

Stoughton Utilities

Enterprise Funds of the City of Stoughton, Wisconsin

Financial Statements and
Supplementary Information

December 31, 2021 and 2020

Stoughton Utilities

Enterprise Funds of the City of Stoughton, Wisconsin

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Independent Auditors' Report

To the Utilities Committee and City Council of
Stoughton Utilities

Opinions

We have audited the accompanying financial statements of Stoughton Utilities (the Utilities), enterprise funds of the City of Stoughton, Wisconsin, as of and for the years ended December 31, 2021, and 2020 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities as of December 31, 2021 and 2020 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the 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, 2021 and 2020, and the changes in financial position or cash flows 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
July 13, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

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, 2021, 2020 and 2019. 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 \$3 million or 22.5 percent, from 2019 to 2021.
- The electric division's net position increased by \$2.9 million in 2021 from the prior year due to an increase in capital assets.

Water

- The water utility net position increased by \$568,326 in 2021 while it increased by \$304,934 in 2020.
- Sales increased by \$57,248 in 2021 from 2020 due to 1.8 percent increase in gallons sold.
- The cash and cash equivalents was negative \$941,469 at December 31, 2021. This was due to a gap between final payments issued to vendors and closing on the Safe Drinking Water Loan to make the utility whole for the expenditures. The water utility was made whole by an internal loan from the electric utility.
- The Public Service Commission of Wisconsin approved Stoughton Utilities' application for a simplified rate case increase (3%), which took effect on June 1, 2021.

Wastewater

- The wastewater net position increased \$440,995 in 2021 and \$367,775 in 2020. The increase is largely due to a decrease in capital spending, which increased unrestricted cash.
- Cash and cash equivalents increased \$542,756 in 2021 from 2020 due to a decrease in capital project spending. The decrease in capital projects was due to the utility's focus on the lead service replacement program in the water utility.

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.

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

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 nonfinancial 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.

Table 1
Condensed Statement of Net Position – Electric Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>
Current and other assets	\$ 11,622,360	\$ 11,719,489	\$ 9,874,017	\$ (97,129)
Capital assets	<u>19,430,213</u>	<u>18,334,295</u>	<u>17,746,026</u>	<u>1,095,918</u>
Total assets	<u>31,052,573</u>	<u>30,053,784</u>	<u>27,620,043</u>	<u>998,789</u>
Deferred outflows of resources	<u>727,728</u>	<u>516,144</u>	<u>648,285</u>	<u>211,584</u>
Long-term debt outstanding	3,080,000	3,750,000	4,410,000	(670,000)
Other liabilities	<u>2,491,756</u>	<u>3,845,050</u>	<u>2,059,637</u>	<u>(1,353,294)</u>
Total liabilities	<u>5,571,756</u>	<u>7,595,050</u>	<u>6,469,637</u>	<u>(2,023,294)</u>
Deferred Inflows of Resources	<u>940,447</u>	<u>689,429</u>	<u>340,290</u>	<u>251,018</u>
Investment in capital assets	16,527,189	14,750,294	13,488,837	1,776,895
Restricted	1,373,487	1,210,511	983,111	162,976
Unrestricted	<u>7,367,422</u>	<u>6,324,644</u>	<u>6,986,453</u>	<u>1,042,778</u>
Total net position	<u>\$ 25,268,098</u>	<u>\$ 22,285,449</u>	<u>\$ 21,458,401</u>	<u>\$ 2,982,649</u>

In 2021, the electric utility net position increased \$2,982,649, an increase of 13.4 percent. In 2020, the electric utility net position increased \$827,048, an increase of 3.9 percent. The increase in net position in 2021 compared to 2020 was largely due capital contributions, mostly for a large pole replacement project.

Investments in capital assets have grown by approximately \$3 million or 22.5 percent, from 2019 to 2021. Capital projects included pole and routine plant replacements. 2021 also had \$367,983 in year-end construction work in progress values mostly due the ongoing East Substation Control and SCADA

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

Upgrades. Long-term borrowing decreased \$1.3 million from 2019 to 2021, meaning the capital projects were funded with cash and investments on hand.

