

STOUGHTON UTILITIES

Enterprise Funds of the
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

STOUGHTON UTILITIES

Enterprise Funds of the City of Stoughton, Wisconsin

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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, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018 and 2017 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information as listed in the table of contents is 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 Virchow Krause, LLP

Madison, Wisconsin
April 29, 2019

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

STOUGHTON UTILITIES

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

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, 2018, 2017 and 2016. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Electric operating revenues decreased by 0.7% in 2018 which was offset by a 1.9% decrease in purchase power costs. Total operating income in 2018 was \$967,812, a \$5,366, or 0.6%, decrease from the prior year.
- The electric division's net position increased by \$810,125 from the prior year.
- \$3.8 million of net plant was placed in service in 2018. The majority of the new plant was for a new substation constructed to improve reliability and meet future demand needs.

WATER:

- Operating income increased \$114,720, or 19.9%, in 2018 despite gallons sold decreasing by 3.78%. This was due to the Public Service Commission of Wisconsin approving a \$241,302 annual increase in operating revenues, which was in effect for 3 months of 2018.
- The water division's net position increased by \$639,546 from the prior year. \$404,385 of the increase was due to capital contributions.

WASTEWATER:

- \$805,526 of net capital asset additions were partially financed by \$321,665 in capital contributions.
- Operating income increased by \$48,282, or 21.2% from the prior year. \$43,719 of the increase was due to decreased operating expenses.
- The wastewater division's net position increased by \$503,926 from the prior year.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

UTILITY FINANCIAL ANALYSIS

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

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Position – Electric Utility

	2018	2017	2016	2018-2017 Change
Current and Other Assets	\$ 10,176,136	\$ 11,697,166	\$ 13,309,505	\$ (1,521,030)
Capital Assets	17,875,310	16,249,631	14,402,176	1,625,679
Total Assets	<u>28,051,446</u>	<u>27,946,797</u>	<u>27,711,681</u>	<u>104,649</u>
Deferred Outflows of Resources	<u>379,474</u>	<u>405,146</u>	<u>575,914</u>	<u>(25,672)</u>
Long-Term Debt Outstanding	5,030,000	5,640,000	6,250,000	(610,000)
Other Liabilities	1,954,519	2,334,375	2,275,608	(379,856)
Total Liabilities	<u>6,984,519</u>	<u>7,974,375</u>	<u>8,525,608</u>	<u>(989,856)</u>
Deferred Inflows of Resources	<u>428,593</u>	<u>169,885</u>	<u>221,246</u>	<u>258,708</u>
Investment in Capital Assets	12,982,855	10,853,462	9,860,679	2,129,393
Restricted	1,165,794	1,145,536	1,090,228	20,258
Unrestricted	6,869,159	8,208,685	8,589,834	(1,339,526)
Total Net Position	<u>\$ 21,017,808</u>	<u>\$ 20,207,683</u>	<u>\$ 19,540,741</u>	<u>\$ 810,125</u>

In 2018, the electric utility net position increased \$810,125, an increase of 4.0%. In 2017, the electric utility net position increased \$666,942, an increase of 3.4%. The larger increase in 2018 compared to 2017 is mainly due to increased capital contributions.

Capital assets have grown by approximately \$3.5 million, 24.1%, from 2016 to 2018. A majority of the capital outlay was due to the construction of a new substation and the purchase of related equipment. Long-term borrowing decreased \$1.2 million during this time period. Thus, the capital additions were mostly financed with cash and investments on hand.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Net Position – Water Utility

	2018	2017	2016	2018-2017 Change
Current and Other Assets	\$ 1,758,132	\$ 1,884,231	\$ 2,416,880	\$ (126,099)
Capital Assets	16,239,333	15,849,145	15,281,587	390,188
Total Assets	<u>17,997,465</u>	<u>17,733,376</u>	<u>17,698,467</u>	<u>264,089</u>
Deferred Outflows of Resources	127,795	136,127	206,806	(8,332)
Long-Term Debt Outstanding	2,674,332	3,043,747	3,417,424	(369,415)
Other Liabilities	556,664	657,507	656,534	(100,843)
Total Liabilities	<u>3,230,996</u>	<u>3,701,254</u>	<u>4,073,958</u>	<u>(470,258)</u>
Deferred Inflows of Resources	143,740	57,271	77,947	86,469
Investment in Capital Assets	13,542,020	12,776,352	12,041,652	765,668
Restricted	559,292	524,459	528,997	34,833
Unrestricted	649,212	810,167	1,182,719	(160,955)
Total Net Position	<u>\$ 14,750,524</u>	<u>\$ 14,110,978</u>	<u>\$ 13,753,368</u>	<u>\$ 639,546</u>

In 2018, the water utility net position increased \$639,546 vs \$357,610 in 2017. The additional increase in net position was mainly due to increased operating income and additional capital contributions.

Long-term borrowing from 2018 to 2016 has been reduced by \$743,092 while capital assets have increased by \$957,746 during the same time period. This represents a significant investment of cash in capital additions and debt repayment.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3
Condensed Statements of Net Position – Wastewater Utility

	2018	2017	2016	2018-2017 Change
Current and Other Assets	\$ 3,650,945	\$ 3,548,449	\$ 3,523,717	\$ 102,496
Capital Assets	18,604,146	18,596,768	18,723,878	7,378
Total Assets	<u>22,255,091</u>	<u>22,145,217</u>	<u>22,247,595</u>	<u>109,874</u>
Deferred Outflows of Resources	134,712	151,361	227,166	(16,649)
Long-Term Debt Outstanding	4,568,265	5,026,967	5,474,363	(458,702)
Other Liabilities	189,285	219,175	277,920	(29,890)
Total Liabilities	<u>4,757,550</u>	<u>5,246,142</u>	<u>5,752,283</u>	<u>(488,592)</u>
Deferred Inflows of Resources	143,137	65,246	87,394	77,891
Investment in Capital Assets	14,035,881	13,569,801	13,249,638	466,080
Restricted	1,549,125	1,480,251	1,472,409	68,874
Unrestricted	<u>1,904,110</u>	<u>1,935,138</u>	<u>1,913,037</u>	<u>(31,028)</u>
Total Net Position	<u>\$17,489,116</u>	<u>\$ 16,985,190</u>	<u>\$ 16,635,084</u>	<u>\$ 503,926</u>

The wastewater net position increased \$503,926 in 2018 and \$350,106 in 2017. The increase was partially caused by capital contributions of \$321,665 in 2018 and \$224,299 in 2017. Capital assets decreased by \$0.1 million and long-term borrowing decreased \$0.9 million from 2016 to 2018.

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.
- Pension – Used to fund employee benefits.

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, 2018 and 2017

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

	2018	2017	2016	2018-2017 Change
Operating Revenues	\$ 15,136,031	\$ 15,249,623	\$ 15,116,204	\$ (113,592)
Non-Operating Revenues	143,392	119,431	103,266	23,961
Total Revenues	<u>15,279,423</u>	<u>15,369,054</u>	<u>15,219,470</u>	<u>(89,631)</u>
Depreciation Expense	1,108,163	1,019,024	996,954	89,139
Other Operating Expense	13,060,056	13,257,421	13,329,607	(197,365)
Non-Operating Expenses	120,579	138,490	262,172	(17,911)
Total Expenses	<u>14,288,798</u>	<u>14,414,935</u>	<u>14,588,733</u>	<u>(126,137)</u>
Income Before Capital Contributions and Transfers	990,625	954,119	630,737	36,506
Capital Contributions	280,064	120,147	324,625	159,917
Capital Contribution - Municipal	-	-	269,901	-
Transfers - Tax Equivalent	(432,589)	(394,626)	(376,785)	(37,963)
Transfers	<u>(27,975)</u>	<u>(12,698)</u>	<u>(21,213)</u>	<u>(15,277)</u>
Changes in Net Position	810,125	666,942	827,265	143,183
Beginning Net Position	<u>20,207,683</u>	<u>19,540,741</u>	<u>18,713,476</u>	<u>666,942</u>
Total Net Position - Ending	<u>\$ 21,017,808</u>	<u>\$ 20,207,683</u>	<u>\$ 19,540,741</u>	<u>\$ 810,125</u>

See Independent Auditors' Report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2018	2017	2016	2018-2017 Change
Operating Revenues	\$ 2,121,101	\$ 2,071,229	\$ 2,001,124	\$ 49,872
Non-Operating Revenues	28,650	28,800	27,981	(150)
Total Revenues	<u>2,149,751</u>	<u>2,100,029</u>	<u>2,029,105</u>	<u>49,722</u>
Depreciation Expense	460,342	444,601	428,084	15,741
Other Operating Expense	969,181	1,049,770	1,012,205	(80,589)
Non-Operating Expenses	55,456	60,136	126,093	(4,680)
Total Expenses	<u>1,484,979</u>	<u>1,554,507</u>	<u>1,566,382</u>	<u>(69,528)</u>
Income Before Capital Contributions and Transfers	664,772	545,522	462,723	119,250
Capital Contributions	386,101	236,136	756,373	149,965
Capital Contribution - Municipal	18,284	-	215,803	18,284
Transfers - Tax Equivalent	(423,351)	(420,305)	(387,855)	(3,046)
Transfers	<u>(6,260)</u>	<u>(3,743)</u>	<u>(2,412)</u>	<u>(2,517)</u>
Changes in Net Position	639,546	357,610	1,044,632	281,936
Beginning Net Position	<u>14,110,978</u>	<u>13,753,368</u>	<u>12,708,736</u>	<u>357,610</u>
Total Net Position - Ending	<u>\$ 14,750,524</u>	<u>\$ 14,110,978</u>	<u>\$ 13,753,368</u>	<u>\$ 639,546</u>

See Independent Auditors' Report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2018	2017	2016	2018-2017 Change
Operating Revenues	\$ 2,055,876	\$ 2,051,313	\$ 2,036,002	\$ 4,563
Non-Operating Revenues	29,344	33,367	2,485	(4,023)
Total Revenues	<u>2,085,220</u>	<u>2,084,680</u>	<u>2,038,487</u>	<u>540</u>
Depreciation Expense	820,778	811,239	796,285	9,539
Other Operating Expense	959,399	1,012,657	1,020,298	(53,258)
Non-Operating Expenses	122,782	134,977	147,663	(12,195)
Total Expenses	<u>1,902,959</u>	<u>1,958,873</u>	<u>1,964,246</u>	<u>(55,914)</u>
Income Before Capital Contributions and Transfers	182,261	125,807	74,241	56,454
Capital Contributions	<u>321,665</u>	<u>224,299</u>	<u>846,838</u>	<u>97,366</u>
Changes in Net Position	503,926	350,106	921,079	153,820
Beginning Net Position	<u>16,985,190</u>	<u>16,635,084</u>	<u>15,714,005</u>	<u>350,106</u>
Total Net Position - Ending	<u>\$ 17,489,116</u>	<u>\$ 16,985,190</u>	<u>\$ 16,635,084</u>	<u>\$ 503,926</u>

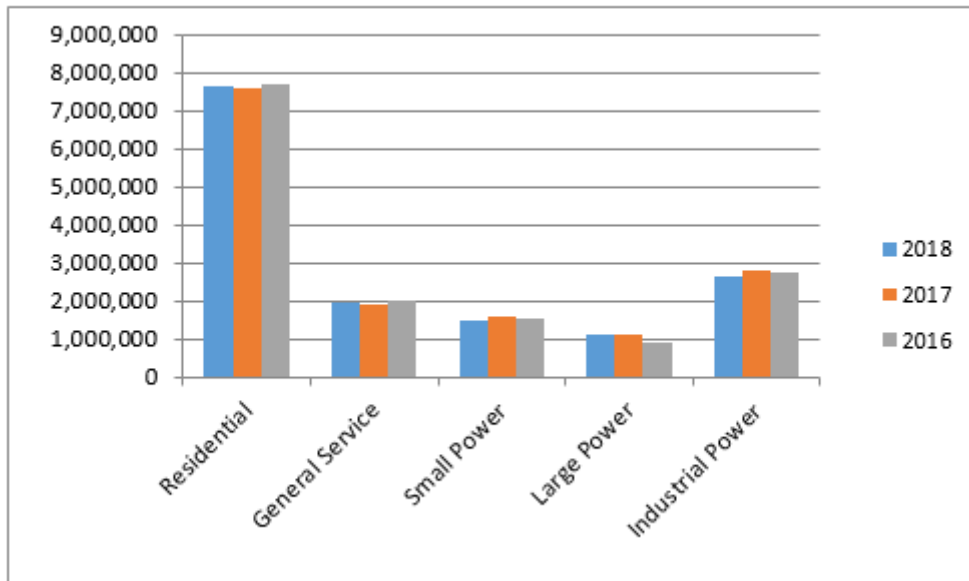
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STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Electric sales decreased by 0.7% in 2018. The decrease is mainly due to charging less per kWh sold in 2018 compared to 2017 as a result of lower purchased power costs.

