portion of capital related long-term debt Sub-Totals	447,395 5,026,968 5,474,363	434,390 5,474,363 5,908,753
Add: Unspent debt proceeds Reserve from borrowing	123	123
Total Net Investment in Capital Assets	\$ 13,249,638	\$ 12,303,350

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

The utilities implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.* 27, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.* 68, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be bound at http://etf.wi.gov/publications/cafr.htm.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Post-Retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	Core Fund Adjustment	Variable Fund Adjustment
2006	.8%	3%
2007	3	10
2008	6.6	0
2009	-2.1	-42
2010	-1.3	22
2011	-1.2	11
2012	-7	-7
2013	-9.6	9
2014	4.7	25
2015	2.9	2

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$111,938 and \$107,183 in contributions from the utilities during the current and prior reporting periods, respectively.

Contribution rates as of December 31 are:

	20	16	20	<u> 15 </u>
	Employee	Employer	Employee	Employer
General (including teachers)	6.6%	6.6%	6.8%	6.8%
Executives & Elected Officials	6.6%	6.6%	7.7%	7.7%
Protective with Social Security	6.6%	9.4%	6.8%	9.5%
Protective without Social Security	6.6%	13.2%	6.8%	13.1%

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the utilities reported a liability (asset) of \$180,579 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City of Stoughton's proportion was 0.045976740%, which was an increase of 0.001111810% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, and 2015 the utilities recognized pension expense of \$218,179 and \$178,973.

At December 31, 2016, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Electric	: Uti	lity		Water Utility				Wastewater Utility			
		Deferred		Deferred			Deferred		Deferred			Deferred	
	_	utflows of		nflows of	Outflows of		Inflows of		Outflows of		Inflows of		
	<u> </u>	esources	<u> </u>	esources	<u> </u>	esources		Resources	<u> </u>	esources	<u> </u>	esources	
Differences between expected													
and actual experience	\$	17,236	\$	217,499	\$	6,411	\$	76,611	\$	6,765	\$	85,916	
Changes in assumption		422,315		-		149,893		-		166,680		-	
Net differences between project and actual earnings													
on pension plan		72,308		-		25,470		-		28,563		-	
Changes in proportion and differences between employer contributions and proportionate share of													
contributions		-		3,747		-		1,336		-		1,478	
Employer contributions subsequent to the													
measurement date		64,055				25,032	_		_	25,158			
Total	\$	575,914	\$	221,246	\$	206,806	\$	77,947	\$	227,166	\$	87,394	

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2015, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Electric	Util	ity	Water Utility				Wastewater Utility			
		Deferred outflows of		Deferred Inflows of		eferred utflows of		Deferred Inflows of		Deferred utflows of		Deferred nflows of
	R	Resources	<u>_</u> F	Resources		esources	<u>_</u> F	Resources	Re	esources	<u>_</u> F	Resources
Differences between expected	\$	21,858	æ	_	\$	8,031	\$	_	\$	8,592	æ	
and actual experience Changes in assumption	Φ	73,010	Φ	-	Φ	26,827	Φ	-	Φ	28,702	Φ	-
Net differences between project and actual earnings		,				,				•		
on pension plan Changes in proportion and differences between employer contributions and		-		-		-		-		-		-
proportionate share of contributions Employer contributions subsequent to the		-		1,063		-		390		-		418
measurement date		64,065	_	_		22,566	_	<u>-</u>		25,307	_	<u>-</u>
Total	\$	158,933	\$	1,063	\$	57,424	\$	390	\$	62,601	\$	418

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the subsequent year ended December 31, 2017. \$64,055, \$25,032, and \$25,158 are reported for the electric, water, and wastewater utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Electi	ric Utility	<u>Wate</u>	r Utility	Wastewa	ater Utility	
	Deferred	Deferred	Deferred	Deferred Deferred		Deferred	
Year Ended	Outflow of	Inflows of	Outflows of	Inflows of	Outflows of	Inflows of	
December 31	Resources	Resources	Resources	Resources	Resources	Resources	
2017	\$ 133,178	\$ 53,589	\$ 46,911	\$ 18,876	\$ 52,608	\$ 21,169	
2018	133,178	53,589	46,911	18,876	52,608	21,169	
2019	133,178	53,589	46,911	18,876	52,608	21,169	
2020	111,088	53,438	39,130	18,823	43,882	21,109	
2021	1,237	7,041	1,911	2,496	302	2,778	
Thereafter							
Total	\$ 511,859	\$ 221,246	<u>\$ 181,774</u>	\$ 77,947	\$ 202,008	\$ 87,394	