Table 2
Condensed Statement of Net Position – Water Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>
Current and other assets	\$ 3,139,572	\$ 2,914,531	\$ 3,186,604	\$ 225,041
Capital assets	<u>18,658,243</u>	<u>17,060,216</u>	<u>16,903,159</u>	<u>1,598,027</u>
Total Assets	<u>21,797,815</u>	<u>19,974,747</u>	<u>20,089,763</u>	<u>1,823,068</u>
Deferred outflows of resources	<u>265,688</u>	<u>179,243</u>	<u>220,335</u>	<u>86,445</u>
Long-term debt outstanding	3,156,456	3,643,207	4,134,158	(486,751)
Other liabilities	<u>2,474,405</u>	<u>748,758</u>	<u>837,073</u>	<u>1,725,647</u>
Total liabilities	<u>5,630,861</u>	<u>4,391,965</u>	<u>4,971,231</u>	<u>1,238,896</u>
Deferred inflows of resources	<u>336,242</u>	<u>233,951</u>	<u>115,727</u>	<u>102,291</u>
Investment in capital assets	15,450,903	13,465,824	13,450,704	1,985,079
Restricted	801,847	731,568	619,931	70,279
Unrestricted	<u>(156,350)</u>	<u>1,330,682</u>	<u>1,152,505</u>	<u>(1,487,032)</u>
Total net position	<u>\$ 16,096,400</u>	<u>\$ 15,528,074</u>	<u>\$ 15,223,140</u>	<u>\$ 568,326</u>

In 2021, the water utility net position increased by \$568,326, while it increased by \$304,934 in 2020. The increase in net position in 2021 compared to 2020 was largely due to an increase in capital assets.

Long-term borrowing from 2021 to 2019 decreased by \$977,702, while capital assets have increased by \$1.7 million during the same time period. The increase in capital assets is due to the lead service lateral replacement program. Asset retirements from the project will occur in 2022 when the project is closed out.

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

Table 3
Condensed Statements of Net Position – Wastewater Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>Change</u>
Current and other assets	\$ 3,291,488	\$ 2,737,612	\$ 2,951,153	\$ 553,876
Capital assets	18,979,017	19,414,317	19,315,409	(435,300)
Total assets	<u>22,270,505</u>	<u>22,151,929</u>	<u>22,266,562</u>	<u>118,576</u>
Deferred outflows of resources	257,750	183,065	239,859	74,685
Long-term debt outstanding	3,283,295	3,658,265	4,097,942	(374,970)
Other liabilities	252,371	227,638	420,422	24,733
Total liabilities	<u>3,535,666</u>	<u>3,885,903</u>	<u>4,518,364</u>	<u>(350,237)</u>
Deferred inflows of resources	322,063	219,560	126,301	102,503
Investment in capital assets	15,695,722	15,756,052	15,217,467	(60,330)
Restricted	1,592,521	1,497,671	1,469,588	94,850
Unrestricted	1,382,283	975,808	1,174,701	406,475
Total net position	<u>\$ 18,670,526</u>	<u>\$18,229,531</u>	<u>\$ 17,861,756</u>	<u>\$ 440,995</u>

The wastewater net position increased \$440,995 in 2021 and \$367,775 in 2020. From 2019 to 2021, capital asset values decreased by \$336,392 and long-term borrowing decreased \$814,647. The capital asset decrease was due to higher depreciation expense compared to asset additions for the year.