	2018	2017	2016
Residential	\$ 7,655,623	\$ 7,577,650	\$ 7,708,713
General Service	1,963,908	1,919,866	1,975,648
Small Power	1,493,732	1,601,536	1,509,874
Large Power	1,101,793	1,107,643	914,513
Industrial Power	2,657,141	2,766,794	2,742,903
Public and Private Lighting	123,832	133,097	129,286
Total Electric Sales	\$ 14,996,029	\$ 15,106,586	\$ 14,906,357

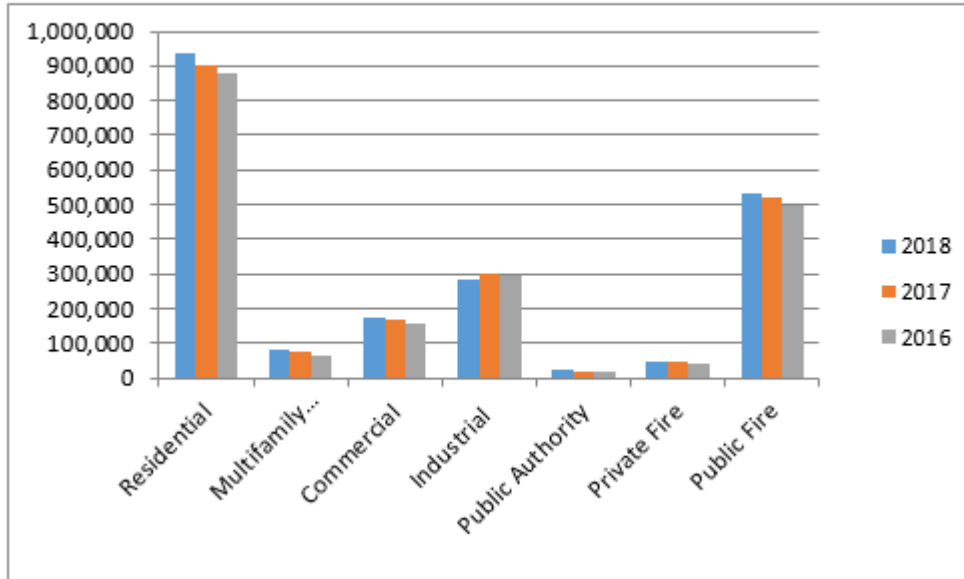
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STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales increased by \$44,279 or 2.18% in 2018. A rate increase occurred on October 1, 2018, which was designed to increase revenues by \$241,300 on annual basis.

	2018	2017	2016
Residential	\$ 933,575	\$ 899,421	\$ 876,828
Multifamily Residential	83,259	74,247	65,660
Commercial	175,454	170,380	158,636
Industrial	283,369	301,957	296,674
Public Authority	21,093	19,310	18,747
Private Fire	46,711	43,901	38,842
Public Fire	530,529	520,495	498,439
Total Water Sales	\$ 2,073,990	\$ 2,029,711	\$ 1,953,826

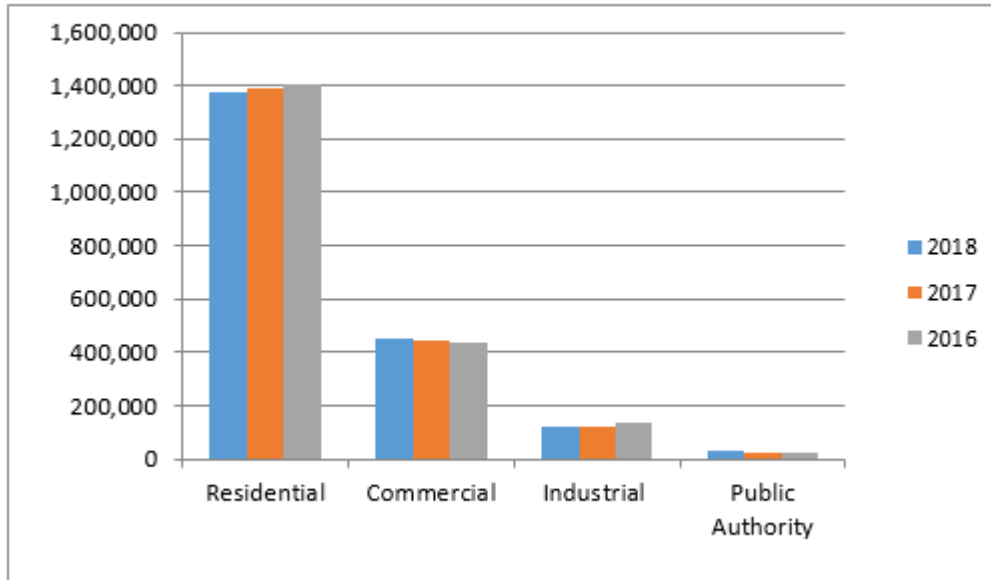
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STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



Wastewater sales were mostly flat from 2018 to 2017 with a \$1,313 decrease. This was due to treatment gallons sold decreasing by 0.5% from 2018 to 2017.

	2018	2017	2016
Residential	\$ 1,374,695	\$ 1,386,580	\$ 1,405,052
Commercial	452,759	441,215	434,528
Industrial	116,712	121,253	135,789
Public Authority	26,929	23,360	23,174
Total Wastewater Sales	\$ 1,971,095	\$ 1,972,408	\$ 1,998,543

See Independent Auditors' Report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

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

	2018	2017	2016	2018-2017 Change
Cash Flows From:				
Operating activities	\$ 2,084,461	\$ 1,978,120	\$ 1,855,536	\$ 106,341
Non-capital financing activities	(371,102)	(338,993)	(341,973)	(32,109)
Capital and related financing activities	(3,187,890)	(3,700,950)	838,779	513,060
Investing activities	255,199	339,760	30,632	(84,561)
Net Change in Cash and Cash Equivalents	(1,219,332)	(1,722,063)	2,382,974	502,731
Cash and Cash Equivalents Beginning of Year	4,946,611	6,668,674	4,285,700	(1,722,063)
Cash and Cash Equivalents End of Year	\$ 3,727,279	\$ 4,946,611	\$ 6,668,674	\$ (1,219,332)

The decrease in cash and cash equivalents in 2018 and 2017 is mainly the result of capital expenditures exceeding cash flows from normal operating activities. The new West substation was completed during this time period.

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8
Condensed Statements of Cash Flows -
Water Utility

	2018	2017	2016	2018-2017 Change
Cash Flows From:				
Operating activities	\$ 1,100,498	\$ 1,046,543	\$ 1,020,539	\$ 53,955
Non-Capital financing activities	(426,565)	(391,598)	(359,016)	(34,967)
Capital and related financing activities	(683,286)	(1,139,594)	120,688	456,308
Investing activities	29,319	38,866	37,294	(9,547)
Net Change in Cash and Cash Equivalents	19,966	(445,783)	819,505	465,749
Cash and Cash Equivalents Beginning of Year	633,433	1,079,216	259,711	(445,783)
Cash and Cash Equivalents End of Year	\$ 653,399	\$ 633,433	\$ 1,079,216	\$ 19,966

The water utility experienced a small increase in cash and cash equivalents in 2018 due to increased operating cash flow.

The water utility experienced a decrease in cash and cash equivalents in 2017 resulting mainly from capital expenditures exceeding cash flows from normal operating activities.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9
Condensed Statements of Cash Flows -
Wastewater Utility

	2018	2017	2016	2018-2017 Change
Cash Flows From:				
Operating activities	\$ 1,066,881	\$ 1,022,329	\$ 1,067,230	\$ 44,552
Capital and related financing activities	(919,626)	(1,003,192)	(1,052,534)	83,566
Investing activities	52,657	52,538	(336,570)	119
Net Change in Cash and Cash Equivalents	199,912	71,675	(321,874)	128,237
Cash and Cash Equivalents Beginning of Year	2,105,399	2,033,724	2,355,598	71,675
Cash and Cash Equivalents End of Year	\$ 2,305,311	\$ 2,105,399	\$ 2,033,724	\$ 199,912

The utility experienced an increase in cash and cash equivalents in 2018 and 2017 resulting mainly from cash received from prepaid special assessments.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10
Capital Assets – Electric Utility

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018-2017</u> <u>Change</u>
Capital Assets				
Transmission and distribution	\$ 28,822,562	\$ 25,073,360	\$ 24,173,466	\$ 3,749,202
General	<u>4,235,628</u>	<u>4,107,521</u>	<u>4,116,528</u>	<u>128,107</u>
Total Capital Assets	<u>33,058,190</u>	<u>29,180,881</u>	<u>28,289,994</u>	<u>3,877,309</u>
Less: Accumulated depreciation	(15,391,673)	(15,289,472)	(14,429,881)	(102,201)
Construction in progress	<u>208,793</u>	<u>2,358,222</u>	<u>189,399</u>	<u>(2,149,429)</u>
Net Capital Assets	<u>\$ 17,875,310</u>	<u>\$ 16,249,631</u>	<u>\$ 14,049,512</u>	<u>\$ 1,625,679</u>

See Independent Auditors' Report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 11
Capital Assets – Water Utility

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018-2017 Change</u>
Capital Assets				
Source of supply	\$ 607,365	\$ 607,365	\$ 607,365	\$ -
Pumping	1,513,265	1,513,265	1,489,439	-
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	20,263,206	19,500,116	18,550,406	763,090
General	<u>1,236,022</u>	<u>1,242,106</u>	<u>1,241,535</u>	<u>(6,084)</u>
Total Capital Assets	<u>23,710,621</u>	<u>22,953,615</u>	<u>21,979,508</u>	<u>757,006</u>
Less: Accumulated depreciation	(7,499,746)	(7,110,163)	(6,778,559)	(389,583)
Construction in progress	<u>28,458</u>	<u>5,693</u>	<u>80,638</u>	<u>22,765</u>
Net Capital Assets	<u>\$ 16,239,333</u>	<u>\$ 15,849,145</u>	<u>\$ 15,281,587</u>	<u>\$ 390,188</u>

See Independent Auditors' Report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

UTILITY FINANCIAL ANALYSIS (cont.)