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Inflation	3.2%
Seniority / Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

^{*} No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities International Equities Fixed Income Inflation Sensitive Assets	4.7% 5.6 1.6 1.4	23.0% 22.0 37.0 20.0
Real Estate Private Equity/Debt Multi-Asset Total Core Fund	3.6 6.5 <u>3.8</u> <u>4.5</u> %	7.0 7.0 <u>4.0</u> <u>120.0</u> %
Variable Fund Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities International Equities Total Variable Fund	4.7% <u>5.6</u> <u>5.0</u> %	70.0% <u>30.0</u> <u>100.0</u> %

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) 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.

Sensitivity of the utilities's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the utilities's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the utilities's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

The sensitivity analysis as of December 31, 2016 follows:

	1% Decrease to Discount Rate (6.20%)		ount Discount		te	% Increase o Discount ate (8.20%)
Electric Utility's proportionate share of the net position liability (asset) Water Utility's proportionate share of the net position liability (asset) Wastewater Utility's proportionate	\$	724,899 255,338	\$	103,350 36,404	\$	(382,091) (134,588)
Wastewater Utility's proportionate share of the net position liability (asset)		286,347		40,825		(150,932)

The sensitivity analysis as of December 31, 2015 follows:

	1% Decrease to Discount Rate (6.20%)		Di	Current scount Rate (7.20%)	1% Increase to Discount Rate (8.20%)		
Electric Utility's's proportionate share of the net position liability (asset) Water Utility's's proportionate share of	\$	425,350	\$	(150,770)	\$	(605,768)	
the net position liability (asset) Wastewater Utility's's proportionate share of the net position liability		156,292		(55,400)		(222,586)	
(asset)		167,213		(59,271)		(238,138)	

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at http://etf.wi.gov/Publications/cafr.htm.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses, and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contracts. All but two of the remaining members ratified the same extension in 2016. The new contract expires at midnight on December 31, 2055.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$411 million as of December 31, 2016.

Claims and Judgments

From time to time, the utilities were party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the utilities' legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utilities' financial position or results of operations.

NOTE 11 - RISK MANAGEMENT

Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment, and capitalization of the CVMIC, and has numerous municipalities as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the municipalities which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The municipality's share of such losses is approximately 1%.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 11 - RISK MANAGEMENT (cont.)

Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance Company (CVMIC) (cont.)

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The municipality does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The municipality shows the general obligation bond that it owes to WMIC in the insurance internal service fund (governmental activities column of government-wide statement of net position). The transactions of the organization are not included in these financial statements.

NOTE 12 - SELF INSURANCE

In 2015, the utilities were part of the municipality's self-funded health insurance program with claims processed by an administrative firm on behalf of the municipality. A separate fund was established into which deposits were made and actual claims are paid out. As part of the plan, a reinsurance policy had been purchased which covers claims in excess of \$45,000 per individual up to a maximum of \$1,000,000. Deposits to the self-insured fund in excess of the claims and other costs paid are retained by the municipality. The utilities' total contributions to the program during 2015 were \$262,239. The plan was not continued in 2016. Details of the plan can be found in the basic financial statements of the City of Stoughton.

NOTE 13 - SUBSEQUENT EVENTS

The utilities evaluated subsequent events through April 24, 2017, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

West Substation Project

The PSCW provided authorization for the electric utility to construct a new substation and five feeders on the west side of the City of Stoughton in order to reliably serve planned and expected load growth. The estimated cost of the project is \$2.77 million.

