

**STOUGHTON UTILITIES**

Enterprise Funds of the  
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2015 and 2014

**STOUGHTON UTILITIES**  
Enterprise Funds of the City of Stoughton, Wisconsin

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## 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, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Stoughton Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stoughton Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoughton Utilities as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utilities Committee  
Stoughton Utilities

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Stoughton Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Stoughton, Wisconsin, as of December 31, 2015 and 2014 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in the Note 1, Stoughton Utilities have adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change is shown in the current year. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Vinchow Krause, LLP*

Madison, Wisconsin  
March 29, 2016

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**STOUGHTON UTILITIES**

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

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, 2015, 2014 and 2013. You are invited to read this narrative in conjunction with the utilities' financial statements.

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### **FINANCIAL HIGHLIGHTS**

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#### **ELECTRIC:**

- Electric sales decreased by 3.33% in 2015 due to a corresponding decrease in power purchased. Mild weather patterns resulted in a reduction of system demand.
- The electric division's net position increased by \$921,885 from the prior year.
- Completed \$678,000 of capital improvements to improve operations and electric system reliability.

#### **WATER:**

- Completed \$1.5 million of capital improvements and received \$999,000 in municipal and customer contributions.
- The water division's net position increased by \$1,158,009 from the prior year.
- Sales increased by \$33,034 or 1.91% in 2015 due to a 3.0% increase in retail rates on July 1, 2015.

#### **WASTEWATER:**

- Completed \$1,036,000 of sewer projects and received \$648,000 in municipal and customer contributions.
- The utility experienced a decrease in revenues of \$24,274 or 1.20% in 2015 due to a slight decrease in commercial and industrial volume sales. A retail rate increase of 2.74% was implemented on January 1, 2015.
- The wastewater division's net position increased by \$837,829 from the prior year.

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Utilities Committee also manages the wastewater utility. The Utilities Committee 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 overall financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

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### **UTILITY FINANCIAL ANALYSIS**

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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, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 1**  
**Condensed Statement of Net Position – Electric Utility**

	2015	2014	2013	2015-2014 Change
Current and Other Assets	\$10,989,389	\$ 10,529,265	\$ 10,114,745	\$ 460,124
Capital Assets	14,249,247	14,350,749	14,726,389	(101,502)
<b>Total Assets</b>	<b>25,238,636</b>	<b>24,880,014</b>	<b>24,841,134</b>	<b>358,622</b>
Deferred Outflows of Resources	158,933	-	-	158,933
Long-Term Debt Outstanding	3,970,000	4,460,000	4,940,000	(490,000)
Other Liabilities	2,713,030	2,628,423	2,640,380	84,607
<b>Total Liabilities</b>	<b>6,683,030</b>	<b>7,088,423</b>	<b>7,580,380</b>	<b>(405,393)</b>
Deferred Inflows of Resources	1,063	-	-	1,063
Investment in Capital Assets	9,740,384	9,349,914	9,231,928	390,470
Restricted	1,198,784	1,089,205	1,076,042	109,579
Unrestricted	7,774,308	7,352,472	6,952,784	421,836
<b>Total Net Position</b>	<b>\$18,713,476</b>	<b>\$ 17,791,591</b>	<b>\$ 17,260,754</b>	<b>\$ 921,885</b>

In 2015, the electric utility net position increased \$921,885, an increase of 4.93%. The increase was as anticipated and in line with the 2015 operating budget.

In 2014, the electric utility net position increased \$530,837, an increase of 3.08%. The increase was as anticipated and in line with the 2014 operating budget.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 2**  
**Condensed Statement of Net Position – Water Utility**

	2015	2014	2013	2015-2014 Change
Current and Other Assets	\$ 1,610,745	\$ 1,203,476	\$ 1,563,853	\$ 407,269
Capital Assets	13,898,850	12,747,318	12,546,530	1,151,532
<b>Total Assets</b>	<b>15,509,595</b>	<b>13,950,794</b>	<b>14,110,383</b>	<b>1,558,801</b>
Deferred Outflows of Resources	57,424	-	-	57,424
Long-Term Debt Outstanding	1,598,423	1,775,381	1,926,638	(176,958)
Other Liabilities	1,259,470	624,686	654,701	634,784
<b>Total Liabilities</b>	<b>2,857,893</b>	<b>2,400,067</b>	<b>2,581,339</b>	<b>457,826</b>
Deferred Inflows of Resources	390	-	-	390
Investment in Capital Assets	11,601,469	10,820,680	10,469,317	780,789
Restricted	442,722	406,334	408,836	36,388
Unrestricted	664,545	323,713	650,891	340,822
<b>Total Net Position</b>	<b>\$12,708,736</b>	<b>\$ 11,550,727</b>	<b>\$ 11,529,044</b>	<b>\$ 1,158,009</b>

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

In 2014, the water utility net position increased \$21,683, an increase of 0.19%. The water utility experienced increases in net position since the last retail rate increase was implemented in 2010. An estimated retail rate increase of 3.0% will occur in 2015 in order to maintain the water utility net position.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 3**  
**Condensed Statements of Net Position – Wastewater Utility**

	2015	2014	2013	2015-2014 Change
Current and Other Assets	\$ 3,551,473	\$ 2,890,768	\$ 2,326,901	\$ 660,706
Capital Assets	18,211,980	17,931,136	15,303,036	280,844
<b>Total Assets</b>	<b>21,763,453</b>	<b>20,821,904</b>	<b>17,629,937</b>	<b>941,550</b>
Deferred Outflows of Resources	62,601	-	-	62,601
Long-Term Debt Outstanding	5,158,363	5,312,592	2,646,720	(154,229)
Other Liabilities	953,268	633,136	429,810	320,132
<b>Total Liabilities</b>	<b>6,111,631</b>	<b>5,945,728</b>	<b>3,076,530</b>	<b>165,903</b>
Deferred Inflows of Resources	418	-	-	418
Investment in Capital Assets	12,303,350	12,236,966	12,399,704	66,384
Restricted	1,494,868	1,489,947	1,247,923	4,921
Unrestricted	1,915,787	1,149,263	905,780	766,524
<b>Total Net Position</b>	<b>\$15,714,005</b>	<b>\$ 14,876,176</b>	<b>\$ 14,553,407</b>	<b>\$ 837,829</b>

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

In 2014, wastewater net position increased \$322,769 or 2.22%. The increase was as anticipated and in line with the 2014 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, 2015 and 2014

### 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**

	2015	2014	2013	2015-2014 Change
Operating Revenues	\$ 15,057,028	\$ 15,603,989	\$ 15,379,679	\$ (546,961)
Non-Operating Revenues	113,721	94,519	71,308	19,202
Total Revenues	15,170,749	15,698,508	15,450,987	(527,759)
Depreciation Expense	965,661	934,151	918,885	31,510
Other Operating Expense	13,261,410	13,770,271	13,512,427	(508,861)
Non-Operating Expenses	149,159	158,954	254,852	(9,795)
Total Expenses	14,376,230	14,863,376	14,686,164	(487,146)
Income Before Capital Contributions and Transfers	794,519	835,132	764,823	(40,613)
Capital Contributions	220,414	80,949	78,489	139,465
Transfers - Tax Equivalent	(370,260)	(366,032)	(380,584)	(4,228)
Transfers	(23,455)	(19,212)	(29,989)	(4,243)
Changes in Net Position	621,218	530,837	432,739	90,381
Beginning Net Position	17,791,591	17,260,754	16,828,015	530,837
Cumulative Effect of Change in Accounting Principle	300,667	-	-	300,667
Total Net Position-Ending	\$ 18,713,476	\$ 17,791,591	\$ 17,260,754	\$ 921,885

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

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

	2015	2014	2013	2015-2014 Change
Operating Revenues	\$ 1,784,416	\$ 1,750,961	\$ 1,727,969	\$ 33,455
Non-Operating Revenues	8,609	2,118	5,245	6,491
<b>Total Revenues</b>	<b>1,793,025</b>	<b>1,753,079</b>	<b>1,733,214</b>	<b>39,946</b>
Depreciation Expense	408,632	390,653	381,278	17,979
Other Operating Expense	885,770	924,261	779,963	(38,491)
Non-Operating Expenses	87,136	84,281	90,133	2,855
<b>Total Expenses</b>	<b>1,381,538</b>	<b>1,399,195</b>	<b>1,251,374</b>	<b>(17,657)</b>
Income Before Capital Contributions and Transfers	411,487	353,884	481,840	57,603
Capital Contributions	514,143	26,500	-	487,643
Capital Contributions - Municipal	485,209	-	-	485,209
Transfers - Tax Equivalent	(363,249)	(352,700)	(361,820)	(10,549)
Transfers	(59)	(6,001)	(10,879)	5,942
<b>Changes in Net Position</b>	<b>1,047,531</b>	<b>21,683</b>	<b>109,141</b>	<b>1,025,848</b>
Beginning Net Position	11,550,727	11,529,044	11,419,903	21,683
Cumulative Effect of Change in Accounting Principle	110,479	-	-	110,479
<b>Total Net Position-Ending</b>	<b>\$ 12,708,736</b>	<b>\$ 11,550,727</b>	<b>\$ 11,529,044</b>	<b>\$ 1,158,010</b>

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

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

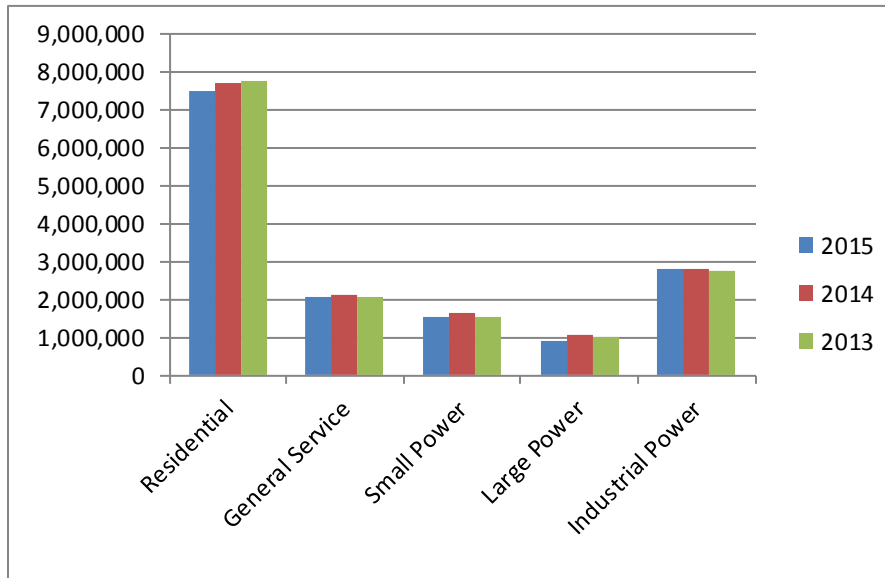
	2015	2014	2013	2015-2014 Change
Operating Revenues	\$ 2,037,835	\$ 2,050,885	\$ 2,029,464	\$ (13,050)
Non-Operating Revenues	9,863	11,559	3,498	(1,696)
Total Revenues	2,047,698	2,062,444	2,032,962	(14,746)
Depreciation Expense	777,150	726,884	673,593	50,266
Other Operating Expense	1,042,161	944,780	877,420	97,381
Non-Operating Expenses	156,284	105,611	85,280	50,673
Total Expenses	1,975,595	1,777,275	1,636,293	198,320
Income Before Capital Contributions and Transfers	72,103	285,169	396,669	(213,066)
Capital Contributions	647,528	37,600	21,773	609,928
Changes in Net Position	719,631	322,769	418,442	396,862
Beginning Net Position	14,876,176	14,553,407	14,134,965	322,769
Cumulative Effect of Change in Accounting Principle	118,198	-	-	118,198
Total Net Position-Ending	\$ 15,714,005	\$ 14,876,176	\$ 14,553,407	\$ 837,829

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

### UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Electric sales decreased by 3.33% in 2015. The decrease is due to a reduction in electric consumption from mild weather patterns in 2015. A retail rate increase of 0.60% became effective on September 1, 2015.

