

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, 2019 and 2018

STOUGHTON UTILITIES

Enterprise Funds of the City of Stoughton, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the Utilities Committee
Stoughton Utilities
Stoughton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Stoughton Utilities, enterprise funds of the City of Stoughton, Wisconsin, as of and for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 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
May 11, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

STOUGHTON UTILITIES

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

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, 2019, 2018 and 2017. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Investments in capital assets have grown by approximately \$2.6 million, or 24.3%, from 2017 to 2019.
- The electric division's net position increased by \$440,593 in 2019 from the prior year.
- Electric sales decreased by 3.3% in 2019 from 2018. The decrease is from a combination of lower kWh sales and lower purchase power costs passed on to consumers. A rate increase is planned for Summer 2020 to maintain sales revenue.

WATER:

- The water utility net position increased \$472,616 in 2019 vs. \$639,546 in 2018. The lower increase in net position in 2019 compared to 2018 was entirely due to lower capital contributions in 2019 compared to 2018.
- The water utility issued \$1.825 million of mortgage revenue bonds in 2019 to finance capital projects.

WASTEWATER:

- The wastewater net position increased \$372,640 in 2019 and \$503,926 in 2018. The lower increase in net position in 2019 compared to 2018 was due to lower capital contributions.
- Wastewater sales were mostly flat from 2019 to 2018 with a 1%, or \$20,248, increase. This was due to treatment gallons sold increasing by 1.1% in 2019 from 2018.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

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, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Position – Electric Utility

	2019	2018	2017	2019-2018 Change
Current and Other Assets	\$ 9,874,017	\$ 10,176,136	\$ 11,697,166	\$ (302,119)
Capital Assets	17,746,026	17,875,310	16,249,631	(129,284)
Total Assets	<u>27,620,043</u>	<u>28,051,446</u>	<u>27,946,797</u>	<u>(431,403)</u>
Deferred Outflows of Resources	648,285	379,474	405,146	268,811
Long-Term Debt Outstanding	4,410,000	5,030,000	5,640,000	(620,000)
Other Liabilities	2,059,637	1,954,519	2,334,375	105,118
Total Liabilities	<u>6,469,637</u>	<u>6,984,519</u>	<u>7,974,375</u>	<u>(514,882)</u>
Deferred Inflows of Resources	340,290	428,593	169,885	(88,303)
Investment in Capital Assets	13,488,837	12,982,855	10,853,462	505,982
Restricted	983,111	1,165,794	1,145,536	(182,683)
Unrestricted	6,986,453	6,869,159	8,208,685	117,294
Total Net Position	<u>\$ 21,458,401</u>	<u>\$ 21,017,808</u>	<u>\$ 20,207,683</u>	<u>\$ 440,593</u>

In 2019, the electric utility net position increased \$440,593, an increase of 2.1%. In 2018, the electric utility net position increased \$810,125, an increase of 4.0%. The smaller increase in 2019 compared to 2018 is about half due to lower capital contributions, a quarter due to increased depreciation from higher plant balances, and the remainder being from other operating and non-operating activities. Stoughton Utilities applied to the Wisconsin Public Service Commission in December 2019 to increase its electric rates to help maintain its net position. The new rates are expected to be effective in Summer 2020.

Investments in capital assets have grown by approximately \$2.6 million, or 24.3%, from 2017 to 2019. The construction of a new substation and the purchase of related equipment was completed during this time. Long-term borrowing decreased \$1.23 million during this time. Thus, the capital additions were mostly net-financed with cash and investments on hand.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Net Position – Water Utility

	2019	2018	2017	2019-2018 Change
Current and Other Assets	\$ 3,186,604	\$ 1,758,132	\$ 1,884,231	\$ 1,428,472
Capital Assets	16,903,159	16,239,333	15,849,145	663,826
Total Assets	<u>20,089,763</u>	<u>17,997,465</u>	<u>17,733,376</u>	<u>2,092,298</u>
Deferred Outflows of Resources	<u>220,335</u>	<u>127,795</u>	<u>136,127</u>	<u>92,540</u>
Long-Term Debt Outstanding	4,134,158	2,674,332	3,043,747	1,459,826
Other Liabilities	<u>837,073</u>	<u>556,664</u>	<u>657,507</u>	<u>280,409</u>
Total Liabilities	<u>4,971,231</u>	<u>3,230,996</u>	<u>3,701,254</u>	<u>1,740,235</u>
Deferred Inflows of Resources	<u>115,727</u>	<u>143,740</u>	<u>57,271</u>	<u>(28,013)</u>
Investment in Capital Assets	13,450,704	13,542,020	12,776,352	(91,316)
Restricted	619,931	559,292	524,459	60,639
Unrestricted	<u>1,152,505</u>	<u>649,212</u>	<u>810,167</u>	<u>503,293</u>
Total Net Position	<u>\$ 15,223,140</u>	<u>\$ 14,750,524</u>	<u>\$ 14,110,978</u>	<u>\$ 472,616</u>

In 2019, the water utility net position increased \$472,616 vs. \$639,546 in 2018. The lower increase in net position in 2019 compared to 2018 was entirely due to lower capital contributions in 2019 compared to 2018. Management does not believe that lower capital contributions from one year to the next materially impacts the water utilities' abilities to meet current and future financial or service obligations.

Long-term borrowing from 2019 to 2017 has been increased by \$1,090,411 while capital assets have increased by \$1,054,014 during the same time period. This indicates that capital asset value additions have been wholly finance by debt. \$1.825 million in mortgage revenue bonds were incurred in 2019 to finance capital projects. The capital additions were mostly main replacements and additions.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3
Condensed Statements of Net Position – Wastewater Utility

	2019	2018	2017	2019-2018 Change
Current and Other Assets	\$ 2,951,153	\$ 3,650,945	\$ 3,548,449	\$ (699,792)
Capital Assets	19,315,409	18,604,146	18,596,768	711,263
Total Assets	<u>22,266,562</u>	<u>22,255,091</u>	<u>22,145,217</u>	<u>11,471</u>
Deferred Outflows of Resources	<u>239,859</u>	<u>134,712</u>	<u>151,361</u>	<u>105,147</u>
Long-Term Debt Outstanding	4,097,942	4,568,265	5,026,967	(470,323)
Other Liabilities	420,422	189,285	219,175	231,137
Total Liabilities	<u>4,518,364</u>	<u>4,757,550</u>	<u>5,246,142</u>	<u>(239,186)</u>
Deferred Inflows of Resources	<u>126,301</u>	<u>143,137</u>	<u>65,246</u>	<u>(16,836)</u>
Investment in Capital Assets	15,217,467	14,035,881	13,569,801	1,181,586
Restricted	1,469,588	1,549,125	1,480,251	(79,537)
Unrestricted	<u>1,174,701</u>	<u>1,904,110</u>	<u>1,935,138</u>	<u>(729,409)</u>
Total Net Position	<u>\$17,861,756</u>	<u>\$ 17,489,116</u>	<u>\$ 16,985,190</u>	<u>\$ 372,640</u>

The wastewater net position increased \$372,640 in 2019 and \$503,926 in 2018. The lower increase in net position in 2019 compared to 2018 was due to lower capital contributions. Income before contributions increased \$75,888 in 2019 compared to 2018 due mostly to a gain on sale of capital assets. Capital asset values decreased by \$0.7 million and long-term borrowing decreased \$0.9 million from 2019 to 2017.

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, 2019 and 2018

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

	2019	2018	2017	2019-2018 Change
Operating Revenues	\$ 14,624,571	\$ 15,136,031	\$ 15,249,623	\$ (511,460)
Non-Operating Revenues	288,913	143,392	119,431	145,521
Total Revenues	<u>14,913,484</u>	<u>15,279,423</u>	<u>15,369,054</u>	<u>(365,939)</u>
Depreciation Expense	1,194,203	1,108,163	1,019,024	86,040
Other Operating Expense	12,774,906	13,060,056	13,257,421	(285,150)
Non-Operating Expenses	116,407	120,579	138,490	(4,172)
Total Expenses	<u>14,085,516</u>	<u>14,288,798</u>	<u>14,414,935</u>	<u>(203,282)</u>
Income Before Capital Contributions and Transfers	827,968	990,625	954,119	(162,657)
Capital Contributions	93,467	280,064	120,147	(186,597)
Capital Contribution - Municipal	-	-	-	-
Transfers - Tax Equivalent	(452,940)	(432,589)	(394,626)	(20,351)
Transfers	<u>(27,902)</u>	<u>(27,975)</u>	<u>(12,698)</u>	<u>73</u>
Changes in Net Position	440,593	810,125	666,942	(369,532)
Beginning Net Position	<u>21,017,808</u>	<u>20,207,683</u>	<u>19,540,741</u>	<u>810,125</u>
Total Net Position - Ending	<u>\$ 21,458,401</u>	<u>\$ 21,017,808</u>	<u>\$ 20,207,683</u>	<u>\$ 440,593</u>

Table 4 is detailed description of the change in net position. 2019 had a 2.1% increase change in net position from 2018. This is down sharply from 4.0% in 2018 and 3.4% in 2017. Management believes the 2020 rate application with the Wisconsin Public Service Commission will help maintain a sufficient net position to meet the utility's current and future needs and obligations.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2019	2018	2017	2019-2018 Change
Operating Revenues	\$ 2,316,517	\$ 2,121,101	\$ 2,071,229	\$ 195,416
Non-Operating Revenues	43,654	28,650	28,800	15,004
Total Revenues	<u>2,360,171</u>	<u>2,149,751</u>	<u>2,100,029</u>	<u>210,420</u>
Depreciation Expense	484,888	460,342	444,601	24,546
Other Operating Expense	1,066,072	969,181	1,049,770	96,891
Non-Operating Expenses	118,801	55,456	60,136	63,345
Total Expenses	<u>1,669,761</u>	<u>1,484,979</u>	<u>1,554,507</u>	<u>184,782</u>
Income Before Capital Contributions and Transfers	690,410	664,772	545,522	25,638
Capital Contributions	-	386,101	236,136	(386,101)
Capital Contribution - Municipal	213,240	18,284	-	194,956
Transfers - Tax Equivalent	(431,034)	(423,351)	(420,305)	(7,683)
Transfers	<u>-</u>	<u>(6,260)</u>	<u>(3,743)</u>	<u>6,260</u>
Changes in Net Position	472,616	639,546	357,610	(166,930)
Beginning Net Position	<u>14,750,524</u>	<u>14,110,978</u>	<u>13,753,368</u>	<u>639,546</u>
Total Net Position - Ending	<u>\$ 15,223,140</u>	<u>\$ 14,750,524</u>	<u>\$ 14,110,978</u>	<u>\$ 472,616</u>

Change in net position has varied in the past three years. Net position is significantly affected by capital contributions. Capital contributions include special assessments, developer contributions of infrastructure and occasionally tax increment district projects.