Table 12
Capital Assets – Wastewater Utility

	2018	2017	2016	2018-2017 Change
Capital Assets				
Collection system	\$ 12,545,494	\$ 11,807,685	\$ 11,214,653	\$ 737,809
Collection system pumping	751,496	733,518	733,518	17,978
Treatment and disposal	15,631,555	15,614,020	15,554,352	17,535
General	1,409,532	1,377,328	1,376,617	32,204
Total Capital Assets	<u>30,338,077</u>	<u>29,532,551</u>	<u>28,879,140</u>	<u>805,526</u>
Less: Accumulated depreciation	(11,793,102)	(10,994,875)	(10,250,053)	(798,227)
Construction in progress	<u>59,171</u>	<u>59,092</u>	<u>94,791</u>	<u>79</u>
Net Capital Assets	<u>\$ 18,604,146</u>	<u>\$ 18,596,768</u>	<u>\$ 18,723,878</u>	<u>\$ 7,378</u>

LONG-TERM DEBT

As of December 31, 2018, the electric utility had total mortgage revenue bond debt outstanding of \$5,030,000 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, 2018, the water utility had total mortgage revenue bond debt outstanding of \$2,302,332 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility and \$372,000 of general obligation bonds. These issues were primarily for additions and improvements to the water system, street improvement projects, AMR implementation and a new tower.

The wastewater utility had \$4,320,265 of clean water fund loans and \$248,000 of general obligation bonds outstanding as of December 31, 2018. 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 7 of this audit report.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018 and 2017

CONTACTING UTILITY MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact Jamin Friedl, CPA, Director of Finance, City of Stoughton, 381 E Main St, Stoughton, WI 53589.

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

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF NET POSITION As of December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and investments	\$ 5,612,885	\$ 6,786,544
Interest receivable	19,412	23,727
Restricted Assets		
Redemption account	497,953	503,126
Customer accounts receivable	1,411,609	1,520,616
Other accounts receivable	96,206	239,188
Due from municipality	7,274	10,182
Materials and supplies	206,300	153,499
Prepayments	8,861	8,402
Current portion of advance	<u>43,646</u>	<u>41,375</u>
Total Current Assets	<u>7,904,146</u>	<u>9,286,659</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	460,722	649,338
Depreciation account	25,000	25,000
Net pension asset	210,998	-
Other Assets		
Electric plant and maintenance reserve account	518,953	510,846
Sick leave reserve account	132,863	176,481
Preliminary survey and investigation	18,647	-
Advances to other funds	252,442	296,088
Investment in ATC	416,294	389,457
Property held for future use	229,097	352,664
Non-utility property, net	6,974	10,633
Capital Assets		
Plant in service	33,058,190	29,180,881
Accumulated depreciation	(15,391,673)	(15,289,472)
Construction work in progress	<u>208,793</u>	<u>2,358,222</u>
Total Noncurrent Assets	<u>20,147,300</u>	<u>18,660,138</u>
Total Assets	<u>28,051,446</u>	<u>27,946,797</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>379,474</u>	<u>405,146</u>

LIABILITIES	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts payable	\$ 899,665	\$ 1,217,494
Due to municipality	496,317	459,897
Customer deposits	125,435	119,724
Accrued wages	7,504	6,685
Accrued interest	3,672	2,751
Accrued liabilities	84,163	107,880
Commitment to community	22,086	21,114
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	620,000	610,000
Accrued interest	<u>28,879</u>	<u>31,928</u>
Total Current Liabilities	<u>2,287,721</u>	<u>2,577,473</u>
NONCURRENT LIABILITIES		
Revenue bonds	4,410,000	5,030,000
Unamortized debt premium	91,552	108,833
Accrued sick leave	132,863	176,481
Customer advances for construction	62,383	28,641
Net pension liability	<u>-</u>	<u>52,947</u>
Total Noncurrent Liabilities	<u>4,696,798</u>	<u>5,396,902</u>
 Total Liabilities	 <u>6,984,519</u>	 <u>7,974,375</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>428,593</u>	<u>169,885</u>
 NET POSITION		
Net investment in capital assets	12,982,855	10,853,462
Restricted for:		
Debt service	954,796	1,145,536
Pension	210,998	-
Unrestricted	<u>6,869,159</u>	<u>8,208,685</u>
 TOTAL NET POSITION	 <u><u>\$ 21,017,808</u></u>	 <u><u>\$ 20,207,683</u></u>

See accompanying notes to the financial statements.

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales of electricity	\$ 14,996,029	\$ 15,106,586
Other	<u>140,002</u>	<u>143,037</u>
Total Operating Revenues	<u>15,136,031</u>	<u>15,249,623</u>
OPERATING EXPENSES		
Operation and maintenance	13,060,056	13,257,421
Depreciation	<u>1,108,163</u>	<u>1,019,024</u>
Total Operating Expenses	<u>14,168,219</u>	<u>14,276,445</u>
OPERATING INCOME	<u>967,812</u>	<u>973,178</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	104,218	92,681
Interest expense	(120,579)	(128,148)
Amortization of premium	17,280	22,739
Miscellaneous revenues (expenses)	2,827	(10,342)
Other income (expense)	<u>19,067</u>	<u>4,011</u>
Total Nonoperating Revenues (Expenses)	<u>22,813</u>	<u>(19,059)</u>
Income Before Contributions and Transfers	990,625	954,119
CAPITAL CONTRIBUTIONS	280,064	120,147
TRANSFER IN (OUT)	(27,975)	(12,698)
TRANSFERS - TAX EQUIVALENT	<u>(432,589)</u>	<u>(394,626)</u>
CHANGE IN NET POSITION	810,125	666,942
NET POSITION - Beginning of Year	<u>20,207,683</u>	<u>19,540,741</u>
NET POSITION - END OF YEAR	<u><u>\$ 21,017,808</u></u>	<u><u>\$ 20,207,683</u></u>

See accompanying notes to the financial statements.

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 15,109,693	\$ 15,132,657
Received for street lighting	112,941	133,097
Paid to suppliers for goods and services	(12,371,601)	(12,503,353)
Paid to employees for operating payroll	(766,572)	(784,281)
Net Cash Flows From Operating Activities	2,084,461	1,978,120
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(394,626)	(376,785)
Received from municipality principal on Wisconsin Retirement UAAL liability	41,375	39,190
Received from municipality interest on Wisconsin Retirement UAAL liability	10,124	11,300
Transfers to other funds	(27,975)	(12,698)
Net Cash Flows From Noncapital Financing Activities	(371,102)	(338,993)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,852,965)	(3,081,826)
Capital contributions received	397,782	156,998
Debt retired	(610,000)	(610,000)
Interest paid	(122,707)	(166,122)
Net Cash Flows From Capital and Related Financing Activities	(3,187,890)	(3,700,950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(456,292)	(466,567)
Investments sold and matured	604,190	704,983
Dividends/(Investment) in ATC	17,216	21,520
Investment income	90,085	79,824
Net Cash Flows From Investing Activities	255,199	339,760
Net Change in Cash and Cash Equivalents	(1,219,332)	(1,722,063)
CASH AND CASH EQUIVALENTS - Beginning of Year	4,946,611	6,668,674
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,727,279	\$ 4,946,611
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
ATC earnings allocated	\$ 9,618	\$ 6,831
Unrealized gain (loss) on investments	\$ (35,729)	\$ (21,302)
Capital contribution	\$ 5,747	\$ 6,384

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLows FROM OPERATING ACTIVITIES		
Operating income	\$ 967,812	\$ 973,178
Nonoperating revenue (expense)	25,552	990
Noncash items in operating income		
Depreciation	1,108,163	1,019,024
Depreciation charged to clearing and other utilities	63,900	46,140
Changes in assets and liabilities		
Customer accounts receivable	109,007	6,245
Other accounts receivable	(56,575)	(9,871)
Due from other funds	2,908	5,107
Materials and supplies	(52,801)	9,795
Prepayments	(459)	(5,126)
Pension related deferrals and liabilities	20,435	69,004
Accounts payable	(42,105)	(138,180)
Due to other funds	(1,543)	(20,498)
Customer deposits	5,711	13,660
Accrued sick leave	(43,618)	4,670
Other current liabilities	(22,898)	9,519
Commitment to community	972	(5,537)
	<u>2,084,461</u>	<u>1,978,120</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 2,084,461	\$ 1,978,120
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 5,612,885	\$ 6,786,544
Redemption account	497,953	503,126
Reserve account	460,722	649,338
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	518,953	510,846
Sick leave reserve account	132,863	176,481
Total Cash and Investments	7,248,376	8,651,335
Less: Noncash equivalents	(3,521,097)	(3,704,724)
	<u>3,727,279</u>	<u>4,946,611</u>
CASH AND CASH EQUIVALENTS	\$ 3,727,279	\$ 4,946,611

See accompanying notes to the financial statements.

WATER UTILITY

STOUGHTON WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and investments	\$ 348,735	\$ 292,435
Interest receivable	1,247	1,271
Restricted Assets		
Redemption account	219,171	262,397
Customer accounts receivable	235,358	216,487
Other accounts receivable	3,778	5,356
Due from municipality	39,866	238,930
Materials and supplies	39,203	41,401
Prepayments	7,845	2,692
Current portion of special assessments	29,026	29,026
Total Current Assets	924,229	1,089,995
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	252,000	244,677
Depreciation account	25,000	25,000
Net pension asset	70,127	-
Other Assets		
Water plant and maintenance reserve account	189,499	186,538
Sick leave reserve account	76,246	99,237
Preliminary survey and investigation	24,798	9,245
Special assessments receivable	174,155	203,181
Non-utility property, net	22,078	26,358
Capital Assets		
Plant in service	23,710,621	22,953,615
Accumulated depreciation	(7,499,746)	(7,110,163)
Construction work in progress	28,458	5,693
Total Noncurrent Assets	17,073,236	16,643,381
Total Assets	17,997,465	17,733,376
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	127,795	136,127

LIABILITIES		<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES			
Accounts payable		\$ 14,298	\$ 41,086
Due to municipality		425,078	446,538
Accrued wages		9,142	10,503
Accrued interest		1,913	2,168
Current portion of general obligation debt		51,000	51,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		314,173	318,415
Accrued interest		<u>7,006</u>	<u>7,615</u>
Total Current Liabilities		<u>822,610</u>	<u>877,325</u>
NONCURRENT LIABILITIES			
General obligation debt		321,000	372,000
Revenue bonds		1,988,159	2,302,332
Unamortized debt premium		22,981	29,046
Accrued sick leave		76,246	99,237
Net pension liability		<u>-</u>	<u>21,314</u>
Total Noncurrent Liabilities		<u>2,408,386</u>	<u>2,823,929</u>
Total Liabilities		<u>3,230,996</u>	<u>3,701,254</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>143,740</u>	<u>57,271</u>
NET POSITION			
Net investment in capital assets		13,542,020	12,776,352
Restricted for:			
Debt service		489,165	524,459
Pension		70,127	-
Unrestricted		<u>649,212</u>	<u>810,167</u>
TOTAL NET POSITION		<u><u>\$ 14,750,524</u></u>	<u><u>\$ 14,110,978</u></u>

See accompanying notes to the financial statements.

STOUGHTON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales of water	\$ 2,073,990	\$ 2,029,711
Other	47,111	41,518
Total Operating Revenues	2,121,101	2,071,229
OPERATING EXPENSES		
Operation and maintenance	969,181	1,049,770
Depreciation	460,342	444,601
Total Operating Expenses	1,429,523	1,494,371
OPERATING INCOME	691,578	576,858
NONOPERATING REVENUES (EXPENSES)		
Investment income	18,984	22,208
Interest expense	(51,176)	(55,856)
Amortization of premium	6,065	6,592
Miscellaneous expenses	(4,280)	(4,280)
Miscellaneous revenues	3,601	-
Total Nonoperating Revenues (Expenses)	(26,806)	(31,336)
Income Before Contributions	664,772	545,522
CAPITAL CONTRIBUTIONS	386,101	236,136
CAPITAL CONTRIBUTIONS - MUNICIPAL	18,284	-
TRANSFER IN (OUT)	(6,260)	(3,743)
TRANSFERS - TAX EQUIVALENT	(423,351)	(420,305)
CHANGE IN NET POSITION	639,546	357,610
NET POSITION - Beginning of Year	14,110,978	13,753,368
NET POSITION - END OF YEAR	\$ 14,750,524	\$ 14,110,978

See accompanying notes to the financial statements.

