

STOUGHTON UTILITIES

Enterprise Funds of the
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2012 and 2011

STOUGHTON UTILITIES

Enterprise Funds of the City of Stoughton, Wisconsin

TABLE OF CONTENTS December 31, 2012 and 2011

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 19
Financial Statements	
Electric Utility	
Statements of Net Position	20 - 21
Statements of Revenues, Expenses and Changes in Net Position	22
Statements of Cash Flows	23 - 24
Water Utility	
Statements of Net Position	25 - 26
Statements of Revenues, Expenses and Changes in Net Position	27
Statements of Cash Flows	28 - 29
Wastewater Utility	
Statements of Net Position	30 - 31
Statements of Revenues, Expenses and Changes in Net Position	32
Statements of Cash Flows	33 - 34
Notes to Financial Statements	35 - 64
Supplemental Information	
Electric Utility	
Utility Plant	65
Operating Revenues and Expenses	66 - 67
Rate of Return - Regulatory Basis	68

STOUGHTON UTILITIES
Enterprise Funds of the City of Stoughton, Wisconsin

TABLE OF CONTENTS
December 31, 2012 and 2011

Supplemental Information (cont.)

Water Utility

Utility Plant	69
Operating Revenues and Expenses	70 - 71
Rate of Return - Regulatory Basis	72

Wastewater Utility

Utility Plant	73
Operating Revenues and Expenses	74

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, 2012 and 2011, 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 an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

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, 2012 and 2011, and the changes in its financial position and its cash flows 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, 2012 and 2011 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, Stoughton Utilities have adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental utility plant, utility operating revenues and expenses and rate of return – regulatory basis schedules 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 utility plant, utility operating revenues and expenses and rate of return – regulatory basis schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tully Verdon Krause, LLP

Madison, Wisconsin
March 28, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

STOUGHTON UTILITIES

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

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, 2012, 2011 and 2010. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Replaced 111 poles and approximately 2 miles of lines to enhance electric system reliability.
- The electric division's net position increased by \$704,746 from the prior year.
- Sales of electricity increased in 2012 by 2.13%. The increase was due to an increase in sales and a wholesale rate increase effective on January 1, 2012.
- Financed \$840,000 of capital improvements to improve operations and electric system reliability.

WATER:

- Completed water main replacements crossing under the Yahara River.
- The water division's net position increased by \$219,646 from the prior year.
- Revenues from water sales increased by 1.34% in 2012 due to a slight increase in consumption. There were no retail rate increases in 2012.

WASTEWATER:

- Financed \$775,000 of sewer projects which included both main upgrades and slip lining of sewer mains to extend the life of the existing mains.
- Completed a fiber connection from the Administration building to the Wastewater Treatment Plant and upgraded our SCADA communications system.
- Stoughton Wastewater Utility, in partnership with Madison Metropolitan Sewerage District, Dane County, Wisconsin Department of Natural Resources, and multiple cities, villages, and towns in the Yahara watershed is implementing a watershed adaptive management pilot project to address phosphorus reduction under the Rock River Total Maximum Daily Load.
- Completed sewer main replacements crossing under the Yahara River and associated flow inlet/outlet structures.
- The wastewater division's net position increased by \$509,469 from the prior year.
- Operating revenue and sales volume remained stable in 2012.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

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 provide electric service to the following Townships: Dunkirk, Dunn, Pleasant Springs, Porter and Rutland.

The water and electric utilities are managed by a Utility 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 Utility Committee also manages the wastewater utility. The Utility Committee establishes 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 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.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Position – Electric Utility

	2012	2011	2010	2012-2011 Change
Current and Other Assets	\$ 9,518,367	\$ 8,982,799	\$ 9,143,906	\$ 535,568
Capital Assets	15,160,909	15,310,259	15,303,719	(149,350)
Total Assets	<u>24,679,276</u>	<u>24,293,058</u>	<u>24,447,625</u>	<u>386,218</u>
Long-Term Debt Outstanding	5,505,000	5,905,000	6,280,000	(400,000)
Other Liabilities	2,346,261	2,264,789	2,552,965	81,472
Total Liabilities	<u>7,851,261</u>	<u>8,169,789</u>	<u>8,832,965</u>	<u>(318,528)</u>
Investment in Capital Assets	8,903,245	8,677,595	8,321,055	225,650
Restricted	1,039,577	1,016,417	1,336,158	23,160
Unrestricted	6,885,193	6,429,257	5,957,447	455,936
Total Net Position	<u>\$16,828,015</u>	<u>\$16,123,269</u>	<u>\$15,614,660</u>	<u>\$704,746</u>

In 2012, the electric utility net position increased \$704,746, an increase of 4.37%. The increase was as anticipated and in line with the 2012 operating budget.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Net Position – Water Utility

	2012	2011	2010	2012-2011 Change
Current and Other Assets	\$ 1,656,392	\$ 1,759,183	\$ 1,904,584	\$ (102,791)
Capital Assets	12,537,167	12,341,715	12,076,405	195,452
Total Assets	<u>14,193,559</u>	<u>14,100,898</u>	<u>13,980,989</u>	<u>92,661</u>
Long-Term Debt Outstanding	2,077,213	2,262,123	2,441,386	(184,910)
Other Liabilities	696,443	638,518	554,055	57,925
Total Liabilities	<u>2,773,656</u>	<u>2,900,641</u>	<u>2,995,441</u>	<u>(126,985)</u>
Investment in Capital Assets	10,275,044	9,900,329	9,466,387	374,715
Restricted	431,068	427,587	469,062	3,481
Unrestricted	713,791	872,341	1,050,099	(158,550)
Total Net Position	<u>\$11,419,903</u>	<u>\$ 11,200,257</u>	<u>\$ 10,985,548</u>	<u>\$ 219,646</u>

In 2012, the water utility net position increased \$219,646, an increase of 1.96%. The water utility has experienced stable increases in net position since the last retail rate increase was implemented in 2010.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3
Condensed Statements of Net Position – Wastewater Utility

	2012	2011	2010	2012-2011 Change
Current and Other Assets	\$ 2,941,906	\$ 3,222,504	\$ 3,536,403	\$ (280,598)
Capital Assets	15,021,478	14,847,485	14,639,909	173,993
Total Assets	<u>17,963,384</u>	<u>18,069,989</u>	<u>18,176,312</u>	<u>(106,605)</u>
Long-Term Debt Outstanding	2,903,455	3,553,191	4,183,666	(649,736)
Other Liabilities	924,964	891,302	800,076	33,662
Total Liabilities	<u>3,828,419</u>	<u>4,444,493</u>	<u>4,983,742</u>	<u>(616,074)</u>
Investment in Capital Assets	11,468,409	10,663,942	9,844,578	804,467
Restricted	1,501,295	1,479,173	1,475,695	22,122
Unrestricted	1,165,261	1,482,381	1,872,297	(317,120)
Total Net Position	<u>\$14,134,965</u>	<u>\$ 13,625,496</u>	<u>\$ 13,192,570</u>	<u>\$ 509,469</u>

In 2012, wastewater net position increased \$509,469 or 3.74%. The increase was as anticipated and in line with the 2012 operating budget.

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.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

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**

	2012	2011	2010	2012-2011 Change
Operating Revenues	\$ 15,385,267	\$ 15,055,468	\$ 14,140,673	\$ 329,799
Non-Operating Revenues	100,685	117,555	208,297	(16,870)
Total Revenues	<u>15,485,952</u>	<u>15,173,023</u>	<u>14,348,970</u>	<u>312,929</u>
Depreciation Expense	910,353	912,530	865,950	(2,177)
Other Operating Expense	13,336,299	13,136,259	12,476,782	200,040
Non-Operating Expenses	276,156	289,363	298,565	(13,207)
Total Expenses	<u>14,522,808</u>	<u>14,338,152</u>	<u>13,641,297</u>	<u>184,656</u>
Income Before Capital Contributions and Transfers	963,144	834,871	707,673	128,273
Capital Contributions	130,561	17,407	267,667	113,154
Transfers - Tax Equivalent	(363,359)	(322,881)	(291,922)	(40,478)
Transfers	(25,600)	(20,788)	(30,496)	(4,812)
Changes in Net Position	704,746	508,609	652,922	196,137
Beginning Net Position	<u>16,123,269</u>	<u>15,614,660</u>	<u>14,961,738</u>	<u>508,609</u>
Total Net Position-Ending	<u>\$ 16,828,015</u>	<u>\$ 16,123,269</u>	<u>\$ 15,614,660</u>	<u>\$ 704,746</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2012	2011	2010	2012-2011 Change
Operating Revenues	\$ 1,756,878	\$ 1,734,825	\$ 1,558,841	\$ 22,053
Non-Operating Revenues	10,718	11,297	68,129	(579)
Total Revenues	<u>1,767,596</u>	<u>1,746,122</u>	<u>1,626,970</u>	<u>21,474</u>
Depreciation Expense	364,679	342,667	327,160	22,012
Other Operating Expense	745,471	788,488	725,930	(43,017)
Non-Operating Expenses	97,706	175,123	102,724	(77,417)
Total Expenses	<u>1,207,856</u>	<u>1,306,278</u>	<u>1,155,814</u>	<u>(98,422)</u>
Income Before Capital Contributions and Transfers	559,740	439,844	471,156	119,896
Capital Contributions	9,000	86,600	612,176	(77,600)
Transfers - Tax Equivalent	(342,159)	(301,135)	(259,162)	(41,024)
Transfers	(6,935)	(10,600)	(6,048)	3,665
Changes in Net Position	<u>219,646</u>	<u>214,709</u>	<u>818,122</u>	<u>4,937</u>
Beginning Net Position	11,200,257	10,985,548	10,167,426	214,709
Total Net Position-Ending	<u>\$ 11,419,903</u>	<u>\$ 11,200,257</u>	<u>\$ 10,985,548</u>	<u>\$ 219,646</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