Income before contributions and transfers has increased \$144,888 since 2017. This is due in large part to the rate increase in late 2018. Management will continue to monitor rates to maintain financial capabilities.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2019	2018	2017	2019-2018 Change
Operating Revenues	\$ 2,128,425	\$ 2,055,876	\$ 2,051,313	\$ 72,549
Non-Operating Revenues	122,222	29,344	33,367	92,878
Total Revenues	<u>2,250,647</u>	<u>2,085,220</u>	<u>2,084,680</u>	<u>165,427</u>
Depreciation Expense	856,914	820,778	811,239	36,136
Other Operating Expense	1,025,314	959,399	1,012,657	65,915
Non-Operating Expenses	110,270	122,782	134,977	(12,512)
Total Expenses	<u>1,992,498</u>	<u>1,902,959</u>	<u>1,958,873</u>	<u>89,539</u>
Income Before Capital Contributions and Transfers	258,149	182,261	125,807	75,888
Capital Contributions	<u>114,491</u>	<u>321,665</u>	<u>224,299</u>	<u>(207,174)</u>
Changes in Net Position	372,640	503,926	350,106	(131,286)
Beginning Net Position	<u>17,489,116</u>	<u>16,985,190</u>	<u>16,635,084</u>	<u>503,926</u>
Total Net Position - Ending	<u>\$ 17,861,756</u>	<u>\$ 17,489,116</u>	<u>\$ 16,985,190</u>	<u>\$ 372,640</u>

Change in net position has varied in the past three years. Net position is significantly affected by capital contributions. Capital contributions include special assessments, developer contributions of infrastructure and occasionally tax increment district projects. Net position can also be significantly altered by changing revenue levels due to seasonal factors and industry use trends.

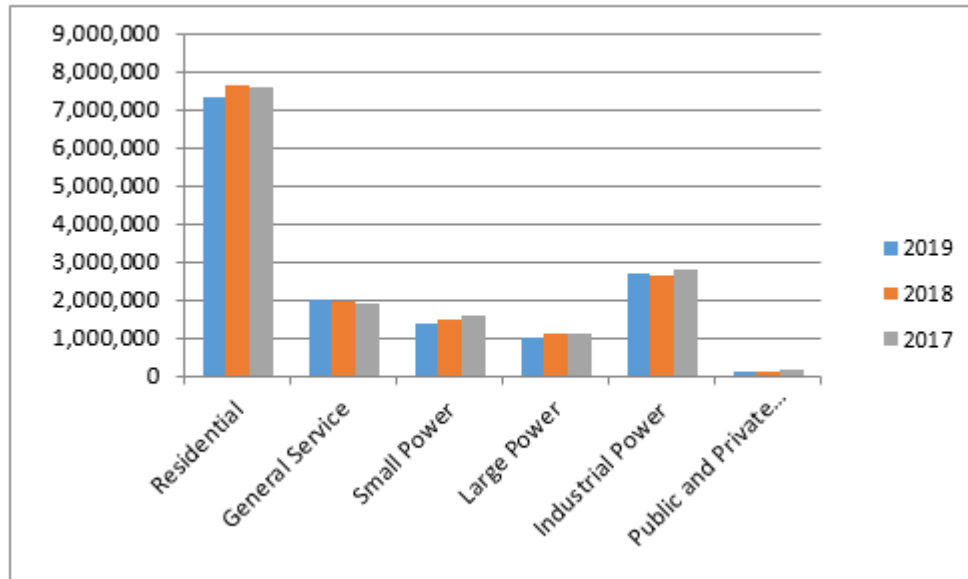
Income before contributions and transfers has increased \$132,342 since 2017. The increase is largely due to \$60,000 gain on a sale of assets and higher investment income. Sewer rates can be increased upon a sewer use rate study and a city ordinance adoption.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Electric sales decreased by 3.3% in 2019 from 2018. The decrease is from a combination of lower kWh sales (about 1.1% lower in 2019 than 2018) and lower purchase power costs passed on to consumers.

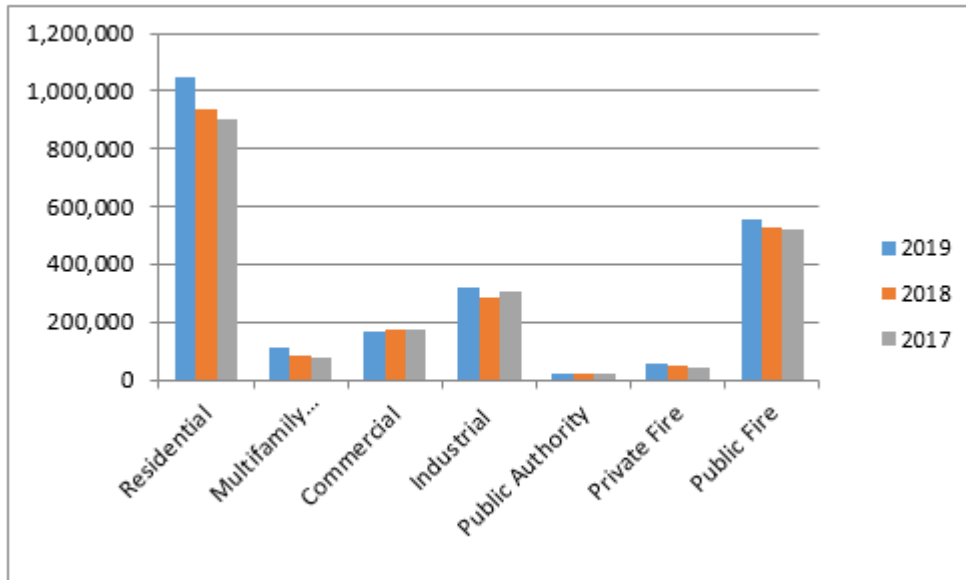
	2019	2018	2017
Residential	\$ 7,296,704	\$ 7,655,623	\$ 7,577,650
General Service	2,013,355	1,963,908	1,919,866
Small Power	1,365,444	1,493,732	1,601,536
Large Power	1,014,480	1,101,793	1,107,643
Industrial Power	2,667,900	2,657,141	2,766,794
Public and Private Lighting	111,290	123,832	133,097
Total Electric Sales	\$ 14,469,173	\$ 14,996,029	\$ 15,106,586

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales increased by \$198,400, or 9.6%, in 2019 from 2018. A rate increase occurred on October 1, 2018, which was designed to increase revenues by \$241,300 on annual basis. Since 2018 had 9 months without the rate increase compared to 2019, the rate increase was designed to increase sales revenue by \$180,975 in 2019 over 2018. Thus, the rate increase is raising revenue as planned.

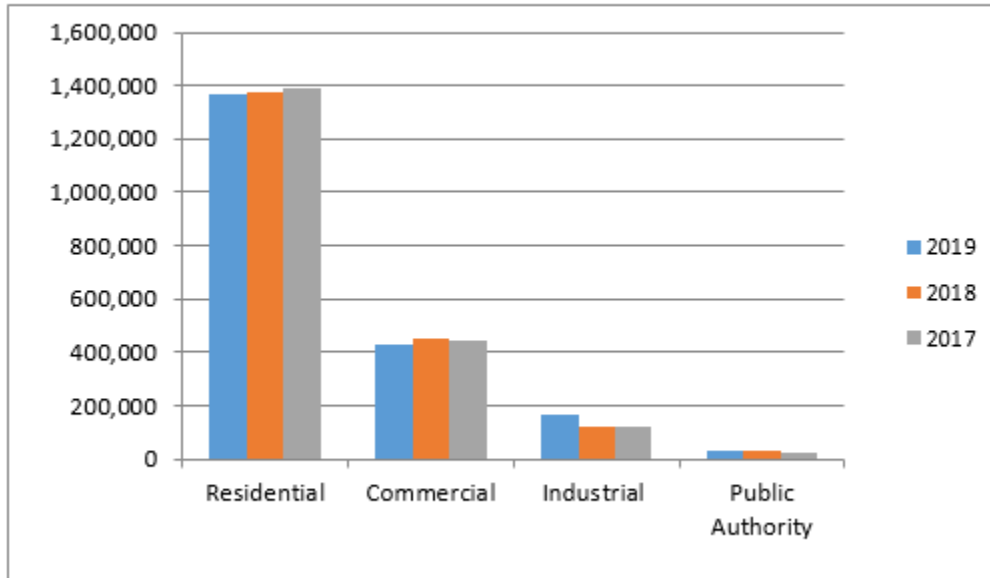
	2019	2018	2017
Residential	\$ 1,048,931	\$ 933,575	\$ 899,421
Multifamily Residential	111,133	83,259	74,247
Commercial	164,241	175,454	170,380
Industrial	318,340	283,369	301,957
Public Authority	22,909	21,093	19,310
Private Fire	55,087	46,711	43,901
Public Fire	551,749	530,529	520,495
Total Water Sales	\$ 2,272,390	\$ 2,073,990	\$ 2,029,711

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



Wastewater sales were mostly flat from 2019 to 2018 with a 1%, or \$20,248, increase. This was due to treatment gallons sold increasing by 1.1% in 2019 from 2018.

	2019	2018	2017
Residential	\$ 1,365,623	\$ 1,374,695	\$ 1,386,580
Commercial	430,792	452,759	441,215
Industrial	168,612	116,712	121,253
Public Authority	26,315	26,929	23,360
Total Wastewater Sales	\$ 1,991,342	\$ 1,971,095	\$ 1,972,408

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

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

	2019	2018	2017	2019-2018 Change
Cash Flows From:				
Operating activities	\$ 2,029,221	\$ 2,084,461	\$ 1,978,120	\$ (55,240)
Non-capital financing activities	(407,962)	(371,102)	(338,993)	(36,860)
Capital and related financing activities	(1,817,021)	(3,187,890)	(3,700,950)	1,370,869
Investing activities	962,166	255,199	339,760	706,967
Net Change in Cash and Cash Equivalents	766,404	(1,219,332)	(1,722,063)	1,985,736
Cash and Cash Equivalents Beginning of Year	3,727,279	4,946,611	6,668,674	(1,219,332)
Cash and Cash Equivalents End of Year	\$ 4,493,683	\$ 3,727,279	\$ 4,946,611	\$ 766,404

The increase in cash in 2019 is from net cash flows from investing activities. 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, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8
Condensed Statements of Cash Flows -
Water Utility

	2019	2018	2017	2019-2018 Change
Cash Flows From:				
Operating activities	\$ 1,347,185	\$ 1,100,498	\$ 1,046,543	\$ 246,687
Non-Capital financing activities	(423,351)	(426,565)	(391,598)	3,214
Capital and related financing activities	599,640	(683,286)	(1,139,594)	1,282,926
Investing activities	38,880	29,319	38,866	9,561
Net Change in Cash and Cash Equivalents	1,562,354	19,966	(445,783)	1,542,388
Cash and Cash Equivalents Beginning of Year	653,399	633,433	1,079,216	19,966
Cash and Cash Equivalents End of Year	<u>\$ 2,215,753</u>	<u>\$ 653,399</u>	<u>\$ 633,433</u>	<u>\$ 1,562,354</u>

The water utility issued \$1.825 million of mortgage revenue bonds in 2019. Approximately \$600,000 of the \$1,562,354 increase in cash and cash equivalents in 2019 is due to the bond issue with the remainder mostly coming from operating cash flow.