Rate Adjustment

New electric rates were approved by the PSCW effective April 1, 2017. The new rates are designed to earn a 5.0% rate of return.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 14 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The utilities adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position at December 31, 2015 as follows:

Electric Utility	
Net pension liability (asset) January 1, 2014	\$ 239,787
Deferred outflows January 1, 2014	 60,880
Cumulative Effect of a Change in Accounting Principle	\$ 300,667
Water Utility	
Net pension liability (asset) January 1, 2014	\$ 88,109
Deferred outflows January 1, 2014	 22,370
Cumulative Effect of a Change in Accounting Principle	\$ 110,479
Wastewater Utility	
Net pension liability (asset) January 1, 2014	\$ 94,265
Deferred outflows January 1, 2014	 23,933
Cumulative Effect of a Change in Accounting Principle	\$ 118,198

Additional information required for retroactive implementation was not provided by the pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

				Proportionate	
		Utilities'		Share of the Net	Plan Fiduciary
	Proportion	Proportionate		Pension Liability (Asset)	Net Position
	of the Net	Share of the		as a Percentage	as a Percentage
Fiscal	Pension Liability	Net Pension	Covered	of Covered	of the Total Pension
Year Ending	(Asset) - City	Liability (Asset)	Payroll	Payroll	Liability (Asset)
12/31/16	0.04597674%	\$ 180,579	\$ 1,643,602	10.99%	98.20%
12/31/15	0.04486493%	(265,441)	1,372,152	19.34%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2015

Fiscal <u>Year Ending</u>	R	ntractually Required ntributions	Rel Co	tributions in ation to the ntractually Required ntributions	[ontribution Deficiency (Excess)	Covered Payroll		Contributions as a Percentage of Covered Payroll
12/31/16 12/31/15	\$	114,245 111,938	\$	114,245 111,938	\$	-	\$	1,730,985 1,643,602	6.60% 6.81%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