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, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>Change</u>
Operating revenues	\$ 15,545,034	\$ 14,637,461	\$ 14,624,571	\$ 907,573
Nonoperating revenues	72,311	144,889	288,913	(72,578)
Total revenues	<u>15,617,345</u>	<u>14,782,350</u>	<u>14,913,484</u>	<u>834,995</u>
Depreciation expense	1,252,922	1,193,582	1,194,203	59,340
Other operating expense	13,163,306	12,366,320	12,774,906	796,986
Nonoperating expenses	93,300	102,203	116,407	(8,903)
Total expenses	<u>14,509,528</u>	<u>13,662,105</u>	<u>14,085,516</u>	<u>847,423</u>
Income before capital contributions and transfers	1,107,817	1,120,245	827,968	(12,428)
Capital contributions	2,312,859	49,865	93,467	2,262,994
Capital contribution, municipal	-	102,933	-	(102,933)
Transfers, tax Equivalent	(438,027)	(445,995)	(452,940)	7,968
Transfers	-	-	(27,902)	-
Changes in net position	<u>2,982,649</u>	<u>827,048</u>	<u>440,593</u>	<u>2,155,601</u>
Beginning Net Position	<u>22,285,449</u>	<u>21,458,401</u>	<u>21,017,808</u>	<u>827,048</u>
Total net position, ending	<u>\$ 25,268,098</u>	<u>\$ 22,285,449</u>	<u>\$ 21,458,401</u>	<u>\$ 2,982,649</u>

Table 4 is detailed description of the change in net position. 2021 had a 13.4 percent increase change in net position from the prior year. This compares with 3.7 percent change in 2020 from 2019. Revenues were up 5.6 percent in 2021 compared to 2020. The rise in revenue is due to increased kWh sales of approximately 2.5 million, or 1.87 percent, in 2021 compared to 2020, as well as a full year of the rate increase from 2020.

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>Change</u>
Operating revenues	\$ 2,384,852	\$ 2,332,630	\$ 2,316,517	\$ 52,222
Nonoperating revenues	<u>3,522,184</u>	<u>30,658</u>	<u>43,654</u>	<u>3,491,526</u>
Total revenues	<u>5,907,036</u>	<u>2,363,288</u>	<u>2,360,171</u>	<u>3,543,748</u>
Depreciation expense	497,314	468,240	484,888	29,074
Other operating expense	1,056,916	1,083,459	1,066,072	(26,543)
Nonoperating expenses	<u>3,587,720</u>	<u>91,255</u>	<u>118,801</u>	<u>3,496,465</u>
Total expenses	<u>5,141,950</u>	<u>1,642,954</u>	<u>1,669,761</u>	<u>3,498,996</u>
Income before capital contributions and transfers	765,086	720,334	690,410	44,752
Capital contributions	215,280	-	-	215,280
Capital contribution, municipal	-	21,866	213,240	(21,866)
Transfers, tax equivalent	(412,040)	(437,266)	(431,034)	25,226
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	568,326	304,934	472,616	263,392
Beginning Net Position	<u>15,528,074</u>	<u>15,223,140</u>	<u>14,750,524</u>	<u>304,934</u>
Total net position, ending	<u>\$ 16,096,400</u>	<u>\$ 15,528,074</u>	<u>\$ 15,223,140</u>	<u>\$ 568,326</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 \$74,676 or 9.8 percent, since 2019. This is due in large part to the simplified rate increase approved by the Wisconsin Public Service Commission, effective June 1, 2021. Non-operating revenues and non-operating expenses increased substantially due to the lead service lateral replacement program. The water utility received a principal forgiveness loan by the Wisconsin Department of Natural Resources to pay for the private lead service laterals. Management will continue to monitor rates to maintain financial capabilities and fund on-going operational and capital expenditures.

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>Change</u>
Operating revenues	\$ 2,193,890	\$ 2,200,458	\$ 2,128,425	\$ (6,568)
Nonoperating revenues	(875)	25,007	122,222	(25,882)
Total revenues	<u>2,193,015</u>	<u>2,225,465</u>	<u>2,250,647</u>	<u>(32,450)</u>
Depreciation expense	774,018	808,765	856,914	(34,747)
Other operating expense	1,036,462	1,046,544	1,025,314	(10,082)
Nonoperating expenses	<u>78,009</u>	<u>98,304</u>	<u>110,270</u>	<u>(20,295)</u>
Total expenses	<u>1,888,489</u>	<u>1,953,613</u>	<u>1,992,498</u>	<u>(65,124)</u>
Income before capital contributions and transfers	304,526	271,852	258,149	32,674
Capital contributions	<u>136,469</u>	<u>95,923</u>	<u>114,491</u>	<u>40,546</u>
Changes in net position	440,995	367,775	372,640	73,220
Beginning Net Position	<u>18,229,531</u>	<u>17,861,756</u>	<u>17,489,116</u>	<u>367,775</u>
Total net position, ending	<u>\$ 18,670,526</u>	<u>\$ 18,229,531</u>	<u>\$ 17,861,756</u>	<u>\$ 440,995</u>