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, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9
Condensed Statements of Cash Flows -
Wastewater Utility

	2019	2018	2017	2019-2018 Change
Cash Flows From:				
Operating activities	\$ 1,080,401	\$ 1,066,881	\$ 1,022,329	\$ 13,520
Capital and related financing activities	(1,787,994)	(919,626)	(1,003,192)	(868,368)
Investing activities	55,868	52,657	52,538	3,211
Net Change in Cash and Cash Equivalents	(651,725)	199,912	71,675	(851,637)
Cash and Cash Equivalents Beginning of Year	2,305,311	2,105,399	2,033,724	199,912
Cash and Cash Equivalents End of Year	\$ 1,653,586	\$ 2,305,311	\$ 2,105,399	\$ (651,725)

Cash and cash equivalents decreased by \$651,725 in 2019 due to \$1,231,517 of capital expenditures being financed with cash on hand. The utility experienced an increase in cash and cash equivalents in 2018 and 2017 due mainly to cash received from prepaid special assessments.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10
Capital Assets – Electric Utility

	2019	2018	2017	2019-2018 Change
Capital Assets				
Transmission and distribution	\$ 29,729,663	\$ 28,822,562	\$ 25,073,360	\$ 907,101
General	3,989,226	4,235,628	4,107,521	(246,402)
Total Capital Assets	<u>33,718,889</u>	<u>33,058,190</u>	<u>29,180,881</u>	<u>660,699</u>
Less: Accumulated depreciation	(16,096,771)	(15,391,673)	(15,289,472)	(705,098)
Construction in progress	123,908	208,793	2,358,222	(84,885)
Net Capital Assets	<u>\$ 17,746,026</u>	<u>\$ 17,875,310</u>	<u>\$ 16,249,631</u>	<u>\$ (129,284)</u>

Net capital assets have grown \$1.5 million, or 9.2%, from 2017 to 2019. The largest capital addition during this time period was the construction of a new substation to support the reliability of the electric system. Net capital assets decreased from 2019 to 2018 due to additions being less than depreciation accruals and retirements.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 11
Capital Assets – Water Utility

	2019	2018	2017	2019-2018 Change
Capital Assets				
Source of supply	\$ 607,365	\$ 607,365	\$ 607,365	\$ -
Pumping	1,598,745	1,513,265	1,513,265	85,480
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	21,331,219	20,263,206	19,500,116	1,068,013
General	1,006,195	1,236,022	1,242,106	(229,827)
Total Capital Assets	<u>24,634,287</u>	<u>23,710,621</u>	<u>22,953,615</u>	<u>923,666</u>
Less: Accumulated depreciation	(7,731,158)	(7,499,746)	(7,110,163)	(231,412)
Construction in progress	<u>30</u>	<u>28,458</u>	<u>5,693</u>	<u>(28,428)</u>
Net Capital Assets	<u>\$ 16,903,159</u>	<u>\$ 16,239,333</u>	<u>\$ 15,849,145</u>	<u>\$ 663,826</u>

Net capital assets grew significantly at \$1.1 million, or 6.7%, from 2017 to 2019. The majority of the net capital asset additions over this time-period were on-going capital improvement programs, such as replacements and additions of mains, services and hydrants.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

UTILITY FINANCIAL ANALYSIS (cont.)

Table 12
Capital Assets – Wastewater Utility

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019-2018 Change</u>
Capital Assets				
Collection system	\$ 13,667,393	\$ 12,545,494	\$ 11,807,685	\$ 1,121,899
Collection system pumping	753,684	751,496	733,518	2,188
Treatment and disposal	15,664,654	15,631,555	15,614,020	33,099
General	1,467,607	1,409,532	1,377,328	58,075
Total Capital Assets	<u>31,553,338</u>	<u>30,338,077</u>	<u>29,532,551</u>	<u>1,215,261</u>
Less: Accumulated depreciation	(12,237,929)	(11,793,102)	(10,994,875)	(444,827)
Construction in progress	<u>-</u>	<u>59,171</u>	<u>59,092</u>	<u>(59,171)</u>
Net Capital Assets	<u>\$ 19,315,409</u>	<u>\$ 18,604,146</u>	<u>\$ 18,596,768</u>	<u>\$ 711,263</u>

Net capital assets increased \$0.7 million, or 3.9%, from 2017 to 2019, indicating moderate investment in the wastewater system's capabilities. The additions were from main improvements and a \$0.4 million jet vac acquisition.

LONG-TERM DEBT

As of December 31, 2019, the electric utility had total mortgage revenue bond debt outstanding of \$4,410,000 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, 2019, the water utility had total mortgage revenue bond debt outstanding of \$3,813,158 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility and \$321,000 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 \$3,883,842 of clean water fund loans and \$214,000 of general obligation bonds outstanding as of December 31, 2019.

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019 and 2018

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, 207 S Forrest 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, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and investments	\$ 5,526,863	\$ 5,612,885
Interest receivable	15,560	19,412
Restricted Assets		
Redemption account	523,167	497,953
Customer accounts receivable	1,329,876	1,411,609
Other accounts receivable	170,814	96,206
Due from municipality	14,093	7,274
Materials and supplies	187,211	206,300
Prepayments	14,404	8,861
Current portion of advance	<u>46,007</u>	<u>43,646</u>
Total Current Assets	<u>7,827,995</u>	<u>7,904,146</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	460,722	460,722
Depreciation account	25,000	25,000
Net pension asset	-	210,998
Other Assets		
Electric plant and maintenance reserve account	530,449	518,953
Sick leave reserve account	145,213	132,863
Preliminary survey and investigation	-	18,647
Advances to other funds	206,435	252,442
Investment in ATC	445,792	416,294
Property held for future use	229,097	229,097
Non-utility property	3,314	6,974
Capital Assets		
Plant in service	33,718,889	33,058,190
Accumulated depreciation	(16,096,771)	(15,391,673)
Construction work in progress	<u>123,908</u>	<u>208,793</u>
Total Noncurrent Assets	<u>19,792,048</u>	<u>20,147,300</u>
Total Assets	<u>27,620,043</u>	<u>28,051,446</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>648,285</u>	<u>379,474</u>

		<u>2019</u>	<u>2018</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		\$ 809,979	\$ 899,665
Due to municipality		502,546	496,317
Customer deposits		120,972	125,435
Accrued wages		6,763	7,504
Accrued interest		6,240	3,672
Accrued liabilities		68,965	84,163
Commitment to community		21,145	22,086
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		660,000	620,000
Accrued interest		<u>25,778</u>	<u>28,879</u>
Total Current Liabilities		<u>2,222,388</u>	<u>2,287,721</u>
NONCURRENT LIABILITIES			
Revenue bonds		3,750,000	4,410,000
Unamortized debt premium		76,286	91,552
Accrued sick leave		145,213	132,863
Customer advances for construction		27,416	62,383
Net pension liability		<u>248,334</u>	-
Total Noncurrent Liabilities		<u>4,247,249</u>	<u>4,696,798</u>
Total Liabilities		<u>6,469,637</u>	<u>6,984,519</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>340,290</u>	<u>428,593</u>
NET POSITION			
Net investment in capital assets		13,488,837	12,982,855
Restricted for:			
Debt service		983,111	954,796
Pension		-	210,998
Unrestricted		<u>6,986,453</u>	<u>6,869,159</u>
TOTAL NET POSITION		<u><u>\$ 21,458,401</u></u>	<u><u>\$ 21,017,808</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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of electricity	\$ 14,469,173	\$ 14,996,029
Other	<u>155,398</u>	<u>140,002</u>
Total Operating Revenues	<u>14,624,571</u>	<u>15,136,031</u>
OPERATING EXPENSES		
Operation and maintenance	12,774,906	13,060,056
Depreciation	<u>1,194,203</u>	<u>1,108,163</u>
Total Operating Expenses	<u>13,969,109</u>	<u>14,168,219</u>
OPERATING INCOME	<u>655,462</u>	<u>967,812</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	202,391	104,218
Interest expense	(109,620)	(120,579)
Amortization of premium	15,266	17,280
Miscellaneous expenses	(6,787)	2,827
Other income (expense)	<u>71,256</u>	<u>19,067</u>
Total Nonoperating Revenues (Expenses)	<u>172,506</u>	<u>22,813</u>
Income Before Contributions and Transfers	827,968	990,625
CAPITAL CONTRIBUTIONS	93,467	280,064
TRANSFER IN (OUT)	(27,902)	(27,975)
TRANSFERS - TAX EQUIVALENT	<u>(452,940)</u>	<u>(432,589)</u>
CHANGE IN NET POSITION	440,593	810,125
NET POSITION - Beginning of Year	<u>21,017,808</u>	<u>20,207,683</u>
NET POSITION - END OF YEAR	<u><u>\$ 21,458,401</u></u>	<u><u>\$ 21,017,808</u></u>

See accompanying notes to the financial statements.