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,130,556	\$ 2,077,982
Paid to suppliers for goods and services	(648,177)	(643,222)
Paid to employees for operating payroll	(381,881)	(388,217)
Net Cash Flows From Operating Activities	1,100,498	1,046,543
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(420,305)	(387,855)
Transfers to other funds	(6,260)	(3,743)
Net Cash Flows From Noncapital Financing Activities	(426,565)	(391,598)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(516,872)	(833,246)
Capital contributions received	18,284	58,921
Special assessments received	236,757	65,134
Debt retired	(369,415)	(373,677)
Interest paid	(52,040)	(56,726)
Net Cash Flows From Capital and Related Financing Activities	(683,286)	(1,139,594)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(194,506)
Investments sold and matured	2,113	212,292
Investment income	27,206	21,080
Net Cash Flows From Investing Activities	29,319	38,866
Net Change in Cash and Cash Equivalents	19,966	(445,783)
CASH AND CASH EQUIVALENTS - Beginning of Year	633,433	1,079,216
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 653,399	\$ 633,433
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	\$ 386,101	\$ 210,787
Unrealized gain (loss) on investments	\$ (17,486)	\$ (14,322)

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 691,578	\$ 576,858
Nonoperating revenue (expense)	3,601	-
Noncash items in operating income		
Depreciation	460,342	444,601
Depreciation charged to clearing and other utilities	28,826	28,133
Changes in assets and liabilities		
Customer accounts receivable	(18,871)	(17,660)
Other accounts receivable	1,578	(507)
Due from other funds	621	3,087
Materials and supplies	2,198	(6,589)
Prepayments	(5,153)	(1,864)
Pension related deferrals and liabilities	3,360	34,913
Accounts payable	(18,724)	(39,891)
Due to other funds	(24,506)	10,824
Accrued wages	(1,361)	1,988
Accrued sick leave	(22,991)	12,650
	<u>\$ 1,100,498</u>	<u>\$ 1,046,543</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 348,735	\$ 292,435
Redemption account	219,171	262,397
Reserve account	252,000	244,677
Depreciation account	25,000	25,000
Water plant and maintenance reserve account	189,499	186,538
Sick leave reserve account	76,246	99,237
Total Cash and Investments	1,110,651	1,110,284
Less: Noncash equivalents	(457,252)	(476,851)
	<u>\$ 653,399</u>	<u>\$ 633,433</u>
CASH AND CASH EQUIVALENTS		

See accompanying notes to the financial statements.

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and investments	\$ 1,569,653	\$ 1,361,952
Interest receivable	5,876	4,229
Restricted Assets		
Redemption account	313,374	333,597
Customer accounts receivable	202,132	210,313
Other accounts receivable	16,721	8,865
Due from municipality	27,760	164,633
Prepayments	3,572	3,363
Current portion of special assessments	<u>19,905</u>	<u>19,905</u>
Total Current Assets	<u>2,158,993</u>	<u>2,106,857</u>
NONCURRENT ASSETS		
Restricted Assets		
Depreciation account	33,283	33,283
Replacement account	1,148,645	1,134,247
Net pension asset	72,762	-
Other Assets		
Sick leave reserve account	91,339	124,633
Preliminary survey and investigation	26,492	10,093
Special assessments receivable	119,431	139,336
Capital Assets		
Plant in service	30,338,077	29,532,551
Accumulated depreciation	(11,793,102)	(10,994,875)
Construction work in progress	<u>59,171</u>	<u>59,092</u>
Total Noncurrent Assets	<u>20,096,098</u>	<u>20,038,360</u>
Total Assets	<u>22,255,091</u>	<u>22,145,217</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>134,712</u>	<u>151,361</u>

LIABILITIES		<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES			
Accounts payable		\$ 38,772	\$ 15,513
Due to municipality		26,927	20,147
Accrued wages		12,034	13,728
Accrued interest		1,275	1,445
Current portion of general obligation debt		34,000	34,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		436,321	424,703
Accrued interest		18,939	20,876
Total Current Liabilities		<u>568,268</u>	<u>530,412</u>
NONCURRENT LIABILITIES			
General obligation debt		214,000	248,000
Revenue bonds		3,883,944	4,320,264
Accrued sick leave		91,338	124,633
Net pension liability		-	22,833
Total Noncurrent Liabilities		<u>4,189,282</u>	<u>4,715,730</u>
Total Liabilities		<u>4,757,550</u>	<u>5,246,142</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>143,137</u>	<u>65,246</u>
NET POSITION			
Net investment in capital assets		14,035,881	13,569,801
Restricted for:			
Debt service		327,718	346,004
Equipment replacement		1,148,645	1,134,247
Pension		72,762	-
Unrestricted		<u>1,904,110</u>	<u>1,935,138</u>
TOTAL NET POSITION		<u><u>\$ 17,489,116</u></u>	<u><u>\$ 16,985,190</u></u>

See accompanying notes to the financial statements.

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Treatment charges	\$ 1,971,095	\$ 1,972,408
Other	<u>84,781</u>	<u>78,905</u>
Total Operating Revenues	<u>2,055,876</u>	<u>2,051,313</u>
OPERATING EXPENSES		
Operation and maintenance	959,399	1,012,657
Depreciation	<u>820,778</u>	<u>811,239</u>
Total Operating Expenses	<u>1,780,177</u>	<u>1,823,896</u>
OPERATING INCOME	<u>275,699</u>	<u>227,417</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	29,344	33,367
Interest expense	<u>(122,782)</u>	<u>(134,977)</u>
Total Nonoperating Revenues (Expenses)	<u>(93,438)</u>	<u>(101,610)</u>
Income Before Contributions	182,261	125,807
CAPITAL CONTRIBUTIONS	<u>321,665</u>	<u>224,299</u>
CHANGE IN NET POSITION	503,926	350,106
NET POSITION - Beginning of Year	<u>16,985,190</u>	<u>16,635,084</u>
NET POSITION - END OF YEAR	<u>\$ 17,489,116</u>	<u>\$ 16,985,190</u>

See accompanying notes to the financial statements.

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,056,987	\$ 2,041,099
Paid to suppliers for goods and services	(608,225)	(622,707)
Paid to employees for operating payroll	(381,881)	(396,063)
Net Cash Flows From Operating Activities	1,066,881	1,022,329
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(522,517)	(492,428)
Capital contributions received	24,120	28,998
Special assessments received	162,362	44,666
Debt retired	(458,702)	(447,396)
Interest paid	(124,889)	(137,032)
Net Cash Flows From Capital and Related Financing Activities	(919,626)	(1,003,192)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(230,805)	(240,466)
Investments sold and matured	218,872	242,360
Investment income	64,590	50,644
Net Cash Flows From Investing Activities	52,657	52,538
Net Change in Cash and Cash Equivalents	199,912	71,675
CASH AND CASH EQUIVALENTS - Beginning of Year	2,105,399	2,033,724
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,305,311	\$ 2,105,399
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (43,263)	\$ (31,954)
Capital Contributions	\$ 297,545	\$ 201,042

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 275,699	\$ 227,417
Noncash items in operating income		
Depreciation	820,778	811,239
Changes in assets and liabilities		
Customer accounts receivable	8,181	(4,749)
Other accounts receivable	(7,856)	(7,888)
Due to / from other funds	(17,439)	13,497
Prepayments	(209)	(2,328)
Pension related deferrals and assets	(1,055)	35,665
Accounts payable	23,771	(52,094)
Accrued sick leave	(33,295)	3,723
Other current liabilities	<u>(1,694)</u>	<u>(2,153)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,066,881</u>	<u>\$ 1,022,329</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,569,653	\$ 1,361,952
Redemption account	313,374	333,597
Depreciation account	33,283	33,283
Replacement account	1,148,645	1,134,247
Sick leave reserve account	<u>91,339</u>	<u>124,633</u>
Total Cash and Investments	3,156,294	2,987,712
Less: Noncash equivalents	<u>(850,983)</u>	<u>(882,313)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,305,311</u>	<u>\$ 2,105,399</u>

See accompanying notes to the financial statements.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

In June 2018, the GASB issued Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes requirements for interest cost incurred before the end of a construction period. The utilities adopted this statement effective January 1, 2018.

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.

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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Deposits and Investments (cont.)

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

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

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

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

Receivables/Payables

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

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

Materials and Supplies

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Restricted Assets

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

Investment in American Transmission Company (ATC)

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

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

Sick Leave Reserve Account

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

Plant and Maintenance Reserve Account

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

Special Assessments Receivable

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

Property Held for Future Use

In the prior year the electric utility held land with the intent of it being used for the site of a future substation. The remaining land in the current year is held for future use.

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, 2018 and 2017. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2018 and 2017. The costs are being amortized on a straight-line basis over their useful life.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Capital Assets

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

Capital assets of the utilities are recorded at cost or the estimated acquisition value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Capital assets in service are depreciated or amortized 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 pension, 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.

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Accrued Vacation and Sick Leave

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

Customer Advances for Construction

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

Commitment to Community

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

Customer Deposits

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

Accrued Liabilities

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

Long-Term Obligations

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

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

REVENUES AND EXPENSES

The utilities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

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

Current electric rates were approved by the PSCW on April 1, 2017. The rates are designed to provide a 5% return on rate base.

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

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

Capital Contributions

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

Transfers

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2018	2017	
Checking or savings	\$ 5,655,199	\$ 6,586,033	Custodial credit risk
Local government investment pool	1,030,498	1,099,120	Credit and interest rate risks
Certificates of deposit - nonnegotiable	741,907	979,216	Custodial credit risk
Certificates of deposit - negotiable	1,898,241	1,659,029	Custodial credit, credit, concentration and interest rate risks
State and local bonds	991,945	1,021,945	Custodial credit, credit, concentration and interest rate risks
U.S. agency securities - explicitly guaranteed	247,840	375,451	Custodial credit and interest rate risks
U.S. agency securities - implicitly guaranteed	948,941	1,027,787	Custodial credit, credit, concentration and interest rate risks
Petty cash	<u>750</u>	<u>750</u>	
Totals	<u>\$ 11,515,321</u>	<u>\$ 12,749,331</u>	

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

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

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

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

In addition, the utilities have collateral or depository insurance agreements in the amount of \$6,596,256 and \$5,062,722 at December 31, 2018 and 2017, respectively.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018 and 2017, the fair value of the LGIP's assets were substantially equal to the utilities' share.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

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

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

<u>Investment Type</u>	December 31, 2018			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ -	\$ 1,196,781	\$ -	\$ 1,196,781
Certificates of deposit - negotiable	-	1,898,241	-	1,898,241
State and local bonds	-	991,945	-	991,945
Total	\$ -	\$ 4,086,967	\$ -	\$ 4,086,967

<u>Investment Type</u>	December 31, 2017			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ -	\$ 1,403,238	\$ -	\$ 1,403,238
Certificates of deposit - negotiable	-	1,659,029	-	1,659,029
State and local bonds	-	1,021,945	-	1,021,945
Total	\$ -	\$ 4,084,212	\$ -	\$ 4,084,212

The investment in ATC is measured at the net asset value (NAV) per share of ownership. As of December 31, 2018 and 2017 the fair value of the investment was \$416,294 and \$389,457, respectively. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility elected to receive an investment in ATC at its inception rather than directly sell its transmission facilities. The utility owns less than 1/2 of 1 percent of ATC. The utility has no unfunded commitment at year end. The investment in ATC can only be redeemed by ATC or another existing member.