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

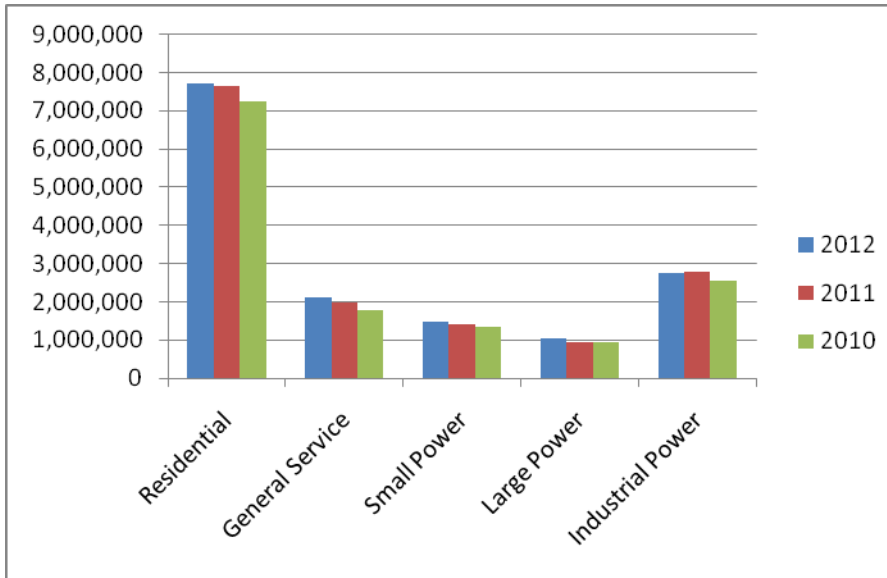
	2012	2011	2010	2012-2011 Change
Operating Revenues	\$ 2,062,606	\$ 2,073,764	\$ 2,070,720	\$ (11,158)
Non-Operating Revenues	9,763	19,138	60,772	(9,375)
Total Revenues	<u>2,072,369</u>	<u>2,092,902</u>	<u>2,131,492</u>	<u>(20,533)</u>
Depreciation Expense	630,188	630,352	649,400	(164)
Other Operating Expense	877,033	905,616	902,642	(28,583)
Non-Operating Expenses	104,934	124,008	142,512	(19,074)
Total Expenses	<u>1,612,155</u>	<u>1,659,976</u>	<u>1,694,554</u>	<u>(47,821)</u>
Income Before Capital Contributions and Transfers	460,214	432,926	436,938	27,288
Capital Contributions	49,255	-	-	49,255
Changes in Net Position	509,469	432,926	436,938	76,543
Beginning Net Position	13,625,496	13,192,570	12,755,632	432,926
Total Net Position-Ending	<u>\$ 14,134,965</u>	<u>\$ 13,625,496</u>	<u>\$ 13,192,570</u>	<u>\$ 509,469</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Increasing electric sales and a wholesale power cost adjustment on January 1, 2012 resulted in an increase in sales revenue of \$317,201, or 2.13% in 2012.

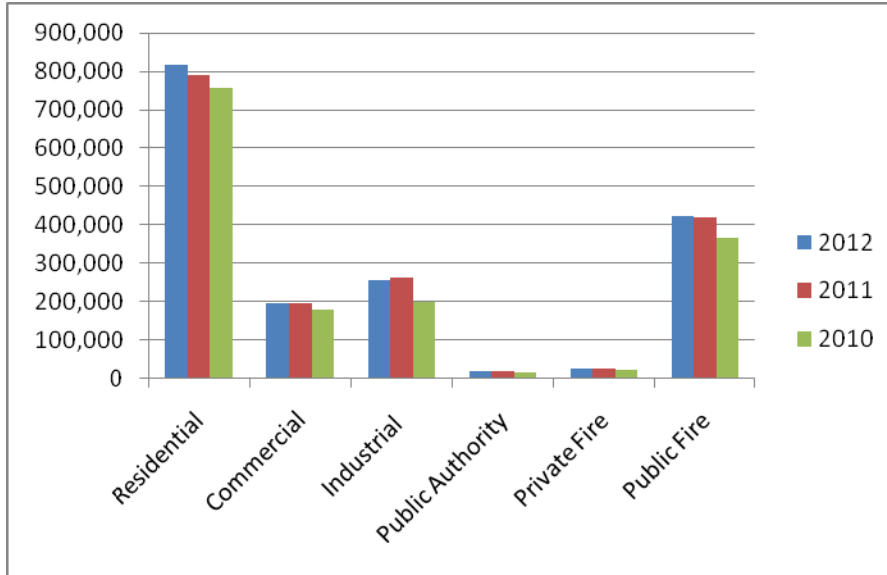
	2012	2011	2010
Residential	\$ 7,711,886	\$ 7,652,332	\$ 7,262,312
General Service	2,104,261	1,966,989	1,779,438
Small Power	1,467,540	1,410,706	1,340,462
Large Power	1,049,188	956,963	944,496
Industrial Power	2,761,836	2,781,578	2,554,604
Public Lighting	141,102	150,044	131,157
Total Electric Sales	\$ 15,235,813	\$ 14,918,612	\$ 14,012,469

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



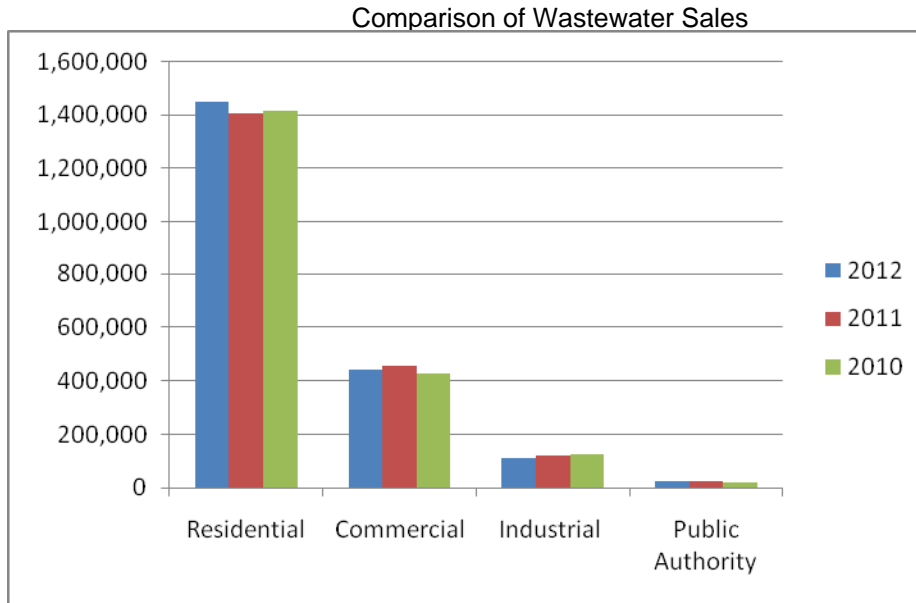
Sales increased \$22,999 or 1.34% in 2012 due to a slight increase in water consumption. There were no retail rate increases in 2012.

	2012	2011	2010
Residential	\$ 816,587	\$ 792,642	\$ 756,725
Commercial	196,348	193,971	178,491
Industrial	255,137	263,376	199,210
Public Authority	19,222	17,828	15,828
Private Fire	25,422	25,417	20,999
Public Fire	420,871	417,354	364,006
Total Water Sales	\$ 1,733,587	\$ 1,710,588	\$ 1,535,259

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)



The utility experienced an increase in revenues of \$24,179 or 1.21% in 2012 due to a slight increase in volume sales. No retail rate increases were implemented in 2012.

	2012	2011	2010
Residential	\$ 1,449,168	\$ 1,403,877	\$ 1,415,649
Commercial	441,780	456,246	429,388
Industrial	112,101	120,473	127,345
Public Authority	25,855	24,129	22,287
Total Wastewater Sales	\$ 2,028,904	\$ 2,004,725	\$ 1,994,669

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

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

	2012	2011	2010	2012-2011 Change
Cash Flows From:				
Operating activities	\$ 2,062,896	\$ 1,941,440	\$ 1,782,162	\$ 121,456
Non-capital financing activities	(302,751)	(867,454)	(289,293)	564,703
Capital and related financing activities	(1,365,177)	(1,717,639)	(1,689,114)	52,461
Investing activities	408,202	(733,924)	1,377,387	1,142,126
Net Change in Cash and Cash Equivalents	803,170	(1,377,577)	1,181,142	2,180,746
Cash and Cash Equivalents Beginning of Year	2,022,472	3,400,049	2,218,907	(1,377,577)
Cash and Cash Equivalents End of Year	<u>\$ 2,825,642</u>	<u>\$ 2,022,472</u>	<u>\$ 3,400,049</u>	<u>\$ 803,169</u>

The increase in cash and cash equivalents in 2012 is a result of cash flows from normal operating activities. The increase of \$803,170 was anticipated and in line with the 2012 operating budget.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8
Condensed Statements of Cash Flows -
Water Utility

	2012	2011	2010	2012-2011 Change
Cash Flows From:				
Operating activities	\$ 1,059,453	\$ 1,017,676	\$ 853,199	\$ 41,777
Non-Capital financing activities	(308,070)	(269,762)	(234,562)	(38,308)
Capital and related financing activities	(851,898)	(888,548)	(476,129)	36,650
Investing activities	411,612	485,432	197,668	(73,820)
Net Change in Cash and Cash Equivalents	311,097	344,798	340,176	(33,701)
Cash and Cash Equivalents Beginning of Year	702,356	357,558	17,382	344,798
Cash and Cash Equivalents End of Year	<u>\$ 1,013,453</u>	<u>\$ 702,356</u>	<u>\$ 357,558</u>	<u>\$ 311,097</u>

The water utility experienced an increase in cash and cash equivalents of \$311,097 in 2012. The increase is due to the principal maturities of two Ginnie Mae securities.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9
Condensed Statements of Cash Flows -
Wastewater Utility