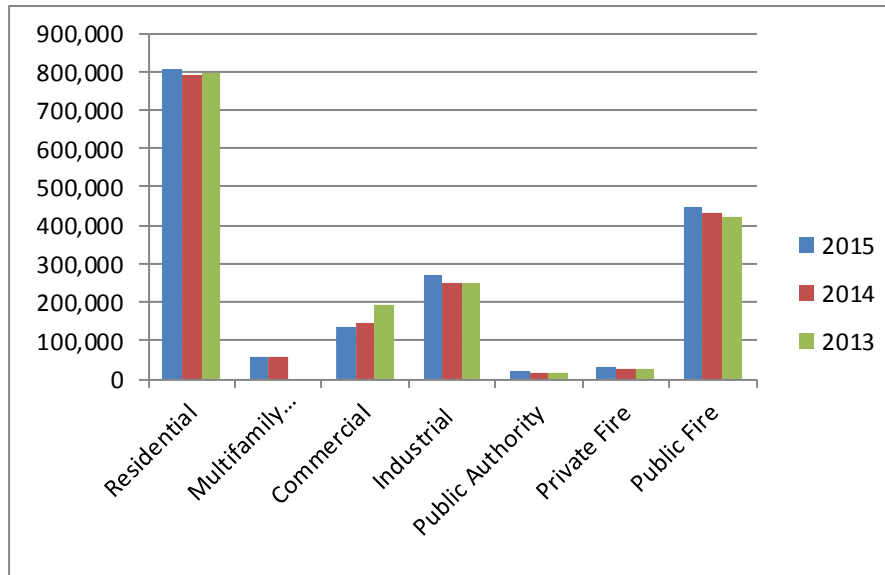
	2015	2014	2013
Residential	\$ 7,467,797	\$ 7,705,020	\$ 7,742,249
General Service	2,049,345	2,099,107	2,067,323
Small Power	1,548,289	1,618,430	1,532,050
Large Power	885,980	1,044,735	1,021,094
Industrial Power	2,814,381	2,805,130	2,728,523
Public Lighting	140,565	147,079	142,072
<b>Total Electric Sales</b>	<b>\$ 14,906,357</b>	<b>\$ 15,419,501</b>	<b>\$ 15,233,311</b>

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales increased by \$33,034 or 1.91% in 2015 due to a 3.0% increase in retail rates on July 1, 2015. Sales to multifamily residential buildings having 3 or more units are now classified separately as required by the Public Service Commission of Wisconsin.

	2015	2014	2013
Residential	\$ 805,271	\$ 793,284	\$ 797,026
Multifamily Residential	56,463	59,595	-
Commercial	136,433	146,790	192,994
Industrial	268,342	251,139	250,544
Public Authority	18,485	16,738	17,672
Private Fire	29,373	28,385	26,318
Public Fire	446,666	432,068	423,129
<b>Total Water Sales</b>	<b>\$ 1,761,033</b>	<b>\$ 1,727,999</b>	<b>\$ 1,707,683</b>

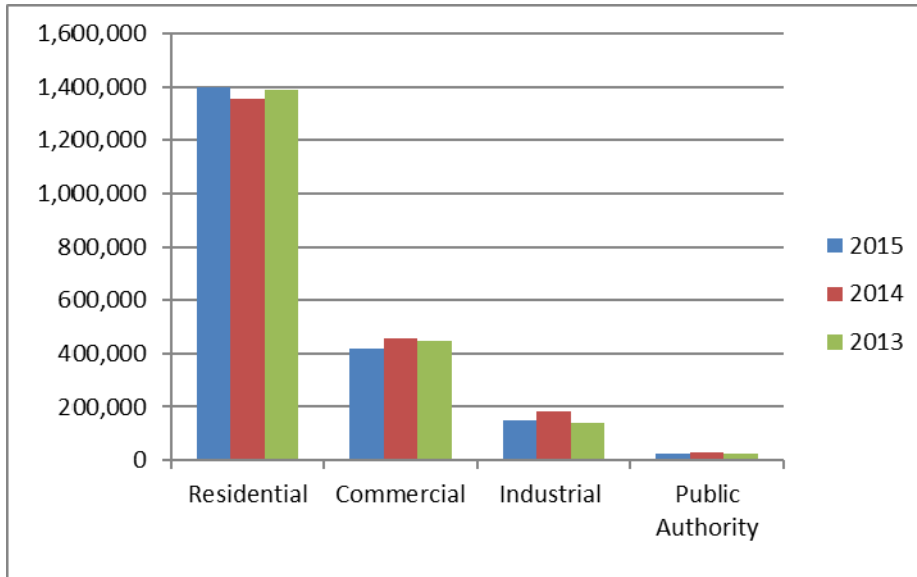


# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

### UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



The utility experienced a decrease in revenues of \$24,274 or 1.20% in 2015 due to a decrease in commercial and industrial volume sales. A retail rate increase of 2.74% was implemented on January 1, 2015.

	2015	2014	2013
Residential	\$ 1,399,906	\$ 1,354,439	\$ 1,388,955
Commercial	417,257	456,341	445,201
Industrial	150,898	180,296	138,306
Public Authority	25,331	26,590	25,519
<b>Total Wastewater Sales</b>	<b>\$ 1,993,392</b>	<b>\$ 2,017,666</b>	<b>\$ 1,997,981</b>

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### **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**

	2015	2014	2013	2015-2014 Change
Cash Flows From:				
Operating activities	\$ 2,208,844	\$ 1,665,622	\$ 2,039,792	\$ 543,222
Non-capital financing activities	(340,958)	(352,219)	(346,703)	11,261
Capital and related financing activities	(1,273,764)	(1,200,647)	(1,175,293)	(73,117)
Investing activities	115,694	(289,421)	409,111	405,115
Net Change in Cash and Cash Equivalents	709,816	(176,665)	926,907	886,481
Cash and Cash Equivalents				
Beginning of Year	3,575,884	3,752,549	2,825,642	(176,665)
Cash and Cash Equivalents				
End of Year	\$ 4,285,700	\$ 3,575,884	\$ 3,752,549	\$ 709,816

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

The decrease in cash and cash equivalents in 2014 is a result of cash flows from normal operating activities and purchases of long term investments during the year.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 8**  
**Condensed Statements of Cash Flows -**  
**Water Utility**

	2015	2014	2013	2015-2014 Change
Cash Flows From:				
Operating activities	\$ 940,902	\$ 824,521	\$ 952,858	\$ 116,381
Non-Capital financing activities	(343,995)	(367,821)	(353,038)	23,826
Capital and related financing activities	(738,915)	(819,346)	(706,358)	80,431
Investing activities	53,308	40,654	(236,512)	12,654
Net Change in Cash and Cash Equivalents	(88,700)	(321,992)	(343,050)	233,292
Cash and Cash Equivalents				
Beginning of Year	348,411	670,403	1,013,453	(321,992)
Cash and Cash Equivalents				
End of Year	\$ 259,711	\$ 348,411	\$ 670,403	\$ (88,700)

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

The water utility experienced a decrease in cash and cash equivalents of \$321,992 in 2014. The decrease was anticipated and is primarily due to the acquisition and construction of capital assets.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 9**  
**Condensed Statements of Cash Flows -**  
**Wastewater Utility**

	2015	2014	2013	2015-2014 Change
Cash Flows From:				
Operating activities	\$ 1,033,828	\$ 1,061,317	\$ 1,178,921	\$ (27,489)
Capital and related financing activities	(762,538)	(504,963)	(1,792,026)	(257,575)
Investing activities	35,624	42,552	(178,826)	(6,928)
Net Change in Cash and Cash Equivalents	306,914	598,906	(791,931)	(291,992)
Cash and Cash Equivalents Beginning of Year	2,048,684	1,449,778	2,241,709	598,906
Cash and Cash Equivalents End of Year	\$ 2,355,598	\$ 2,048,684	\$ 1,449,778	\$ 306,914

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

The utility experienced an increase in cash and cash equivalents of \$598,906 in 2014. The increase is mainly due to the reimbursement of 2013 Wisconsin Clean Water Fund project expenditures for a large Wastewater Treatment Plant electrical upgrade.

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 10**  
**Capital Assets – Electric Utility**

	2015	2014	2013	2015-2014 Change
Capital Assets				
Transmission and distribution	\$23,013,423	\$ 22,522,693	\$ 22,081,116	\$ 490,730
General	4,462,506	4,396,696	4,385,802	65,810
Total Capital Assets	27,475,929	26,919,389	26,466,918	556,540
Less: Accumulated depreciation	(13,478,535)	(12,594,695)	(11,742,374)	(883,840)
Construction in progress	251,853	26,055	1,845	225,798
Net Capital Assets	\$14,249,247	\$ 14,350,749	\$ 14,726,389	\$ (101,502)

**Table 11**  
**Capital Assets – Water Utility**

	2015	2014	2013	2015-2014 Change
Capital Assets				
Source of supply	\$ 607,365	\$ 581,758	\$ 581,758	\$ 25,607
Pumping	1,468,519	1,461,653	1,461,653	6,866
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	16,779,796	15,354,937	14,776,519	1,424,859
General	1,248,562	1,208,737	1,189,714	39,825
Total Capital Assets	20,195,005	18,697,848	18,100,407	1,497,157
Less: Accumulated depreciation	(6,402,633)	(5,981,157)	(5,578,071)	(421,476)
Construction in progress	106,478	30,627	24,194	75,851
Net Capital Assets	\$13,898,850	\$ 12,747,318	\$ 12,546,530	\$ 1,151,532

## STOUGHTON UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

#### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 12**  
**Capital Assets – Wastewater Utility**

	2015	2014	2013	2015-2014 Change
Capital Assets				
Collection system	\$10,363,837	\$ 9,360,156	\$ 9,092,573	\$ 1,003,681
Collection system pumping	401,065	401,065	397,412	-
Treatment and disposal	15,554,351	15,550,149	13,319,526	4,202
General	1,314,953	1,308,895	1,155,937	6,058
Total Capital Assets	27,634,206	26,620,265	23,965,448	1,013,941
Less: Accumulated depreciation	(9,483,326)	(8,727,985)	(9,062,641)	(755,341)
Construction in progress	61,100	38,856	400,229	22,244
Net Capital Assets	\$18,211,980	\$ 17,931,136	\$ 15,303,036	\$ 280,844

#### LONG-TERM DEBT

As of December 31, 2015, the electric utility had total mortgage revenue bond debt outstanding of \$4,460,000 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, 2015, the water utility had total mortgage revenue bond debt outstanding of \$1,775,381 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility and \$522,000 of newly issued general obligation bonds. These issues were primarily for additions and improvements to the water system, street improvement projects, AMR implementation and a new tower.