Custodial Credit Risk

Deposits

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

The utilities maintain certain deposits in the same institutions as the municipality. The following is a summary of the utilities' total deposit balances at these institutions.

	2018		2017	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 4,700,989	\$ 4,099,149	\$ 5,143,549	\$ 4,359,801
Wells Fargo Brokerage	928	928	928	928
Associated Bank	1,513,233	1,531,733	2,152,445	2,216,945
Wisconsin Investment Services Cooperative	765,296	765,296	987,575	987,575
Totals	\$ 6,980,446	\$ 6,397,106	\$ 8,284,497	\$ 7,565,249

The utilities' investment policy does not address this risk.

Investments

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

As of December 31, 2018 and 2017 the utilities' investments were exposed to custodial credit risk as follows:

Neither Insured nor Registered and Held by Counterparty	2018	2017
U.S. agencies - implicitly guaranteed	\$ 948,941	\$ 1,027,787
U.S. agencies - explicitly guaranteed	247,840	375,451
State and local bonds	991,945	1,021,945
Certificates of deposit - negotiable	1,898,241	1,659,029
Total Neither Insured nor Registered and Held by Counterparty	\$ 4,086,967	\$ 4,084,212

The utilities' investment policy does not address this risk.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

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

As of December 31, 2018, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. agencies - implicitly guaranteed	AAA	Aaa
State and local bonds	AA	Aa1 - Aa-2
Certificates of deposit - negotiable	AAA - BBB+	Aaa - A1

As of December 31, 2017, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. agencies - implicitly guaranteed	AAA	Aaa
State and local bonds	AA	Aa1 - Aaa
Certificates of deposit - negotiable	AAA - BBB+	Aaa - A1

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

The utilities' investment policy does not address this risk.

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, 2018 and 2017, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2018	2017
FHLMC	U.S. agencies - implicitly guaranteed	6.01%	7.45%
FHLB	U.S. agencies - implicitly guaranteed	7.66%	7.57%
State of Wisconsin	State and local bonds	12.54%	12.82%
Arkansas State	State and local bonds	6.84%	6.90%

The utilities' investment policy does not address this risk.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2018, 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	\$ 948,941	\$ -	\$ -	\$ 948,941
Certificates of deposit - negotiable	1,898,241	735,620	1,162,621	-
State and local bonds	991,945	-	-	991,945
U.S. agencies - explicitly guaranteed	247,840	-	-	247,840
Totals	<u>\$ 4,086,967</u>	<u>\$ 735,620</u>	<u>\$ 1,162,621</u>	<u>\$ 2,188,726</u>

As of December 31, 2017, 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	\$ 1,027,787	\$ -	\$ -	\$ 1,027,787
Certificates of deposit - negotiable	1,659,029	244,863	1,414,166	-
State and local bonds	1,021,945	-	-	1,021,945
U.S. agencies - explicitly guaranteed	375,451	-	-	375,451
Totals	<u>\$ 4,084,212</u>	<u>\$ 244,863</u>	<u>\$ 1,414,166</u>	<u>\$ 2,425,183</u>

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

The utilities' investment policy does not address this risk.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2018 and 2017:

Due To	Due From	2018		2017	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 423,351	Payment in lieu of taxes	\$ 420,305	Payment in lieu of taxes
Municipality	Water utility	1,727	Operating	26,233	Operating
Electric utility	Municipality	7,274	Operating	10,182	Operating
Water utility	Municipality	39,866	Operating and special assessments	238,930	Operating and special assessments
Wastewater utility	Municipality	27,760	Operating and special assessments	164,633	Operating and special assessments
Municipality	Electric utility	63,728	Stormwater	65,271	Stormwater
Municipality	Electric utility	432,589	Payment in lieu of taxes	394,626	Payment in lieu of taxes

The following is a schedule of transfer balances for the years ending December 31, 2018 and 2017:

To	From	2018		2017	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 27,975	Operating	\$ 12,698	Operating
Municipality	Electric utility	432,589	Payment in lieu of taxes	394,626	Payment in lieu of taxes
Municipality	Water utility	6,260	Operating	3,743	Operating
Municipality	Water utility	423,351	Payment in lieu of taxes	420,305	Payment in lieu of taxes

NOTE 4 - RESTRICTED ASSETS

Restricted Accounts

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

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 4 - RESTRICTED ASSETS (cont.)

Replacement Account

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

Net Pension Asset

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

Restricted Net Position

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

	2018	2017
Restricted Assets		
Redemption account	\$ 497,953	\$ 503,126
Reserve account	460,722	649,338
Depreciation account	25,000	25,000
Net pension asset	210,998	-
Total Restricted Assets	1,194,673	1,177,464
Current Liabilities Payable From Restricted Assets	(28,879)	(31,928)
Total Restricted Net Position as Calculated	\$ 1,165,794	\$ 1,145,536

The purpose of the restricted net position is as follows:

	2018	2017
Debt service	\$ 954,796	\$ 1,145,536
Pension	210,998	-
Total Restricted Net Position	\$ 1,165,794	\$ 1,145,536

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 4 - RESTRICTED ASSETS (cont.)

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

	2018	2017
Restricted Assets		
Redemption account	\$ 219,171	\$ 262,397
Reserve account	252,000	244,677
Depreciation account	25,000	25,000
Net pension asset	70,127	-
Total Restricted Assets	566,298	532,074
Current Liabilities Payable From Restricted Assets	(7,006)	(7,615)
Total Restricted Net Position as Calculated	\$ 559,292	\$ 524,459

The purpose of the restricted net position is as follows:

	2018	2017
Debt service	\$ 489,165	\$ 524,459
Pension	70,127	-
Total Restricted Net Position	\$ 559,292	\$ 524,459

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

	2018	2017
Restricted Assets		
Redemption account	\$ 313,374	\$ 333,597
Depreciation account	33,283	33,283
Replacement account	1,148,645	1,134,247
Net pension asset	72,762	-
Total Restricted Assets	1,568,064	1,501,127
Current Liabilities Payable From Restricted Assets	(18,939)	(20,876)
Total Restricted Net Position as Calculated	\$ 1,549,125	\$ 1,480,251

The purpose of the restricted net position is as follows:

	2018	2017
Debt service	\$ 327,718	\$ 346,004
Equipment replacement	1,148,645	1,134,247
Pension	72,762	-
Total Restricted Net Position	\$ 1,549,125	\$ 1,480,251

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 5 - ADVANCES TO OTHER FUNDS

In December 2011, the Electric Utility provided an advance to the General Fund in the amount of \$554,744 for the purpose of full payment of the Wisconsin Retirement System Unfunded Actuarial Accrued Liability. The General Fund will repay the Electric Utility over a period of fourteen years at 3.0% annual interest. The amount outstanding at December 31, 2018 is \$296,088.

Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 43,646	\$ 8,883	\$ 52,529
2020	46,007	7,573	53,580
2021	48,459	6,193	54,652
2022	51,006	4,739	55,745
2023	53,651	3,209	56,860
2024-2025	<u>53,319</u>	<u>1,778</u>	<u>55,097</u>
Totals	<u>\$ 296,088</u>	<u>\$ 32,375</u>	<u>\$ 328,463</u>

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2018 follows:

	<u>Balance 1/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Capital assets, not being depreciated				
Land and land rights	\$ 220,797	\$ 123,567	\$ -	\$ 344,364
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	24,837,545	3,894,690	269,056	28,463,179
General	<u>4,107,520</u>	<u>935,946</u>	<u>807,838</u>	<u>4,235,628</u>
Total Capital Assets Being Depreciated	<u>28,960,084</u>	<u>4,830,636</u>	<u>1,076,894</u>	<u>32,713,826</u>
Total Capital Assets	<u>29,180,881</u>	<u>4,954,203</u>	<u>1,076,894</u>	<u>33,058,190</u>
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(12,204,392)	(961,439)	275,788	(12,890,043)
General	<u>(3,065,714)</u>	<u>(210,627)</u>	<u>794,077</u>	<u>(2,482,264)</u>
Total Accumulated Depreciation	<u>(15,289,472)</u>	<u>(1,172,066)</u>	<u>1,069,865</u>	<u>(15,391,673)</u>
Construction in progress	<u>2,358,222</u>	<u>-</u>	<u>2,149,429</u>	<u>208,793</u>
Net Capital Assets	<u>\$ 16,249,631</u>			<u>\$ 17,875,310</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

A summary of changes in electric capital assets for 2017 follows:

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 220,797	\$ -	\$ -	\$ 220,797
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	23,937,651	1,059,041	159,147	24,837,545
General	4,116,527	35,215	44,222	4,107,520
Total Capital Assets Being Depreciated	28,069,197	1,094,256	203,369	28,960,084
Total Capital Assets	28,289,994	1,094,256	203,369	29,180,881
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(11,485,664)	(882,648)	163,920	(12,204,392)
General	(2,924,851)	(154,306)	13,443	(3,065,714)
Total Accumulated Depreciation	(14,429,881)	(1,036,954)	177,363	(15,289,472)
Construction in progress	189,399	2,358,222	189,399	2,358,222
Net Capital Assets	\$ 14,049,512			\$ 16,249,631

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 430,131	\$ -	\$ -	\$ 430,131
Capital assets being depreciated				
Source of supply	595,730	-	-	595,730
Pumping	1,513,266	-	-	1,513,266
Water treatment	90,763	-	-	90,763
Transmission and distribution	19,477,451	851,053	87,963	20,240,541
General	846,274	-	6,084	840,190
Total Capital Assets Being Depreciated	<u>22,523,484</u>	<u>851,053</u>	<u>94,047</u>	<u>23,280,490</u>
Total Capital Assets	<u>22,953,615</u>	<u>851,053</u>	<u>94,047</u>	<u>23,710,621</u>
Less: Accumulated depreciation				
Source of supply	(386,989)	(17,276)	-	(404,265)
Pumping	(1,272,293)	(33,113)	-	(1,305,406)
Water treatment	(89,077)	(437)	-	(89,514)
Transmission and distribution	(4,444,314)	(365,153)	93,497	(4,715,970)
General	(917,490)	(73,185)	6,084	(984,591)
Total Accumulated Depreciation	<u>(7,110,163)</u>	<u>(489,164)</u>	<u>99,581</u>	<u>(7,499,746)</u>
Construction in progress	<u>5,693</u>	<u>25,557</u>	<u>2,792</u>	<u>28,458</u>
Net Capital Assets	<u>\$ 15,849,145</u>			<u>\$ 16,239,333</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

A summary of changes in water capital assets for 2017 follows:

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 430,131	\$ -	\$ -	\$ 430,131
Capital assets being depreciated				
Source of supply	595,730	-	-	595,730
Pumping	1,489,440	42,723	18,897	1,513,266
Water treatment	90,763	-	-	90,763
Transmission and distribution	18,527,741	1,030,499	80,789	19,477,451
General	845,703	571	-	846,274
Total Capital Assets Being Depreciated	21,549,377	1,073,793	99,686	22,523,484
Total Capital Assets	21,979,508	1,073,793	99,686	22,953,615
Less: Accumulated depreciation				
Source of supply	(369,713)	(17,276)	-	(386,989)
Pumping	(1,258,488)	(58,437)	44,632	(1,272,293)
Water treatment	(88,640)	(437)	-	(89,077)
Transmission and distribution	(4,229,057)	(349,150)	133,893	(4,444,314)
General	(832,661)	(92,139)	7,310	(917,490)
Total Accumulated Depreciation	(6,778,559)	(517,439)	185,835	(7,110,163)
Construction in progress	80,638	5,693	80,638	5,693
Net Capital Assets	\$ 15,281,587			\$ 15,849,145

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

A summary of changes in wastewater capital assets for 2018 follows:

	<u>Balance 1/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Capital assets being depreciated				
Collecting system	\$ 11,807,679	\$ 739,021	\$ 1,206	\$ 12,545,494
Collecting system pumping	733,519	25,251	7,274	751,496
Treatment and disposal	15,614,022	22,442	4,909	15,631,555
General	<u>1,377,331</u>	<u>32,201</u>	<u>-</u>	<u>1,409,532</u>
Total Capital Assets Being Depreciated	<u>29,532,551</u>	<u>818,915</u>	<u>13,389</u>	<u>30,338,077</u>
Less: Accumulated depreciation	<u>(10,994,875)</u>	<u>(820,779)</u>	<u>22,552</u>	<u>(11,793,102)</u>
Construction in progress	<u>59,092</u>	<u>59,171</u>	<u>59,092</u>	<u>59,171</u>
Net Capital Assets	<u>\$ 18,596,768</u>			<u>\$ 18,604,146</u>

A summary of changes in wastewater capital assets for 2017 follows:

	<u>Balance 1/1/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/17</u>
Capital assets being depreciated				
Collecting system	\$ 11,214,653	\$ 603,049	\$ 10,023	\$ 11,807,679
Collecting system pumping	733,519	-	-	733,519
Treatment and disposal	15,554,351	83,696	24,025	15,614,022
General	<u>1,376,617</u>	<u>714</u>	<u>-</u>	<u>1,377,331</u>
Total Capital Assets Being Depreciated	<u>28,879,140</u>	<u>687,459</u>	<u>34,048</u>	<u>29,532,551</u>
Less: Accumulated depreciation	<u>(10,250,053)</u>	<u>(811,612)</u>	<u>66,790</u>	<u>(10,994,875)</u>
Construction in progress	<u>94,791</u>	<u>59,092</u>	<u>94,791</u>	<u>59,092</u>
Net Capital Assets	<u>\$ 18,723,878</u>			<u>\$ 18,596,768</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
May 3, 2016	Electric system improvements, refund 2006 bonds	April 1, 2036	2.00 - 3.00%	\$ 4,005,000	\$ 3,405,000
February 15, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25	3,170,000	1,625,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2019	\$ 620,000	\$ 109,313	\$ 729,313
2020	660,000	96,513	756,513
2021	670,000	82,813	752,813
2022	685,000	68,438	753,438
2023	690,000	53,856	743,856
2024 - 2028	585,000	203,575	788,575
2029 - 2033	670,000	118,950	788,950
2034 - 2036	450,000	20,550	470,550
Totals	<u>\$ 5,030,000</u>	<u>\$ 754,008</u>	<u>\$ 5,784,008</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2018 and 2017 were \$731,613 and \$775,948, respectively. Total customer gross revenues as defined for the same periods were \$15,249,831 and \$15,342,304. Annual principal and interest payments are expected to require 2% of gross revenues on average.

Revenue Bonds - Water

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
May 3, 2016	Additions and improvements, refund 2006 bonds	May 1, 2026	1.00 - 2.75%	\$ 2,520,000	\$ 1,935,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018	367,332

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water (cont.)

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2019	\$ 314,173	\$ 39,867	\$ 354,040
2020	339,952	35,360	375,312
2021	335,751	30,325	366,076
2022	326,571	24,994	351,565
2023	352,414	19,128	371,542
2024 - 2028	595,510	33,942	629,452
2029	37,961	506	38,467
Totals	<u>\$ 2,302,332</u>	<u>\$ 184,122</u>	<u>\$ 2,486,454</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2018 and 2017 were \$362,282 and \$370,217, respectively. Total customer gross revenues as defined for the same periods were \$2,140,085 and \$2,093,437. Annual principal and interest payments are expected to require 11% of gross revenues on average.

Revenue Bonds - Wastewater

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049%	\$ 623,465	\$ 41,324
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	144,697
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	509,864
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	850,303
November 1, 2014	WWTP improvements	May 1, 2034	2.625	3,305,713	2,774,077

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Wastewater (cont.)

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 436,321	\$ 107,670	\$ 543,991
2020	405,676	96,213	501,889
2021	340,971	86,252	427,223
2022	349,931	77,174	427,105
2023	359,126	67,858	426,984
2024 - 2028	1,251,318	231,581	1,482,899
2029 - 2033	967,844	92,272	1,060,116
2034	<u>209,078</u>	<u>2,744</u>	<u>211,822</u>
Totals	<u>\$ 4,320,265</u>	<u>\$ 761,764</u>	<u>\$ 5,082,029</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2018 and 2017 were \$544,152 and \$544,307, respectively. Total customer gross revenues as defined for the same periods were \$2,085,220 and \$2,084,680. Annual principal and interest payments are expected to require 15% of gross revenues on average.

General Obligation Debt - Water

The following general obligation 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 12/31/18</u>
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$ 522,000	\$ 372,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 51,000	\$ 7,140	\$ 58,140
2020	51,000	6,120	57,120
2021	51,000	5,100	56,100
2022	54,000	4,050	58,050
2023	54,000	2,970	56,970
2024 - 2025	<u>111,000</u>	<u>2,498</u>	<u>113,498</u>
Totals	<u>\$ 372,000</u>	<u>\$ 27,878</u>	<u>\$ 399,878</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Wastewater

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$ 348,000	\$ 248,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2019	\$ 34,000	\$ 4,760	\$ 38,760
2020	34,000	4,080	38,080
2021	34,000	34,000	68,000
2022	36,000	2,700	38,700
2023	36,000	1,980	37,980
2024 - 2025	74,000	1,665	75,665
Totals	<u>\$ 248,000</u>	<u>\$ 49,185</u>	<u>\$ 297,185</u>

Long-Term Obligations Summary - Electric

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	1/1/18 Balance	Additions	Reductions	12/31/18 Balance	Due Within One Year
Revenue bonds	\$ 5,640,000	\$ -	\$ 610,000	\$ 5,030,000	\$ 620,000
Accrued sick leave	176,481	41,555	85,173	132,863	-
Customer advances for construction	28,641	297,959	264,217	62,383	-
Unamortized premium on bonds	108,833	-	17,281	91,552	-
Totals	<u>\$ 5,953,955</u>	<u>\$ 339,514</u>	<u>\$ 976,671</u>	<u>\$ 5,316,798</u>	<u>\$ 620,000</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric (cont.)

Long-term obligation activity for the year ended December 31, 2017 is as follows:

	1/1/17 Balance	Additions	Reductions	12/31/17 Balance	Due Within One Year
Revenue bonds	\$ 6,250,000	\$ -	\$ 610,000	\$ 5,640,000	\$ 610,000
Accrued sick leave	171,811	32,035	27,365	176,481	-
Customer advances for construction	27,141	93,410	91,910	28,641	-
Unamortized premium on bonds	131,571	-	22,738	108,833	-
Totals	<u>\$ 6,580,523</u>	<u>\$ 125,445</u>	<u>\$ 752,013</u>	<u>\$ 5,953,955</u>	<u>\$ 610,000</u>

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note 9.

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	1/1/18 Balance	Additions	Reductions	12/31/18 Balance	Due Within One Year
Revenue bonds	\$ 2,620,747	\$ -	\$ 318,415	\$ 2,302,332	\$ 314,173
General obligation debt	423,000	-	51,000	372,000	51,000
Accrued sick leave	99,237	15,111	38,102	76,246	-
Unamortized premium on bonds	29,046	-	6,065	22,981	-
Totals	<u>\$ 3,172,030</u>	<u>\$ 15,111</u>	<u>\$ 413,582</u>	<u>\$ 2,773,559</u>	<u>\$ 365,173</u>

Long-term obligation activity for the year ended December 31, 2017 is as follows:

	1/1/17 Balance	Additions	Reductions	12/31/17 Balance	Due Within One Year
Revenue bonds	\$ 2,943,424	\$ -	\$ 322,677	\$ 2,620,747	\$ 318,415
General obligation debt	474,000	-	51,000	423,000	51,000
Accrued sick leave	86,587	22,612	9,962	99,237	-
Unamortized premium on bonds	35,638	-	6,592	29,046	-
Totals	<u>\$ 3,539,649</u>	<u>\$ 22,612</u>	<u>\$ 390,231</u>	<u>\$ 3,172,030</u>	<u>\$ 369,415</u>

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note 9.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Wastewater

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	<u>1/1/18</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 4,744,967	\$ -	\$ 424,702	\$ 4,320,265	\$ 436,321
General obligation debt	282,000	-	34,000	248,000	34,000
Accrued sick leave	<u>124,633</u>	<u>18,889</u>	<u>52,184</u>	<u>91,338</u>	<u>-</u>
Totals	<u>\$ 5,151,600</u>	<u>\$ 18,889</u>	<u>\$ 510,886</u>	<u>\$ 4,659,603</u>	<u>\$ 470,321</u>

Long-term obligation activity for the year ended December 31, 2017 is as follows:

	<u>1/1/17</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 5,158,363	\$ -	\$ 413,396	\$ 4,744,967	\$ 424,703
General obligation debt	316,000	-	34,000	282,000	34,000
Accrued sick leave	<u>120,910</u>	<u>15,492</u>	<u>11,769</u>	<u>124,633</u>	<u>-</u>
Totals	<u>\$ 5,595,273</u>	<u>\$ 15,492</u>	<u>\$ 459,165</u>	<u>\$ 5,151,600</u>	<u>\$ 458,703</u>

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note 9.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution 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
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2018:

Type	Coverage	Expiration
Automobile	\$ 15,000,000 CVMIC Self-Insured	1/1/19
Excess Liability	5,000,000 CVMIC Self-Insured	1/1/19
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/19
	1,000,000 CVMIC Self-Insured	1/1/19
Boiler Insurance	250,000,000 CVMIC Self-Insured	1/1/19
Property	Wisconsin Local Property Insurance Fund	
	59,566,800	2/1/19

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 2018 and 2017 as follows:

	2018	2017
Operating revenues	\$ 15,136,031	\$ 15,249,623
Investment income	104,218	92,681
Less: Operation and maintenance expenses	<u>(13,060,056)</u>	<u>(13,257,421)</u>
Net Defined Earnings	<u>\$ 2,180,193</u>	<u>\$ 2,084,883</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 756,513	\$ 756,513
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 983,467</u>	<u>\$ 983,467</u>
Actual Debt Coverage	<u>2.88</u>	<u>2.76</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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 2018 and 2017 as follows:

	2018	2017
Operating revenues	\$ 2,121,101	\$ 2,071,229
Investment income	18,984	22,208
Less: Operation and maintenance expenses	(969,181)	(1,049,770)
Net Defined Earnings	\$ 1,170,904	\$ 1,043,667
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 375,312	\$ 375,312
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 487,906	\$ 487,906
Actual Debt Coverage	3.12	2.78

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 2018 and 2017 as follows:

	2018	2017
Operating revenues	\$ 2,055,876	\$ 2,051,313
Investment income	29,344	33,367
Less: Operation and maintenance expenses	(959,399)	(1,012,657)
Net Defined Earnings	\$ 1,125,821	\$ 1,072,023
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 543,992	\$ 544,152
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 598,391	\$ 598,567
Actual Debt Coverage	2.07	1.97

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers and Billed Volumes - Electric

The utility has the following number of customers and billed volumes for 2018 and 2017:

	Customers		Sales (000 kWh)	
	2018	2017	2018	2017
Residential	7,766	7,744	66,822	63,176
General	790	829	16,448	16,248
Small power	52	62	16,708	15,612
Large power	10	10	12,399	12,310
Industrial	14	6	31,702	30,905
Street and highway lighting	7	7	727	770
Totals	<u>8,639</u>	<u>8,658</u>	<u>144,806</u>	<u>139,021</u>

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2018 and 2017:

	Customers		Sales (000 gals)	
	2018	2017	2018	2017
Residential	4,498	4,469	199,362	202,150
Multifamily residential	75	64	29,205	28,762
Commercial	373	375	54,232	54,306
Industrial	25	25	157,411	174,238
Public authority	38	45	4,806	4,976
Interdepartmental	6	6	404	432
Totals	<u>5,015</u>	<u>4,984</u>	<u>445,420</u>	<u>464,864</u>

Number of Customers and Billed Volumes - Wastewater

The utility has the following number of customers and billed volumes for 2018 and 2017:

	Customers		Sales (000 gals)	
	2018	2017	2018	2017
Residential	4,487	4,465	198,733	201,168
Multifamily residential	73	64	29,216	26,228
Commercial	355	358	50,705	51,364
Industrial	21	21	22,687	23,241
Public authority	29	32	4,087	3,544
Interdepartmental	1	1	68	48
Totals	<u>4,966</u>	<u>4,941</u>	<u>305,496</u>	<u>305,593</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utility Budget

The 2018 and 2017 utility budgets were prepared and approved as required by the bond resolutions.