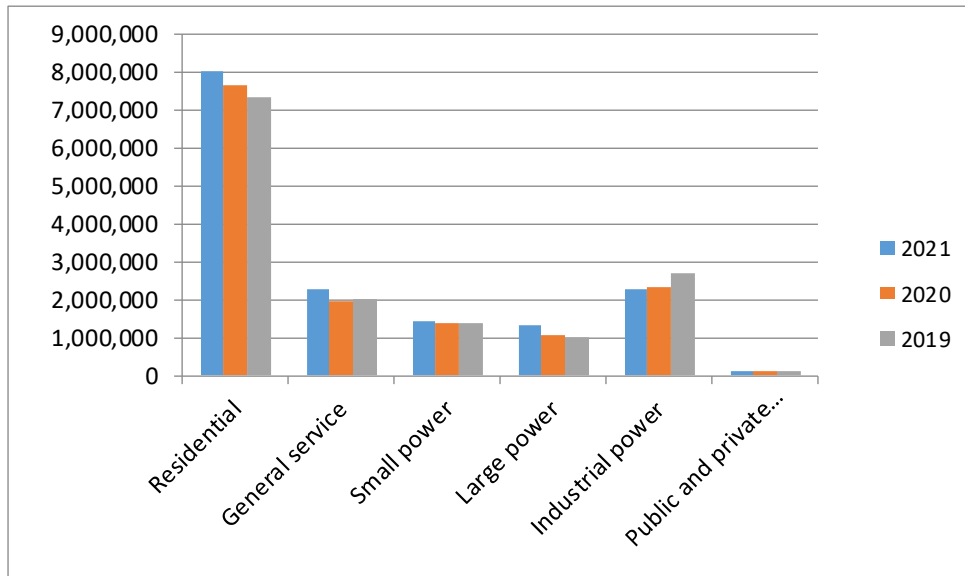
Change in net position has varied in the past three years. Net position is significantly affected by capital contributions. Capital contributions include special assessments, developer contributions of infrastructure and occasionally tax increment district projects. Net position can also be significantly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

Income before contributions and transfers has increased \$46,377 since 2019. Expenses have decreased by \$104,009 or 5.2 percent, from 2019 to 2021.