The wastewater utility had \$5,560,753 of clean water fund loans and general obligation bonds outstanding as of December 31, 2015 and \$348,000 of newly issued general obligation bonds. These bonds were issued for a sewer main extension to 5 customers, a series of wastewater treatment plant upgrade and expansion projects, and an electrical upgrade in 2014.

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

# STOUGHTON UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2015 and 2014

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### **CONTACTING UTILITY MANAGEMENT**

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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](http://www.stoughtonutilities.com).

## **ELECTRIC UTILITY**



# STOUGHTON ELECTRIC UTILITY

## STATEMENTS OF NET POSITION December 31, 2015 and 2014

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 6,493,536	\$ 5,787,365
Interest receivable	22,562	22,550
Restricted Assets		
Redemption account	408,357	397,337
Customer accounts receivable	1,449,831	1,751,971
Other accounts receivable	205,779	230,224
Due from municipality	6,652	13,329
Current portion of advance to municipality	37,088	35,065
Materials and supplies	129,405	130,091
Prepayments	2,535	2,918
Total Current Assets	<u>8,755,745</u>	<u>8,370,850</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	649,338	704,728
Depreciation account	25,000	25,000
Net pension asset	150,770	-
Other Assets		
Electric plant and maintenance reserve account	507,821	506,807
Sick leave reserve account	170,083	173,704
Advance to municipality	376,653	413,741
Investment in ATC	336,026	312,822
Non-utility property (net)	17,953	21,613
Capital Assets		
Plant in service	27,123,265	26,566,725
Accumulated depreciation	(13,478,535)	(12,594,695)
Property held for future use	352,664	352,664
Construction work in progress	251,853	26,055
Total Noncurrent Assets	<u>16,482,891</u>	<u>16,509,164</u>
Total Assets	<u>25,238,636</u>	<u>24,880,014</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>158,933</u>	<u>-</u>

	<b>LIABILITIES</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 1,099,327	\$ 1,183,584
Due to municipality		409,561	403,925
Customer deposits		97,350	135,472
Accrued wages		6,919	12,030
Accrued interest		1,640	1,792
Accrued liabilities		103,131	100,650
Commitment to community		26,088	31,052
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		490,000	480,000
Accrued interest		34,681	37,860
Total Current Liabilities		<u>2,268,697</u>	<u>2,386,365</u>
<b>NONCURRENT LIABILITIES</b>			
Revenue bonds		3,970,000	4,460,000
Unamortized premium on bonds		48,863	60,835
Accrued sick leave		170,083	166,873
Customer advances for construction		225,387	14,350
Total Noncurrent Liabilities		<u>4,414,333</u>	<u>4,702,058</u>
Total Liabilities		<u>6,683,030</u>	<u>7,088,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
		<u>1,063</u>	<u>-</u>
<b>NET POSITION</b>			
Investment in capital assets		9,740,384	9,349,914
Restricted for debt service		1,048,014	1,089,205
Restricted for pension		150,770	-
Unrestricted		7,774,308	7,352,472
<b>TOTAL NET POSITION</b>		<u>\$ 18,713,476</u>	<u>\$ 17,791,591</u>

## STOUGHTON ELECTRIC UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Sales of electricity	\$ 14,906,357	\$ 15,419,500
Other	150,671	184,489
Total Operating Revenues	15,057,028	15,603,989
<b>OPERATING EXPENSES</b>		
Operation and maintenance	13,261,410	13,770,271
Depreciation	965,661	934,151
Total Operating Expenses	14,227,071	14,704,422
<b>OPERATING INCOME</b>	829,957	899,567
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	101,749	80,893
Interest expense	(142,393)	(155,041)
Amortization of premium on bond refunding	11,972	13,626
Miscellaneous revenues (expenses)	(6,766)	(3,913)
Total Non-Operating Revenues (Expenses)	(35,438)	(64,435)
Income Before Contributions and Transfers	794,519	835,132
<b>CAPITAL CONTRIBUTIONS</b>	220,414	80,949
<b>TRANSFER IN (OUT)</b>	(23,455)	(19,212)
<b>TRANSFERS - TAX EQUIVALENT</b>	(370,260)	(366,032)
<b>CHANGE IN NET POSITION</b>	621,218	530,837
NET POSITION - Beginning of Year	17,791,591	17,260,754
Cumulative effect of a change in accounting principle	300,667	-
<b>NET POSITION - END OF YEAR</b>	\$ 18,713,476	\$ 17,791,591

# STOUGHTON ELECTRIC UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 15,326,356	\$ 15,206,898
Received for street lighting	132,627	137,049
Paid to suppliers for goods and services	(12,517,485)	(12,903,408)
Paid to employees for operating payroll	(820,626)	(754,837)
Customer deposit	(38,122)	(20,080)
Net Cash Flows From Operating Activities	2,082,750	1,665,622
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(366,032)	(380,584)
Received from municipality principal on Wisconsin Retirement UAAL liability	35,065	33,119
Received from municipality interest on Wisconsin Retirement UAAL liability	13,464	14,458
Transfers to other funds	(23,455)	(19,212)
Net Cash Flows From Noncapital Financing Activities	(340,958)	(352,219)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(793,426)	(621,075)
Received from the sale of capital assets	6,148	5,091
Capital contributions received	265,332	53,749
Debt retired	(480,000)	(480,000)
Interest paid	(145,724)	(158,412)
Net Cash Flows From Capital and Related Financing Activities	(1,147,670)	(1,200,647)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(976,900)	(1,292,597)
Investments sold and matured	1,027,522	907,919
Dividends/(Investment) in ATC	18,082	9,512
Investment income	46,990	85,745
Net Cash Flows From Investing Activities	115,694	(289,421)
<b>Net Change in Cash and Cash Equivalents</b>	709,816	(176,665)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,575,884	3,752,549
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,285,700	\$ 3,575,884
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Unrealized gain (loss) on investments	\$ (29,432)	\$ (32,257)
ATC earnings allocated	\$ 18,900	\$ -
Capital Contribution	\$ 94,320	\$ 10,760

# STOUGHTON ELECTRIC UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 829,957	\$ 899,567
Nonoperating revenue (expense)	(3,106)	13,373
Noncash items in operating income		
Depreciation	965,661	934,151
Depreciation charged to clearing and other utilities	39,600	39,600
Changes in assets and liabilities		
Customer accounts receivable	302,140	(124,540)
Other account receivable	96,244	(139,309)
Due from municipality	6,677	4,060
Due to municipality	1,408	(34,860)
Materials and supplies	686	5,954
Prepayments	383	17,763
Accounts payable	(106,421)	130,099
Customer deposits	(38,122)	(20,080)
Accrued sick leave	3,210	(6,831)
Other current liabilities	(2,630)	(53,523)
Commitment to community	(4,964)	198
Pension related deferrals and liabilities	(7,973)	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 2,082,750</b>	<b>\$ 1,665,622</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 6,493,536	\$ 5,787,365
Redemption account	408,357	397,337
Reserve account	649,338	704,728
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	507,821	506,807
Sick leave reserve account	170,083	173,704
Total Cash and Investments	8,254,135	7,594,941
Less: Noncash equivalents	(3,968,435)	(4,019,057)
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 4,285,700</b>	<b>\$ 3,575,884</b>

## **WATER UTILITY**

# STOUGHTON WATER UTILITY

## STATEMENTS OF NET POSITION December 31, 2015 and 2014

	<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>			
Cash and investments		\$ 130,189	\$ 227,481
Interest receivable		665	1,938
Restricted Assets			
Redemption account		129,523	120,935
Customer accounts receivable		167,110	189,838
Other accounts receivable		19,662	5,922
Due from municipality		2,419	-
Current portion of special assessments		50,103	-
Materials and supplies		29,831	34,597
Prepayments		551	698
Total Current Assets		<u>530,053</u>	<u>581,409</u>
<b>NONCURRENT ASSETS</b>			
Restricted Assets			
Reserve account		244,677	274,005
Depreciation account		25,000	25,000
Net pension asset		55,400	-
Other Assets			
Water plant and maintenance reserve account		176,688	189,226
Sick leave reserve account		93,082	94,638
Special assessments		450,927	-
Non-utility property (net)		34,918	39,198
Capital Assets			
Plant in service		20,195,005	18,697,848
Accumulated depreciation		(6,402,633)	(5,981,157)
Construction work in progress		106,478	30,627
Total Noncurrent Assets		<u>14,979,542</u>	<u>13,369,385</u>
Total Assets		<u>15,509,595</u>	<u>13,950,794</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		<u>57,424</u>	<u>-</u>

	<b>LIABILITIES</b>	
	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 73,563	\$ 6,926
Due to municipality	372,013	352,700
Customer deposits	1,615	1,733
Accrued wages	4,486	15,033
Accrued interest	3,875	-
Current portion of general obligation bonds	48,000	-
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	176,958	151,257
Accrued interest	11,878	13,606
Total Current Liabilities	<u>692,388</u>	<u>541,255</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	1,598,423	1,775,381
General obligation bonds	474,000	-
Accrued sick leave	93,082	83,431
Total Noncurrent Liabilities	<u>2,165,505</u>	<u>1,858,812</u>
Total Liabilities	<u>2,857,893</u>	<u>2,400,067</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>390</u>	<u>-</u>
	<b>NET POSITION</b>	
Invested in capital assets	11,601,469	10,820,680
Restricted for debt service	387,322	406,334
Restricted for pension	55,400	-
Unrestricted	664,545	323,713
<b>TOTAL NET POSITION</b>	<u>\$ 12,708,736</u>	<u>\$ 11,550,727</u>



## STOUGHTON WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Sales of water	\$ 1,761,033	\$ 1,727,999
Other	23,383	22,962
Total Operating Revenues	1,784,416	1,750,961
<b>OPERATING EXPENSES</b>		
Operation and maintenance	885,770	924,261
Depreciation	408,632	390,653
Total Operating Expenses	1,294,402	1,314,914
<b>OPERATING INCOME</b>	490,014	436,047
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	8,609	2,118
Interest expense	(76,423)	(80,004)
Miscellaneous expenses	(10,713)	(4,277)
Total Non-Operating Revenues (Expenses)	(78,527)	(82,163)
Income Before Contributions and Transfers	411,487	353,884
<b>CAPITAL CONTRIBUTIONS</b>	501,276	26,500
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	498,076	-
<b>TRANSFER IN (OUT)</b>	(59)	(6,001)
<b>TRANSFERS - TAX EQUIVALENT</b>	(363,249)	(352,700)
<b>CHANGE IN NET POSITION</b>	1,047,531	21,683
NET POSITION - Beginning of Year	11,550,727	11,529,044
Cumulative effect of a change in accounting principle	110,479	-
<b>NET POSITION - END OF YEAR</b>	\$ 12,708,736	\$ 11,550,727