	2012	2011	2010	2012-2011 Change
Cash Flows From:				
Operating activities	\$ 1,201,971	\$ 1,256,322	\$ 1,235,599	\$ (31,859)
Capital and related financing activities	(1,490,850)	(1,574,558)	(953,733)	61,216
Investing activities	287,856	177,730	293,327	110,126
Net Change in Cash and Cash Equivalents	(1,023)	(140,506)	575,193	139,483
Cash and Cash Equivalents Beginning of Year	2,242,732	2,383,238	1,808,045	(140,506)
Cash and Cash Equivalents End of Year	\$ 2,241,709	\$ 2,242,732	\$ 2,383,238	\$ (1,023)

The utility experienced a decrease in cash and cash equivalents of just \$1,023 in 2012. The balance remained stable as anticipated and projected in the 2012 operating budget.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10
Capital Assets – Electric Utility

	2012	2011	2010	2012-2011 Change
Capital Assets				
Transmission and distribution	\$21,618,433	\$21,002,881	\$ 20,274,337	\$ 615,552
General	4,367,482	4,312,988	4,258,484	54,494
Total Capital Assets	25,985,915	25,315,869	24,532,821	670,046
Less: Accumulated depreciation	(10,854,101)	(10,038,045)	(9,255,784)	(816,056)
Construction in progress	29,095	32,435	26,682	(3,340)
Net Capital Assets	\$15,160,909	\$ 15,310,259	\$ 15,303,719	\$ (149,350)

Table 11
Capital Assets – Water Utility

	2012	2011	2010	2012-2011 Change
Capital Assets				
Source of supply	\$ 581,758	\$ 581,758	\$ 575,629	\$ -
Pumping	1,428,957	1,407,274	1,526,063	21,683
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	14,400,401	13,904,420	13,426,711	495,981
General	1,185,462	914,078	913,082	271,384
Total Capital Assets	17,687,341	16,898,293	16,532,248	789,048
Less: Accumulated depreciation	(5,174,407)	(4,785,085)	(4,501,174)	(389,322)
Construction in progress	24,233	228,507	45,331	(204,274)
Net Capital Assets	\$12,537,167	\$ 12,341,715	\$ 12,076,405	\$ 195,452

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

UTILITY FINANCIAL ANALYSIS (cont.)

Table 12
Capital Assets – Wastewater Utility

	2012	2011	2010	2012-2011 Change
Capital Assets				
Collection system	\$ 8,789,146	\$ 8,277,782	\$ 7,822,109	\$ 511,364
Collection system pumping	397,412	397,412	397,412	-
Treatment and disposal	12,914,727	12,786,069	12,757,388	128,658
General	1,150,622	841,480	846,036	309,142
Total Capital Assets	23,251,907	22,302,743	21,822,945	949,164
Less: Accumulated depreciation	(8,446,186)	(7,816,519)	(7,246,797)	(629,667)
Construction in progress	215,757	361,261	63,761	(145,504)
Net Capital Assets	\$15,021,478	\$ 14,847,485	\$ 14,639,909	\$ 173,993

LONG-TERM DEBT

As of December 31, 2012, the electric utility had total mortgage revenue bond debt outstanding of \$5,905,000 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, 2012, the water utility had total mortgage revenue bond debt outstanding of \$2,262,123 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility. 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 \$3,553,192 of clean water fund loans outstanding as of December 31, 2012. These bonds were issued for a series of wastewater treatment plant upgrade and expansion projects.

Tables of separate bond issues are included in note 7 of this audit report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012 and 2011

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 the 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.

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF NET POSITION December 31, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and investments	\$ 5,082,813	\$ 5,035,976
Interest receivable	30,252	25,142
Restricted Assets		
Redemption account	377,610	358,057
Customer accounts receivable	1,445,185	1,491,484
Other accounts receivable	167,935	34,666
Due from municipality	24,918	25,630
Current portion of advance to municipality	31,250	41,569
Materials and supplies	139,181	135,057
Prepayments	20,425	25,277
Total Current Assets	7,319,569	7,172,858
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Other Assets		
Electric plant and maintenance reserve account	504,498	103,860
Sick leave reserve account	170,916	170,916
Advance to municipality	481,925	513,175
Investment in ATC	282,798	259,669
Nonutility property (net)	28,933	32,593
Capital Assets		
Plant in service	25,633,251	24,963,205
Accumulated depreciation	(10,854,101)	(10,038,045)
Property held for future use	352,664	352,664
Construction work in progress	29,095	32,435
Total Noncurrent Assets	17,359,707	17,120,200
Total Assets	24,679,276	24,293,058

	LIABILITIES	
	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,056,225	\$ 1,009,395
Due to municipality	363,359	322,881
Customer deposits	144,259	125,914
Accrued wages	18,512	14,656
Accrued interest	2,241	2,135
Accrued liabilities	138,067	106,485
Commitment to community	(24,064)	56,599
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	400,000	375,000
Accrued interest	67,761	71,368
Total Current Liabilities	<u>2,166,360</u>	<u>2,084,433</u>
NONCURRENT LIABILITIES		
Revenue bonds	5,505,000	5,905,000
Accrued sick leave	171,819	170,916
Customer advances for construction	8,082	9,440
Total Noncurrent Liabilities	<u>5,684,901</u>	<u>6,085,356</u>
 Total Liabilities	 <u>7,851,261</u>	 <u>8,169,789</u>
NET POSITION		
Investment in capital assets	8,903,245	8,677,595
Restricted for debt service	1,039,577	1,016,417
Unrestricted	6,885,193	6,429,257
 TOTAL NET POSITION	 <u>\$ 16,828,015</u>	 <u>\$ 16,123,269</u>

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Sales of electricity	\$ 15,235,813	\$ 14,918,612
Other	149,454	136,856
Total Operating Revenues	<u>15,385,267</u>	<u>15,055,468</u>
OPERATING EXPENSES		
Operation and maintenance	13,336,299	13,136,259
Depreciation	910,353	912,530
Total Operating Expenses	<u>14,246,652</u>	<u>14,048,789</u>
OPERATING INCOME	<u>1,138,615</u>	<u>1,006,679</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	100,685	117,555
Interest expense	(274,683)	(288,750)
Miscellaneous revenues (expenses)	(1,473)	(613)
Total Nonoperating Revenues (Expenses)	<u>(175,471)</u>	<u>(171,808)</u>
Income Before Contributions and Transfers	963,144	834,871
CAPITAL CONTRIBUTIONS	130,561	17,407
TRANSFER IN (OUT)	(25,600)	(20,788)
TRANSFERS - TAX EQUIVALENT	<u>(363,359)</u>	<u>(322,881)</u>
CHANGE IN NET POSITION	704,746	508,609
NET POSITION - Beginning of Year	<u>16,123,269</u>	<u>15,614,660</u>
NET POSITION - END OF YEAR	<u>\$ 16,828,015</u>	<u>\$ 16,123,269</u>

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 15,166,459	\$ 15,129,043
Received for street lighting	132,550	140,379
Paid to suppliers for goods and services	(12,336,543)	(12,398,852)
Paid to employees for operating payroll	(917,915)	(936,916)
Customer deposit	18,345	7,786
Net Cash Flows From Operating Activities	2,062,896	1,941,440
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(322,881)	(291,922)
Paid to municipality for Wisconsin Retirement UAAL liability	-	(554,744)
Received from municipality principal on Wisconsin Retirement UAAL liability	41,569	-
Received from municipality interest on Wisconsin Retirement UAAL liability	4,161	-
Transfers to other funds	(25,600)	(20,788)
Net Cash Flows From Noncapital Financing Activities	(302,751)	(867,454)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(847,627)	(1,209,483)
Received from the sale of capital assets	3,774	9,917
Capital contributions received	131,919	123,920
Debt retired	(375,000)	(350,000)
Interest paid	(278,243)	(291,993)
Net Cash Flows From Capital and Related Financing Activities	(1,365,177)	(1,717,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,855,546)	(2,693,190)
Investments sold and matured	2,084,356	1,800,800
Dividends/(Investment) in ATC	7,466	13,996
Investment income	171,926	144,470
Net Cash Flows From Investing Activities	408,202	(733,924)
Net Change in Cash and Cash Equivalents	803,170	(1,377,577)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,022,472	3,400,049
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,825,642	\$ 2,022,472
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (107,331)	\$ (46,291)
ATC earnings allocated	\$ 30,595	\$ 29,207

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOW FROM OPERATING ACTIVITIES		
Operating income	\$ 1,138,615	\$ 1,006,679
Nonoperating revenue (expense)	(1,473)	(613)
Noncash items in operating income		
Depreciation	910,353	912,530
Depreciation charged to clearing and other utilities	39,600	39,600
Changes in assets and liabilities		
Customer accounts receivable	46,299	119,617
Other account receivable	(133,269)	79,770
Due from municipality	712	7,288
Materials and supplies	(4,124)	(10,460)
Prepayments	4,852	1,766
Accounts payable	87,308	(158,577)
Customer deposits	18,345	7,786
Accrued sick leave	903	7,279
Other current liabilities	35,438	1,859
Commitment to community	(80,663)	(73,084)
	\$ 2,062,896	\$ 1,941,440
NET CASH FLOWS FROM OPERATING ACTIVITIES		
	\$ 2,062,896	\$ 1,941,440
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 5,082,813	\$ 5,035,976
Redemption account	377,610	358,057
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	504,498	103,860
Sick leave reserve account	170,916	170,916
Total Cash and Investments	6,865,565	6,398,537
Less: Noncash equivalents	(4,039,923)	(4,376,065)
	\$ 2,825,642	\$ 2,022,472
CASH AND CASH EQUIVALENTS		

WATER UTILITY

STOUGHTON WATER UTILITY

STATEMENTS OF NET POSITION December 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and investments	\$ 405,347	\$ 600,438
Interest receivable	7,346	4,491
Restricted Assets		
Redemption account	147,233	145,061
Customer accounts receivable	164,941	185,762
Other accounts receivable	-	4,457
Due from municipality	6,341	-
Materials and supplies	35,244	23,257
Prepayments	7,064	8,828
Total Current Assets	<u>773,516</u>	<u>972,294</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	274,005	274,005
Depreciation account	25,000	25,000
Other Assets		
Water plant and maintenance reserve account	447,481	347,214
Sick leave reserve account	88,632	88,632
Non-utility property (net)	47,758	52,038
Capital Assets		
Plant in service	17,687,341	16,898,293
Accumulated depreciation	(5,174,407)	(4,785,085)
Construction work in progress	24,233	228,507
Total Noncurrent Assets	<u>13,420,043</u>	<u>13,128,604</u>
Total Assets	<u>14,193,559</u>	<u>14,100,898</u>