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 14,591,766	\$ 15,109,693
Received for street lighting	105,839	112,941
Paid to suppliers for goods and services	(11,936,109)	(12,371,601)
Paid to employees for operating payroll	(732,275)	(766,572)
Net Cash Flows From Operating Activities	2,029,221	2,084,461
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(432,589)	(394,626)
Received from municipality principal on Wisconsin Retirement UAAL liability	43,646	41,375
Received from municipality interest on Wisconsin Retirement UAAL liability	8,883	10,124
Transfers to other funds	(27,902)	(27,975)
Net Cash Flows From Noncapital Financing Activities	(407,962)	(371,102)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,137,346)	(2,852,965)
Capital contributions received	50,478	397,782
Debt retired	(620,000)	(610,000)
Interest paid	(110,153)	(122,707)
Net Cash Flows From Capital and Related Financing Activities	(1,817,021)	(3,187,890)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(540,126)	(456,292)
Investments sold and matured	1,391,115	604,190
Dividends/(Investment) in ATC	18,292	17,216
Investment income	92,885	90,085
Net Cash Flows From Investing Activities	962,166	255,199
Net Change in Cash and Cash Equivalents	766,404	(1,219,332)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,727,279	4,946,611
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,493,683	\$ 3,727,279
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
ATC earnings allocated	\$ 11,206	\$ 9,618
Unrealized gain (loss) on investments	\$ 47,623	\$ (35,729)
Capital contribution	\$ 8,022	\$ 5,747

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLows FROM OPERATING ACTIVITIES		
Operating income	\$ 655,462	\$ 967,812
Nonoperating revenue (expense)	68,129	25,552
Noncash items in operating income		
Depreciation	1,194,203	1,108,163
Depreciation charged to clearing and other utilities	70,200	63,900
Changes in assets and liabilities		
Customer accounts receivable	81,733	109,007
Other accounts receivable	(65,546)	(56,575)
Due from other funds	(6,819)	2,908
Materials and supplies	19,089	(52,801)
Prepayments	(5,543)	(459)
Pension related deferrals and liabilities	102,218	20,435
Accounts payable	(60,790)	(42,105)
Due to other funds	(14,122)	(1,543)
Customer deposits	(4,463)	5,711
Accrued sick leave	12,350	(43,618)
Other current liabilities	(15,939)	(22,898)
Commitment to community	(941)	972
	<u>\$ 2,029,221</u>	<u>\$ 2,084,461</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 5,526,863	\$ 5,612,885
Redemption account	523,167	497,953
Reserve account	460,722	460,722
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	530,449	518,953
Sick leave reserve account	145,213	132,863
Total Cash and Investments	7,211,414	7,248,376
Less: Noncash equivalents	(2,717,731)	(3,521,097)
	<u>\$ 4,493,683</u>	<u>\$ 3,727,279</u>
CASH AND CASH EQUIVALENTS		

See accompanying notes to the financial statements.

WATER UTILITY

STOUGHTON WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and investments	\$ 911,764	\$ 348,735
Interest receivable	9,349	1,247
Restricted Assets		
Redemption account	266,613	219,171
Customer accounts receivable	237,259	235,358
Other accounts receivable	4,067	3,778
Due from municipality	30,537	39,866
Materials and supplies	39,599	39,203
Prepayments	7,184	7,845
Current portion of special assessments	29,026	29,026
Total Current Assets	1,535,398	924,229
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	340,710	252,000
Depreciation account	25,000	25,000
Construction account	754,799	-
Net pension asset	-	70,127
Other Assets		
Water plant and maintenance reserve account	279,746	189,499
Sick leave reserve account	85,562	76,246
Preliminary survey and investigation	2,462	24,798
Special assessments receivable	145,129	174,155
Non-utility property	17,798	22,078
Capital Assets		
Plant in service	24,634,287	23,710,621
Accumulated depreciation	(7,731,158)	(7,499,746)
Construction work in progress	30	28,458
Total Noncurrent Assets	18,554,365	17,073,236
Total Assets	20,089,763	17,997,465
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	220,335	127,795

LIABILITIES		<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES			
Accounts payable		\$ 37,909	\$ 14,298
Due to municipality		529,946	425,078
Accrued wages		12,851	9,142
Accrued interest		1,658	1,913
Current portion of general obligation debt		51,000	51,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		439,952	314,173
Accrued interest		<u>12,392</u>	<u>7,006</u>
Total Current Liabilities		<u>1,085,708</u>	<u>822,610</u>
NONCURRENT LIABILITIES			
General obligation debt		270,000	321,000
Revenue bonds		3,373,206	1,988,159
Unamortized debt premium		73,096	22,981
Accrued sick leave		85,562	76,246
Net pension liability		<u>83,659</u>	<u>-</u>
Total Noncurrent Liabilities		<u>3,885,523</u>	<u>2,408,386</u>
Total Liabilities		<u>4,971,231</u>	<u>3,230,996</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>115,727</u>	<u>143,740</u>
NET POSITION			
Net investment in capital assets		13,450,704	13,542,020
Restricted for:			
Debt service		619,931	489,165
Pension		-	70,127
Unrestricted		<u>1,152,505</u>	<u>649,212</u>
TOTAL NET POSITION		<u><u>\$ 15,223,140</u></u>	<u><u>\$ 14,750,524</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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of water	\$ 2,272,390	\$ 2,073,990
Other	44,127	47,111
Total Operating Revenues	2,316,517	2,121,101
OPERATING EXPENSES		
Operation and maintenance	1,066,072	969,181
Depreciation	484,888	460,342
Total Operating Expenses	1,550,960	1,429,523
OPERATING INCOME	765,557	691,578
NONOPERATING REVENUES (EXPENSES)		
Investment income	38,171	18,984
Interest expense	(52,141)	(51,176)
Amortization of premium	5,483	6,065
Miscellaneous expenses	(4,280)	(4,280)
Miscellaneous revenues	-	3,601
Debt issuance costs	(62,380)	-
Total Nonoperating Revenues (Expenses)	(75,147)	(26,806)
Income Before Contributions	690,410	664,772
CAPITAL CONTRIBUTIONS	-	386,101
CAPITAL CONTRIBUTIONS - MUNICIPAL	213,240	18,284
TRANSFER IN (OUT)	-	(6,260)
TRANSFERS - TAX EQUIVALENT	(431,034)	(423,351)
CHANGE IN NET POSITION	472,616	639,546
NET POSITION - Beginning of Year	14,750,524	14,110,978
NET POSITION - END OF YEAR	\$ 15,223,140	\$ 14,750,524

See accompanying notes to the financial statements.

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,337,794	\$ 2,130,556
Paid to suppliers for goods and services	(622,082)	(648,177)
Paid to employees for operating payroll	(368,527)	(381,881)
Net Cash Flows From Operating Activities	1,347,185	1,100,498
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(423,351)	(420,305)
Transfers to other funds	-	(6,260)
Net Cash Flows From Noncapital Financing Activities	(423,351)	(426,565)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(844,708)	(516,872)
Capital contributions received	-	18,284
Special assessments received	38,314	236,757
Premium on debt issue	55,598	-
Debt retired	(365,174)	(369,415)
Interest paid	(47,010)	(52,040)
Proceeds from debt issue	1,825,000	-
Debt issuance costs	(62,380)	-
Net Cash Flows From Capital and Related Financing Activities	599,640	(683,286)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(8,224)	-
Investments sold and matured	7,773	2,113
Investment income	39,331	27,206
Net Cash Flows From Investing Activities	38,880	29,319
Net Change in Cash and Cash Equivalents	1,562,354	19,966
CASH AND CASH EQUIVALENTS - Beginning of Year	653,399	633,433
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,215,753	\$ 653,399
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Municipality financed additions to utility plant	\$ 213,240	\$ -
Capital contributions	\$ -	\$ 386,101
Unrealized gain (loss) on investments	\$ (9,262)	\$ (17,486)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLAWS FROM OPERATING ACTIVITIES		
Operating income	\$ 765,557	\$ 691,578
Nonoperating revenue (expense)	41	3,601
Noncash items in operating income		
Depreciation	484,888	460,342
Depreciation charged to clearing and other utilities	29,585	28,826
Changes in assets and liabilities		
Customer accounts receivable	(1,901)	(18,871)
Other accounts receivable	(289)	1,578
Due from other funds	41	621
Materials and supplies	(396)	2,198
Prepayments	661	(5,153)
Pension related deferrals and liabilities	33,233	3,360
Accounts payable	23,677	(18,724)
Due to other funds	(937)	(24,506)
Accrued wages	3,709	(1,361)
Accrued sick leave	9,316	(22,991)
	<u>9,316</u>	<u>(22,991)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,347,185</u>	<u>\$ 1,100,498</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 911,764	\$ 348,735
Redemption account	266,613	219,171
Reserve account	340,710	252,000
Depreciation account	25,000	25,000
Construction account	754,799	-
Water plant and maintenance reserve account	279,746	189,499
Sick leave reserve account	85,562	76,246
Total Cash and Investments	2,664,194	1,110,651
Less: Noncash equivalents	(448,441)	(457,252)
	<u>(448,441)</u>	<u>(457,252)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,215,753</u>	<u>\$ 653,399</u>

See accompanying notes to the financial statements.

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and investments	\$ 916,787	\$ 1,569,653
Interest receivable	15,605	5,876
Restricted Assets		
Redemption account	289,365	313,374
Customer accounts receivable	213,942	202,132
Other accounts receivable	17,611	16,721
Due from municipality	21,300	27,760
Prepayments	6,656	3,572
Current portion of special assessments	19,905	19,905
Total Current Assets	1,501,171	2,158,993
NONCURRENT ASSETS		
Restricted Assets		
Depreciation account	33,283	33,283
Replacement account	1,163,890	1,148,645
Net pension asset	-	72,762
Other Assets		
Sick leave reserve account	97,342	91,339
Other Prepaid Asset	53,479	-
Preliminary survey and investigation	2,462	26,492
Special assessments receivable	99,526	119,431
Capital Assets		
Plant in service	31,553,338	30,338,077
Accumulated depreciation	(12,237,929)	(11,793,102)
Construction work in progress	-	59,171
Total Noncurrent Assets	20,765,391	20,096,098
Total Assets	22,266,562	22,255,091
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	239,859	134,712

		<u>2019</u>	<u>2018</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		\$ 42,147	\$ 38,772
Due to municipality		163,710	26,927
Accrued wages		13,331	12,034
Accrued interest		1,105	1,275
Current portion of general obligation debt		34,000	34,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		405,676	436,321
Accrued interest		16,950	18,939
Total Current Liabilities		<u>676,919</u>	<u>568,268</u>
NONCURRENT LIABILITIES			
General obligation debt		180,000	214,000
Revenue bonds		3,478,266	3,883,944
Accrued sick leave		97,342	91,338
Net pension liability		<u>85,837</u>	<u>-</u>
Total Noncurrent Liabilities		<u>3,841,445</u>	<u>4,189,282</u>
Total Liabilities		<u>4,518,364</u>	<u>4,757,550</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>126,301</u>	<u>143,137</u>
NET POSITION			
Net investment in capital assets		15,217,467	14,035,881
Restricted for:			
Debt service		305,698	327,718
Equipment replacement		1,163,890	1,148,645
Pension		-	72,762
Unrestricted		<u>1,174,701</u>	<u>1,904,110</u>
TOTAL NET POSITION		<u><u>\$ 17,861,756</u></u>	<u><u>\$ 17,489,116</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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Treatment charges	\$ 1,991,342	\$ 1,971,095
Other	<u>137,083</u>	<u>84,781</u>
Total Operating Revenues	<u>2,128,425</u>	<u>2,055,876</u>
OPERATING EXPENSES		
Operation and maintenance	1,025,314	959,399
Depreciation	<u>856,914</u>	<u>820,778</u>
Total Operating Expenses	<u>1,882,228</u>	<u>1,780,177</u>
OPERATING INCOME	<u>246,197</u>	<u>275,699</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	61,695	29,344
Gain on sale of asset	60,527	-
Interest expense	<u>(110,270)</u>	<u>(122,782)</u>
Total Nonoperating Revenues (Expenses)	<u>11,952</u>	<u>(93,438)</u>
Income Before Contributions	258,149	182,261
CAPITAL CONTRIBUTIONS	-	321,665
CAPITAL CONTRIBUTIONS - MUNICIPAL	<u>114,491</u>	<u>-</u>
CHANGE IN NET POSITION	372,640	503,926
NET POSITION - Beginning of Year	<u>17,489,116</u>	<u>16,985,190</u>
NET POSITION - END OF YEAR	<u><u>\$ 17,861,756</u></u>	<u><u>\$ 17,489,116</u></u>

See accompanying notes to the financial statements.