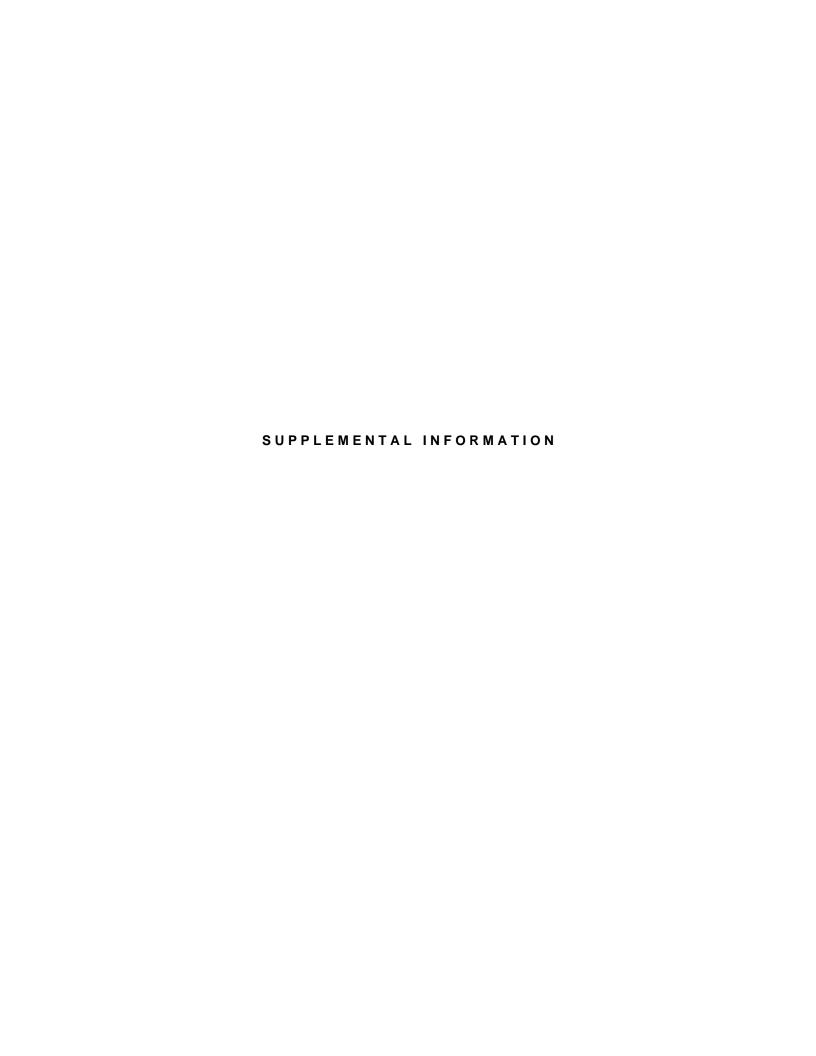
WISCONSIN RETIREMENT SYSTEM

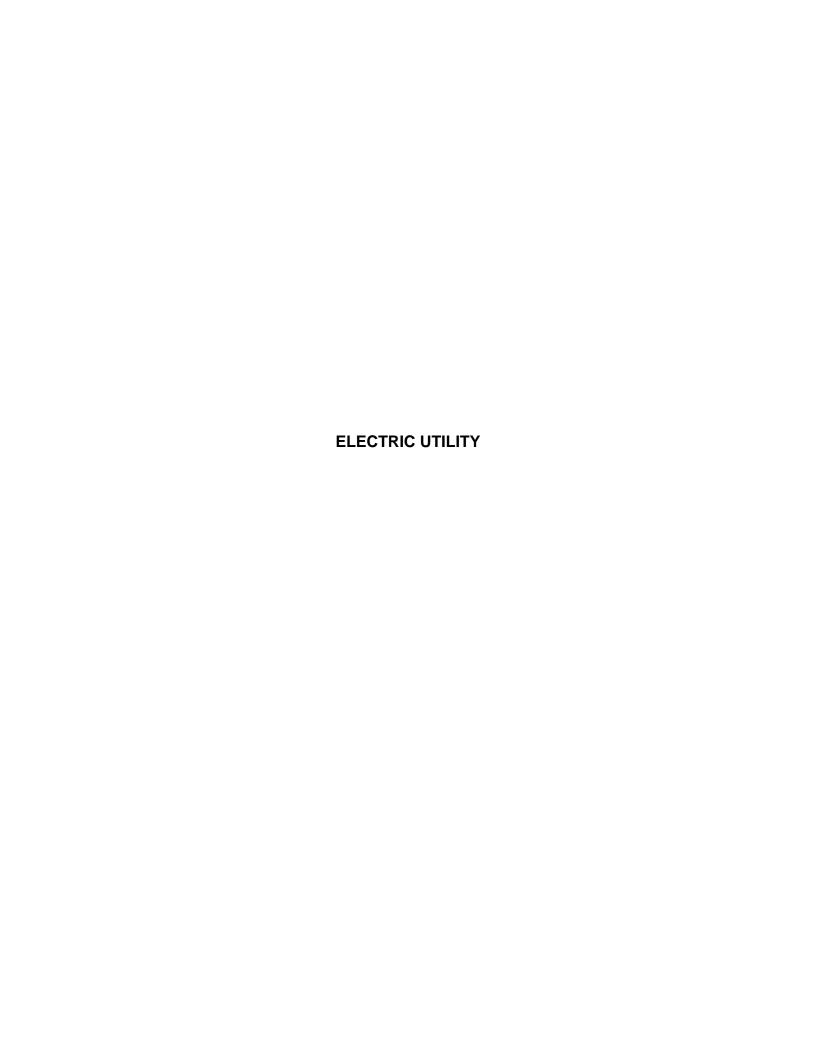
The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Utilities' are required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.





ELECTRIC UTILITY PLANT As of and for the Year Ended December 31, 2016

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
TRANSMISSION				
Land and land rights	\$ 1	\$ -	\$ -	\$ 1
Poles and fixtures	5,035	-	-	5,035
Overhead conductors and devices	9,984			9,984
Total Transmission	<u>15,020</u>			<u>15,020</u>
DISTRIBUTION				
Land and land rights	220,796	-	-	220,796
Structures and improvements	44,389	9,612	1,167	52,834
Station equipment	4,315,695	21,090	-	4,336,785
Poles, towers and fixtures	3,203,919	137,335	22,214	3,319,040
Overhead conductors and devices	5,761,558	92,288	23,698	5,830,148
Underground conduit	498,258	40,555	-	538,813
Underground conductors and devices	2,997,775	707,196	2,498	3,702,473
Line transformers	2,988,463	122,880	13,620	3,097,723
Services	1,781,830	43,121	2,174	1,822,777
Meters	662,502	10,441	1,021	671,922
Street lighting and signal systems	<u>523,217</u>	66,793	<u>24,875</u>	<u>565,135</u>
Total Distribution	22,998,402	<u>1,251,311</u>	91,267	24,158,446
GENERAL				
Structures and improvements	1,649,974	6,685	-	1,656,659
Office furniture and equipment	215,401	-	-	215,401
Computer equipment	191,677	-	-	191,677
Transportation equipment	310,127	-	-	310,127
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	81,791	-	-	81,791
Laboratory equipment	60,822	-	-	60,822
Power-operated equipment	1,213,502	-	-	1,213,502
Communication equipment	92,122	-	-	92,122
Fiber optic equipment	279,453	-	-	279,453
Miscellaneous equipment	4,990			4,990
Total General	4,109,843	6,685		4,116,528
TOTAL ELECTRIC UTILITY PLANT	\$27,123,265	\$ 1,257,996	\$ 91,267	\$28,289,994