LIABILITIES		<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES			
Accounts payable		\$ 48,977	\$ 37,814
Due to municipality		342,159	301,135
Customer deposits		591	353
Accrued wages		12,190	14,842
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		184,910	179,263
Accrued interest		15,170	16,479
Total Current Liabilities		<u>603,997</u>	<u>549,886</u>
NONCURRENT LIABILITIES			
Revenue bonds		2,077,213	2,262,123
Accrued sick leave		92,446	88,632
Total Noncurrent Liabilities		<u>2,169,659</u>	<u>2,350,755</u>
Total Liabilities		<u>2,773,656</u>	<u>2,900,641</u>
NET POSITION			
Investment in capital assets		10,275,044	9,900,329
Restricted for debt service		431,068	427,587
Unrestricted		713,791	872,341
TOTAL NET POSITION		<u>\$ 11,419,903</u>	<u>\$ 11,200,257</u>

STOUGHTON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Sales of water	\$ 1,733,587	\$ 1,710,588
Other	23,291	24,237
Total Operating Revenues	<u>1,756,878</u>	<u>1,734,825</u>
OPERATING EXPENSES		
Operation and maintenance	745,471	788,488
Depreciation	364,679	342,667
Total Operating Expenses	<u>1,110,150</u>	<u>1,131,155</u>
OPERATING INCOME	<u>646,728</u>	<u>603,670</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	10,718	11,297
Interest expense	(93,433)	(100,680)
Loss on disposal of assets	-	(73,663)
Miscellaneous expenses	(4,273)	(780)
Total Nonoperating Revenues (Expenses)	<u>(86,988)</u>	<u>(163,826)</u>
Income Before Contributions and Transfers	559,740	439,844
CAPITAL CONTRIBUTIONS	9,000	86,600
TRANSFER IN (OUT)	(6,935)	(10,600)
TRANSFERS - TAX EQUIVALENT	<u>(342,159)</u>	<u>(301,135)</u>
CHANGE IN NET POSITION	219,646	214,709
NET POSITION - Beginning of Year	<u>11,200,257</u>	<u>10,985,548</u>
NET POSITION - END OF YEAR	<u>\$ 11,419,903</u>	<u>\$ 11,200,257</u>

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,775,815	\$ 1,742,124
Paid to suppliers for goods and services	(459,540)	(458,315)
Paid to employees for operating payroll	(256,822)	(266,133)
Net Cash Flows From Operating Activities	1,059,453	1,017,676
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(301,135)	(259,162)
Transfers to other funds	(6,935)	(10,600)
Net Cash Flows From Noncapital Financing Activities	(308,070)	(269,762)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(586,893)	(704,722)
Capital contributions received	9,000	86,600
Debt retired	(179,263)	(168,632)
Interest paid	(94,742)	(101,794)
Net Cash Flows From Capital and Related Financing Activities	(851,898)	(888,548)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(206,517)
Investments sold and matured	394,835	644,057
Investment income	16,777	47,892
Net Cash Flows From Investing Activities	411,612	485,432
Net Change in Cash and Cash Equivalents	311,097	344,798
CASH AND CASH EQUIVALENTS - Beginning of Year	702,356	357,558
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,013,453	\$ 702,356
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (8,914)	\$ (35,908)

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 646,728	\$ 603,670
Noncash items in operating income		
Depreciation	364,679	342,667
Depreciation charged to clearing and other utilities	27,007	27,007
Changes in assets and liabilities		
Customer accounts receivable	20,821	7,343
Other account receivable	4,457	(44)
Due from municipality	(6,341)	-
Materials and supplies	(11,987)	3,844
Prepayments	1,764	642
Accounts payable	11,163	27,982
Accrued wages	(2,652)	1,624
Accrued sick leave	3,814	2,941
	\$ 1,059,453	\$ 1,017,676
NET CASH FLOWS FROM OPERATING ACTIVITIES		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 405,347	\$ 600,438
Redemption account	147,233	145,061
Reserve account	274,005	274,005
Depreciation account	25,000	25,000
Water plant and maintenance reserve account	447,481	347,214
Sick leave reserve account	88,632	88,632
Total Cash and Investments	1,387,698	1,480,350
Less: Noncash equivalents	(374,245)	(777,994)
CASH AND CASH EQUIVALENTS	\$ 1,013,453	\$ 702,356

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

	ASSETS		2012	2011
			<u> </u>	<u> </u>
CURRENT ASSETS				
Cash and investments		\$	1,088,123	\$ 1,387,496
Interest receivable			1,732	3,081
Restricted Assets				
Redemption account			456,417	438,483
Customer accounts receivable			203,564	222,634
Other accounts receivable			18,068	1,547
Due from municipality			5,971	-
Prepayments			8,829	11,035
Total Current Assets			<u>1,782,704</u>	<u>2,064,276</u>
NONCURRENT ASSETS				
Restricted Assets				
Depreciation account			33,283	33,283
Replacement account			1,028,014	1,027,040
Construction account			123	123
Other Assets				
Sick leave reserve account			97,782	97,782
Capital Assets				
Plant in service			23,251,907	22,302,743
Accumulated depreciation			(8,446,186)	(7,816,519)
Construction work in progress			215,757	361,261
Total Noncurrent Assets			<u>16,180,680</u>	<u>16,005,713</u>
Total Assets			<u>17,963,384</u>	<u>18,069,989</u>

LIABILITIES		<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES			
Accounts payable		\$ 151,503	\$ 125,728
Accrued wages		15,588	17,684
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		649,737	630,475
Accrued interest		16,419	19,633
Total Current Liabilities		<u>833,247</u>	<u>793,520</u>
NONCURRENT LIABILITIES			
Revenue bonds		2,903,455	3,553,191
Accrued sick leave		91,717	97,782
Total Noncurrent Liabilities		<u>2,995,172</u>	<u>3,650,973</u>
Total Liabilities		<u>3,828,419</u>	<u>4,444,493</u>
NET POSITION			
Investment in capital assets		11,468,409	10,663,942
Restricted for debt service		473,281	452,133
Restricted for equipment replacement		1,028,014	1,027,040
Unrestricted		<u>1,165,261</u>	<u>1,482,381</u>
TOTAL NET POSITION		<u>\$ 14,134,965</u>	<u>\$ 13,625,496</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Treatment charges	\$ 2,028,904	\$ 2,004,725
Other	33,702	69,039
Total Operating Revenues	2,062,606	2,073,764
OPERATING EXPENSES		
Operation and maintenance	877,033	905,616
Depreciation	630,188	630,352
Total Operating Expenses	1,507,221	1,535,968
OPERATING INCOME	555,385	537,796
NONOPERATING REVENUES (EXPENSES)		
Investment income	9,763	15,638
Interest expense	(104,934)	(124,008)
Miscellaneous revenues	-	3,500
Total Nonoperating Revenues (Expenses)	(95,171)	(104,870)
Income Before Contributions	460,214	432,926
CAPITAL CONTRIBUTIONS	49,255	-
CHANGE IN NET POSITION	509,469	432,926
NET POSITION - Beginning of Year	13,625,496	13,192,570
NET POSITION - END OF YEAR	\$ 14,134,965	\$ 13,625,496

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,059,184	\$ 2,085,482
Paid to suppliers for goods and services	(533,151)	(501,764)
Paid to employees for operating payroll	(324,062)	(327,396)
Net Cash Flows From Operating Activities	<u>1,201,971</u>	<u>1,256,322</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(752,227)	(835,648)
Debt retired	(630,474)	(611,788)
Interest paid	(108,149)	(127,122)
Net Cash Flows From Capital and Related Financing Activities	<u>(1,490,850)</u>	<u>(1,574,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(246,000)	(199,750)
Investments sold and matured	510,721	341,629
Investment income	23,135	35,851
Net Cash Flows From Investing Activities	<u>287,856</u>	<u>177,730</u>
Net Change in Cash and Cash Equivalents	(1,023)	(140,506)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,242,732</u>	<u>2,383,238</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,241,709</u>	<u>\$ 2,242,732</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	<u>\$ (14,721)</u>	<u>\$ (19,603)</u>
Capital assets financed by CTC program	<u>\$ 49,255</u>	<u>\$ -</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 555,385	\$ 537,796
Nonoperating revenue (expense)		-
Noncash items in operating income		
Depreciation	630,188	630,352
Changes in assets and liabilities		
Customer accounts receivable	19,070	11,718
Other account receivable	(16,521)	-
Due from municipality	(5,971)	-
Prepayments	2,206	803
Accounts payable	25,775	69,006
Accrued sick leave	(6,065)	4,451
Other current liabilities	(2,096)	2,196
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,201,971	\$ 1,256,322
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,088,123	\$ 1,387,496
Redemption account	456,417	438,483
Depreciation account	33,283	33,283
Replacement account	1,028,014	1,027,040
Construction account	123	123
Sick leave reserve account	97,782	97,782
Total Cash and Investments	2,703,742	2,984,207
Less: Noncash equivalents	(462,033)	(741,475)
CASH AND CASH EQUIVALENTS	\$ 2,241,709	\$ 2,242,732

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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 are 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 June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. The utilities made the decision to implement this standard effective January 1, 2012.

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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

ASSETS, LIABILITIES 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 utilities' funds are restricted by state statutes. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. 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 or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
7. 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 quoted market prices. 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 for properties within the municipality. As such, no allowance for uncollectible customer accounts is considered necessary.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

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.

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 percent of ATC.

The investment earns dividends quarterly, some of which are paid in cash and some of which are 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 asset is valued at original cost plus additional contributions and reinvested dividends.

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.

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, 2012 and 2011. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2012 and 2011. 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.

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the utilities. Major outlays for utilities 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 using the straight-line method over the following useful lives:

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Capital Assets (cont.)