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,115,815	\$ 2,056,987
Paid to suppliers for goods and services	(671,666)	(608,225)
Paid to employees for operating payroll	(363,748)	(381,881)
Net Cash Flows From Operating Activities	1,080,401	1,066,881
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,231,517)	(522,517)
Capital contributions received	-	24,120
Special assessments received	26,275	162,362
Debt retired	(470,323)	(458,702)
Interest paid	(112,429)	(124,889)
Net Cash Flows From Capital and Related Financing Activities	(1,787,994)	(919,626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(13,133)	(230,805)
Investments sold and matured	1,688	218,872
Investment income	67,313	64,590
Net Cash Flows From Investing Activities	55,868	52,657
Net Change in Cash and Cash Equivalents	(651,725)	199,912
CASH AND CASH EQUIVALENTS - Beginning of Year	2,305,311	2,105,399
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,653,586	\$ 2,305,311
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Municipality financed additions to utility plant	\$ 114,491	\$ -
Unrealized gain (loss) on investments	\$ (15,347)	\$ (43,263)
Capital Contributions	\$ -	\$ 297,545

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 246,197	\$ 275,699
Noncash items in operating income		
Depreciation	856,914	820,778
Changes in assets and liabilities		
Customer accounts receivable	(11,810)	8,181
Other accounts receivable	(890)	(7,856)
Due to / from other funds	90	(17,439)
Prepayments	(3,084)	(209)
Pension related deferrals and assets	36,616	(1,055)
Accounts payable	3,469	23,771
Due to other funds	(923)	-
Accrued sick leave	6,004	(33,295)
Other current liabilities	1,297	(1,694)
Other Prepaid Asset	<u>(53,479)</u>	<u>-</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,080,401</u>	<u>\$ 1,066,881</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 916,787	\$ 1,569,653
Redemption account	289,365	313,374
Depreciation account	33,283	33,283
Replacement account	1,163,890	1,148,645
Sick leave reserve account	<u>97,342</u>	<u>91,339</u>
Total Cash and Investments	2,500,667	3,156,294
Less: Noncash equivalents	<u>(847,081)</u>	<u>(850,983)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,653,586</u>	<u>\$ 2,305,311</u>

See accompanying notes to the financial statements.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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 March 2018, the GASB issued Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The utilities adopted this statement effective January 1, 2019.

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, 2019 and 2018

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, 2019 and 2018

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

The electric utility owns land being 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, 2019 and 2018. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2019 and 2018. The costs are being amortized on a straight-line basis over their useful life.

Capital Assets

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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

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

Capital Assets (cont.)

Capital assets of the utilities are recorded at cost or the estimated acquisition value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

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

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to 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.

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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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

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

Customer Advances for Construction

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

Commitment to Community

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

Customer Deposits

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

Accrued Liabilities

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

Long-Term Obligations

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

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, 2019 and 2018

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 October 1, 2018. The rates are designed to earn a 5% 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. 87, Leases, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, and Statement No. 91, *Conduit Debt Obligations*. 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, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2019	2018	
Checking or savings	\$ 6,528,327	\$ 5,655,199	Custodial credit risk
Local government investment pool	1,833,944	1,030,498	Credit risk
Certificates of deposit - nonnegotiable	742,653	741,907	Custodial credit risk
Certificates of deposit - negotiable	1,432,946	1,898,241	Custodial credit, credit, concentration and interest rate risks
State and local bonds	1,013,562	991,945	Custodial credit, credit, concentration and interest rate risks
U.S. agency securities - explicitly guaranteed	181,806	247,840	Custodial credit and interest rate risks
U.S. agency securities - implicitly guaranteed	642,287	948,941	Custodial credit, credit, concentration and interest rate risks
Petty cash	<u>750</u>	<u>750</u>	
Totals	<u>\$ 12,376,275</u>	<u>\$ 11,515,321</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 \$5,601,383 and \$6,596,256 at December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018

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 valuation methods for recurring methods fair value measurements are as follows:

- level 2 values are based on less active markets for identified investments combined with active markets for similar investments.

<u>Investment Type</u>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ -	\$ 824,093	\$ -	\$ 824,093
Certificates of deposit - negotiable	-	1,432,946	-	1,432,946
State and local bonds	-	1,013,562	-	1,013,562
Total	\$ -	\$ 3,270,601	\$ -	\$ 3,270,601

<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

The investment in ATC is measured at the net asset value (NAV) per share of ownership. As of December 31, 2019 and 2018 the fair value of the investment was \$445,792 and \$416,294, 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, 2019 and 2018

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.

	2019		2018	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 4,553,316	\$ 4,423,678	\$ 4,700,989	\$ 4,099,149
Wells Fargo Brokerage	-	-	928	928
Associated Bank	1,563,235	1,568,735	1,513,233	1,531,733
Wisconsin Investment Services Cooperative	1,278,567	1,278,567	765,296	765,296
Totals	\$ 7,395,118	\$ 7,270,980	\$ 6,980,446	\$ 6,397,106

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, 2019 and 2018 the utilities' investments were exposed to custodial credit risk as follows:

Neither Insured nor Registered and Held by Counterparty	2019	2018
U.S. agencies - implicitly guaranteed	\$ 642,287	\$ 948,941
U.S. agencies - explicitly guaranteed	181,806	247,840
State and local bonds	1,013,562	991,945
Certificates of deposit - negotiable	1,432,946	1,898,241
Total Neither Insured nor Registered and Held by Counterparty	\$ 3,270,601	\$ 4,086,967

The utilities' investment policy does not address this risk.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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, 2019, 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
Certificates of deposit - negotiable	AAA - A+	Aa1

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

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, 2019 and 2018, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2019	2018
FHLMC	U.S. agencies - implicitly guaranteed	4.64%	6.01%
FHLB	U.S. agencies - implicitly guaranteed	7.66%	7.66%
State of Wisconsin	State and local bonds	12.54%	12.54%
Arkansas State	State and local bonds	6.87%	6.84%

The utilities' investment policy does not address this risk.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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, 2019, 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	\$ 642,287	\$ -	\$ 400,033	\$ 242,253
Certificates of deposit - negotiable	1,432,946	1,180,702	252,244	-
State and local bonds	1,013,562	-	1,013,562	-
U.S. agencies - explicitly guaranteed	181,806	-	-	181,806
Totals	<u>\$ 3,270,601</u>	<u>\$ 1,180,702</u>	<u>\$ 1,665,839</u>	<u>\$ 424,059</u>

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>

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, 2019 and 2018

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2019 and 2018:

Due To	Due From	2019		2018	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 431,034	Payment in lieu of taxes	\$ 423,351	Payment in lieu of taxes
Municipality	Water utility	98,912	Operating and capital	1,727	Operating
Electric utility	Municipality	14,093	Operating	7,274	Operating
Water utility	Municipality	30,537	Operating and special Assessments	39,866	Operating and special assessments
Wastewater utility	Municipality	21,300	Operating and special assessments	27,760	Operating and special assessments
Municipality	Electric utility	49,606	Stormwater	63,728	Stormwater
Municipality	Electric utility	452,940	Payment in lieu of taxes	432,589	Payment in lieu of taxes
Municipality	Wastewater	163,710	Operating and capital	26,927	Operating

The following is a schedule of transfer balances for the years ending December 31, 2019 and 2018:

To	From	2019		2018	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 27,902	Operating	\$ 27,975	Operating
Municipality	Electric utility	452,940	Payment in lieu of taxes	432,589	Payment in lieu of taxes
Municipality	Water utility	-		6,260	Operating
Municipality	Water utility	431,034	Payment in lieu of taxes	423,351	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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Accounts (cont.)

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

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

Replacement Account

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

Net Pension Asset

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

Restricted Net Position

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

	2019	2018
Restricted Assets		
Redemption account	\$ 523,167	\$ 497,953
Reserve account	460,722	460,722
Depreciation account	25,000	25,000
Net pension asset	-	210,998
Total Restricted Assets	1,008,889	1,194,673
Current Liabilities Payable From Restricted Assets	(25,778)	(28,879)
Total Restricted Net Position as Calculated	\$ 983,111	\$ 1,165,794

The purpose of the restricted net position is as follows:

	2019	2018
Debt service	\$ 983,111	\$ 954,796
Pension	-	210,998
Total Restricted Net Position	\$ 983,111	\$ 1,165,794

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 - RESTRICTED ASSETS (cont.)

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

	2019	2018
Restricted Assets		
Redemption account	\$ 266,613	\$ 219,171
Reserve account	340,710	252,000
Depreciation account	25,000	25,000
Construction account	754,799	-
Net pension asset	-	70,127
Total Restricted Assets	1,387,122	566,298
Less: Restricted Assets Not Funded by Revenues		
Construction account	(754,799)	-
Current Liabilities Payable From Restricted Assets	(12,392)	(7,006)
Total Restricted Net Position as Calculated	\$ 619,931	\$ 559,292

The purpose of the restricted net position is as follows:

	2019	2018
Debt service	\$ 619,931	\$ 489,165
Pension	-	70,127
Total Restricted Net Position	\$ 619,931	\$ 559,292

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

	2019	2018
Restricted Assets		
Redemption account	\$ 289,365	\$ 313,374
Depreciation account	33,283	33,283
Replacement account	1,163,890	1,148,645
Net pension asset	-	72,762
Total Restricted Assets	1,486,538	1,568,064
Current Liabilities Payable From Restricted Assets	(16,950)	(18,939)
Total Restricted Net Position as Calculated	\$ 1,469,588	\$ 1,549,125

The purpose of the restricted net position is as follows:

	2019	2018
Debt service	\$ 305,698	\$ 327,718
Equipment replacement	1,163,890	1,148,645
Pension	-	72,762
Total Restricted Net Position	\$ 1,469,588	\$ 1,549,125

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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, 2019 is \$252,442.

Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	47,388	1,600	48,988
2025	<u>5,931</u>	<u>178</u>	<u>6,109</u>
Totals	<u>\$ 252,442</u>	<u>\$ 23,492</u>	<u>\$ 275,934</u>

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2019 follows:

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Capital assets, not being depreciated				
Land and land rights	\$ 344,364	\$ -	\$ -	\$ 344,364
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	28,463,179	1,169,631	262,530	29,370,280
General	<u>4,235,628</u>	<u>32,120</u>	<u>278,522</u>	<u>3,989,226</u>
Total Capital Assets Being Depreciated	<u>32,713,826</u>	<u>1,201,751</u>	<u>541,052</u>	<u>33,374,525</u>
Total Capital Assets	<u>33,058,190</u>	<u>1,201,751</u>	<u>541,052</u>	<u>33,718,889</u>
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(12,890,043)	(1,040,771)	284,279	(13,646,535)
General	<u>(2,482,264)</u>	<u>(223,634)</u>	<u>275,028</u>	<u>(2,430,870)</u>
Total Accumulated Depreciation	<u>(15,391,673)</u>	<u>(1,264,405)</u>	<u>559,307</u>	<u>(16,096,771)</u>
Construction in progress	<u>208,793</u>	<u>-</u>	<u>84,885</u>	<u>123,908</u>
Net Capital Assets	<u>\$ 17,875,310</u>			<u>\$ 17,746,026</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

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

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
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	4,107,520	935,946	807,838	4,235,628
Total Capital Assets Being Depreciated	28,960,084	4,830,636	1,076,894	32,713,826
Total Capital Assets	29,180,881	4,954,203	1,076,894	33,058,190
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(12,204,392)	(961,439)	275,788	(12,890,043)
General	(3,065,714)	(210,627)	794,077	(2,482,264)
Total Accumulated Depreciation	(15,289,472)	(1,172,066)	1,069,865	(15,391,673)
Construction in progress	2,358,222	-	2,149,429	208,793
Net Capital Assets	\$ 16,249,631			\$ 17,875,310

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
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	94,479	9,000	1,598,745
Water treatment	90,763	-	-	90,763
Transmission and distribution	20,240,541	1,092,239	24,226	21,308,554
General	840,190	9,051	238,877	610,364
Total Capital Assets Being Depreciated	23,280,490	1,195,769	272,103	24,204,156
Total Capital Assets	23,710,621	1,195,769	272,103	24,634,287
Less: Accumulated depreciation				
Source of supply	(404,265)	(17,276)	-	(421,541)
Pumping	(1,305,406)	(60,729)	9,000	(1,357,135)
Water treatment	(89,514)	(437)	-	(89,951)
Transmission and distribution	(4,715,970)	(383,055)	35,225	(5,063,800)
General	(984,591)	(53,017)	238,877	(798,731)
Total Accumulated Depreciation	(7,499,746)	(514,514)	283,102	(7,731,158)
Construction in progress	28,458	-	28,428	30
Net Capital Assets	\$ 16,239,333			\$ 16,903,159

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

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, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

A summary of changes in wastewater capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Capital assets being depreciated				
Collecting system	\$ 12,545,494	\$ 1,148,496	\$ 26,597	\$ 13,667,393
Collecting system pumping	751,496	4,113	1,925	753,684
Treatment and disposal	15,631,555	60,399	27,300	15,664,654
General	1,409,532	428,001	369,926	1,467,607
Total Capital Assets Being Depreciated	30,338,077	1,641,009	425,748	31,553,338
Less: Accumulated depreciation	(11,793,102)	(856,914)	412,087	(12,237,929)
Construction in progress	59,171	-	59,171	-
Net Capital Assets	\$ 18,604,146			\$ 19,315,409

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

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
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	1,377,331	32,201	-	1,409,532
Total Capital Assets Being Depreciated	29,532,551	818,915	13,389	30,338,077
Less: Accumulated depreciation	(10,994,875)	(820,779)	22,552	(11,793,102)
Construction in progress	59,092	59,171	59,092	59,171
Net Capital Assets	\$ 18,596,768			\$ 18,604,146

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Debt - Electric

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
May 3, 2016	Electric system improvements, refund 2006 bonds	April 1, 2036	2.00 - 3.00%	\$ 4,005,000	\$ 3,095,000
February 15, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25	3,170,000	1,315,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
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	110,000	45,450	155,450
2025-2029	600,000	189,850	789,850
2030-2034	690,000	98,550	788,550
2035-2036	<u>305,000</u>	<u>9,225</u>	<u>314,225</u>
Totals	<u>\$ 4,410,000</u>	<u>\$ 644,695</u>	<u>\$ 5,054,695</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 2019 and 2018 were \$729,313 and \$731,613, respectively. Total customer gross revenues as defined for the same periods were \$14,826,962 and \$15,249,831. Annual principal and interest payments are expected to require 2% of gross revenues on average.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Debt - Water

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
May 3, 2016	Additions and improvements, refund 2006 bonds	May 1, 2026	1.00 - 2.75%	\$ 2,520,000	\$ 1,650,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018	338,158 *
November 14, 2019	Additions and improvements	May 1, 2034	2.00 - 3.00	1,825,000	1,825,000

* The debt noted is directly placed with a third party.

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2020	\$ 410,000	\$ 71,781	\$ 29,952	\$ 8,623	\$ 520,356
2021	405,000	66,300	30,751	7,813	509,864
2022	395,000	58,800	31,571	6,981	492,352
2023	420,000	50,788	32,414	6,128	509,330
2024	245,000	43,656	33,278	5,251	327,185
2025-2029	895,000	131,344	180,192	12,272	1,218,808
2030-2034	705,000	44,725	-	-	749,725
Totals	<u>\$ 3,475,000</u>	<u>\$ 467,394</u>	<u>\$ 338,158</u>	<u>\$ 47,068</u>	<u>\$ 4,327,620</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 2019 and 2018 were \$354,041 and \$362,282, respectively. Total customer gross revenues as defined for the same periods were \$2,354,688 and \$2,140,085. Annual principal and interest payments are expected to require 12% of gross revenues on average.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Debt - Wastewater

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049%	\$ 623,465	\$ -
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	73,435 *
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	413,378 *
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	764,797 *
November 1, 2014	WWTP improvements	May 1, 2034	2.625	3,305,713	2,632,332 *

* The debt noted is directly placed with a third party.

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Direct Placement		
	Principal	Interest	Total
2020	\$ 405,676	\$ 96,216	\$ 501,892
2021	340,971	86,252	427,223
2022	349,930	77,175	427,105
2023	359,126	67,858	426,984
2024	257,975	59,826	317,801
2025-2029	1,177,014	200,238	1,377,252
2030-2034	993,250	66,533	1,059,783
Totals	<u>\$ 3,883,942</u>	<u>\$ 654,098</u>	<u>\$ 4,538,040</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 2019 and 2018 were \$542,002 and \$544,152, respectively. Total customer gross revenues as defined for the same periods were \$2,190,120 and \$2,085,220. Annual principal and interest payments are expected to require 14% of gross revenues on average.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Water

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$ 522,000	\$ 321,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
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	54,000	1,856	55,856
2025	<u>57,000</u>	<u>641</u>	<u>57,641</u>
Totals	<u>\$ 321,000</u>	<u>\$ 20,737</u>	<u>\$ 341,737</u>

General Obligation Debt - Wastewater

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$ 348,000	\$ 214,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2020	\$ 34,000	\$ 4,080	\$ 38,080
2021	34,000	3,400	37,400
2022	36,000	2,700	38,700
2023	36,000	1,980	37,980
2024	36,000	1,238	37,238
2025	<u>38,000</u>	<u>427</u>	<u>38,427</u>
Totals	<u>\$ 214,000</u>	<u>\$ 13,825</u>	<u>\$ 227,825</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 5,030,000	\$ -	\$ 620,000	\$ 4,410,000	\$ 660,000
Accrued sick leave	132,863	46,414	34,064	145,213	-
Customer advances for construction	62,383	43,915	78,882	27,416	-
Unamortized premium on bonds	<u>91,552</u>	<u>-</u>	<u>15,266</u>	<u>76,286</u>	<u>-</u>
Totals	<u>\$ 5,316,798</u>	<u>\$ 90,329</u>	<u>\$ 748,212</u>	<u>\$ 4,658,915</u>	<u>\$ 660,000</u>

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

	<u>1/1/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within One Year</u>
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	<u>108,833</u>	<u>-</u>	<u>17,281</u>	<u>91,552</u>	<u>-</u>
Totals	<u>\$ 5,953,955</u>	<u>\$ 339,514</u>	<u>\$ 976,671</u>	<u>\$ 5,316,798</u>	<u>\$ 620,000</u>

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,302,332	\$ 1,825,000	\$ 314,174	\$ 3,813,158	\$ 439,952
General obligation debt	372,000	-	51,000	321,000	51,000
Accrued sick leave	76,246	16,878	7,562	85,562	-
Unamortized premium on bonds	<u>22,981</u>	<u>55,598</u>	<u>5,483</u>	<u>73,096</u>	<u>-</u>
Totals	<u>\$ 2,773,559</u>	<u>\$ 1,897,476</u>	<u>\$ 378,219</u>	<u>\$ 4,292,816</u>	<u>\$ 490,952</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Water (cont.)

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

	<u>1/1/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within One Year</u>
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	<u>29,046</u>	<u>-</u>	<u>6,065</u>	<u>22,981</u>	<u>-</u>
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 Obligations Summary - Wastewater

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 4,320,265	\$ -	\$ 436,323	\$ 3,883,942	\$ 405,676
General obligation debt	248,000	-	34,000	214,000	34,000
Accrued sick leave	<u>91,338</u>	<u>21,097</u>	<u>15,093</u>	<u>97,342</u>	<u>-</u>
Totals	<u>\$ 4,659,603</u>	<u>\$ 21,097</u>	<u>\$ 485,416</u>	<u>\$ 4,195,284</u>	<u>\$ 439,676</u>

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

	<u>1/1/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within 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>

In addition to the liabilities above, information on the net pension liability (asset) for the electric, water and wastewater utilities is shown in Note 9.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

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.