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

Comparison of Electric Sales



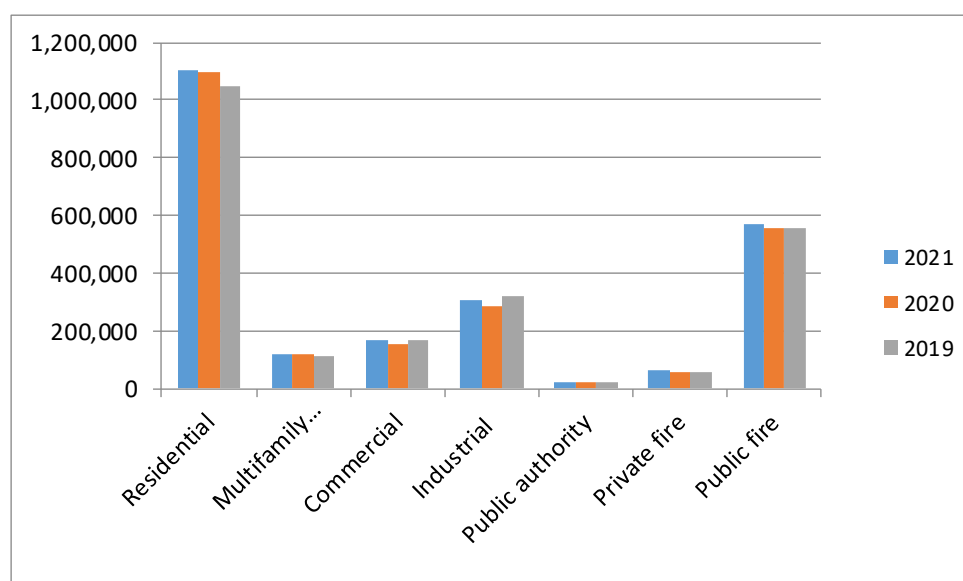
Electric revenues increased by 6.3 percent in 2021 from 2019. The increase is due a 1.87 percent increase in kWh sales in 2021 from 2020, as well as a full year of the rate increase, effective July 1, 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Residential	\$ 8,017,213	\$ 7,652,854	\$ 7,296,704
General service	2,275,213	1,948,245	2,013,355
Small power	1,411,588	1,381,820	1,365,444
Large power	1,321,819	1,070,270	1,014,480
Industrial power	2,257,349	2,330,008	2,667,900
Public and private lighting	97,534	96,392	111,290
	<u> </u>	<u> </u>	<u> </u>
Total electric sales	\$ 15,380,717	\$ 14,479,589	\$ 14,469,173

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

Comparison of Water Sales



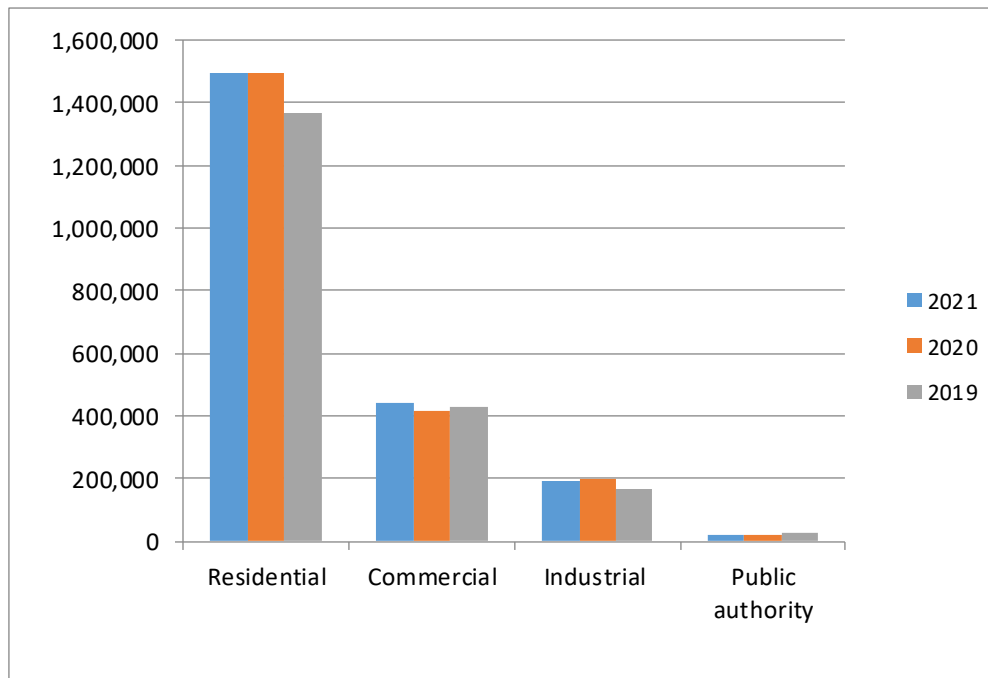
Sale revenues increased by \$57,248, or 2.5 percent, in 2021 from 2020 and \$65,225 or 2.9 percent in 2021 from 2019. Gallons sold declined 0.1 percent from 2019 to 2021, but increased 1.8 percent from 2020 to 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Residential	\$ 1,099,663	\$ 1,095,969	\$ 1,048,931
Multifamily residential	119,161	114,649	111,133
Commercial	167,208	152,134	164,241
Industrial	301,792	284,054	318,340
Public authority	21,223	19,641	22,909
Private fire	59,590	58,097	55,087
Public fire	568,978	555,823	551,749
	<u> </u>	<u> </u>	<u> </u>
Total water sales	<u>\$ 2,337,615</u>	<u>\$ 2,280,367</u>	<u>\$ 2,272,390</u>

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

Comparison of Wastewater Sales



Wastewater sales increased by \$26,771, or 1.3 percent, in 2021 from 2020.