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 5,245,492	\$ 5,039,326
Rural	2,860,599	2,834,039
General service	1,563,722	1,629,740
Large commercial and industrial	1,358,269	1,389,421
Large power	914,513	885,980
Industrial	2,742,903	2,814,381
Public street and highway lighting	121,306	132,627
Interdepartmental	<u>174,133</u>	180,843
Total Sales of Electricity	14,980,937	14,906,357
Other Operating Revenues		
Forfeited discounts	35,433	38,202
Other	99,834	112,469
Total Operating Revenues	15,116,204	15,057,028
OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	<u>11,588,139</u>	<u>11,656,672</u>
Transmission		
Operation supervision and engineering	3,431	6,966
Station	34,522	40,006
Overhead lines	51,527	74,826
Underground lines	32,928	<u>48,139</u>
Total Transmission	<u>122,408</u>	169,937
Distribution		
Street lighting and signal system	(17)	3,509
Meter	19,196	47,976
Customer installations	109	468
Miscellaneous	70,220	58,623
Maintenance		
Supervision and engineering	21,774	-
Station equipment	18,992	7,278
Overhead lines	206,090	197,521
Underground lines	56,207	37,602
Line transformers	2,659	2,234
Street lighting and signal system	6,342	2,404
Meters	<u>27,199</u>	6,519
Total Distribution	<u>428,771</u>	<u>364,134</u>
Customer Accounts		
Meter reading	3,900	4,315
Customer records and collection	261,008	248,349
Miscellaneous	<u>19,486</u>	2,007
Total Customer Accounts	284,394	<u>254,671</u>

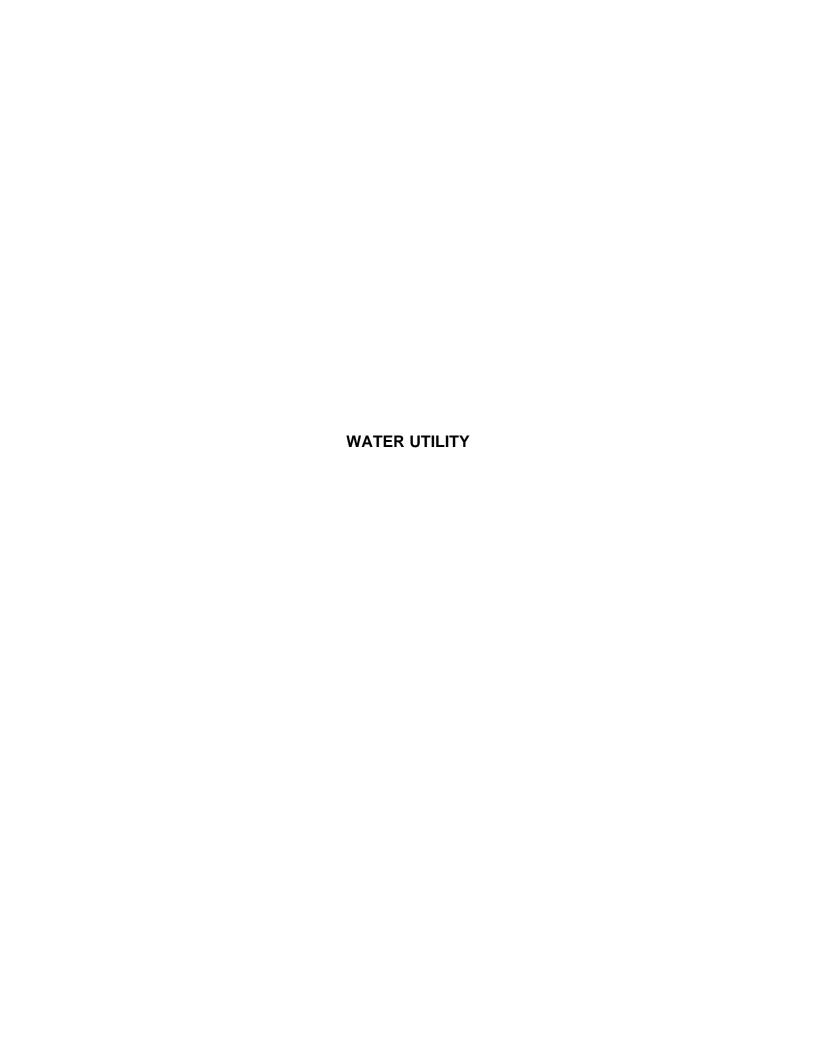
ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2016 and 2015