The utilities are covered under the following insurance policies at December 31, 2019:

Type	Coverage		Expiration
Automobile	\$ 15,000,000	CVMIC Self-Insured	1/1/20
Excess Liability	5,000,000	CVMIC Self-Insured	1/1/20
Workers Compensation	5,000,000	CVMIC Self-Insured	1/1/20
	1,000,000	CVMIC Self-Insured	1/1/20
Boiler Insurance	500,000,000	CVMIC Self-Insured	1/1/20
Property		Wisconsin Local Property Insurance	
	65,465,245	Fund	2/1/20

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 2019 and 2018 as follows:

	2019	2018
Operating revenues	\$ 14,624,571	\$ 15,136,031
Investment income	202,391	104,218
Less: Operation and maintenance expenses	<u>(12,774,906)</u>	<u>(13,060,056)</u>
Net Defined Earnings	<u>\$ 2,052,056</u>	<u>\$ 2,180,193</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>2.71</u>	<u>2.88</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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 2019 and 2018 as follows:

	2019	2018
Operating revenues	\$ 2,316,517	\$ 2,121,101
Investment income	38,171	18,984
Less: Operation and maintenance expenses	(1,066,072)	(969,181)
Net Defined Earnings	\$ 1,288,616	\$ 1,170,904
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 577,475	\$ 375,312
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 750,718	\$ 487,906
Actual Debt Coverage	2.23	3.12

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 2019 and 2018 as follows:

	2019	2018
Operating revenues	\$ 2,128,425	\$ 2,055,876
Investment income	61,695	29,344
Less: Operation and maintenance expenses	(1,025,314)	(959,399)
Net Defined Earnings	\$ 1,164,806	\$ 1,125,821
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 582,752	\$ 543,992
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 641,027	\$ 598,391
Actual Debt Coverage	2.00	2.07

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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 2019 and 2018:

	Customers		Sales (000 kWh)	
	2019	2018	2019	2018
Residential	7,790	7,766	64,697	66,822
General	845	790	16,945	16,448
Small power	48	52	16,588	16,708
Large power	10	10	11,425	12,399
Industrial	14	14	33,014	31,702
Street and highway lighting	6	7	604	727
Totals	<u>8,713</u>	<u>8,639</u>	<u>143,273</u>	<u>144,806</u>

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2019 and 2018:

	Customers		Sales (000 gals)	
	2019	2018	2019	2018
Residential	4,519	4,498	197,394	199,362
Multifamily residential	81	75	35,271	29,205
Commercial	372	373	43,346	54,232
Industrial	25	25	162,023	157,411
Public authority	36	38	5,073	4,806
Interdepartmental	6	6	553	404
Totals	<u>5,039</u>	<u>5,015</u>	<u>443,660</u>	<u>445,420</u>

Number of Customers and Billed Volumes - Wastewater

The utility has the following number of customers and billed volumes for 2019 and 2018:

	Customers		Sales (000 gals)	
	2019	2018	2019	2018
Residential	4,506	4,487	196,562	198,733
Multifamily residential	80	73	35,262	29,216
Commercial	354	355	39,842	50,705
Industrial	21	21	33,208	22,687
Public authority	29	29	3,948	4,087
Wholesale	1	1	51	68
Totals	<u>4,991</u>	<u>4,966</u>	<u>308,873</u>	<u>305,496</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utility Budget

The 2019 and 2018 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:

	2019	2018
Construction work in progress	\$ 123,908	\$ 208,793
Plant in service	33,718,889	33,058,190
Accumulated depreciation	(16,096,771)	(15,391,673)
Property held for future use	229,097	229,097
Sub-Totals	17,975,123	18,104,407
Less: Capital related debt		
Current portion of capital related long-term debt	660,000	620,000
Long-term portion of capital related long-term debt	3,750,000	4,410,000
Unamortized debt premium	76,286	91,552
Sub-Totals	4,486,286	5,121,552
Total Net Investment in Capital Assets	\$ 13,488,837	\$ 12,982,855

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 8 - NET POSITION (cont.)

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

	2019	2018
Construction work in progress	\$ 30	\$ 28,458
Plant in service	24,634,287	23,710,621
Accumulated depreciation	<u>(7,731,158)</u>	<u>(7,499,746)</u>
Sub-Totals	<u>16,903,159</u>	<u>16,239,333</u>
Less: Capital related debt		
Current portion of capital related long-term debt	490,952	365,173
Long-term portion of capital related long-term debt	3,643,206	2,309,159
Unamortized debt premium	<u>73,096</u>	<u>22,981</u>
Sub-Totals	<u>4,207,254</u>	<u>2,697,313</u>
Add: Unspent debt proceeds		
Construction funds	<u>754,799</u>	<u>-</u>
Total Net Investment in Capital Assets	<u>\$ 13,450,704</u>	<u>\$ 13,542,020</u>

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

	2019	2018
Construction work in progress	\$ -	\$ 59,171
Plant in service	31,553,338	30,338,077
Accumulated depreciation	<u>(12,237,929)</u>	<u>(11,793,102)</u>
Sub-Totals	<u>19,315,409</u>	<u>18,604,146</u>
Less: Capital related debt		
Current portion of capital related long-term debt	439,676	470,321
Long-term portion of capital related long-term debt	<u>3,658,266</u>	<u>4,097,944</u>
Sub-Totals	<u>4,097,942</u>	<u>4,568,265</u>
Total Net Investment in Capital Assets	<u>\$ 15,217,467</u>	<u>\$ 14,035,881</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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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
2018	2.4	17.0

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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 \$120,398 and \$125,190 in contributions from the utilities during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2019 and December 31, 2018 are:

	2019		2018	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.7%	6.7%	6.8%	6.8%
Protective with Social Security	6.7%	10.7%	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, 2019, the utilities reported a liability (asset) of \$417,830 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the City of Stoughton's's proportion was 0.04989755%, which was an increase of 0.00116035% from its proportion measured as of December 31, 2017.

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's proportion was 0.04873732%, which was an increase of 0.00168697% from its proportion measured as of December 31, 2016.

For the years ended December 31, 2019 and 2018, the utilities recognized pension expense of \$172,067 and \$36,275, respectively.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2019, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Electric Utility		Water Utility		Wastewater Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 202,953	\$ 336,419	\$ 68,022	\$ 114,253	\$ 70,901	\$ 124,696
Changes in assumption	40,041	-	13,796	-	16,636	-
Net differences between project and actual earnings on pension plan	333,016	-	113,921	-	128,795	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,871	-	1,474	-	1,605
Employer contributions subsequent to the measurement date	<u>72,275</u>	<u>-</u>	<u>24,596</u>	<u>-</u>	<u>23,527</u>	<u>-</u>
Total	<u>\$ 648,285</u>	<u>\$ 340,290</u>	<u>\$ 220,335</u>	<u>\$ 115,727</u>	<u>\$ 239,859</u>	<u>\$ 126,301</u>

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

	Electric Utility		Water Utility		Wastewater Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 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>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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
2020	\$ 84,704	\$ 28,752	\$ 32,352
2021	20,629	7,002	7,879
2022	37,511	12,733	14,327
2023	92,876	31,525	35,473
2024	-	-	-
Thereafter	-	-	-
Total	\$ 235,720	\$ 80,012	\$ 90,031

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:

	2019	2018
Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases		
Inflation	3.0%	3.2%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments *	1.9%	2.1%

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

Actuarial assumptions used in the December 31, 2017 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2015 – 2017. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Actuarial assumptions used in the December 31, 2016 actuarial valuation is based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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, 2019 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	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.45
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.47
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%.
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, 2019 and 2018

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, 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.

Single discount rate. A single discount rate of 7.00% and 7.20% was used to measure the total pension liability as of December 31, 2019 and December 31, 2018, respectively. As of December 31, 2019, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. As of December 31, 2018, the 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%. Because of the unique structure of WRS, the 7.00% (7.20% for 2018) expected rate of return implies that a dividend of approximately 1.9% (2.1% for 2018) 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, 2019 and 2018

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 current discount rate, 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 or 1-percentage-point higher than the current rate.

The sensitivity analysis as of December 31, 2019 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Electric Utility's's proportionate share of the net position liability (asset)	\$ 987,675	\$ 248,334	\$ (301,086)
Water Utility's proportionate share of the net position liability (asset)	352,741	83,659	(107,531)
Wastewater Utility's proportionate share of the net position liability (asset)	282,193	85,837	(86,025)

The sensitivity analysis as of December 31, 2018 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Electric Utility's proportionate share of the net position liability (asset)	\$ 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)

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, 2019 and 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (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 \$324 million as of December 31, 2019.

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, 2019 and 2018

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, 2019

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)
12/31/19	0.04989755%	\$ 417,830	\$ 1,872,463	22.31%	96.45%
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, 2018

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
12/31/19	\$ 120,398	\$ 120,398	\$ -	1,838,134	6.55%
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, 2019

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions.

	2015 - 2018	2019
Long-term expected rate of	7.2%	7.0%
Discount rate	7.2%	7.0%
Salary increases		
Inflation	3.2%	3.0%
Seniority/Merit	0.2% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	2.10%	1.90%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SUPPLEMENTAL INFORMATION

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY PLANT
As of and for the Year Ended December 31, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
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	344,363	-	-	344,363
Structures and improvements	52,834	-	-	52,834
Station equipment	6,918,040	64,873	-	6,982,913
Poles, towers and fixtures	3,485,984	235,880	60,497	3,661,367
Overhead conductors and devices	5,924,573	134,711	85,637	5,973,647
Underground conduit	798,345	48,029	1,843	844,531
Underground conductors and devices	4,721,154	436,019	31,648	5,125,525
Line transformers	3,300,940	60,327	11,795	3,349,472
Services	1,930,145	66,373	5,345	1,991,173
Meters	705,777	7,492	992	712,277
Street lighting and signal systems	625,387	115,927	64,773	676,541
Total Distribution	<u>28,807,542</u>	<u>1,169,631</u>	<u>262,530</u>	<u>29,714,643</u>
GENERAL				
Structures and improvements	1,656,659	-	6,368	1,650,291
Office furniture and equipment	216,970	-	137,192	79,778
Computer equipment	191,677	-	91,570	100,107
Transportation equipment	339,614	-	12,641	326,973
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	87,537	4,195	6,847	84,885
Laboratory equipment	60,822	-	1,361	59,461
Power-operated equipment	1,188,543	-	-	1,188,543
Communication equipment	478,832	27,925	17,553	489,204
Miscellaneous equipment	4,990	-	4,990	-
Total General	<u>4,235,628</u>	<u>32,120</u>	<u>278,522</u>	<u>3,989,226</u>
TOTAL ELECTRIC UTILITY PLANT	<u><u>\$ 33,058,190</u></u>	<u><u>\$ 1,201,751</u></u>	<u><u>\$ 541,052</u></u>	<u><u>\$ 33,718,889</u></u>

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 4,955,311	\$ 5,214,477
Rural	2,709,727	2,810,526
General service	1,635,537	1,586,188
Large commercial and industrial	1,228,153	1,350,865
Large power	1,014,480	1,101,792
Industrial	2,667,900	2,657,141
Public street and highway lighting	105,839	112,941
Interdepartmental	152,226	162,099
Total Sales of Electricity	14,469,173	14,996,029
Other Operating Revenues		
Forfeited discounts	30,642	32,444
Other	124,756	107,558
Total Operating Revenues	14,624,571	15,136,031
OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	10,832,755	11,288,599
Transmission		
Operation supervision and engineering	4,027	4,794
Station	42,195	44,591
Overhead lines	20,293	44,055
Underground lines	37,931	41,565
Total Transmission	104,446	135,005
Distribution		
Street lighting and signal system	3,261	179
Meter	5,997	7,672
Miscellaneous	71,176	98,322
Maintenance		
Supervision and engineering	37,577	3,884
Station equipment	30,444	25,793
Overhead lines	346,183	184,254
Underground lines	84,453	121,539
Line transformers	2,834	7,331
Street lighting and signal system	4,250	3,852
Meters	25,203	26,577
Total Distribution	611,378	479,403
Customer Accounts		
Meter reading	3,482	4,813
Customer records and collection	268,585	262,305
Miscellaneous	11,643	7,608
Total Customer Accounts	283,710	274,726