Wastewater sales decreased by 1.1 percent from 2020 to 2021, but increased by 6.8 percent from 2019 to 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Residential	\$ 1,497,393	\$ 1,493,914	\$ 1,365,623
Commercial	442,437	412,973	430,792
Industrial	192,817	200,540	168,612
Public authority	21,372	19,821	26,315
Total wastewater sales	\$ 2,154,019	\$ 2,127,248	\$ 1,991,342

Stoughton Utilities

Management's Discussion and Analysis
December 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>Change</u>
Cash Flows From:				
Operating activities	\$ 2,055,921	\$ 2,645,960	\$ 2,029,221	\$ (590,039)
Noncapital financing activities	(1,269,041)	(399,360)	(407,962)	(869,681)
Capital and related financing activities	\$ -			
Investing activities	(2,015,214)	(1,107,145)	(1,817,021)	(908,069)
	<u>1,194,136</u>	<u>729,287</u>	<u>962,166</u>	<u>464,849</u>
Net change in cash and cash equivalents	(34,198)	1,868,742	766,404	(1,902,940)
Cash and Cash Equivalents, Beginning	<u>6,362,425</u>	<u>4,493,683</u>	<u>3,727,279</u>	<u>1,868,742</u>
Cash and Cash Equivalents, Ending	<u>\$ 6,328,227</u>	<u>\$ 6,362,425</u>	<u>\$ 4,493,683</u>	<u>\$ (34,198)</u>

The decrease in cash and cash equivalents in 2021 was largely due to a temporary advance to the water utility of \$877,698 and payment of customer advances for construction.

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

Stoughton Utilities

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Table 8
Condensed Statements of Cash Flows – Water Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020</u> <u>Change</u>
Cash Flows From:				
Operating activities	\$ 1,413,014	\$ 1,245,093	\$ 1,347,185	\$ 167,921
Noncapital financing activities	(437,266)	(431,034)	(423,351)	(6,232)
Lead service replacement proceeds	3,505,294	-	-	-
Lead service replacement expenses	(3,507,777)	-	-	-
Temporary Advance from electric utility	877,698	-	-	-
Capital and related financing activities	(3,019,387)	(1,169,899)	599,640	(1,849,488)
Investing activities	<u>226,955</u>	<u>250,370</u>	<u>38,880</u>	<u>(23,415)</u>
Net change in cash and cash equivalents	(941,469)	(105,470)	1,562,354	(835,999)
Cash and Cash Equivalents, Beginning	<u>2,110,283</u>	<u>2,215,753</u>	<u>653,399</u>	<u>(105,470)</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,168,814</u>	<u>\$ 2,110,283</u>	<u>\$ 2,215,753</u>	<u>\$ (941,469)</u>

The decrease in cash and cash equivalents in 2021 was due to the lead service lateral replacement program. The utility received a principal forgiveness loan of \$3.5 million to replace the private lead service laterals. The public lead service lateral replacements were financed by the water utility cash on hand. In 2022, the water utility will close on a loan for the utility's expenses associated with the public replacements. At year end, the water utility received internal financing from the electric utility of \$877,698.