OPERATING EXPENSES (cont.) Operation and Maintenance (cont.) Administrative and General	_	2016		2015
Salaries	\$	261,330	\$	320,666
Office supplies		54,679		46,455
Outside services employed		23,697		48,825
Property insurance		30,397		26,749
Injuries and damages		36,826		27,400
Employee pensions and benefits		255,655		115,050
Regulatory commission		2,783		8,842
Miscellaneous		500		1,470
Rents		11,680		11,354
Maintenance		57,664		38,000
Total Administrative and General		735,211		644,811
Taxes		170,684		171,18 <u>5</u>
Total Operation and Maintenance	1	3,329,607	•	13,261,410
Depreciation		996,954		965,661
Total Operating Expenses	1	4,326,561		14,227,071
OPERATING INCOME	\$	789,643	\$	829,957

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2016 and 2015

	Ele	ctric
	2016	2015
Utility Financed Plant in Service Beginning of year End of year Average	\$ 24,260,890 <u>24,962,668</u> <u>24,611,779</u>	\$ 23,775,259 <u>24,260,889</u> <u>24,018,074</u>
Utility Financed Accumulated Depreciation Beginning of year End of year Average	(11,973,321) (12,808,857) (12,391,089)	(11,183,405) _(11,973,321) _(11,578,363)
Materials and Supplies Beginning of year End of year Average	129,405 163,294 146,350	130,091 129,405 129,748
Regulatory Liability Beginning of year End of year Average	(177,284) (155,124) (166,204)	(199,444) (177,284) (188,364)
Customer Advances for Construction Beginning of year End of year Average	(225,387) (27,141) (126,264)	(14,350) (225,387) (119,869)
AVERAGE NET RATE BASE	<u>\$ 12,074,572</u>	<u>\$ 12,261,226</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 597,291</u>	\$ 569,058
RATE OF RETURN (PERCENT)	4.95	4.64

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.



WATER UTILITY PLANT As of and for the Year Ended December 31, 2016

SOURCE OF SURPLY	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
SOURCE OF SUPPLY	Ф 11 GOE	¢.	¢	Ф 11 GOE
Land and land rights	\$ 11,635 595,730	\$ -	\$ -	\$ 11,635 595,730
Wells and springs Total Source of Supply				
Total Source of Supply	607,365			<u>607,365</u>
PUMPING				
Structures and improvements	604,891	20,920	_	625,811
Other power production equipment	278,732	,	_	278,732
Electric pumping equipment	<u>584,896</u>	_	_	<u>584,896</u>
Total Pumping	1,468,519	20,920		1,489,439
Total Camping				1,100,100
WATER TREATMENT				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092		<u>-</u>	77,092
Total Water Treatment	90,763			90,763
TRANSMISSION AND DISTRIBUTION				
TRANSMISSION AND DISTRIBUTION	10.000			40.000
Land and land rights	13,206	-	-	13,206
Structures and improvements	1,611	-	-	1,611
Distribution reservoirs and standpipes	1,955,851	.	-	1,955,851
Transmission and distribution mains	10,429,182	1,317,437	25,966	11,720,653
Services	2,352,357	261,967	5,230	2,609,094
Meters	738,250	59,891	23,258	774,883
Hydrants	1,297,824	188,639	12,328	1,474,135
Other transmission and distribution plant	<u>973</u>			<u>973</u>
Total Transmission and Distribution	<u>16,789,254</u>	<u>1,827,934</u>	66,782	<u> 18,550,406</u>
GENERAL				
Structures and improvements	410,390	2,431		412,821
Office furniture and equipment	62,497	2,431	_	62,497
Computer equipment	55,313	_	_	55,313
Transportation equipment	63,006	_	_	63,006
Stores equipment	2,187	_	_	2,187
Tools, shop and garage equipment	47,309	_	_	47,309
Power-operated equipment	102,034	_	_	102,034
Communication equipment	37,858	_	_	37,858
SCADA equipment	458,421	-	-	458,421
Miscellaneous equipment	450,421	-	-	456,421
Total General	1,239,104	2,431		1,241,535
i Ulai Gerierai	1,239,104	<u></u>		1,241,333
TOTAL WATER UTILITY PLANT	<u>\$20,195,005</u>	<u>\$ 1,851,285</u>	\$ 66,782	<u>\$21,979,508</u>