	<u>Years</u>
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

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.

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 2005 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 low income program fees so revenues and expenses associated with the low income program are recorded as a current liability on the statement 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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Long-Term Obligations

Long-term debt and other obligations are reported as utilities liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and 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.

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 utilities' 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.

Current electric rates were approved by the PSCW on January 3, 2011. The rates are designed to provide a 6.5% return on rate base

Current water rates were approved by the PSCW effective September 1, 2010. The rates are designed to earn a 6.5% return on rate base

Current wastewater rates were approved by the utilities committee effective July 5, 2007.

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 are 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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 65, Items Previously Reported as Assets and Liabilities; Statement No. 66, Technical Corrections - 2012 an amendment of GASB Statements No. 10 and No. 62; Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25; and Statement No. 68, Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27. Application of these standards may restate portions of these financial statements.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31, _____		Risks
	2012	2011	
Checking and Savings	\$ 5,099,721	\$ 3,305,285	Custodial credit risk
LGIP	981,261	1,662,455	Credit and interest rate risks
Negotiable Certificates of Deposit	1,493,474	1,754,441	Custodial credit, credit, concentration and interest rate risks
U.S. Agency Securities	2,874,519	3,115,073	Custodial credit, credit, concentration and interest rate risks
Corporate Bonds	507,280	1,025,090	Custodial credit, credit, concentration and interest rate risks
Petty Cash	750	750	
Totals	\$ 10,957,005	\$ 10,863,094	

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), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013 the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest bearing and noninterest bearing) are insured for a total of \$250,000 beginning January 1, 2013. 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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

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

In addition, the utilities, with the city, have collateral or depository insurance agreements in the amount of \$3,690,884 at December 31, 2012 and \$3,920,512 at December 31, 2011.

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, 2012 and 2011, the fair value of the LGIP's assets were substantially equal to the utilities' share.

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.

The utilities maintain certain deposits at 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.

	2012		2011	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 3,915,203	\$ 3,876,061	\$ 3,347,697	\$ 3,304,357
Wells Fargo Brokerage	928	928	928	928
Associated Bank	1,222,732	1,222,732	-	-
Deposits Exposed to Custodial Credit Risk	<u>\$ 5,138,863</u>	<u>\$ 5,099,721</u>	<u>\$ 3,348,625</u>	<u>\$ 3,305,285</u>

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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments (cont.)

As of December 31, 2012 and 2011 the utilities' investments were exposed to custodial credit risk as follows:

U.S. Agencies - Implicitly Guaranteed	2012	2011
Neither insured nor registered and held by counterparty	\$ <u>2,874,519</u>	\$ <u>3,115,073</u>
 Corporate Bonds		
Neither insured nor registered and held by counterparty	\$ <u>507,280</u>	\$ <u>1,025,090</u>
 Negotiable Certificates of Deposit		
Neither insured nor registered and held by counterparty All remaining certificates are covered by FDIC.	\$ <u>10,232</u>	\$ <u>3,760</u>

The utilities' investment policy does not address this risk.

Credit Risk

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

As of December 31, 2012, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. Agencies - Implicitly Guaranteed	AAA	Aa
Corporate Bonds	AA+	A1
Negotiable Certificates of Deposit	not rated	

As of December 31, 2011, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. Agencies - Implicitly Guaranteed	AAA	Aa
Corporate Bonds	AA+	Aa2
Negotiable Certificates of Deposit	not rated	

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

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, 2012 and 2011, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2012	2011
Ginnie Mae	U.S. Agencies - Implicitly Guaranteed	21.06%	20.84%
GE Capital	Corporate bond	4.63%	9.44%

The utilities' investment policy does not address this risk.

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, 2012, 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	\$ 2,874,519	\$ 176,657	\$ 215,299	\$ 2,482,563
Corporate Bonds	507,280	507,280	-	-
Negotiable Certificates of Deposit	1,493,474	248,124	735,118	510,232
Totals	<u>\$ 4,875,273</u>	<u>\$ 932,061</u>	<u>\$ 950,417</u>	<u>\$ 2,992,795</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ <u>981,261</u>	<u>.20</u>

As of December 31, 2011, the utilities' investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 - 3	3 or more
U.S. Agencies - Implicitly Guaranteed	\$ 3,115,073	\$ -	\$ -	\$ 3,115,073
Corporate Bonds	1,025,090	501,650	523,440	-
Negotiable Certificates of Deposit	<u>1,754,441</u>	<u>1,004,977</u>	<u>253,760</u>	<u>495,704</u>
Totals	<u>\$ 5,894,604</u>	<u>\$ 1,506,627</u>	<u>\$ 777,200</u>	<u>\$ 3,610,777</u>

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ <u>1,662,455</u>	<u>.27</u>

The utilities' investment policy does not address this risk.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2012 and 2011:

Due To	Due From	2012		2011	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 342,159	Payment in lieu of taxes	\$ 301,135	Payment in lieu of taxes
Electric utility	Municipality	24,918	Operating	25,630	Operating
Water utility	Municipality	6,341	Operating	-	
Sewer utility	Municipality	5,971	Operating	-	
Municipality	Electric utility	363,359	Payment in lieu of taxes	322,881	Payment in lieu of taxes

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

The following is a schedule of transfers for the years ending December 31, 2012 and 2011:

To	From	2012		2011	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 25,600	Operating	\$ 20,788	Operating
Municipality	Electric utility	363,359	Payment in lieu of taxes	322,881	Payment in lieu of taxes
Municipality	Water utility	6,935	Operating	10,600	Operating
Municipality	Water utility	342,159	Payment in lieu of taxes	301,135	Payment in lieu of taxes

NOTE 4 – ADVANCE RECEIVABLE

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, 2012 is \$513,175.

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
2013	\$ 31,250	\$ 15,395	\$ 46,645
2014	33,119	14,458	47,577
2015	35,065	13,464	48,529
2016	37,088	12,412	49,500
2017	39,190	11,300	50,490
2018 - 2022	230,493	37,512	268,005
2023 - 2025	106,970	4,987	111,957
Totals	<u>\$ 513,175</u>	<u>\$ 109,528</u>	<u>\$ 622,703</u>

NOTE 5 - 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.
- 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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 5 - RESTRICTED ASSETS (cont.)

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.

Restricted Net Position

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

	2012	2011
Restricted Assets		
Redemption account	\$ 377,610	\$ 358,057
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Total Restricted Assets	1,107,338	1,087,785
Current Liabilities Payable From Restricted Assets	(67,761)	(71,368)
Total Restricted Net Position as Calculated	\$ 1,039,577	\$ 1,016,417

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

	2012	2011
Restricted Assets		
Redemption account	\$ 147,233	\$ 145,061
Reserve account	274,005	274,005
Depreciation account	25,000	25,000
Total Restricted Assets	446,238	444,066
Current Liabilities Payable From Restricted Assets	(15,170)	(16,479)
Total Restricted Net Position as Calculated	\$ 431,068	\$ 427,587

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

	2012	2011
Restricted Assets		
Redemption account	\$ 456,417	\$ 438,483
Depreciation account	33,283	33,283
Replacement account	1,028,014	1,027,040
Construction account	123	123
Total Restricted Assets	1,517,837	1,498,929
Less: Restricted Assets Not Funded by Revenues		
Construction account	(123)	(123)
Current Liabilities Payable From Restricted Assets	(16,419)	(19,633)
Total Restricted Net Position as Calculated	\$ 1,501,295	\$ 1,479,173

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2012 follows:

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights ⁽¹⁾	\$ 573,461	\$ -	\$ -	\$ 573,461
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	20,767,065	736,803	121,251	21,382,617
General	3,960,324	54,494	-	4,014,818
Total Capital Assets Being Depreciated	24,742,408	791,297	121,251	25,412,454
Total Capital Assets	25,315,869	791,297	121,251	25,985,915
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(7,988,476)	(766,568)	137,672	(8,617,372)
General	(2,030,203)	(187,160)	-	(2,217,363)
Total Accumulated Depreciation	(10,038,045)	(953,728)	137,672	(10,854,101)
Construction in progress	32,435	790,125	793,465	29,095
Net Capital Assets	\$ 15,310,259			\$ 15,160,909

(1) Includes property held for future use.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

A summary of changes in electric capital assets for 2011 follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Capital assets, not being depreciated				
Land and land rights ⁽¹⁾	\$ 573,461	\$ -	\$ -	\$ 573,461
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	20,038,521	865,364	136,820	20,767,065
General	3,905,820	80,373	25,869	3,960,324
Total Capital Assets Being Depreciated	23,959,360	945,737	162,689	24,742,408
Total Capital Assets	24,532,821	945,737	162,689	25,315,869
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(7,395,206)	(747,186)	153,916	(7,988,476)
General	(1,841,212)	(214,860)	25,869	(2,030,203)
Total Accumulated Depreciation	(9,255,784)	(962,046)	179,785	(10,038,045)
Construction in progress	26,682	957,329	951,576	32,435
Net Capital Assets	\$ 15,303,719			\$ 15,310,259

(1) Includes property held for future use.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2012 follows:

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated				
Source of supply	570,123	-	-	570,123
Pumping	1,407,275	21,683	-	1,428,958
Water treatment	90,763	-	-	90,763
Transmission and distribution	13,891,213	502,758	6,777	14,387,194
General	914,078	271,384	-	1,185,462
Total Capital Assets Being Depreciated	16,873,452	795,825	6,777	17,662,500
Total Capital Assets	16,898,293	795,825	6,777	17,687,341
Less: Accumulated depreciation				
Source of supply	(285,930)	(16,534)	-	(302,464)
Pumping	(988,708)	(55,351)	-	(1,044,059)
Water treatment	(85,576)	(1,316)	-	(86,892)
Transmission and distribution	(2,939,773)	(261,187)	2,566	(3,198,394)
General	(485,098)	(57,500)	-	(542,598)
Total Accumulated Depreciation	(4,785,085)	(391,888)	2,566	(5,174,407)
Construction in progress	228,507	582,673	786,947	24,233
Net Capital Assets	\$ 12,341,715			\$ 12,537,167