Stoughton Utilities

Management's Discussion and Analysis
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Table 9
Condensed Statements of Cash Flows – Wastewater Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>
Cash Flows From:				
Operating activities	\$ 1,206,484	\$ 1,152,947	\$ 1,080,401	\$ 53,537
Capital and related financing activities	(694,215)	(1,440,369)	(1,787,994)	746,154
Investing activities	30,487	299,012	55,868	(268,525)
Net change in cash and cash equivalents	542,756	11,590	(651,725)	531,166
Cash and Cash Equivalents, Beginning	1,665,176	1,653,586	2,305,311	11,590
Cash and Cash Equivalents, Ending	<u>\$ 2,207,932</u>	<u>\$ 1,665,176</u>	<u>\$ 1,653,586</u>	<u>\$ 542,756</u>

Cash and cash equivalents generation in 2021 was \$542,756, due to a decrease in capital and related financing activities. Cash and cash equivalents increased by \$11,590 in 2020.

Table 10
Capital Assets – Electric Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>
Capital Assets				
Transmission and distribution	\$ 32,862,336	\$ 30,481,414	\$ 29,729,663	\$ 2,380,922
General	3,956,797	3,995,565	3,989,226	(38,768)
Total capital assets	36,819,133	34,476,979	33,718,889	2,342,154
Less accumulated depreciation	(17,756,883)	(17,124,007)	(16,096,771)	(632,876)
Construction in progress	367,983	981,323	123,908	(613,340)
Net capital assets	<u>\$ 19,430,233</u>	<u>\$ 18,334,295</u>	<u>\$ 17,746,026</u>	<u>\$ 1,095,938</u>

Electric net capital assets have grown \$1.6 million or 9.5 percent, from 2019 to 2021. The increase in net assets in 2021 included a large pole replacement project. Net capital assets increased from 2019 to 2021 due to street light improvements and underground line installation projects.

Stoughton Utilities

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Table 11
Capital Assets – Water Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>
Capital Assets				
Source of supply	\$ 595,730	\$ 607,365	\$ 607,365	\$ (11,635)
Pumping	1,598,744	1,598,745	1,598,745	(1)
Water treatment	90,795	90,763	90,763	32
Transmission and distribution	22,138,562	21,915,140	21,331,219	223,422
General	1,032,200	1,006,195	1,006,195	26,005
Completed not Classified	1,667,296	-	-	-
Total capital assets	<u>27,123,327</u>	<u>25,218,208</u>	<u>24,634,287</u>	<u>1,905,119</u>
Less accumulated depreciation	(8,679,244)	(8,169,139)	(7,731,158)	(510,105)
Construction in progress	214,160	11,147	30	203,013
Net capital assets	<u>\$ 18,658,243</u>	<u>\$ 17,060,216</u>	<u>\$ 16,903,159</u>	<u>\$ 1,598,027</u>

Water net capital assets grew significantly at \$1.7 million or 10.4 percent, from 2019 to 2021. The net capital asset additions over this time-period were predominately due to the lead service lateral replacement program, but also on-going capital improvement programs.

Table 12
Capital Assets – Wastewater Utility

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>
Capital Assets				
Collection system	\$ 14,609,016	\$ 14,454,576	\$ 13,667,393	\$ 154,440
Collection system pumping	756,008	755,459	753,684	549
Treatment and disposal	15,684,336	15,672,308	15,664,654	12,028
General	1,601,778	1,499,649	1,467,607	102,129
Total capital assets	<u>32,651,138</u>	<u>32,381,992</u>	<u>31,553,338</u>	<u>269,146</u>
Less accumulated depreciation	(13,691,436)	(12,977,468)	(12,237,929)	(713,968)
Construction in progress	19,115	9,793	-	9,322
Net capital assets	<u>\$ 18,978,817</u>	<u>\$ 19,414,317</u>	<u>\$ 19,315,409</u>	<u>\$ (435,500)</u>

Net capital assets decreased \$336,592 or -1.7 percent, from 2019 to 2021, indicating the capital investments were lower than the accumulated depreciation.

Stoughton Utilities

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Long-Term Debt

As of December 31, 2021, the electric utility had total mortgage revenue bond debt outstanding of \$3,080,000 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, 2021, the water utility had total mortgage revenue bond debt outstanding of \$2,886,456 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility and \$270,000 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 \$3,103,295 of clean water fund loans and \$180,000 of general obligation bonds outstanding as of December 31, 2021.