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

		0040		0045
ODED ATING DEVENUES		2016		2015
OPERATING REVENUES				
Sales of Water	•		•	
Unmetered	<u>\$</u>	<u>79</u>	\$	
Metered		0=0=40		00-0-4
Residential		876,749		805,271
Multifamily residential		65,660		56,463
Commercial		156,718		134,225
Industrial		296,674		268,342
Public authorities		18,747		18,485
Interdepartmental		<u> 1,918</u>		2,208
Total Metered Sales		1,416,466		1,284,994
Private fire protection		38,842		29,373
Public fire protection		498,439		446,666
Total Sales of Water		1,953,826		1,761,033
Other Operating Revenues				
Forfeited discounts		6,309		4,610
Other		40,989		18,773
Total Operating Revenues		2,001,124	_	1,784,416
OPERATING EXPENSES				
Operation and Maintenance				
Source of Supply				
Maintenance				
Wells and springs		4,675		8,640
Pumping		-,,		
Fuel or purchased power for pumping		128,913		130,964
Pumping labor		15,995		818
Miscellaneous		2,498		2,076
Maintenance		_,		_,0.0
Structures and improvements		19,526		26,003
Pumping equipment		34,724		7,578
Total Pumping		201,656		167,439
Water Treatment		201,000		107,400
Chemicals		14,569		17,962
Operation labor		44,842		36,615
Maintenance		44,042		30,013
Structures and improvements		900		750
Water treatment equipment		8,267		2,727
Total Water Treatment			_	
rotal water freatment		<u>68,578</u>		<u>58,054</u>

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2016 and 2015

		2016		2015
OPERATING EXPENSES (cont.)				
Operation and Maintenance (cont.)				
Transmission and Distribution				
Transmission and distribution lines	\$	14,316	\$	6,590
Meters	*	25,178	*	21,709
Miscellaneous		40,808		65,299
Maintenance		10,000		00,200
Reservoirs and standpipes		53,069		49,895
Mains		51,540		45,609
Services		51,644		32,824
Meters		510		676
Hydrants		16,191		22,324
Miscellaneous		9,386		2,037
Total Transmission and Distribution		262,642		246,963
Customer Accounts		202,042		240,000
Meter reading		7,522		4,023
Accounting and collecting labor		92,476		85,373
Total Customer Accounts	-	99,998		89,396
Administrative and General	-	00,000		00,000
Salaries		157,264		156,259
Office supplies		14,581		12,379
Outside services employed		28,928		43,771
Property insurance		11,054		9,728
Injuries and damages		12,621		9,968
Employee pensions and benefits		112,281		49,491
Regulatory commission		4,991		2,192
Miscellaneous		470		473
Rents		4,247		4,129
Maintenance		5,948		8,322
Total Administrative and General		352,385		296,712
Taxes		22,271		18,566
Total Operation and Maintenance		1,012,205		885,770
Depreciation		428,084		408,632
Total Operating Expenses		1,440,289		1,294,402
Total Operating Expenses		1,-1-10,200		1,204,402
OPERATING INCOME	\$	560,835	\$	490,014