NOTE 8 - NET POSITION

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

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

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

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

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

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

	<u>2018</u>	<u>2017</u>
Construction work in progress	\$ 208,793	\$ 2,358,222
Plant in service	33,058,190	29,180,881
Accumulated depreciation	(15,391,673)	(15,289,472)
Property held for future use	229,097	352,664
Sub-Totals	<u>18,104,407</u>	<u>16,602,295</u>
Less: Capital related debt		
Current portion of capital related long-term debt	620,000	610,000
Long-term portion of capital related long-term debt	4,410,000	5,030,000
Unamortized debt premium	91,552	108,833
Sub-Totals	<u>5,121,552</u>	<u>5,748,833</u>
Total Net Investment in Capital Assets	<u>\$ 12,982,855</u>	<u>\$ 10,853,462</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - NET POSITION (cont.)

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

	2018	2017
Construction work in progress	\$ 28,458	\$ 5,693
Plant in service	23,710,621	22,953,615
Accumulated depreciation	<u>(7,499,746)</u>	<u>(7,110,163)</u>
Sub-Totals	<u>16,239,333</u>	<u>15,849,145</u>
Less: Capital related debt		
Current portion of capital related long-term debt	365,173	369,415
Long-term portion of capital related long-term debt	2,309,159	2,674,332
Unamortized debt premium	<u>22,981</u>	<u>29,046</u>
Sub-Totals	<u>2,697,313</u>	<u>3,072,793</u>
Total Net Investment in Capital Assets	<u>\$ 13,542,020</u>	<u>\$ 12,776,352</u>

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

	2018	2017
Construction work in progress	\$ 59,171	\$ 59,092
Plant in service	30,338,077	29,532,551
Accumulated depreciation	<u>(11,793,102)</u>	<u>(10,994,875)</u>
Sub-Totals	<u>18,604,146</u>	<u>18,596,768</u>
Less: Capital related debt		
Current portion of capital related long-term debt	470,321	458,703
Long-term portion of capital related long-term debt	<u>4,097,944</u>	<u>4,568,264</u>
Sub-Totals	<u>4,568,265</u>	<u>5,026,967</u>
Total Net Investment in Capital Assets	<u>\$ 14,035,881</u>	<u>\$ 13,569,801</u>

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

General Information About the Pension Plan

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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, if hired on or before 12/31/2016) 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:

Year	Core Fund Adjustment	Variable Fund Adjustment
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
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$125,190 and \$114,245 in contributions from the utilities during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2018 and December 31, 2017 are:

	2018		2017	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.7%	6.7%	6.8%	6.8%
Protective with Social Security	6.7%	10.6%	6.8%	10.6%
Protective without Social Security	6.7%	14.9%	6.8%	14.9%

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

At December 31, 2018, the utilities reported a liability (asset) of \$(353,887) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City of Stoughton's proportion was 0.04873732%, which was an increase of 0.00168697% from its proportion measured as of December 31, 2016.

At December 31, 2017, the utilities reported a liability (asset) of \$97,094 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City of Stoughton's proportion was 0.04705035%, which was an increase of 0.00107361% from its proportion measured as of December 31, 2015.

For the years ended December 31, 2018 and 2017, the utilities recognized pension expense of \$36,725 and \$264,772, respectively.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2018, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Wastewater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 266,733	\$ 114,839	\$ 89,508	\$ 39,606	\$ 92,947	\$ 48,106
Changes in assumption	38,178	-	13,168	-	15,992	-
Net differences between project and actual earnings on pension plan	-	307,882	-	101,986	-	92,734
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,872	-	2,148	-	2,297
Employer contributions subsequent to the measurement date	<u>74,563</u>	<u>-</u>	<u>25,119</u>	<u>-</u>	<u>25,773</u>	<u>-</u>
Total	<u>\$ 379,474</u>	<u>\$ 428,593</u>	<u>\$ 127,795</u>	<u>\$ 143,740</u>	<u>\$ 134,712</u>	<u>\$ 143,137</u>

At December 31, 2017, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Wastewater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,644	\$ 164,337	\$ 7,388	\$ 55,210	\$ 7,809	\$ 62,991
Changes in assumption	54,635	-	18,355	-	20,941	-
Net differences between project and actual earnings on pension plan	258,607	-	83,986	-	96,079	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,548	-	2,061	-	2,255
Employer contributions subsequent to the measurement date	<u>72,260</u>	<u>-</u>	<u>26,398</u>	<u>-</u>	<u>26,532</u>	<u>-</u>
Total	<u>\$ 405,146</u>	<u>\$ 169,885</u>	<u>\$ 136,127</u>	<u>\$ 57,271</u>	<u>\$ 151,361</u>	<u>\$ 65,246</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31	Electric Utility	Water Utility	Wastewater Utility
2019	\$ 22,772	\$ 7,560	\$ 6,296
2020	(4,353)	(1,446)	(1,204)
2021	(81,504)	(27,060)	(22,536)
2022	(61,152)	(20,303)	(16,908)
2023	555	185	154
Thereafter	-	-	-
Total	\$ (123,682)	\$ (41,064)	\$ (34,198)

Actuarial assumptions. The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Actuarial valuation date	December 31, 2016	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2017	December 31, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.2%	7.2%
Discount rate	7.2%	7.2%
Salary increases		
Inflation	3.2%	3.2%
Seniority/Merit	0.2% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%	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 used in the December 31, 2016 and 2015 actuarial valuations are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 and 2016 are based upon a roll-forward of the liability calculated from the December 31, 2016 and 2015 actuarial valuations, respectively.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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 as of December 31, 2018 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.3%	5.4%
Fixed Income	24.5	4.24	1.4
Inflation Sensitive Assets	15.5	4.3	1.5
Real Estate	8	6.5	3.6
Private Equity/Debt	7	9.4	6.5
Multi-Asset	4	6.6	3.7
Total Core Fund	110	7.4	4.5
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	4.7
International Equities	30	8.5	5.6
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability as of December 31, 2018 and December 31, 2017. 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 3.31% in 2018 and 3.78% in 2017. 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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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.

The sensitivity analysis as of December 31, 2018 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Electric Utility's proportionate share of the net position liability (asset)	\$ 524,169	\$ (210,998)	\$ (754,948)
Water Utility's proportionate share of the net position liability (asset)	187,203	(70,127)	(269,624)
Wastewater Utility's proportionate share of the net position liability (asset)	187,203	(72,762)	(269,624)

The sensitivity analysis as of December 31, 2017 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Electric Utility's proportionate share of the net position liability (asset)	\$ 696,552	\$ 52,947	\$ (442,658)
Water Utility's proportionate share of the net position liability (asset)	280,400	21,314	(178,194)
Wastewater Utility's proportionate share of the net position liability (asset)	3,300,383	22,833	(190,893)

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI Energy (cont.)

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.

Forty-nine members, representing approximately 98% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining two members have long-term contracts through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$342 million as of December 31, 2018.

Claims and Judgments

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

NOTE 11 - RISK MANAGEMENT

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

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

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

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

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 11 - RISK MANAGEMENT (cont.)

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

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.

REQUIRED SUPPLEMENTARY INFORMATION

STOUGHTON UTILITIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2018

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 Liability (Asset) - City	Utilities' Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/18	0.04873732%	\$ (353,887)	\$ 1,841,029	19.22%	102.93%
12/31/17	0.04705035%	97,094	1,730,985	5.61%	99.12%
12/31/16	0.04597674%	180,579	1,643,602	10.99%	98.20%
12/31/15	0.04486493%	(265,441)	1,372,152	19.34%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

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
12/31/18	\$ 125,455	\$ 125,455	\$ -	1,872,463	6.70%
12/31/17	125,190	125,190	-	1,841,029	6.80%
12/31/16	114,245	114,245	-	1,730,985	6.60%
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, 2018

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
As of and for the Year Ended December 31, 2018

	Balance 1/1/18	Additions	Retirements	Balance 12/31/18
TRANSMISSION				
Land and land rights	\$ 1	\$ -	\$ -	\$ 1
Poles and fixtures	5,035	-	-	5,035
Overhead conductors and devices	9,984	-	-	9,984
Total Transmission	<u>15,020</u>	<u>-</u>	<u>-</u>	<u>15,020</u>
DISTRIBUTION				
Land and land rights	220,796	123,567	-	344,363
Structures and improvements	52,834	-	-	52,834
Station equipment	4,338,870	2,656,986	77,816	6,918,040
Poles, towers and fixtures	3,422,890	106,794	43,700	3,485,984
Overhead conductors and devices	5,935,993	80,058	91,478	5,924,573
Underground conduit	625,097	174,482	1,234	798,345
Underground conductors and devices	4,057,204	681,442	17,492	4,721,154
Line transformers	3,249,702	55,659	4,421	3,300,940
Services	1,878,979	56,349	5,182	1,930,146
Meters	686,577	20,538	1,339	705,776
Street lighting and signal systems	589,398	62,383	26,394	625,387
Total Distribution	<u>25,058,340</u>	<u>4,018,258</u>	<u>269,056</u>	<u>28,807,542</u>
GENERAL				
Structures and improvements	1,656,659	-	-	1,656,659
Office furniture and equipment	216,970	-	-	216,970
Computer equipment	191,677	-	-	191,677
Transportation equipment	284,408	85,474	30,268	339,614
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	87,537	-	-	87,537
Laboratory equipment	60,822	-	-	60,822
Power-operated equipment	1,222,899	463,761	498,117	1,188,543
Communication equipment	371,575	386,710	279,453	478,832
Miscellaneous equipment	4,990	-	-	4,990
Total General	<u>4,107,521</u>	<u>935,945</u>	<u>807,838</u>	<u>4,235,628</u>
TOTAL ELECTRIC UTILITY PLANT	<u><u>\$29,180,881</u></u>	<u><u>\$ 4,954,203</u></u>	<u><u>\$ 1,076,894</u></u>	<u><u>\$33,058,190</u></u>

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 5,214,477	\$ 5,156,589
Rural	2,810,526	2,804,789
General service	1,586,188	1,523,131
Large commercial and industrial	1,350,865	1,445,786
Large power	1,101,792	1,107,643
Industrial	2,657,141	2,766,795
Public street and highway lighting	112,941	123,726
Interdepartmental	162,099	178,127
Total Sales of Electricity	14,996,029	15,106,586
Other Operating Revenues		
Forfeited discounts	32,444	32,924
Other	107,558	110,113
Total Operating Revenues	15,136,031	15,249,623
OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	11,288,599	11,501,767
Transmission		
Operation supervision and engineering	4,794	16,411
Station	44,591	37,670
Overhead lines	44,055	29,364
Underground lines	41,565	30,125
Total Transmission	135,005	113,570
Distribution		
Street lighting and signal system	179	-
Meter	7,672	5,577
Miscellaneous	98,322	53,084
Maintenance		
Supervision and engineering	3,884	482
Station equipment	25,793	20,544
Overhead lines	184,254	316,183
Underground lines	121,539	75,818
Line transformers	7,331	5,557
Street lighting and signal system	3,852	7,034
Meters	26,577	39,647
Total Distribution	479,403	523,926
Customer Accounts		
Meter reading	4,813	4,627
Customer records and collection	262,305	246,712
Miscellaneous	7,608	8,085
Total Customer Accounts	274,726	259,424