# STOUGHTON WATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,803,916	\$ 1,752,973
Paid to suppliers for goods and services	(541,844)	(589,326)
Paid to employees for operating payroll	(321,170)	(339,126)
Net Cash Flows From Operating Activities	940,902	824,521
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(343,936)	(361,820)
Transfers to other funds	(59)	(6,001)
Net Cash Flows From Noncapital Financing Activities	(343,995)	(367,821)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,057,693)	(590,292)
Received from the sale of capital assets	-	1,798
Capital contributions received	22,311	-
Debt proceeds	522,000	-
Debt retired	(151,257)	(150,575)
Interest paid	(74,276)	(80,277)
Net Cash Flows From Capital and Related Financing Activities	(738,915)	(819,346)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(399,392)	(1,030,000)
Investments sold and matured	442,818	1,049,556
Investment income	9,882	21,098
Net Cash Flows From Investing Activities	53,308	40,654
<b>Net Change in Cash and Cash Equivalents</b>	(88,700)	(321,992)
CASH AND CASH EQUIVALENTS - Beginning of Year	348,411	670,403
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 259,711	\$ 348,411
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Unrealized gain (loss) on investments	\$ (2,007)	\$ (10,253)
Capital contributions	\$ 476,011	\$ 26,500
Capital projects special assessed	\$ 501,030	\$ -

# STOUGHTON WATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 490,014	\$ 436,047
Nonoperating income (expense)	(6,434)	\$ (4,277)
Noncash items in operating income		
Depreciation	408,632	390,653
Depreciation charged to clearing and other utilities	31,875	28,315
Changes in assets and liabilities		
Customer accounts receivable	22,728	(15,515)
Other account receivable	(13,740)	(114)
Due from municipality	(2,419)	2,709
Materials and supplies	4,766	2,030
Prepayments	147	6,459
Accounts payable	8,302	(14,183)
Accrued wages	(10,547)	1,910
Accrued sick leave	9,651	(11,207)
Pension related deferrals and liabilities	(1,955)	-
Customer deposits	(118)	1,694
	\$ 940,902	\$ 824,521
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 130,189	\$ 227,481
Redemption account	129,523	120,935
Reserve account	244,677	274,005
Depreciation account	25,000	25,000
Water plant and maintenance reserve account	176,688	189,226
Sick leave reserve account	93,082	94,638
Total Cash and Investments	799,159	931,285
Less: Noncash equivalents	(539,448)	(582,874)
	\$ 259,711	\$ 348,411
<b>CASH AND CASH EQUIVALENTS</b>		

## **WASTEWATER UTILITY**

## STOUGHTON WASTEWATER UTILITY

### STATEMENTS OF NET POSITION

December 31, 2015 and 2014

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 1,377,187	\$ 1,055,750
Interest receivable	1,609	1,461
Restricted Assets		
Redemption account	296,992	328,068
Customer accounts receivable	191,564	211,690
Other accounts receivable	8,389	14,426
Due from municipality	3,023	-
Current portion of special assessments	34,359	-
Prepayments	701	872
Total Current Assets	<u>1,913,824</u>	<u>1,612,267</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Depreciation account	33,283	33,283
Replacement account	1,129,917	1,153,490
Construction account	123	123
Net pension asset	59,271	-
Other Assets		
Sick leave reserve account	105,822	91,605
Special assessments	309,233	-
Capital Assets		
Plant in service	27,634,206	26,620,265
Accumulated depreciation	(9,483,326)	(8,727,985)
Construction work in progress	61,100	38,856
Total Noncurrent Assets	<u>19,849,629</u>	<u>19,209,637</u>
Total Assets	<u>21,763,453</u>	<u>20,821,904</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>62,601</u>	<u>-</u>

<b>LIABILITIES</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 53,138	\$ 118,866
Payable to municipality	5,843	-
Accrued wages	10,896	16,670
Accrued interest	2,584	-
Current portion of general obligation bonds	32,000	-
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	402,390	381,701
Accrued interest	24,595	24,894
Total Current Liabilities	<u>531,446</u>	<u>542,131</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	5,158,363	5,312,592
General obligation bonds	316,000	
Accrued sick leave	105,822	91,005
Total Noncurrent Liabilities	<u>5,580,185</u>	<u>5,403,597</u>
 Total Liabilities	 <u>6,111,631</u>	 <u>5,945,728</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>418</u>	<u>-</u>
 <b>NET POSITION</b>		
Investment in capital assets	12,303,350	12,236,966
Restricted for debt service	305,680	336,457
Restricted for equipment replacement	1,129,917	1,153,490
Restricted for pension	59,271	-
Unrestricted	1,915,787	1,149,263
 <b>TOTAL NET POSITION</b>	 <u>\$ 15,714,005</u>	 <u>\$ 14,876,176</u>

## STOUGHTON WASTEWATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Treatment charges	\$ 1,993,392	\$ 2,017,666
Other	44,443	33,219
Total Operating Revenues	2,037,835	2,050,885
<b>OPERATING EXPENSES</b>		
Operation and maintenance	1,042,161	944,780
Depreciation	777,150	726,884
Total Operating Expenses	1,819,311	1,671,664
<b>OPERATING INCOME</b>	218,524	379,221
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	9,863	11,559
Interest expense	(151,995)	(105,611)
Miscellaneous revenues	(4,289)	-
Total Non-Operating Revenues (Expenses)	(146,421)	(94,052)
Income Before Contributions	72,103	285,169
<b>CAPITAL CONTRIBUTIONS</b>	328,994	37,600
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	318,534	-
<b>CHANGE IN NET POSITION</b>	719,631	322,769
NET POSITION - Beginning of Year	14,876,176	14,553,407
Cumulative effect of a change in accounting principle	118,198	-
<b>NET POSITION - END OF YEAR</b>	\$ 15,714,005	\$ 14,876,176

# STOUGHTON WASTEWATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 2,056,686	\$ 2,046,857
Paid to suppliers for goods and services	(648,839)	(639,382)
Paid to employees for operating payroll	(374,019)	(346,158)
Net Cash Flows From Operating Activities	1,033,828	1,061,317
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(827,288)	(3,254,921)
Debt retired	(391,680)	(256,735)
Interest paid	(149,710)	(93,827)
Received from the sale of capital assets	-	15,347
Capital contributions received	-	37,600
Proceeds from debt issue	606,140	3,047,573
Net Cash Flows From Capital and Related Financing Activities	(762,538)	(504,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(447,009)	(846,000)
Investments sold and matured	472,918	874,044
Investment income	9,715	14,508
Net Cash Flows From Investing Activities	35,624	42,552
<b>Net Change in Cash and Cash Equivalents</b>	306,914	598,906
CASH AND CASH EQUIVALENTS - Beginning of Year	2,048,684	1,449,778
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,355,598	\$ 2,048,684
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Unrealized gain (loss) on investments	\$ (1,111)	\$ (303)
Capital contributions	\$ 303,936	\$ -
Capital projects special assessed	\$ 343,592	\$ -



# STOUGHTON WASTEWATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 218,524	\$ 379,221
Nonoperating revenue (expense)	(4,289)	-
Noncash items in operating income		
Depreciation	777,150	726,884
Changes in assets and liabilities		
Customer accounts receivable	20,126	(6,817)
Other account receivable	6,037	-
Due from municipality	2,820	2,789
Prepayments	171	8,074
Accounts payable	7,502	(44,066)
Accrued sick leave	14,817	(600)
Pension related deferrals and liabilities	(3,256)	-
Other current liabilities	(5,774)	(4,168)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 1,033,828</b>	<b>\$ 1,061,317</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 1,377,187	\$ 1,055,750
Redemption account	296,992	328,068
Depreciation account	33,283	33,283
Replacement account	1,129,917	1,153,490
Construction account	123	123
Sick leave reserve account	105,822	91,605
Total Cash and Investments	2,943,324	2,662,319
Less: Noncash equivalents	(587,726)	(613,635)
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,355,598</b>	<b>\$ 2,048,684</b>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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.

GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utility's cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. The utility adopted these statements effective January 1, 2015. The cumulative impact of implementation is shown in Note 14.

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, 2015 and 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

##### *Deposits and Investments*

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

Investment of 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, 2015 and 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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.

##### ***Special Assessments Receivable***

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

##### ***Non-Utility Property***

Electric utility non-utility property consists of the city dam with a balance of \$84,212 and leasehold rental property with a balance of \$91,458 at December 31, 2015 and 2014. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2015 and 2014. 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.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)*

##### **Capital Assets** (cont.)

Capital assets of the utilities are recorded at cost or the 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:

	<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

##### **Pensions**

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

##### **Accrued Vacation and Sick Leave**

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

##### **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.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)***

##### ***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 forwarded to the State of Wisconsin and 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.

##### ***Long-Term Obligations***

Long-term debt and other obligations are reported as utilities liabilities. Bond premiums and discounts 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. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position.

#### ***REVENUES AND EXPENSES***

The utilities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the 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 September 1, 2015. The rates are designed to provide a 5.1% return on rate base

Current water rates were approved by the PSCW effective July 1, 2015. The rates are designed to earn a 6.5% return on rate base

Current wastewater rates were approved by the Utilities Committee and Common Council effective January 1, 2015.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **REVENUES AND EXPENSES (cont.)**

##### **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 is reported as revenue on the statements of revenues, expenses and changes in net position.

##### **Transfers**

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

#### **EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

GASB has approved GASB Statement No. 72, *Fair Value Measure and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and Statement No. 79, *Certain External Investment Pools and Pool Participants*. When they become effective, application of the standards may restate portions of these financial statements.

#### **COMPARATIVE DATA**

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

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

	<u>Carrying Value as of</u>		<u>Risks</u>
	<u>December 31,</u>		
	<u>2015</u>	<u>2014</u>	
Checking and Savings	\$ 6,065,386	\$ 5,125,888	Custodial credit risk
LGIP	834,873	846,341	Credit and interest rate risks
Negotiable Certificates of Deposit	3,146,931	2,465,472	Custodial credit, credit, concentration, and interest rate risks
U.S. Agency Securities	1,948,678	2,750,094	Custodial credit, credit, concentration and interest rate risks
Petty Cash	<u>750</u>	<u>750</u>	
Totals	<u>\$ 11,996,618</u>	<u>\$ 11,188,545</u>	

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)**

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 demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

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

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

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

In addition, the utilities, with the city, have collateral or depository insurance agreements in the amount of \$2,514,834 at December 31, 2015 and \$4,339,228 at December 31, 2014.

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, 2015 and 2014, 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.

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 3,495,891	\$ 3,265,756	\$ 2,559,228	\$ 2,671,138
Wells Fargo Brokerage	928	928	928	928
Associated Bank	2,798,702	2,798,702	2,453,822	2,453,822
Deposits Exposed to Custodial Credit Risk	\$ 6,295,521	\$ 6,065,386	\$ 5,013,978	\$ 5,125,888

The utilities' investment policy does not address this risk.



# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)**

#### ***Custodial Credit Risk*** (cont.)

##### **Investments**

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

As of December 31, 2015 and 2014 the utilities' investments were exposed to custodial credit risk as follows:

U.S. Agencies - Implicitly Guaranteed	2015	2014
Neither insured nor registered and held by counterparty	<u>\$ 1,948,678</u>	<u>\$ 2,750,094</u>
<b>Negotiable Certificates of Deposit</b>		
Neither insured nor registered and held by counterparty	<u>\$ -</u>	<u>\$ 2,746</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, 2015, the utilities' investments were rated as follows:

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

As of December 31, 2014, the utilities' investments were rated as follows:

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

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.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

#### **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, 2015 and 2014, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2015	2014
Ginnie Mae	U.S. Agencies – Implicitly Guaranteed	15.89%	44.41%
FHR 4083 PA	U.S. Agencies – Implicitly Guaranteed	5.49%	6.23%
FHR 3857 EC	U.S. Agencies – Implicitly Guaranteed	4.73%	5.53%
FHLB	U.S. Agencies – Implicitly Guaranteed	6.75%	10.15%

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, 2015, 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	\$ 1,948,678	\$ -	\$ -	\$ 1,948,678
Negotiable Certificates of Deposit	3,146,931	1,986,925	1,160,006	-
Totals	<u>\$ 5,095,609</u>	<u>\$ 1,986,925</u>	<u>\$ 1,160,006</u>	<u>\$ 1,948,678</u>

As of December 31, 2014, 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	\$ 2,750,094	\$ -	\$ -	\$ 2,750,094
Negotiable Certificates of Deposit	2,465,472	738,523	1,726,949	-
Totals	<u>\$ 5,215,566</u>	<u>\$ 738,523</u>	<u>\$ 1,726,949</u>	<u>\$ 2,750,094</u>

The utilities' investment policy does not address this risk.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund balances for the years ending December 31, 2015 and 2014:

Due To	Due From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 363,249	Payment in lieu of taxes	\$ 352,700	Payment in lieu of taxes
Municipality	Water utility	8,764	Operating	-	-
Electric utility	Municipality	6,652	Operating	13,329	Operating
Water utility	Municipality	2,419	Operating	-	Operating
Sewer utility	Municipality	3,023	Operating	-	Operating
Municipality	Electric utility	39,301	Stormwater	37,893	Stormwater
Municipality	Electric utility	370,260	Payment in lieu of taxes	366,032	Payment in lieu of taxes

The following is a schedule of transfers for the years ending December 31, 2015 and 2014:

To	From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 23,455	Operating	\$ 19,212	Operating
Municipality	Electric utility	370,260	Payment in lieu of taxes	366,032	Payment in lieu of taxes
Municipality	Water utility	59	Operating	6,001	Operating
Municipality	Water utility	363,249	Payment in lieu of taxes	352,700	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, 2015 is \$413,741.

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
2016	\$ 37,088	\$ 12,412	\$ 49,500
2017	39,190	11,300	50,490
2018	41,375	10,124	51,499
2019	43,646	8,883	52,529
2020	46,007	7,573	53,580
2021-2025	206,435	15,919	222,354
Totals	\$ 413,741	\$ 66,211	\$ 479,952

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **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.

#### ***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:

	2015	2014
Restricted Assets		
Redemption account	\$ 408,357	\$ 397,337
Reserve account	649,338	704,728
Depreciation account	25,000	25,000
Net pension asset	150,770	-
Total Restricted Assets	1,233,465	1,127,065
Current Liabilities Payable From Restricted Assets	(34,681)	(37,860)
Total Restricted Net Position as Calculated	\$ 1,198,784	\$ 1,089,205

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

	2015	2014
Restricted Assets		
Redemption account	\$ 129,523	\$ 120,935
Reserve account	244,677	274,005
Depreciation account	25,000	25,000
Net pension asset	55,400	-
Total Restricted Assets	454,600	419,940
Current Liabilities Payable From Restricted Assets	(11,878)	(13,606)
Total Restricted Net Position as Calculated	\$ 442,722	\$ 406,334

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 5 – RESTRICTED ASSETS (cont.)**

##### ***Restricted Net Position*** (cont.)

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

	2015	2014
Restricted Assets		
Redemption account	\$ 296,992	\$ 328,068
Depreciation account	33,283	33,283
Replacement account	1,129,917	1,153,490
Construction account	123	123
Net pension asset	59,271	-
Total Restricted Assets	1,519,586	1,514,964
Less: Restricted Assets Not Funded by Revenues		
Construction account	(123)	(123)
Current Liabilities Payable From Restricted Assets	(24,595)	(24,894)
Total Restricted Net Position as Calculated	\$ 1,494,868	\$ 1,489,947

#### **NOTE 6 – CHANGES IN CAPITAL ASSETS**

##### ***Electric Utility***

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

	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 573,461	\$ -	\$ -	\$ 573,461
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	22,286,877	612,671	121,941	22,777,607
General	4,044,032	65,810	-	4,109,842
Total Capital Assets Being Depreciated	26,345,928	678,481	121,941	26,902,468
Total Capital Assets	26,919,389	678,481	121,941	27,475,929
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(10,037,217)	(821,978)	127,566	(10,731,629)
General	(2,538,112)	(189,428)	-	(2,727,540)
Total Accumulated Depreciation	(12,594,695)	(1,011,406)	127,566	(13,478,535)
Construction in progress	26,055	496,480	270,682	251,853
Net Capital Assets	\$ 14,350,749			\$ 14,249,247

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)**

##### ***Electric Utility*** (cont.)

A summary of changes in electric capital assets for 2014 follows:

	Balance 01/01/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 573,461	\$ -	\$ -	\$ 573,461
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	21,845,300	532,798	91,221	22,286,877
General	4,033,138	44,694	33,800	4,044,032
Total Capital Assets Being Depreciated	25,893,457	577,492	125,021	26,345,928
Total Capital Assets	26,466,918	577,492	125,021	26,919,389
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(9,329,006)	(800,994)	92,721	(10,037,217)
General	(2,394,002)	(177,848)	33,800	(2,538,112)
Total Accumulated Depreciation	(11,742,374)	(978,842)	126,521	(12,594,695)
Construction in progress	1,845	435,235	411,025	26,055
Net Capital Assets	\$ 14,726,389			\$ 14,350,749

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)**

##### ***Water Utility***

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

	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 430,131	\$ -	\$ -	\$ 430,131
Capital assets being depreciated				
Source of supply	570,123	25,607	-	595,730
Pumping	1,461,654	6,866	-	1,468,520
Water treatment	90,763	-	-	90,763
Transmission and distribution	15,341,730	1,442,390	17,531	16,766,589
General	803,447	41,325	1,500	843,272
Total Capital Assets Being Depreciated	18,267,717	1,516,188	19,031	19,764,874
Total Capital Assets	18,697,848	1,516,188	19,031	20,195,005
Less: Accumulated depreciation				
Source of supply	(335,532)	(16,905)	-	(352,437)
Pumping	(1,157,612)	(57,246)	-	(1,214,858)
Water treatment	(87,766)	(437)	-	(88,203)
Transmission and distribution	(3,723,745)	(293,038)	17,531	(3,999,252)
General	(676,502)	(72,881)	1,500	(747,883)
Total Accumulated Depreciation	(5,981,157)	(440,507)	19,031	(6,402,633)
Construction in progress	30,627	995,690	919,839	106,478
Net Capital Assets	\$ 12,747,318			\$ 13,898,850

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)**

#### ***Water Utility*** (cont.)

A summary of changes in water capital assets for 2014 follows:

	Balance 01/01/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 430,131	\$ -	\$ -	\$ 430,131
Capital assets being depreciated				
Source of supply	570,123	-	-	570,123
Pumping	1,461,654	-	-	1,461,654
Water treatment	90,763	-	-	90,763
Transmission and distribution	14,763,312	596,098	17,680	15,341,730
General	784,424	19,023	-	803,447
Total Capital Assets Being Depreciated	17,670,276	615,121	17,680	18,267,717
Total Capital Assets	18,100,407	615,121	17,680	18,697,848
Less: Accumulated depreciation				
Source of supply	(318,998)	(16,534)	-	(335,532)
Pumping	(1,100,476)	(57,136)	-	(1,157,612)
Water treatment	(87,329)	(437)	-	(87,766)
Transmission and distribution	(3,461,841)	(279,584)	17,680	(3,723,745)
General	(609,427)	(67,075)	-	(676,502)
Total Accumulated Depreciation	(5,578,071)	(420,766)	17,680	(5,981,157)
Construction in progress	24,194	538,384	531,951	30,627
Net Capital Assets	\$ 12,546,530			\$ 12,747,318



## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)**

##### ***Wastewater Utility***

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

	Balance 01/01/15	Increases	Decreases	Balance 12/31/15
Capital assets being depreciated				
Collecting system	\$ 9,360,156	\$ 1,023,865	\$ 20,184	\$ 10,363,837
Collecting system pumping	401,065	-	-	401,065
Treatment and disposal	15,550,149	5,702	1,500	15,554,351
General	1,308,895	6,058	-	1,314,953
Total Capital Assets Being Depreciated	26,620,265	1,035,625	21,684	27,634,206
Less: Accumulated depreciation	(8,727,985)	(777,025)	21,684	(9,483,326)
Construction in progress	38,856	783,193	760,949	61,100
Net Capital Assets	\$ 17,931,136			\$ 18,211,980

A summary of changes in wastewater capital assets for 2014 follows:

	Balance 01/01/14	Increases	Decreases	Balance 12/31/14
Capital assets being depreciated				
Collecting system	\$ 9,092,573	\$ 277,337	\$ 9,754	\$ 9,360,156
Collecting system pumping	397,412	7,153	3,500	401,065
Treatment and disposal	13,319,526	2,969,255	738,632	15,550,149
General	1,155,937	477,958	325,000	1,308,895
Total Capital Assets Being Depreciated	23,965,448	3,731,703	1,076,886	26,620,265
Less: Accumulated depreciation	(9,062,641)	(742,230)	1,076,886	(8,727,985)
Construction in progress	400,229	3,334,405	3,695,778	38,856
Net Capital Assets	\$ 15,303,036			\$ 17,931,136

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **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 12/31/15</u>
February 15, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25%	\$ 3,170,000	\$ 2,560,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	1,900,000

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 490,000	\$ 131,856	\$ 621,856
2017	500,000	117,488	617,488
2018	520,000	102,288	622,288
2019	535,000	86,425	621,425
2020	580,000	69,338	649,338
2021 - 2023	<u>1,835,000</u>	<u>91,856</u>	<u>1,926,856</u>
Totals	<u>\$ 4,460,000</u>	<u>\$ 599,251</u>	<u>\$ 5,059,251</u>

All electric utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$625,724 and \$638,412, respectively. Total gross revenues as defined for the same periods were \$15,158,777 and \$15,684,882, respectively. Annual principal and interest payments are expected to require 4% of gross revenues.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **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 12/31/15</u>
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50%	\$ 1,925,000	\$ 1,325,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018	450,381

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 176,958	\$ 67,719	\$ 244,677
2017	177,677	60,428	238,105
2018	178,415	52,929	231,344
2019	179,173	45,411	224,584
2020	204,952	37,310	242,262
2021-2025	712,180	68,775	780,955
2026-2029	146,026	7,920	153,946
Totals	<u>\$ 1,775,381</u>	<u>\$ 340,492</u>	<u>\$ 2,115,873</u>

All water utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$225,533 and \$230,852, respectively. Total gross revenues as defined for the same periods were \$1,793,025 and \$1,753,079, respectively. Annual principal and interest payments are expected to require 8.4% of gross revenues.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 7 – LONG-TERM OBLIGATIONS (cont.)**

##### ***Revenue Bonds - Wastewater***

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049%	\$ 623,465	\$ 158,105
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	346,081
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	784,016
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	1,094,627
November 1, 2014	WWTP improvements	May 1, 2034	2.625	3,305,713	3,177,924

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ 402,390	\$ 142,068	\$ 544,458
2017	413,395	130,912	544,307
2018	424,703	119,449	544,152
2019	436,322	107,670	543,992
2020	405,676	96,216	501,892
2021-2025	1,572,604	344,225	1,916,829
2026-2030	1,100,903	170,723	1,271,626
2031-2034	804,760	42,934	847,694
Totals	<u>\$ 5,560,753</u>	<u>\$ 1,154,197</u>	<u>\$ 6,714,950</u>

All wastewater utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$541,390 and \$350,562, respectively. Total gross revenues as defined for the same periods were \$2,047,698 and \$2,062,444, respectively. Annual principal and interest payments are expected to require 17.3% of gross revenues.