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

A summary of changes in water capital assets for 2011 follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Capital assets, not being depreciated				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated				
Source of supply	563,994	6,729	600	570,123
Pumping	1,526,064	-	118,789	1,407,275
Water treatment	90,763	-	-	90,763
Transmission and distribution	13,413,504	484,810	7,101	13,891,213
General	913,082	33,932	32,936	914,078
Total Capital Assets Being Depreciated	16,507,407	525,471	159,426	16,873,452
Total Capital Assets	16,532,248	525,471	159,426	16,898,293
Less: Accumulated depreciation				
Source of supply	(270,085)	(16,445)	600	(285,930)
Pumping	(978,830)	(55,004)	45,126	(988,708)
Water treatment	(82,595)	(2,981)	-	(85,576)
Transmission and distribution	(2,693,862)	(253,012)	7,101	(2,939,773)
General	(475,802)	(42,232)	32,936	(485,098)
Total Accumulated Depreciation	(4,501,174)	(369,674)	85,763	(4,785,085)
Construction in progress	45,331	641,306	458,130	228,507
Net Capital Assets	\$ 12,076,405			\$ 12,341,715

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

A summary of changes in wastewater capital assets for 2012 follows:

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Capital assets being depreciated				
Collecting system	\$ 8,277,782	\$ 520,682	\$ 9,318	\$ 8,789,146
Collecting system pumping	397,412	-	-	397,412
Treatment and disposal	12,786,069	132,658	4,000	12,914,727
General	841,480	309,142	-	1,150,622
Total Capital Assets Being Depreciated	22,302,743	962,482	13,318	23,251,907
Less: Accumulated depreciation	(7,816,519)	(642,985)	13,318	(8,446,186)
Construction in progress	361,261	864,542	1,010,046	215,757
Net Capital Assets	\$ 14,847,485			\$ 15,021,478

A summary of changes in wastewater capital assets for 2011 follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Capital assets being depreciated				
Collecting system	\$ 7,822,109	\$ 457,490	\$ 1,817	\$ 8,277,782
Collecting system pumping	397,412	-	-	397,412
Treatment and disposal	12,757,388	58,271	29,590	12,786,069
General	846,036	24,668	29,224	841,480
Total Capital Assets Being Depreciated	21,822,945	540,429	60,631	22,302,743
Less: Accumulated depreciation	(7,246,797)	(630,353)	60,631	(7,816,519)
Construction in progress	63,761	850,982	553,482	361,261
Net Capital Assets	\$ 14,639,909			\$ 14,847,485

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/12</u>
April 1, 2003	Electric system improvements	April 1, 2023	2.25 - 5.10%	\$ 4,580,000	\$ 3,580,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	2,325,000

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 400,000	\$ 263,368	\$ 663,368
2014	450,000	246,968	696,968
2015	450,000	227,868	677,868
2016	475,000	206,124	681,124
2017	500,000	182,605	682,605
2018 - 2022	2,955,000	513,118	3,468,118
2023	675,000	15,375	690,375
Totals	<u>\$ 5,905,000</u>	<u>\$ 1,655,426</u>	<u>\$ 7,560,426</u>

All electric utilities' 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 2012 and 2011 were \$653,243 and \$641,993, respectively. Total gross revenues as defined for the same periods were \$15,485,952 and \$15,173,023, respectively. Annual principal and interest payments are expected to require 4.2% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/12</u>
March 25, 2003	Additions and improvements	May 1, 2013	3.50 - 4.80%	\$ 520,000	\$ 85,000
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50	1,925,000	1,650,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668%	575,018	527,123

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 184,910	\$ 87,146	\$ 272,056
2014	150,575	80,277	230,852
2015	151,257	74,273	225,530
2016	176,958	67,719	244,677
2017	177,677	60,428	238,105
2018-2022	974,862	184,195	1,159,057
2023-2027	370,949	26,139	397,088
2028-2029	74,935	2,012	76,947
Totals	<u>\$ 2,262,123</u>	<u>\$ 582,189</u>	<u>\$ 2,844,312</u>

All water utilities' 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 2012 and 2011 were \$274,005 and \$270,426, respectively. Total gross revenues as defined for the same periods were \$1,767,596 and \$1,746,122, respectively. Annual principal and interest payments are expected to require 15.5% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Wastewater

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/12</u>
March 9, 1994	WWTP improvements	May 1, 2013	3.224%	\$ 5,472,357	\$ 399,962
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049	623,465	264,823
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	530,113
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	1,036,622
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	1,321,672

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 649,737	\$ 88,589	\$ 738,326
2014	256,735	75,084	331,819
2015	263,891	67,829	331,720
2016	271,247	60,369	331,616
2017	278,809	52,700	331,509
2018-2022	1,229,789	151,309	1,381,098
2023-2027	<u>602,984</u>	<u>32,739</u>	<u>635,723</u>
Totals	<u>\$ 3,553,192</u>	<u>\$ 528,619</u>	<u>\$ 4,081,811</u>

All sewer utilities' 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 2012 and 2011 were \$738,623 and \$738,910, respectively. Total gross revenues as defined for the same periods were \$2,072,369 and \$2,089,402, respectively. Annual principal and interest payments are expected to require 35.6% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	<u>01/01/12 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 6,280,000	\$ -	\$ 375,000	\$ 5,905,000	\$ 400,000
Accrued sick leave	170,916	34,552	33,649	171,819	-
Customer advances for construction	9,440	62,884	64,242	8,082	-
Totals	<u>\$ 6,460,356</u>	<u>\$ 97,436</u>	<u>\$ 472,891</u>	<u>\$ 6,084,901</u>	<u>\$ 400,000</u>

Long-term obligation activity for the year ended December 31, 2011 is as follows:

	<u>01/01/11 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 6,630,000	\$ -	\$ 350,000	\$ 6,280,000	\$ 375,000
Accrued sick leave	163,637	34,757	27,478	170,916	-
Customer advances for construction	2,427	32,138	25,125	9,440	-
Totals	<u>\$ 6,796,064</u>	<u>\$ 66,895</u>	<u>\$ 402,603</u>	<u>\$ 6,460,356</u>	<u>\$ 375,000</u>

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	<u>01/01/12 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,441,386	\$ -	\$ 179,263	\$ 2,262,123	\$ 184,910
Accrued sick leave	88,632	9,819	6,005	92,446	-
Totals	<u>\$ 2,530,018</u>	<u>\$ 9,819</u>	<u>\$ 185,268</u>	<u>\$ 2,354,569</u>	<u>\$ 184,910</u>

Long-term obligation activity for the year ended December 31, 2011 is as follows:

	<u>01/01/11 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,610,018	\$ -	\$ 168,632	\$ 2,441,386	\$ 179,263
Accrued sick leave	85,691	9,472	6,531	88,632	-
Totals	<u>\$ 2,695,709</u>	<u>\$ 9,472</u>	<u>\$ 175,163</u>	<u>\$ 2,530,018</u>	<u>\$ 179,263</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Wastewater

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	01/01/12 Balance	Additions	Reductions	12/31/12 Balance	Due Within One Year
Revenue bonds	\$ 4,183,666	\$ -	\$ 630,474	\$ 3,553,192	\$ 649,737
Accrued sick leave	97,782	6,905	12,970	91,717	-
Totals	\$ 4,281,448	\$ 6,905	\$ 643,444	\$ 3,644,909	\$ 649,737

Long-term obligation activity for the year ended December 31, 2011 is as follows:

	01/01/11 Balance	Additions	Reductions	12/31/11 Balance	Due Within One Year
Revenue bonds	\$ 4,795,454	\$ -	\$ 611,788	\$ 4,183,666	\$ 630,475
Accrued sick leave	93,331	12,932	8,481	97,782	-
Totals	\$ 4,888,785	\$ 12,932	\$ 620,269	\$ 4,281,448	\$ 630,475

Bond Covenant Disclosures

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

Insurance

The utilities are 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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2012:

Type	Coverage	Expiration
Automobile	\$ 10,000,000 CVMIC Self-Insured	1/1/13
Excess Liability	5,000,000 CVMIC Self-Insured	1/1/13
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/13
	1,000,000 CVMIC Self-Insured	1/1/13
Boiler Insurance	100,000,000 CVMIC Self-Insured	1/1/13
Property	47,230,211 Wisconsin Local Property Insurance Fund	2/1/13

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 2012 and 2011 as follows:

	2012	2011
Operating revenues	\$ 15,385,267	\$ 15,055,468
Investment income	100,685	117,555
Less: Operation and maintenance expenses	<u>(13,336,299)</u>	<u>(13,136,259)</u>
Net Defined Earnings	<u>\$ 2,149,653</u>	<u>\$ 2,036,764</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 704,728	\$ 704,728
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 916,146</u>	<u>\$ 916,146</u>
Actual Debt Coverage	<u>3.05</u>	<u>2.89</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

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 2012 and 2011 as follows:

	2012	2011
Operating revenues	\$ 1,756,878	\$ 1,734,825
Investment income	10,718	11,297
Less: Operation and maintenance expenses	(745,471)	(788,488)
Net Defined Earnings	\$ 1,022,125	\$ 957,634
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 272,056	\$ 274,005
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 353,673	\$ 356,207
Actual Debt Coverage	3.76	3.49

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 2012 and 2011 as follows:

	2012	2011
Operating revenues	\$ 2,062,606	\$ 2,073,764
Investment income	9,763	15,638
Less: Operation and maintenance expenses	(877,033)	(905,616)
Net Defined Earnings	\$ 1,195,336	\$ 1,183,786
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 738,326	\$ 738,622
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 812,158	\$ 812,484
Actual Debt Coverage	1.62	1.60

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers - Electric

The utility has the following number of customers and billed volumes for 2012 and 2011:

	Customers		Sales (000 kWh)	
	2012	2011	2012	2011
Residential	7,583	7,596	64,853	65,811
General	840	785	18,624	17,478
Small power	47	47	14,359	14,460
Large power	8	8	11,153	9,959
Industrial	6	6	30,081	31,251
Street and highway lighting	6	6	913	1,004
Totals	<u>8,490</u>	<u>8,448</u>	<u>139,983</u>	<u>139,963</u>

Number of Customers - Water

The utility has the following number of customers and billed volumes for 2012 and 2011:

	Customers		Sales (000 gals)	
	2012	2011	2012	2011
Residential	4,401	4,401	228,325	216,334
Commercial	426	416	81,977	80,246
Industrial	23	21	179,812	186,533
Public authority	47	47	6,839	6,228
Interdepartmental	3	3	1,022	534
Totals	<u>4,900</u>	<u>4,888</u>	<u>497,975</u>	<u>489,875</u>

Number of Customers - Wastewater

The utility has the following number of customers and billed volumes for 2012 and 2011:

	Customers		Sales (000 gals)	
	2012	2011	2012	2011
Residential	4,345	4,360	225,577	216,279
Commercial	389	384	80,010	81,661
Industrial	21	16	21,831	23,667
Public authority	33	33	4,258	3,981
Interdepartmental	2	2	45	67
Totals	<u>4,790</u>	<u>4,795</u>	<u>331,721</u>	<u>325,655</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utilities Budget

The 2012 and 2011 utilities' budgets were prepared and approved as required by the bond resolutions.