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2016 and 2015

	W	ater
	2016	2015
Utility Financed Plant in Service Beginning of year	\$ 13,552,786	\$ 12,555,894
End of year Average	<u>14,600,959</u> <u>14,076,873</u>	13,552,786 13,054,340
Average	14,070,073	<u> 13,034,340</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(4,515,479)	(4,205,739)
End of year	<u>(4,786,329)</u>	<u>(4,515,479</u>)
Average	<u>(4,650,904</u>)	<u>(4,360,609</u>)
Materials and Supplies		
Beginning of year	29,831	34,597
End of year	34,812	29,831
Average	32,322	32,214
Regulatory Liability		
Beginning of year	(273,828)	(308,056)
End of year	(239,600)	(273,828)
Average	(256,714)	(290,942)
AVERAGE NET RATE BASE	\$ 9,201,577	\$ 8,435,003
OPERATING INCOME - REGULATORY BASIS	\$ 318,087	\$ 236,548
RATE OF RETURN (PERCENT)	3.46	2.80

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.



WASTEWATER UTILITY PLANT As of and for the Year Ended December 31, 2016

	Balance			Balance
	1/1/16	Additions	Retirements	12/31/16
COLLECTING SYSTEM		7100110110	<u> 1 totii omonio</u>	12/01/10
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	8,450,708	868,844	18,028	9,301,524
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951			<u>48,951</u>
Total Collecting System	<u>10,363,843</u>	868,844	18,028	<u>11,214,659</u>
COLLECTING SYSTEM PUMPING				
Structures and improvements	67,381	38,857	-	106,238
Electric pumping equipment	312,284	293,597	-	605,881
Other power pumping equipment	<u>21,399</u>			21,399
Total Collecting System Pumping	401,064	332,454		<u>733,518</u>
TREATMENT AND DISPOSAL				
Structures and improvements	5,364,072	-	-	5,364,072
Preliminary treatment equipment	1,542,566	-	-	1,542,566
Primary treatment equipment	1,150,534	-	-	1,150,534
Secondary treatment equipment	529,291	-	-	529,291
Advanced treatment equipment	1,930,493	-	-	1,930,493
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,921,749	-	-	3,921,749
Plant site pumping	685,498	-	-	685,498
Flow metering and monitoring equipment	25,166	-	-	25,166
Other treatment and disposal equipment	38,818			38,818
Total Treatment and Disposal	<u>15,554,349</u>		_	<u>15,554,349</u>
GENERAL				
Structures and improvements	238,607	3,039	-	241,646
Office furniture and equipment	64,900	-	-	64,900
Computer equipment	118,386	-	-	118,386
Transportation equipment	427,383	-	-	427,383
Communication equipment	433,162	-	-	433,162
Other general equipment	32,512	<u>58,625</u>		91,137
Total General	<u>1,314,950</u>	61,664		<u>1,376,614</u>
TOTAL WASTEWATER UTILITY PLANT	<u>\$27,634,206</u>	<u>\$ 1,262,962</u>	<u>\$ 18,028</u>	<u>\$28,879,140</u>

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,405,052	\$ 1,399,906
Commercial	434,012	416,771
Industrial	135,789	150,898
Public authorities	23,174	25,331
Interdepartmental sales	<u>516</u>	486
Total Wastewater Revenues	1,998,543	1,993,392
Other Operating Revenues	.,000,0.0	.,000,00=
Forfeited discounts	4,692	4,915
Miscellaneous	32,767	39,528
Total Operating Revenues	2,036,002	2,037,835
Total operating horolides	2,000,002	2,001,000
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	50	353
Power and fuel for pumping	85,390	92,495
Sludge conditioning chemicals	10,710	10,110
Other operating supplies	26,766	43,329
Total Operation	122,916	146,287
Maintenance	,	
Collection system	104,074	49,081
Treatment and disposal plant equipment	118,943	125,867
General plant structures and equipment	75,878	97,420
Total Maintenance	298,895	272,368
Customer Accounts		
Accounting and collecting	145,249	136,974
Administrative and General		
Salaries	103,307	107,396
Office supplies	36,385	23,563
Outside services employed	25,019	64,852
Insurance	28,788	23,911
Employees pensions and benefits	142,767	152,995
Miscellaneous	22,719	23,823
Rents	65,298	62,420
Total Administrative and General	424,283	458,960
Taxes	28,955	27,572
Total Operation and Maintenance	1,020,298	1,042,161
Depreciation	796,285	777,150
Total Operating Expenses	1,816,583	1,819,311
OPERATING INCOME	\$ 219,419	\$ 218,524
OI LIVITING INCOME		