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 7 – LONG-TERM OBLIGATIONS (cont.)**

##### ***General Obligation 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 12/31/15</u>
July 9, 2015	Additions and improvements	April 1, 2025	2.00 – 2.25%	\$ 522,000	\$ 522,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 48,000	\$ 12,596	\$ 60,596
2017	51,000	9,180	60,180
2018	51,000	8,160	59,160
2019	51,000	7,140	58,140
2020	51,000	6,120	57,120
2021-2025	<u>270,000</u>	<u>14,618</u>	<u>284,618</u>
Totals	<u>\$ 522,000</u>	<u>\$ 57,814</u>	<u>\$ 579,814</u>

##### ***General Obligation 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 12/31/15</u>
July 9, 2015	Additions and improvements	April 1, 2025	2.00 – 2.25%	\$ 348,000	\$ 348,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 32,000	\$ 8,397	\$ 40,397
2017	34,000	6,120	40,120
2018	34,000	5,440	39,440
2019	34,000	4,760	38,760
2020	34,000	4,080	38,080
2021-2025	<u>180,000</u>	<u>9,745</u>	<u>189,745</u>
Totals	<u>\$ 348,000</u>	<u>\$ 38,542</u>	<u>\$ 386,542</u>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 7 – LONG-TERM OBLIGATIONS (cont.)**

#### ***Long-Term Obligations Summary - Electric***

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

	01/01/15 Balance	Additions	Reductions	12/31/15 Balance	Due Within One Year
Revenue bonds	\$ 4,940,000	\$ -	\$ 480,000	\$ 4,460,000	\$ 490,000
Unamortized premium on bonds	60,835	-	11,972	48,863	-
Accrued sick leave	166,873	32,565	29,355	170,083	-
Customer advances for construction	14,350	267,967	56,930	225,387	-
<b>Totals</b>	<b>\$ 5,182,058</b>	<b>\$ 300,532</b>	<b>\$ 578,257</b>	<b>\$ 4,904,333</b>	<b>\$ 490,000</b>

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	01/01/14 Balance	Additions	Reductions	12/31/14 Balance	Due Within One Year
Revenue bonds	\$ 5,420,000	\$ -	\$ 480,000	\$ 4,940,000	\$ 480,000
Unamortized premium on bonds	74,461	-	13,626	60,835	-
Accrued sick leave	173,704	21,279	28,110	166,873	-
Customer advances for construction	5,514	36,205	27,369	14,350	-
<b>Totals</b>	<b>\$ 5,673,679</b>	<b>\$ 57,484</b>	<b>\$ 549,105</b>	<b>\$ 5,182,058</b>	<b>\$ 480,000</b>

#### ***Long-Term Obligations Summary - Water***

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

	01/01/15 Balance	Additions	Reductions	12/31/15 Balance	Due Within One Year
Revenue bonds	\$ 1,926,638	\$ -	\$ 151,257	\$ 1,775,381	\$ 176,958
General obligation bonds	-	522,000	-	522,000	48,000
Accrued sick leave	83,431	19,736	10,085	93,082	-
<b>Totals</b>	<b>\$ 2,010,069</b>	<b>\$ 541,736</b>	<b>\$ 161,342</b>	<b>\$ 2,390,463</b>	<b>\$ 224,958</b>

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	01/01/14 Balance	Additions	Reductions	12/31/14 Balance	Due Within One Year
Revenue bonds	\$ 2,077,213	\$ -	\$ 150,575	\$ 1,926,638	\$ 151,257
Accrued sick leave	94,638	-	11,207	83,431	-
<b>Totals</b>	<b>\$ 2,171,851</b>	<b>\$ -</b>	<b>\$ 161,782</b>	<b>\$ 2,010,069</b>	<b>\$ 151,257</b>

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 7 – LONG-TERM OBLIGATIONS (cont.)**

##### ***Long-Term Obligations Summary - Wastewater***

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

	01/01/15 Balance	Additions	Reductions	12/31/15 Balance	Due Within One Year
Revenue bonds	\$ 5,694,293	\$ 258,140	\$ 391,680	\$ 5,560,753	\$ 402,390
General obligation bonds	-	348,000	-	348,000	32,000
Accrued sick leave	91,005	20,399	5,582	105,822	-
<b>Totals</b>	<b>\$ 5,785,298</b>	<b>\$ 626,539</b>	<b>\$ 397,262</b>	<b>\$ 6,014,575</b>	<b>\$ 434,390</b>

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	01/01/14 Balance	Additions	Reductions	12/31/14 Balance	Due Within One Year
Revenue bonds	\$ 2,903,455	\$ 3,047,573	\$ 256,735	\$ 5,694,293	\$ 381,701
Accrued sick leave	91,605	4,905	5,505	91,005	-
<b>Totals</b>	<b>\$ 2,995,060</b>	<b>\$ 3,052,478</b>	<b>\$ 262,240</b>	<b>\$ 5,785,298</b>	<b>\$ 381,701</b>

##### ***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, 2015 and 2014

### **NOTE 7 – LONG-TERM OBLIGATIONS (cont.)**

#### ***Bond Covenant Disclosures*** (cont.)

##### ***Insurance*** (cont.)

The utilities are covered under the following insurance policies at December 31, 2015:

Type	Coverage	Expiration
Automobile	\$ 10,000,000 CVMIC Self-Insured	1/1/16
Excess Liability	5,000,000 CVMIC Self-Insured	1/1/16
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/16
	1,000,000 CVMIC Self-Insured	1/1/16
Boiler Insurance	100,000,000 CVMIC Self-Insured	1/1/16
Property	48,877,430 Wisconsin Local Property Insurance Fund	2/1/16

##### ***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 2015 and 2014 as follows:

	2015	2014
Operating revenues	\$ 15,057,028	\$ 15,603,989
Investment income	101,749	80,893
Less: Operation and maintenance expenses	<u>(13,261,410)</u>	<u>(13,770,271)</u>
Net Defined Earnings	<u>\$ 1,897,367</u>	<u>\$ 1,914,611</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 649,338	\$ 649,338
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 844,139</u>	<u>\$ 844,139</u>
Actual Debt Coverage	<u>2.92</u>	<u>2.95</u>



# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **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 2015 and 2014 as follows:

	2015	2014
Operating revenues	\$ 1,784,416	\$ 1,750,961
Investment income	8,609	2,118
Less: Operation and maintenance expenses	(885,770)	(924,261)
Net Defined Earnings	\$ 907,255	\$ 828,818
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 244,677	\$ 244,677
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 318,080	\$ 318,080
Actual Debt Coverage	3.71	3.39

##### ***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 2015 and 2014 as follows:

	2015	2014
Operating revenues	\$ 2,037,835	\$ 2,050,885
Investment income	9,863	11,559
Less: Operation and maintenance expenses	(1,042,161)	(944,780)
Net Defined Earnings	\$ 1,005,537	\$ 1,117,664
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 544,459	\$ 527,838
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 598,905	\$ 580,622
Actual Debt Coverage	1.85	2.12

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **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 2015 and 2014:

	Customers		Sales (000 kWh)	
	2015	2014	2015	2014
Residential	7,659	7,562	63,093	64,316
General	817	855	17,069	17,294
Small power	48	50	15,539	16,725
Large power	8	8	9,524	11,014
Industrial	6	6	31,431	31,232
Street and highway lighting	7	6	937	994
Totals	<u>8,545</u>	<u>8,487</u>	<u>137,593</u>	<u>141,575</u>

##### ***Number of Customers - Water***

The utility has the following number of customers and billed volumes for 2015 and 2014:

	Customers		Sales (000 gals)	
	2015	2014	2015	2014
Residential	4,423	4,383	206,473	234,669
Commercial	355	403	51,253	59,411
Multi-family	65	75	25,561	26,012
Industrial	25	24	179,961	170,804
Public authority	42	42	6,336	5,777
Interdepartmental	6	2	773	606
Totals	<u>4,916</u>	<u>4,929</u>	<u>470,357</u>	<u>497,279</u>

##### ***Number of Customers - Wastewater***

The utility has the following number of customers and billed volumes for 2015 and 2014:

	Customers		Sales (000 gals)	
	2015	2014	2015	2014
Residential	4,417	4,364	204,935	207,008
Commercial	341	399	48,780	83,053
Multi-family	65	75	25,561	26,012
Industrial	21	21	29,639	35,629
Public authority	31	31	4,191	4,448
Interdepartmental	1	1	44	45
Totals	<u>4,876</u>	<u>4,891</u>	<u>313,150</u>	<u>356,195</u>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

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#### *Bond Covenant Disclosures* (cont.)

##### *Utilities Budget*

The 2015 and 2014 utilities' budgets were prepared and approved as required by the bond resolutions.