NOTE 8 - NET POSITION

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

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 invested in capital assets, net of related debt. 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 - The component of net position consist of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 8 - NET POSITION (cont.)

The following calculation supports the electric investment in capital assets:

	2012	2011
Plant in service	\$ 25,633,251	\$ 24,963,205
Accumulated depreciation	(10,854,101)	(10,038,045)
Construction work in progress	<u>29,095</u>	<u>32,435</u>
Sub-Totals	<u>14,808,245</u>	<u>14,957,595</u>
Less: Capital related debt		
Current portion of capital related long-term debt	400,000	375,000
Long-term portion of capital related long-term debt	5,505,000	5,905,000
Unamortized debt issuance costs	<u>-</u>	<u>-</u>
Sub-Totals	<u>5,905,000</u>	<u>6,280,000</u>
Total Investment in Capital Assets	<u>\$ 8,903,245</u>	<u>\$ 8,677,595</u>

The following calculation supports the water investment in capital assets:

	2012	2011
Plant in service	\$ 17,687,341	\$ 16,898,293
Accumulated depreciation	(5,174,407)	(4,785,085)
Construction work in progress	<u>24,233</u>	<u>228,507</u>
Sub-Totals	<u>12,537,167</u>	<u>12,341,715</u>
Less: Capital related debt		
Current portion of capital related long-term debt	184,910	179,263
Long-term portion of capital related long-term debt	2,077,213	2,262,123
Unamortized debt issuance costs	<u>-</u>	<u>-</u>
Sub-Totals	<u>2,262,123</u>	<u>2,441,386</u>
Total Investment in Capital Assets	<u>\$ 10,275,044</u>	<u>\$ 9,900,329</u>

The following calculation supports the wastewater investment in capital assets:

	2012	2011
Plant in service	\$ 23,251,907	\$ 22,302,743
Accumulated depreciation	(8,446,186)	(7,816,519)
Construction work in progress	<u>215,757</u>	<u>361,261</u>
Sub-Totals	<u>15,021,478</u>	<u>14,847,485</u>
Less: Capital related debt		
Current portion of capital related long-term debt	649,737	630,475
Long-term portion of capital related long-term debt	<u>2,903,455</u>	<u>3,553,191</u>
Sub-Totals	<u>3,553,192</u>	<u>4,183,666</u>
Add: Unspent debt proceeds		
Construction funds	<u>123</u>	<u>123</u>
Total Investment in Capital Assetst	<u>\$ 11,468,409</u>	<u>\$ 10,663,942</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. 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 and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category 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. Contribution rates for 2012 and 2011 are:

	<u>Employees</u>	<u>Employer</u>
2012	5.9%	5.9%
2011	6.4%	6.4%

Electric

	<u>Year Ended December 31</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Covered Employee Payroll	<u>\$ 917,915</u>	<u>\$ 985,805</u>	<u>\$ 846,254</u>
Total Required Contributions	<u>\$ 108,314</u>	<u>\$ 126,183</u>	<u>\$ 103,243</u>
Total Required Contributions	<u>11.8%</u>	<u>12.8%</u>	<u>12.2%</u>

Water

	<u>Year Ended December 31</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Covered Employee Payroll	<u>\$ 256,822</u>	<u>\$ 240,336</u>	<u>\$ 252,779</u>
Total Required Contributions	<u>\$ 30,305</u>	<u>\$ 30,763</u>	<u>\$ 30,839</u>
Total Required Contributions	<u>11.8%</u>	<u>12.8%</u>	<u>12.2%</u>

Wastewater

	<u>Year Ended December 31</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Covered Employee Payroll	<u>\$ 324,062</u>	<u>\$ 299,570</u>	<u>\$ 323,422</u>
Total Required Contributions	<u>\$ 38,239</u>	<u>\$ 38,345</u>	<u>\$ 39,458</u>
Total Required Contributions	<u>11.8%</u>	<u>12.8%</u>	<u>12.2%</u>

Details of the plan are disclosed in the basic financial statements of the City of Stoughton.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

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 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037.

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 \$390 million as of December 31, 2012.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont.)

Claims and Judgments

From time to time, the utilities are 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 19, 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 less than 1%.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 11 - RISK MANAGEMENT (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 are available directly from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

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

The utilities are 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 has been established into which deposits are made and actual claims are paid out. As part of the plan, a reinsurance policy has 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 the years 2012 and 2011 were \$327,527 and \$318,389, respectively. 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 the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

On February 21, 2013 the municipality, on behalf of the utilities, issued \$3,170,000 of electric revenue debt to refund the 2003 electric revenue bonds. The debt is payable through 2023 and bears a net interest rate of 2.0%-2.25%.

SUPPLEMENTAL INFORMATION

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY PLANT December 31, 2012

	Balance 1/1/2012	Additions	Retirements	Balance 12/31/2012
TRANSMISSION				
Land and land rights	\$ 1	\$ -	\$ -	\$ 1
Poles and fixtures	5,035	-	-	5,035
Overhead conductors and devices	9,984	-	-	9,984
Total Transmission	15,020	-	-	15,020
DISTRIBUTION				
Land and land rights	220,796	-	-	220,796
Structures and improvements	44,389	-	-	44,389
Station equipment	4,250,509	19,428	-	4,269,937
Poles, towers and fixtures	2,858,221	120,006	26,422	2,951,805
Overhead conductors and devices	5,203,585	269,687	20,439	5,452,833
Underground conduit	341,483	67,739	275	408,947
Underground conductors and devices	2,511,392	154,139	20,935	2,644,596
Line transformers	2,802,140	51,055	19,967	2,833,228
Services	1,615,093	28,521	7,662	1,635,952
Meters	630,055	2,203	-	632,258
Street lighting and signal systems	510,198	24,025	25,551	508,672
Total Distribution	20,987,861	736,803	121,251	21,603,413
GENERAL				
Structures and improvements	1,635,949	-	-	1,635,949
Office furniture and equipment	188,915	3,427	-	192,342
Computer equipment	178,348	-	-	178,348
Transportation equipment	288,978	-	-	288,978
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	64,576	17,215	-	81,791
Laboratory equipment	50,236	-	-	50,236
Power-operated equipment	1,200,625	-	-	1,200,625
Communication equipment	58,270	33,852	-	92,122
SCADA equipment	279,453	-	-	279,453
Miscellaneous equipment	4,990	-	-	4,990
Total General	3,960,324	54,494	-	4,014,818
TOTAL ELECTRIC UTILITY PLANT	\$ 24,963,205	\$ 791,297	\$ 121,251	\$ 25,633,251

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2012 and 2011

OPERATING REVENUES	<u>2012</u>	<u>2011</u>
Sales of Electricity		
Residential	\$ 5,198,813	\$ 5,187,083
Rural	2,920,985	2,876,794
General service	1,682,787	1,542,501
Large commercial and industrial	1,281,437	1,270,052
Large power	1,049,188	956,963
Industrial	2,761,836	2,781,578
Public street and highway lighting	132,550	140,379
Interdepartmental	208,217	163,262
Total Sales of Electricity	<u>15,235,813</u>	<u>14,918,612</u>
Other Operating Revenues		
Forfeited discounts	47,637	45,508
Other	101,817	91,348
Total Operating Revenues	<u>15,385,267</u>	<u>15,055,468</u>
 OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	<u>11,889,641</u>	<u>11,563,743</u>
Transmission		
Operating supervision and engineering	6,919	5,502
Station	35,150	38,993
Overhead lines	77,054	72,853
Underground lines	36,577	31,438
Total Transmission	<u>155,700</u>	<u>148,786</u>
Distribution		
Street lighting and signal system	6,585	5,194
Meter	41,578	34,567
Customer installations	27	375
Miscellaneous	4,560	4,577
Maintenance		
Station equipment	33,627	20,050
Overhead lines	213,053	191,236
Underground lines	10,258	17,598
Line transformers	842	3,491
Street lighting and signal system	537	971
Meters	-	547
Miscellaneous	1,999	-
Total Distribution	<u>313,066</u>	<u>278,606</u>
Customer Accounts		
Meter reading	8,106	7,076
Accounting and collecting labor	212,603	213,762
Miscellaneous	234	16,402
Total Water Treatment	<u>220,943</u>	<u>237,240</u>

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES

Years Ended December 31, 2012 and 2011

OPERATING EXPENSES (cont'd)

Operation and Maintenance (cont'd)

Administrative and General

Salaries	\$	214,060	\$	216,789
Office supplies		32,621		48,675
Outside services employed		19,920		19,526
Property insurance		19,590		18,637
Injuries and damages		24,421		24,736
Employee pensions and benefits		221,491		333,997
Regulatory commission		-		46
Miscellaneous		13,490		16,462
Rents		11,013		10,673
Maintenance		33,025		45,703