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 296,197	\$ 243,000
Office supplies	54,982	49,340
Outside services employed	33,944	23,734
Property insurance	31,022	31,228
Injuries and damages	36,159	37,740
Employee pensions and benefits	178,432	226,038
Regulatory commission	20	4,887
Miscellaneous	47	1,392
Rents	13,179	11,674
Maintenance	61,972	56,484
Total Administrative and General	705,954	685,517
Taxes	176,369	173,217
Total Operation and Maintenance	13,060,056	13,257,421
Depreciation	1,108,163	1,019,024
Total Operating Expenses	14,168,219	14,276,445
 OPERATING INCOME	 \$ 967,812	 \$ 973,178

STOUGHTON ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2018 and 2017

	Electric	
	2018	2017
Utility Financed Plant in Service		
Beginning of year	\$ 25,749,349	\$ 24,962,668
End of year	<u>29,363,406</u>	<u>25,749,349</u>
Average	<u>27,556,378</u>	<u>25,356,009</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(13,559,734)	(12,808,857)
End of year	<u>(13,549,140)</u>	<u>(13,559,734)</u>
Average	<u>(13,554,437)</u>	<u>(13,184,296)</u>
Materials and Supplies		
Beginning of year	153,499	163,294
End of year	<u>206,300</u>	<u>153,499</u>
Average	<u>179,900</u>	<u>158,397</u>
Regulatory Liability		
Beginning of year	(132,964)	(155,124)
End of year	<u>(110,804)</u>	<u>(132,964)</u>
Average	<u>(121,884)</u>	<u>(144,044)</u>
Customer Advances for Construction		
Beginning of year	(28,641)	(27,141)
End of year	<u>(62,383)</u>	<u>(28,641)</u>
Average	<u>(45,512)</u>	<u>(27,891)</u>
AVERAGE NET RATE BASE	<u>\$ 14,014,445</u>	<u>\$ 12,158,175</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 709,336</u>	<u>\$ 785,048</u>
RATE OF RETURN (PERCENT)	<u>5.06</u>	<u>6.46</u>

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

WATER UTILITY

STOUGHTON WATER UTILITY

WATER UTILITY PLANT
As of and for the Year Ended December 31, 2018

	Balance 1/1/18	Additions	Retirements	Balance 12/31/18
SOURCE OF SUPPLY				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	595,730	-	-	595,730
Total Source of Supply	<u>607,365</u>	<u>-</u>	<u>-</u>	<u>607,365</u>
PUMPING				
Structures and improvements	644,611	-	-	644,611
Other power production equipment	283,758	-	-	283,758
Electric pumping equipment	584,896	-	-	584,896
Total Pumping	<u>1,513,265</u>	<u>-</u>	<u>-</u>	<u>1,513,265</u>
WATER TREATMENT				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092	-	-	77,092
Total Water Treatment	<u>90,763</u>	<u>-</u>	<u>-</u>	<u>90,763</u>
TRANSMISSION AND DISTRIBUTION				
Land and land rights	13,206	-	-	13,206
Structures and improvements	1,611	-	-	1,611
Distribution reservoirs and standpipes	1,955,851	-	-	1,955,851
Transmission and distribution mains	12,356,802	464,527	22,101	12,799,228
Services	2,804,798	194,179	6,456	2,992,521
Meters	812,933	69,620	57,238	825,315
Hydrants	1,550,054	115,788	2,168	1,663,674
Other transmission and distribution plant	4,861	6,939	-	11,800
Total Transmission and Distribution	<u>19,500,116</u>	<u>851,053</u>	<u>87,963</u>	<u>20,263,206</u>
GENERAL				
Structures and improvements	412,821	-	-	412,821
Office furniture and equipment	63,068	-	-	63,068
Computer equipment	55,313	-	-	55,313
Transportation equipment	63,006	-	6,084	56,922
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	<u>1,242,106</u>	<u>-</u>	<u>6,084</u>	<u>1,236,022</u>
TOTAL WATER UTILITY PLANT	<u><u>\$22,953,615</u></u>	<u><u>\$ 851,053</u></u>	<u><u>\$ 94,047</u></u>	<u><u>\$23,710,621</u></u>

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 1,153	\$ -
Metered		
Residential	932,753	899,421
Multifamily residential	83,239	74,247
Commercial	173,345	168,601
Industrial	283,369	301,957
Public authorities	21,093	19,310
Interdepartmental	1,798	1,779
Total Metered Sales	1,495,597	1,465,315
Private fire protection	46,711	43,901
Public fire protection	530,529	520,495
Total Sales of Water	2,073,990	2,029,711
Other Operating Revenues		
Forfeited discounts	6,597	6,422
Other	40,514	35,096
Total Operating Revenues	2,121,101	2,071,229
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Maintenance		
Wells and springs	138	138
Pumping		
Fuel or purchased power for pumping	127,767	135,189
Pumping labor	6,407	2,899
Miscellaneous	214	1,501
Maintenance		
Structures and improvements	24,446	24,319
Pumping equipment	12,688	32,733
Total Pumping	171,522	196,641
Water Treatment		
Chemicals	20,249	16,159
Operation labor	61,232	53,737
Maintenance		
Structures and improvements	1,044	925
Water treatment equipment	7,711	2,538
Total Water Treatment	90,236	73,359
Transmission and Distribution		
Transmission and distribution lines	13,208	13,769
Meters	27,859	40,099
Customer installations	20,092	-
Miscellaneous	24,720	41,519
Maintenance		
Reservoirs and standpipes	46,632	46,829
Mains	64,842	58,419
Services	32,223	35,154
Meters	-	1,160
Hydrants	4,902	30,842
Miscellaneous	4,242	2,348
Total Transmission and Distribution	238,720	270,139

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Customer Accounts		
Meter reading	\$ 12,934	\$ 13,821
Accounting and collecting labor	91,054	94,299
Total Customer Accounts	103,988	108,120
Administrative and General		
Salaries	131,177	152,912
Office supplies	15,576	14,259
Outside services employed	42,240	30,927
Property insurance	11,281	11,355
Injuries and damages	13,234	12,540
Employee pensions and benefits	110,951	144,595
Regulatory commission	5,498	-
Miscellaneous	328	319
Rents	5,173	4,245
Maintenance	6,887	8,017
Total Administrative and General	342,345	379,169
Taxes	22,232	22,204
Total Operation and Maintenance	969,181	1,049,770
Depreciation	460,342	444,601
Total Operating Expenses	1,429,523	1,494,371
OPERATING INCOME	\$ 691,578	\$ 576,858

STOUGHTON WATER UTILITY

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2018 and 2017

	Water	
	2018	2017
Utility Financed Plant in Service		
Beginning of year	\$ 15,364,439	\$ 14,600,959
End of year	<u>15,748,034</u>	<u>15,364,439</u>
Average	<u>15,556,237</u>	<u>14,982,699</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(5,000,572)	(4,786,327)
End of year	<u>(5,273,155)</u>	<u>(5,000,572)</u>
Average	<u>(5,136,864)</u>	<u>(4,893,450)</u>
Materials and Supplies		
Beginning of year	41,401	34,812
End of year	<u>39,203</u>	<u>41,401</u>
Average	<u>40,302</u>	<u>38,107</u>
Regulatory Liability		
Beginning of year	(205,372)	(239,600)
End of year	<u>(171,144)</u>	<u>(205,372)</u>
Average	<u>(188,258)</u>	<u>(222,486)</u>
AVERAGE NET RATE BASE	<u>\$ 10,271,417</u>	<u>\$ 9,904,870</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 401,277</u>	<u>\$ 320,157</u>
RATE OF RETURN (PERCENT)	<u>3.91</u>	<u>3.23</u>

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

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY PLANT
As of and for the Year Ended December 31, 2018

	Balance 1/1/18	Additions	Retirements	Balance 12/31/18
COLLECTING SYSTEM				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	9,894,550	739,021	1,206	10,632,365
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951	-	-	48,951
Total Collecting System	<u>11,807,685</u>	<u>739,021</u>	<u>1,206</u>	<u>12,545,500</u>
COLLECTING SYSTEM PUMPING				
Structures and improvements	106,238	3,326	-	109,564
Electric pumping equipment	605,881	21,925	7,274	620,532
Other power pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	<u>733,518</u>	<u>25,251</u>	<u>7,274</u>	<u>751,495</u>
TREATMENT AND DISPOSAL				
Structures and improvements	5,364,072	-	-	5,364,072
Preliminary treatment equipment	1,576,893	-	-	1,576,893
Primary treatment equipment	1,150,534	-	-	1,150,534
Secondary treatment equipment	529,291	-	-	529,291
Advanced treatment equipment	1,930,493	-	-	1,930,493
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,928,291	22,442	4,909	3,945,824
Plant site piping	690,433	-	-	690,433
Flow metering and monitoring equipment	39,033	-	-	39,033
Other treatment and disposal equipment	38,818	-	-	38,818
Total Treatment and Disposal	<u>15,614,020</u>	<u>22,442</u>	<u>4,909</u>	<u>15,631,553</u>
GENERAL				
Structures and improvements	241,646	3,511	-	245,157
Office furniture and equipment	65,614	-	-	65,614
Computer equipment	118,386	-	-	118,386
Transportation equipment	427,383	-	-	427,383
Communication equipment	433,162	26,340	-	459,502
Other general equipment	91,137	2,350	-	93,487
Total General	<u>1,377,328</u>	<u>32,201</u>	<u>-</u>	<u>1,409,529</u>
TOTAL WASTEWATER UTILITY PLANT	<u><u>\$29,532,551</u></u>	<u><u>\$ 818,915</u></u>	<u><u>\$ 13,389</u></u>	<u><u>\$30,338,077</u></u>

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,374,695	\$ 1,386,580
Commercial	452,154	440,709
Industrial	116,712	121,253
Public authorities	26,929	23,360
Interdepartmental sales	605	506
Total Wastewater Revenues	1,971,095	1,972,408
Other Operating Revenues		
Forfeited discounts	4,375	4,499
Miscellaneous	80,406	74,406
Total Operating Revenues	2,055,876	2,051,313
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	3,932	149
Power and fuel for pumping	86,783	91,128
Sludge conditioning chemicals	11,175	10,282
Other operating supplies	21,231	33,078
Total Operation	123,121	134,637
Maintenance		
Collection system	106,848	96,325
Treatment and disposal plant equipment	122,944	119,171
General plant structures and equipment	71,404	71,232
Total Maintenance	301,196	286,728
Customer Accounts		
Accounting and collecting	136,056	146,128
Administrative and General		
Salaries	90,105	103,114
Office supplies	31,033	35,383
Outside services employed	24,894	22,584
Insurance	27,712	29,198
Employees pensions and benefits	107,944	140,696
Miscellaneous	19,583	19,300
Rents	68,282	65,214
Total Administrative and General	369,553	415,489
Taxes	29,473	29,675
Total Operation and Maintenance	959,399	1,012,657
Depreciation	820,778	811,239
Total Operating Expenses	1,780,177	1,823,896
 OPERATING INCOME	 \$ 275,699	 \$ 227,417