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### NOTE 8 - NET POSITION

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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:

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

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

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

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

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

	<u>2015</u>	<u>2014</u>
Plant in service	\$ 27,123,265	\$ 26,566,725
Accumulated depreciation	(13,478,535)	(12,594,695)
Property held for future use	352,664	352,664
Construction work in progress	<u>251,853</u>	<u>26,055</u>
Sub-Totals	<u>14,249,247</u>	<u>14,350,749</u>
Less: Capital related debt		
Current portion of capital related long-term debt	490,000	480,000
Long-term portion of capital related long-term debt	3,970,000	4,460,000
Unamortized premium on bonds	<u>48,863</u>	<u>60,835</u>
Sub-Totals	<u>4,508,863</u>	<u>5,000,835</u>
Total Net Investment in Capital Assets	<u>\$ 9,740,384</u>	<u>\$ 9,349,914</u>

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 8 – NET POSITION (cont.)**

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

	2015	2014
Plant in service	\$ 20,195,005	\$ 18,697,848
Accumulated depreciation	(6,402,633)	(5,981,157)
Construction work in progress	<u>106,478</u>	<u>30,627</u>
Sub-Totals	<u>13,898,850</u>	<u>12,747,318</u>
Less: Capital related debt		
Current portion of capital related long-term debt	224,958	151,257
Long-term portion of capital related long-term debt	<u>2,072,423</u>	<u>1,775,381</u>
Sub-Totals	<u>2,297,381</u>	<u>1,926,638</u>
Total Net Investment in Capital Assets	<u>\$ 11,601,469</u>	<u>\$ 10,820,680</u>

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

	2015	2014
Plant in service	\$ 27,634,206	\$ 26,620,265
Accumulated depreciation	(9,483,326)	(8,727,985)
Construction work in progress	<u>61,100</u>	<u>38,856</u>
Sub-Totals	<u>18,211,980</u>	<u>17,931,136</u>
Less: Capital related debt		
Current portion of capital related long-term debt	434,390	381,701
Long-term portion of capital related long-term debt	<u>5,474,363</u>	<u>5,312,592</u>
Sub-Totals	<u>5,908,753</u>	<u>5,694,293</u>
Add: Unspent debt proceeds		
Construction funds	<u>123</u>	<u>123</u>
Total Net Investment in Capital Assets	<u>\$ 12,303,350</u>	<u>\$ 12,236,966</u>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### NOTE 9 – EMPLOYEES RETIREMENT SYSTEM

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The utility implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015. The prior year balances for deferred outflows of resources and the net pension liability were not restated due to the measurement date used for the calculation of the balances and the timing of information received by WRS. For this reason, prior year pension footnote disclosures are included under GASB No. 27.

#### **General Information About the Pension Plan**

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

## STOUGHTON UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

#### **NOTE 9 – EMPLOYEES RETIREMENT SYSTEM (cont.)**

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

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

During the reporting period, the WRS recognized \$107,183 in contributions from the utilities.

Contribution rates as of December 31, 2015 are:

	2015		2014	
	Employee	Employer	Employee	Employer
General (including teachers)	6.8%	6.8%	7.0%	7.0%
Executives & Elected Officials	7.7%	7.7%	7.75%	7.75%
Protective with Social Security	6.8%	9.5%	7.0%	10.1%
Protective without Social Security	6.8%	13.1%	7.0%	13.7%

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

At December 31, 2015, the utilities reported a liability (asset) of \$265,441 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities' proportion of the net pension liability (asset) was based on the utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City of Stoughton's proportion was 0.04486493%, which was an increase of 0.00040977% from its proportion measured as of December 31, 2013.

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

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 9 – EMPLOYEES RETIREMENT SYSTEM (cont.)**

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

	Electric Utility		Water Utility		Wastewater Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,858	\$ -	\$ 8,031	\$ -	\$ 8,592	\$ -
Changes in assumption	73,010	-	26,827	-	28,702	-
Net differences between project and actual earnings on pension plan	-	-	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,063	-	390	-	418
Employer contributions subsequent to the measurement date	64,065	-	22,566	-	25,307	-
<b>Totals</b>	<b>\$ 158,933</b>	<b>\$ 1,063</b>	<b>\$ 57,424</b>	<b>\$ 390</b>	<b>\$ 62,601</b>	<b>\$ 418</b>

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. \$64,065, \$22,566, and \$25,307 are reported for the electric, water, and wastewater utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Electric Utility		Water Utility		Wastewater Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Year Ended December 31</b>						
2016	\$ 23,236	\$ 242	\$ 8,538	\$ 89	\$ 9,134	\$ 95
2017	23,236	242	8,538	89	9,134	95
2018	23,236	242	8,538	89	9,134	95
2019	23,236	242	8,538	89	9,134	95
2020	1,924	95	706	34	758	38
Thereafter	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 94,868</b>	<b>\$ 1,063</b>	<b>\$ 34,858</b>	<b>\$ 390</b>	<b>\$ 37,294</b>	<b>\$ 418</b>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### NOTE 9 – EMPLOYEES RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2013
Measurement date of net pension liability (asset)	December 31, 2014
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities	5.3%	21.0%
International Equities	5.7	23.0
Fixed Income	1.7	36.0
Inflation Sensitive Assets	2.3	20.0
Real Estate	4.2	7.0
Private Equity/Debt	6.9	7.0
Multi-Asset	3.9	6.0
Cash	0.9	(20.0)



# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

### **NOTE 9 – EMPLOYEES RETIREMENT SYSTEM (cont.)**

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

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

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

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

#### **Required Disclosures Under GASB No. 27**

Covered payroll listed below is substantially the same as total payroll.

#### Electric

	Year Ended December 31	
	2014	2013
Total Covered Employee Payroll	<u>\$ 869,715</u>	<u>\$ 911,661</u>
Total Required Contributions	<u>\$ 121,760</u>	<u>\$ 121,251</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>

#### Water

	Year Ended December 31	
	2014	2013
Total Covered Employee Payroll	<u>\$ 319,569</u>	<u>\$ 260,471</u>
Total Required Contributions	<u>\$ 44,740</u>	<u>\$ 34,643</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### NOTE 9 – EMPLOYEES RETIREMENT SYSTEM (cont.)

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Wastewater

	Year Ended December 31	
	2014	2013
Total Covered Employee Payroll	<u>\$ 341,890</u>	<u>\$ 343,835</u>
Total Required Contributions	<u>\$ 47,865</u>	<u>\$ 45,730</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>

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### NOTE 10 – COMMITMENTS AND CONTINGENCIES

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#### *Long-Term Contracts - WPPI Energy*

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

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

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

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$437 million as of December 31, 2015.

#### *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.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### NOTE 11 – RISK MANAGEMENT

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#### ***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%.

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.

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### NOTE 12 – SELF INSURANCE

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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 2015 and 2014 were \$262,239 and \$315,080, respectively. Details of the plan can be found in the basic financial statements of the City of Stoughton.

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### NOTE 13 – SUBSEQUENT EVENTS

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This utility 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.

#### ***Rate Adjustment***

The utility has filed an application to increase water rates with the PSCW.

#### ***Change in Employee Health Benefits***

As of January 1, 2016, the City of Stoughton changed from a self-insured to a fully insured health plan.

# STOUGHTON UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

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### **NOTE 14 – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE**

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

***Electric Utility***

Net pension asset – January 1, 2014	\$ 239,787
Deferred outflows – January 1, 2014	<u>60,880</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 300,667</u>

***Water Utility***

Net pension asset – January 1, 2014	\$ 88,109
Deferred outflows – January 1, 2014	<u>22,370</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 110,479</u>

***Wastewater Utility***

Net pension asset – January 1, 2014	\$ 94,265
Deferred outflows – January 1, 2014	<u>23,933</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 118,198</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

## STOUGHTON UTILITIES

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2015

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

Fiscal Year Ending	Proportion of the Net Pension Asset (City)	Proportionate Share of the Net Pension Asset	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
12/31/15	0.04486493%	\$ 265,441	\$ 1,372,152	19.34%	102.74%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 111,938	\$ 111,938	-	\$ 1,643,602	6.81%

See independent auditors' report and accompanying notes to the required supplementary information.

## STOUGHTON UTILITIES

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2015

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#### ***WISCONSIN RETIREMENT SYSTEM***

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

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

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

*Changes in Assumptions.* There were no changes in assumptions.

**SUPPLEMENTAL INFORMATION**



## **ELECTRIC UTILITY**

# STOUGHTON ELECTRIC UTILITY

## ELECTRIC UTILITY PLANT December 31, 2015

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015
<b>TRANSMISSION</b>				
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
<b>DISTRIBUTION</b>				
Land and land rights	220,796	-	-	220,796
Structures and improvements	44,389	-	-	44,389
Station equipment	4,275,937	39,758	-	4,315,695
Poles, towers and fixtures	3,107,279	122,044	25,404	3,203,919
Overhead conductors and devices	5,765,856	44,648	48,944	5,761,560
Underground conduit	452,774	45,484	-	498,258
Underground conductors and devices	2,828,055	182,861	13,141	2,997,775
Line transformers	2,912,779	94,710	19,026	2,988,463
Services	1,727,437	61,530	7,138	1,781,829
Meters	656,973	5,529	-	662,502
Street lighting and signal systems	515,398	16,107	8,288	523,217
Total Distribution	22,507,673	612,671	121,941	22,998,403
<b>GENERAL</b>				
Structures and improvements	1,649,974	-	-	1,649,974
Office furniture and equipment	215,400	-	-	215,400
Computer equipment	178,348	13,329	-	191,677
Transportation equipment	281,109	29,018	-	310,127
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	81,791	-	-	81,791
Laboratory equipment	50,236	10,586	-	60,822
Power-operated equipment	1,200,625	12,877	-	1,213,502
Communication equipment	92,122	-	-	92,122
SCADA equipment	279,453	-	-	279,453
Miscellaneous equipment	4,990	-	-	4,990
Total General	4,044,032	65,810	-	4,109,842
<b>TOTAL ELECTRIC UTILITY PLANT</b>	<b>\$ 26,566,725</b>	<b>\$ 678,481</b>	<b>\$ 121,941</b>	<b>\$ 27,123,265</b>

## STOUGHTON ELECTRIC UTILITY

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES

Years Ended December 31, 2015 and 2014

<b>OPERATING REVENUES</b>	<u>2015</u>	<u>2014</u>
Sales of Electricity		
Residential	\$ 5,039,326	\$ 5,212,839
Rural	2,834,039	2,932,266
General service	1,629,740	1,645,991
Large commercial and industrial	1,389,421	1,434,413
Large power	885,980	1,044,735
Industrial	2,814,381	2,805,130
Public street and highway lighting	132,627	137,049
Interdepartmental	180,843	207,077
Total Sales of Electricity	<u>14,906,357</u>	<u>15,419,500</u>
Other Operating Revenues		
Forfeited discounts	38,202	43,090
Other	112,469	141,399
Total Operating Revenues	<u>15,057,028</u>	<u>15,603,989</u>
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Other Power Supply		
Purchased power	<u>11,656,672</u>	<u>12,122,364</u>
Transmission		
Operating supervision and engineering	6,966	1,876
Station	40,006	33,258
Overhead lines	74,826	92,637
Underground lines	48,139	51,736
Total Transmission	<u>169,937</u>	<u>179,507</u>
Distribution		
Street lighting and signal system	3,509	3,787
Meter	47,976	55,839
Customer installations	468	268
Miscellaneous	58,623	39,457
Maintenance		
Structures	-	-
Station equipment	7,278	69,779
Overhead lines	197,521	236,874
Underground lines	37,602	12,734
Line transformers	2,234	5,475
Street lighting and signal system	2,404	149
Meters	6,519	-
Miscellaneous	-	-
Total Distribution	<u>364,134</u>	<u>424,362</u>
Customer Accounts		
Meter reading	4,315	4,800
Accounting and collecting labor	248,349	236,595
Miscellaneous	2,007	3,548
Total Water Treatment	<u>254,671</u>	<u>244,943</u>