Total Administrative and General

		<u>589,631</u>		<u>735,244</u>
Taxes		<u>167,318</u>		<u>172,640</u>
	Total Operation and Maintenance	<u>13,336,299</u>		<u>13,136,259</u>
Depreciation		<u>910,353</u>		<u>912,530</u>
	Total Operating Expenses	<u>14,246,652</u>		<u>14,048,789</u>

OPERATING INCOME

	\$	<u>1,138,615</u>	\$	<u>1,006,679</u>
--	----	------------------	----	------------------

STOUGHTON ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS December 31, 2012 and 2011

	2012	2011
Utility Plant in Service - Utility Financed		
Beginning of year	\$ 22,421,815	\$ 21,630,993
End of year	22,981,902	22,421,815
Average	22,701,859	22,026,404
Accumulated Depreciation - Utility Financed		
Beginning of year	(9,353,662)	(8,653,406)
End of year	(10,083,729)	(9,353,662)
Average	(9,718,695)	(9,003,534)
Materials and Supplies		
Beginning of year	135,057	124,597
End of year	139,181	135,057
Average	137,119	129,827
Regulatory Liability		
Beginning of year	(265,924)	(288,084)
End of year	(243,764)	(265,924)
Average	(254,844)	(277,004)
Customer Advances for Construction		
Beginning of year	(9,440)	(2,427)
End of year	(8,082)	(9,440)
Average	(8,761)	(5,934)
AVERAGE NET RATE BASE	\$ 12,856,678	\$ 12,869,759
OPERATING INCOME - REGULATORY BASIS	\$ 884,783	\$ 791,512
RATE OF RETURN (PERCENT)	6.88	6.15

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 PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

WATER UTILITY

STOUGHTON WATER UTILITY

WATER UTILITY PLANT December 31, 2012

	Balance 1/1/2012	Additions	Retirements	Balance 12/31/2012
SOURCE OF SUPPLY				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	570,123	-	-	570,123
Total Source of Supply	581,758	-	-	581,758
PUMPING				
Structures and improvements	576,342	21,683	-	598,025
Other power production equipment	246,036	-	-	246,036
Electric pumping equipment	584,896	-	-	584,896
Other pumping equipment	-	-	-	-
Total Pumping	1,407,274	21,683	-	1,428,957
WATER TREATMENT				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092	-	-	77,092
Total Water Treatment	90,763	-	-	90,763
TRANSMISSION AND DISTRIBUTION				
Land and land rights	13,206	-	-	13,206
Structures and improvements	1,611	-	-	1,611
Distribution reservoirs and standpipes	1,919,253	36,597	-	1,955,850
Transmission and distribution mains	8,411,993	374,129	1,425	8,784,697
Services	1,897,226	43,610	1,141	1,939,695
Meters	584,598	5,249	-	589,847
Hydrants	1,075,560	43,173	4,211	1,114,522
Other transmission and distribution plant	973	-	-	973
Total Transmission and Distribution	13,904,420	502,758	6,777	14,400,401
GENERAL				
Land and land rights	405,290	-	-	405,290
Office furniture and equipment	55,277	1,246	-	56,523
Computer equipment	59,925	-	-	59,925
Transportation equipment	28,026	-	-	28,026
Stores equipment	2,187	-	-	2,187
Tools, shop and garage equipment	35,109	-	-	35,109
Power-operated equipment	102,034	-	-	102,034
Communication equipment	35,668	2,190	-	37,858
SCADA equipment	190,473	267,948	-	458,421
Miscellaneous equipment	89	-	-	89
Total General	914,078	271,384	-	1,185,462
TOTAL WATER UTILITY PLANT	\$ 16,898,293	\$ 795,825	\$ 6,777	\$ 17,687,341

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 816,587	\$ 792,642
Commercial	193,863	192,504
Industrial	255,137	263,376
Public authorities	19,222	17,828
Interdepartmental	2,485	1,467
Total Metered Sales	1,287,294	1,267,817
Private fire protection	25,422	25,417
Public fire protection	420,871	417,354
Total Sales of Water	1,733,587	1,710,588
Other Operating Revenues		
Forfeited discounts	5,341	5,701
Other	17,950	18,536
Total Operating Revenues	1,756,878	1,734,825
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Operation labor	-	44
Total Source of Supply	-	44
Pumping		
Fuel or purchased power for pumping	121,645	120,322
Pumping labor	2,878	2,258
Miscellaneous	249	68
Maintenance		
Structures and improvements	3,185	2,572
Pumping equipment	9,552	8,275
Total Pumping	137,509	133,495
Water Treatment		
Chemicals	18,349	16,541
Operation labor	12,663	19,435
Miscellaneous	-	99
Maintenance		
Structures and improvements	1,700	1,625
Water treatment equipment	3,640	2,204
Total Water Treatment	36,352	39,904

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2012 and 2011

OPERATING EXPENSES (cont'd)

Operation and Maintenance (cont'd)

Transmission and Distribution

Transmission and distribution lines	\$ 17,387	\$ 17,997
Meters	11,503	3,749
Miscellaneous	7,385	12,384
Maintenance		
Reservoirs and standpipes	87,838	62,047
Mains	36,055	73,543
Services	26,422	14,158
Hydrants	7,479	5,022
Miscellaneous	2,097	4,997

Total Transmission and Distribution	196,166	193,897
-------------------------------------	---------	---------

Customer Accounts

Meter reading	2,442	3,252
Accounting and collecting labor	76,337	75,070
Total Customer Accounts	78,779	78,322

Administrative and General

Salaries	154,387	156,014
Office supplies	10,745	15,835
Outside services employed	4,783	8,590
Property insurance	7,123	6,781
Injuries and damages	8,930	9,732
Employee pensions and benefits	89,521	121,798
Regulatory commission	-	125
Rents	4,005	3,881
Maintenance	3,238	4,168

Total Administrative and General	282,732	326,924
----------------------------------	---------	---------

Taxes

Total Operation and Maintenance	745,471	788,488
---------------------------------	---------	---------

Depreciation

Total Operating Expenses	1,110,150	1,131,155
--------------------------	-----------	-----------

OPERATING INCOME	\$ 646,728	\$ 603,670
------------------	------------	------------

STOUGHTON WATER UTILITY

RATE OF RETURN - REGULATORY BASIS

December 31, 2012 and 2011

	2012	2011
Utility Plant in Service - Utility Financed		
Beginning of year	\$ 10,791,839	\$ 10,512,396
End of year	11,571,887	10,791,839
Average	11,181,863	10,652,118
Accumulated Depreciation - Utility Financed		
Beginning of year	(3,319,808)	(3,188,937)
End of year	(3,605,921)	(3,319,808)
Average	(3,462,865)	(3,254,373)
Materials and Supplies		
Beginning of year	23,257	27,101
End of year	35,244	23,257
Average	29,251	25,179
Regulatory Liability		
Beginning of year	(410,740)	(444,968)
End of year	(376,512)	(410,740)
Average	(393,626)	(427,854)
AVERAGE NET RATE BASE	\$ 7,354,623	\$ 6,995,069
OPERATING INCOME - REGULATORY BASIS	\$ 407,777	\$ 404,895
RATE OF RETURN (PERCENT)	5.54	5.79

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 PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY PLANT

December 31, 2012

	Balance 1/1/2012	Additions	Retirements	Balance 12/31/2012
COLLECTING SYSTEM				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	6,425,521	458,044	7,554	6,876,011
Interceptor mains	1,803,210	62,638	1,764	1,864,084
Force mains	48,951	-	-	48,951
Total Collecting System	8,277,782	520,682	9,318	8,789,146
COLLECTING SYSTEM PUMPING				
Structures and improvements	67,382	-	-	67,382
Electric pumping equipment	308,631	-	-	308,631
Other pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	397,412	-	-	397,412
TREATMENT AND DISPOSAL				
Structures and improvements	3,249,743	119,481	-	3,369,224
Preliminary treatment equipment	1,259,171	-	-	1,259,171
Primary treatment equipment	1,147,165	-	-	1,147,165
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	3,558,790	8,949	4,000	3,563,739
Plant site pumping	685,498	-	-	685,498
Flow metering and monitoring equipment	25,166	-	-	25,166
Other treatment and disposal equipment	34,590	4,228	-	38,818
Total Treatment and Disposal	12,786,069	132,658	4,000	12,914,727
GENERAL				
Structures and improvements	232,233	-	-	232,233
Office furniture and equipment	55,215	1,558	-	56,773
Computer equipment	110,021	-	-	110,021
Transportation equipment	396,996	12,466	-	409,462
Communication equipment	17,407	292,213	-	309,620
Other general equipment	29,608	2,905	-	32,513
Total General	841,480	309,142	-	1,150,622
TOTAL WASTEWATER UTILITY PLANT	\$ 22,302,743	\$ 962,482	\$ 13,318	\$ 23,251,907

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,449,168	\$ 1,403,877
Commercial	441,335	455,766
Industrial	112,101	120,473
Public authorities	25,855	24,129
Interdepartmental	445	480
Total Wastewater Revenues	2,028,904	2,004,725
Other Operating Revenues		
Forfeited discounts	5,345	6,380
Miscellaneous	28,357	62,659
Total Operating Revenues	2,062,606	2,073,764
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	1,431	169
Power and fuel for pumping	96,572	98,861
Sludge conditioning chemicals	14,188	9,839
Other operating supplies	-	13,299
Total Operation	112,191	122,168
Maintenance		
Collection system	52,593	77,700
Treatment and disposal plant equipment	149,860	107,513
General plant structures and equipment	71,430	57,975
Total Maintenance	273,883	243,188
Customer Accounts		
Accounting and collecting	133,485	131,264
Administrative and General		
Salaries	87,050	82,934
Office supplies	13,066	20,596
Outside services employed	48,957	19,153
Insurance	18,394	18,925
Employee pensions and benefits	88,391	164,652
Miscellaneous	20,846	20,885
Rents	57,660	57,644
Total Administrative and General	334,364	384,789
Taxes	23,110	24,207
Total Operation and Maintenance	877,033	905,616
Depreciation	630,188	630,352
Total Operating Expenses	1,507,221	1,535,968
OPERATING INCOME	\$ 555,385	\$ 537,796