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 231,198	\$ 296,197
Office supplies	71,986	54,982
Outside services employed	47,632	33,944
Property insurance	37,444	31,022
Injuries and damages	38,724	36,159
Employee pensions and benefits	254,110	178,432
Regulatory commission	-	20
Miscellaneous	1,806	47
Rents	13,542	13,179
Maintenance	74,483	61,972
Total Administrative and General	770,925	705,954
Taxes	171,692	176,369
Total Operation and Maintenance	12,774,906	13,060,056
Depreciation	1,194,203	1,108,163
Total Operating Expenses	13,969,109	14,168,219
 OPERATING INCOME	 \$ 655,462	 \$ 967,812

STOUGHTON ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2019 and 2018

	Electric	
	2019	2018
Utility Financed Plant in Service		
Beginning of year	\$ 29,363,406	\$ 25,749,349
End of year	<u>29,942,145</u>	<u>29,363,406</u>
Average	<u>29,652,776</u>	<u>27,556,378</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(13,549,140)	(13,559,734)
End of year	<u>(13,549,136)</u>	<u>(13,549,140)</u>
Average	<u>(13,549,138)</u>	<u>(13,554,437)</u>
Materials and Supplies		
Beginning of year	206,300	153,499
End of year	<u>187,211</u>	<u>206,300</u>
Average	<u>196,756</u>	<u>179,900</u>
Regulatory Liability		
Beginning of year	(110,804)	(132,964)
End of year	<u>(88,644)</u>	<u>(110,804)</u>
Average	<u>(99,724)</u>	<u>(121,884)</u>
Customer Advances for Construction		
Beginning of year	(62,383)	(28,641)
End of year	<u>(27,416)</u>	<u>(62,383)</u>
Average	<u>(44,900)</u>	<u>(45,512)</u>
AVERAGE NET RATE BASE	<u>\$ 16,155,770</u>	<u>\$ 14,014,445</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 454,899</u>	<u>\$ 709,336</u>
RATE OF RETURN (PERCENT)	<u>2.82</u>	<u>5.06</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, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
SOURCE OF SUPPLY				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	<u>595,730</u>	-	-	<u>595,730</u>
Total Source of Supply	<u>607,365</u>	-	-	<u>607,365</u>
PUMPING				
Structures and improvements	644,611	-	-	644,611
Other power production equipment	283,758	-	-	283,758
Electric pumping equipment	<u>584,896</u>	<u>94,479</u>	<u>9,000</u>	<u>670,375</u>
Total Pumping	<u>1,513,265</u>	<u>94,479</u>	<u>9,000</u>	<u>1,598,744</u>
WATER TREATMENT				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	<u>77,092</u>	-	-	<u>77,092</u>
Total Water Treatment	<u>90,763</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	12,799,228	730,508	12,582	13,517,154
Services	2,992,521	231,984	5,006	3,219,499
Meters	825,315	56,417	6,318	875,414
Hydrants	1,663,674	73,330	320	1,736,684
Other transmission and distribution plant	<u>11,800</u>	-	-	<u>11,800</u>
Total Transmission and Distribution	<u>20,263,206</u>	<u>1,092,239</u>	<u>24,226</u>	<u>21,331,219</u>
GENERAL				
Structures and improvements	412,821	-	918	411,903
Office furniture and equipment	63,068	-	26,922	36,146
Computer equipment	55,313	-	33,855	21,458
Transportation equipment	56,922	-	1,785	55,137
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	9,051	16,482	30,427
SCADA equipment	458,421	-	158,915	299,506
Miscellaneous equipment	<u>89</u>	-	-	<u>89</u>
Total General	<u>1,236,022</u>	<u>9,051</u>	<u>238,877</u>	<u>1,006,196</u>
TOTAL WATER UTILITY PLANT	<u><u>\$23,710,621</u></u>	<u><u>\$ 1,195,769</u></u>	<u><u>\$ 272,103</u></u>	<u><u>\$24,634,287</u></u>

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 1,785	\$ 1,153
Metered		
Residential	1,047,552	932,753
Multifamily residential	111,072	83,239
Commercial	161,624	173,345
Industrial	318,340	283,369
Public authorities	22,909	21,093
Interdepartmental	2,272	1,798
Total Metered Sales	1,663,769	1,495,597
Private fire protection	55,087	46,711
Public fire protection	551,749	530,529
Total Sales of Water	2,272,390	2,073,990
Other Operating Revenues		
Forfeited discounts	6,922	6,597
Other	37,205	40,514
Total Operating Revenues	2,316,517	2,121,101
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Maintenance		
Wells and springs	133	138
Pumping		
Fuel or purchased power for pumping	119,359	127,767
Pumping labor	13,921	6,407
Miscellaneous	19	214
Maintenance		
Structures and improvements	12,370	24,446
Pumping equipment	8,386	12,688
Total Pumping	154,055	171,522
Water Treatment		
Chemicals	19,459	20,249
Operation labor	51,039	61,232
Maintenance		
Structures and improvements	-	1,044
Water treatment equipment	17,795	7,711
Total Water Treatment	88,293	90,236
Transmission and Distribution		
Transmission and distribution lines	11,055	13,208
Meters	29,233	27,859
Customer installations	25,778	20,092
Miscellaneous	23,564	24,720
Maintenance		
Reservoirs and standpipes	56,905	46,632
Mains	70,697	64,842
Services	48,763	32,223
Meters	(9)	-
Hydrants	3,846	4,902
Miscellaneous	1,598	4,242
Total Transmission and Distribution	271,430	238,720

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Customer Accounts		
Meter reading	\$ 11,233	\$ 12,934
Accounting and collecting labor	94,350	91,054
Total Customer Accounts	105,583	103,988
Administrative and General		
Salaries	148,591	131,177
Office supplies	23,643	15,576
Outside services employed	49,922	42,240
Property insurance	13,616	11,281
Injuries and damages	14,169	13,234
Employee pensions and benefits	142,021	110,951
Regulatory commission	-	5,498
Miscellaneous	(521)	328
Rents	4,924	5,173
Maintenance	23,516	6,887
Total Administrative and General	419,881	342,345
Taxes	26,697	22,232
Total Operation and Maintenance	1,066,072	969,181
Depreciation	484,888	460,342
Total Operating Expenses	1,550,960	1,429,523
OPERATING INCOME	\$ 765,557	\$ 691,578

STOUGHTON WATER UTILITY

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2019 and 2018

	Water	
	2019	2018
Utility Financed Plant in Service		
Beginning of year	\$ 15,748,034	\$ 15,364,439
End of year	<u>16,671,700</u>	<u>15,748,034</u>
Average	<u>16,209,867</u>	<u>15,556,237</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(5,273,155)	(5,000,572)
End of year	<u>(5,371,671)</u>	<u>(5,273,155)</u>
Average	<u>(5,322,413)</u>	<u>(5,136,864)</u>
Materials and Supplies		
Beginning of year	39,203	41,401
End of year	<u>39,599</u>	<u>39,203</u>
Average	<u>39,401</u>	<u>40,302</u>
Regulatory Liability		
Beginning of year	(171,144)	(205,372)
End of year	<u>(136,916)</u>	<u>(171,144)</u>
Average	<u>(154,030)</u>	<u>(188,258)</u>
AVERAGE NET RATE BASE	<u>\$ 10,772,825</u>	<u>\$ 10,271,417</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 500,651</u>	<u>\$ 401,277</u>
RATE OF RETURN (PERCENT)	<u>4.65</u>	<u>3.91</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, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
COLLECTING SYSTEM				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	10,632,365	1,148,496	26,597	11,754,264
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951	-	-	48,951
Total Collecting System	<u>12,545,500</u>	<u>1,148,496</u>	<u>26,597</u>	<u>13,667,399</u>
COLLECTING SYSTEM PUMPING				
Structures and improvements	109,564	-	-	109,564
Electric pumping equipment	620,532	4,113	1,925	622,720
Other power pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	<u>751,495</u>	<u>4,113</u>	<u>1,925</u>	<u>753,683</u>
TREATMENT AND DISPOSAL				
Structures and improvements	5,364,072	20,740	9,000	5,375,812
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	3,945,824	39,659	18,300	3,967,183
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>15,631,553</u>	<u>60,399</u>	<u>27,300</u>	<u>15,664,652</u>
GENERAL				
Structures and improvements	245,157	-	1,147	244,010
Office furniture and equipment	65,614	-	23,570	42,044
Computer equipment	118,386	-	45,097	73,289
Transportation equipment	427,383	392,920	267,672	552,631
Communication equipment	459,502	35,081	8,790	485,793
Other general equipment	93,487	-	23,650	69,837
Total General	<u>1,409,529</u>	<u>428,001</u>	<u>369,926</u>	<u>1,467,604</u>
TOTAL WASTEWATER UTILITY PLANT	<u><u>\$30,338,077</u></u>	<u><u>\$ 1,641,009</u></u>	<u><u>\$ 425,748</u></u>	<u><u>\$31,553,338</u></u>

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,365,623	\$ 1,374,695
Commercial	430,271	452,154
Industrial	168,612	116,712
Public authorities	26,315	26,929
Interdepartmental sales	521	605
Total Wastewater Revenues	1,991,342	1,971,095
Other Operating Revenues		
Forfeited discounts	4,008	4,375
Miscellaneous	133,075	80,406
Total Operating Revenues	2,128,425	2,055,876
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	817	3,932
Power and fuel for pumping	87,708	86,783
Sludge conditioning chemicals	12,023	11,175
Other operating supplies	22,932	21,231
Total Operation	123,480	123,121
Maintenance		
Collection system	96,499	106,848
Treatment and disposal plant equipment	95,478	122,944
General plant structures and equipment	83,828	71,404
Total Maintenance	275,805	301,196
Customer Accounts		
Accounting and collecting	143,046	136,056
Administrative and General		
Salaries	104,531	90,105
Office supplies	36,899	31,033
Outside services employed	25,323	24,894
Insurance	32,302	27,712
Employees pensions and benefits	154,861	107,944
Miscellaneous	28,505	19,583
Rents	70,952	68,282
Total Administrative and General	453,373	369,553
Taxes	29,610	29,473
Total Operation and Maintenance	1,025,314	959,399
Depreciation	856,914	820,778
Total Operating Expenses	1,882,228	1,780,177
 OPERATING INCOME	 \$ 246,197	 \$ 275,699