## STOUGHTON ELECTRIC UTILITY

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES

Years Ended December 31, 2015 and 2014

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#### OPERATING EXPENSES (cont'd)

##### Operation and Maintenance (cont'd)

##### Administrative and General

Salaries	\$	320,666	\$	271,281
Office supplies		46,455		62,574
Outside services employed		48,825		16,782
Property insurance		26,749		26,429
Injuries and damages		27,400		21,445
Employee pensions and benefits		115,050		166,987
Regulatory commission		8,842		-
Miscellaneous		1,470		10,188
Rents		11,354		11,356
Maintenance		38,000		42,238
Total Administrative and General		<u>644,811</u>		<u>629,280</u>
Taxes		<u>171,185</u>		<u>169,815</u>
Total Operation and Maintenance		<u>13,261,410</u>		<u>13,770,271</u>
Depreciation		<u>965,661</u>		<u>934,151</u>
Total Operating Expenses		<u>14,227,071</u>		<u>14,704,422</u>
OPERATING INCOME	\$	<u>829,957</u>	\$	<u>899,567</u>

## STOUGHTON ELECTRIC UTILITY

### RATE OF RETURN - REGULATORY BASIS December 31, 2015 and 2014

	2015	2014
Utility Plant in Service		
Beginning of year	\$ 23,775,259	\$ 23,396,576
End of year	24,260,889	23,775,259
Average	24,018,074	23,585,918
Accumulated Depreciation		
Beginning of year	(11,183,405)	(10,874,683)
End of year	(11,973,321)	(11,183,405)
Average	(11,578,363)	(11,250,623)
Materials and Supplies		
Beginning of year	130,091	136,045
End of year	129,405	130,091
Average	129,748	133,068
Regulatory Liability		
Beginning of year	(199,444)	(221,604)
End of year	(177,284)	(199,444)
Average	(188,364)	(210,524)
Customer Advances for Construction		
Beginning of year	(14,350)	(5,514)
End of year	(225,387)	(14,350)
Average	(119,869)	(9,932)
AVERAGE NET RATE BASE	\$ 12,261,226	\$ 12,247,906
OPERATING INCOME - REGULATORY BASIS	\$ 569,058	\$ 647,833
RATE OF RETURN (PERCENT)	4.64	5.29

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

## **WATER UTILITY**

## STOUGHTON WATER UTILITY

### WATER UTILITY PLANT December 31, 2015

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015
<b>SOURCE OF SUPPLY</b>				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	570,123	25,607	-	595,730
Total Source of Supply	581,758	25,607	-	607,365
<b>PUMPING</b>				
Structures and improvements	598,025	6,866	-	604,891
Other power production equipment	278,732	-	-	278,732
Electric pumping equipment	584,896	-	-	584,896
Other pumping equipment	-	-	-	-
Total Pumping	1,461,653	6,866	-	1,468,519
<b>WATER TREATMENT</b>				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092	-	-	77,092
Total Water Treatment	90,763	-	-	90,763
<b>TRANSMISSION AND DISTRIBUTION</b>				
Land and land rights	13,206	-	-	13,206
Structures and improvements	1,611	-	-	1,611
Distribution reservoirs and standpipes	1,955,850	-	-	1,955,850
Transmission and distribution mains	9,421,635	1,018,946	11,397	10,429,184
Services	2,107,262	250,275	5,180	2,352,357
Meters	660,611	134,906	-	795,517
Hydrants	1,193,789	38,263	954	1,231,098
Other transmission and distribution plant	973	-	-	973
Total Transmission and Distribution	15,354,937	1,442,390	17,531	16,779,796
<b>GENERAL</b>				
Structures and equipment	410,390	-	-	410,390
Office furniture and equipment	62,498	-	-	62,498
Computer equipment	59,925	4,847	-	64,772
Transportation equipment	28,026	36,478	1,500	63,004
Stores equipment	2,187	-	-	2,187
Tools, shop and garage equipment	47,309	-	-	47,309
Power-operated equipment	102,034	-	-	102,034
Communication equipment	37,858	-	-	37,858
SCADA equipment	458,421	-	-	458,421
Miscellaneous equipment	89	-	-	89
Total General	1,208,737	41,325	1,500	1,248,562
<b>TOTAL WATER UTILITY PLANT</b>	\$ 18,697,848	\$ 1,516,188	\$ 19,031	\$ 20,195,005

## STOUGHTON WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Sales of Water		
Metered		
Residential	\$ 805,271	\$ 793,284
Multi-family residential	56,463	59,595
Commercial	134,225	144,950
Industrial	268,342	251,139
Public authorities	18,485	16,738
Interdepartmental	2,208	1,840
Total Metered Sales	1,284,994	1,267,546
Private fire protection	29,373	28,385
Public fire protection	446,666	432,068
Total Sales of Water	1,761,033	1,727,999
Other Operating Revenues		
Forfeited discounts	4,610	4,526
Other	18,773	18,436
Total Operating Revenues	1,784,416	1,750,961
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Operation labor	-	-
Maintenance		
Wells and springs	8,640	8,377
Total Source of Supply	8,640	8,377
Pumping		
Fuel or purchased power for pumping	130,964	144,116
Pumping labor	818	1,607
Miscellaneous	2,076	472
Maintenance		
Structures and improvements	26,003	2,525
Pumping equipment	7,578	13,364
Total Pumping	167,439	162,084
Water Treatment		
Chemicals	17,962	17,420
Operation labor	36,615	27,981
Miscellaneous	-	-
Maintenance		
Structures and improvements	750	325
Water treatment equipment	2,727	1,229
Total Water Treatment	58,054	46,955



## STOUGHTON WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2015 and 2014

#### **OPERATING EXPENSES (cont'd)**

##### Operation and Maintenance (cont'd)

##### Transmission and Distribution

Transmission and distribution lines	\$ 6,590	\$ 4,997
Meters	21,709	18,683
Miscellaneous	65,299	62,704
Maintenance		
Reservoirs and standpipes	49,895	46,168
Mains	45,609	59,142
Services	32,824	77,747
Meters	676	4,541
Hydrants	22,324	15,634
Miscellaneous	2,037	959
Total Transmission and Distribution	246,963	290,575

##### Customer Accounts

Meter reading	4,023	3,272
Accounting and collecting labor	85,373	79,750
Total Customer Accounts	89,396	83,022

##### Administrative and General

Salaries	156,259	145,084
Office supplies	12,379	17,688
Outside services employed	43,771	34,968
Property insurance	9,728	9,611
Injuries and damages	9,968	8,735
Employee pensions and benefits	49,491	85,430
Regulatory commission	2,192	-
Rents	4,129	4,129
Maintenance	8,795	6,937
Total Administrative and General	296,712	312,582

##### Taxes

Total Operation and Maintenance	885,770	924,261
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##### Depreciation

Total Operating Expenses	408,632	390,653
	1,294,402	1,314,914

OPERATING INCOME	\$ 490,014	\$ 436,047
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## STOUGHTON WATER UTILITY

### RATE OF RETURN - REGULATORY BASIS December 31, 2015 and 2014

	2015	2014
Utility Plant in Service		
Beginning of year	\$ 12,555,894	\$ 11,984,953
End of year	13,552,786	12,555,894
Average	13,054,340	12,270,424
Accumulated Depreciation		
Beginning of year	(4,205,739)	(3,906,376)
End of year	(4,515,479)	(4,205,739)
Average	(4,360,609)	(4,056,057)
Materials and Supplies		
Beginning of year	34,597	36,627
End of year	29,831	34,597
Average	32,214	35,612
Regulatory Liability		
Beginning of year	(308,056)	(342,284)
End of year	(273,828)	(308,056)
Average	(290,942)	(325,170)
AVERAGE NET RATE BASE	\$ 8,435,003	\$ 7,924,809
OPERATING INCOME - REGULATORY BASIS	\$ 236,548	\$ 187,072
RATE OF RETURN (PERCENT)	2.80	2.36

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

## **WASTEWATER UTILITY**

# STOUGHTON WASTEWATER UTILITY

## WASTEWATER UTILITY PLANT December 31, 2015

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015
<b>COLLECTING SYSTEM</b>				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	7,447,021	1,023,865	20,184	8,450,702
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951	-	-	48,951
Total Collecting System	9,360,156	1,023,865	20,184	10,363,837
<b>COLLECTING SYSTEM PUMPING</b>				
Structures and improvements	67,382	-	-	67,382
Electric pumping equipment	312,284	-	-	312,284
Other pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	401,065	-	-	401,065
<b>TREATMENT AND DISPOSAL</b>				
Structures and improvements	5,364,072	-	-	5,364,072
Preliminary treatment equipment	1,542,566	-	-	1,542,566
Primary treatment equipment	1,150,536	-	-	1,150,536
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	3,917,547	5,702	1,500	3,921,749
Plant site pumping	685,498	-	-	685,498
Flow metering and monitoring equipment	25,166	-	-	25,166
Other treatment and disposal equipment	38,818	-	-	38,818
Total Treatment and Disposal	15,550,149	5,702	1,500	15,554,351
<b>GENERAL</b>				
Structures and improvements	238,608	-	-	238,608
Office furniture and equipment	64,242	-	-	64,242
Computer equipment	110,021	-	-	110,021
Transportation equipment	427,384	-	-	427,384
Communication equipment	436,127	6,058	-	442,185
Other general equipment	32,513	-	-	32,513
Total General	1,308,895	6,058	-	1,314,953
<b>TOTAL WASTEWATER UTILITY PLANT</b>	<b>\$ 26,620,265</b>	<b>\$ 1,035,625</b>	<b>\$ 21,684</b>	<b>\$ 27,634,206</b>

## STOUGHTON WASTEWATER UTILITY

### WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Wastewater Revenues		
Residential	\$ 1,399,906	\$ 1,354,439
Commercial	416,771	455,896
Industrial	150,898	180,296
Public authorities	25,331	26,590
Interdepartmental	486	445
Total Wastewater Revenues	1,993,392	2,017,666
Other Operating Revenues		
Forfeited discounts	4,915	5,116
Miscellaneous	39,528	28,103
Total Operating Revenues	2,037,835	2,050,885
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	353	61
Power and fuel for pumping	92,495	108,486
Sludge conditioning chemicals	10,110	10,078
Other operating supplies	43,329	26,790
Total Operation	146,287	145,415
Maintenance		
Collection system	49,081	78,253
Treatment and disposal plant equipment	125,867	105,856
General plant structures and equipment	97,420	81,860
Total Maintenance	272,368	265,969
Customer Accounts		
Accounting and collecting	136,974	116,233
Administrative and General		
Salaries	107,396	88,830
Office supplies	23,563	43,550
Outside services employed	64,852	17,923
Insurance	23,911	20,650
Employee pensions and benefits	152,995	125,938
Miscellaneous	23,823	36,376
Rents	62,420	59,527
Total Administrative and General	458,960	392,794
Taxes	27,572	24,369
Total Operation and Maintenance	1,042,161	944,780
Depreciation	777,150	726,884
Total Operating Expenses	1,819,311	1,671,664
<b>OPERATING INCOME</b>	<b>\$ 218,524</b>	<b>\$ 379,221</b>