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

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 Shannon Statz, Utilities Finance Manager, Stoughton Utilities, 600 South Fourth Street, Stoughton, WI 53589.

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

ELECTRIC UTILITY

Stoughton Electric Utility

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and investments	\$ 5,557,085	\$ 6,762,610
Interest receivable	3,555	13,747
Restricted assets:		
Redemption account	533,153	525,535
Customer accounts receivable	1,551,502	1,518,042
Other accounts receivable	355,902	89,661
Due from municipality	15,318	73,714
Temporary advance to water utility	877,698	-
Materials and supplies	293,297	443,455
Prepayments	9,637	1,000
Current portion of advance	51,006	48,459
	<u>9,248,153</u>	<u>9,476,223</u>
Total current assets		
Noncurrent Assets		
Restricted assets:		
Reserve account	460,722	460,722
Depreciation account	25,000	25,000
Net pension asset	373,541	221,736
Other assets:		
Electric plant and maintenance reserve account	533,326	532,766
Sick leave reserve account	161,356	150,721
Advances to other funds	106,970	157,976
Investment in ATC	484,175	465,248
Property held for future use	229,097	229,097
Capital assets:		
Plant in service	36,819,133	34,476,979
Accumulated depreciation	(17,756,883)	(17,124,007)
Construction work in progress	367,983	981,323
	<u>21,804,420</u>	<u>20,577,561</u>
Total noncurrent assets		
Total assets	<u>31,052,573</u>	<u>30,053,784</u>
Deferred Outflows of Resources		
Deferred outflows related to pension	678,903	516,144
Deferred outflows related to OPEB	48,825	-
	<u>727,728</u>	<u>516,144</u>
Total deferred outflows of resources		

See notes to the financial statements

Stoughton Electric Utility

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,078,131	\$ 1,502,706
Due to municipality	583,945	539,739
Customer deposits	92,333	107,639
Accrued wages	-	12,592
Accrued interest	4,638	6,115
Accrued liabilities	83,793	73,488
Commitment to community	21,433	21,554
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	685,000	670,000
Accrued interest	<u>18,929</u>	<u>22,482</u>
Total current liabilities	<u>2,568,202</u>	<u>2,956,315</u>
Noncurrent Liabilities		
Revenue bonds	2,395,000	3,080,000
Unamortized debt premium	52,141	63,098
Accrued sick leave	161,356	150,721
Customer advances for construction	229,065	1,344,916
Net OPEB Liability	<u>165,992</u>	<u>-</u>
Total noncurrent liabilities	<u>3,003,554</u>	<u>4,638,735</u>
Total liabilities	<u>5,571,756</u>	<u>7,595,050</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	927,043	689,429
Deferred inflows related to OPEB	<u>13,404</u>	<u>-</u>
Total deferred inflows of resources	<u>940,447</u>	<u>689,429</u>
Net Position		
Net investment in capital assets	16,527,189	14,750,294
Restricted for:		
Debt service	999,946	988,775
Pension	373,541	221,736
Unrestricted	<u>7,367,422</u>	<u>6,324,644</u>
Total net position	<u>\$ 25,268,098</u>	<u>\$ 22,285,449</u>

See notes to the financial statements

Stoughton Electric Utility

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sales of electricity	\$ 15,380,714	\$ 14,479,589
Other	<u>164,320</u>	<u>157,872</u>
Total operating revenues	<u>15,545,034</u>	<u>14,637,461</u>
Operating Expenses		
Operation and maintenance	13,163,306	12,366,320
Depreciation	<u>1,252,922</u>	<u>1,193,582</u>
Total operating expenses	<u>14,416,228</u>	<u>13,559,902</u>
Operating Income	<u>1,128,806</u>	<u>1,077,559</u>
Nonoperating Revenues (Expenses)		
Investment income	56,550	131,701
Interest expense	(79,280)	(95,662)
Amortization of premium	10,957	13,188
Miscellaneous expenses	(14,020)	(6,541)
Other income (expense)	<u>4,804</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(20,989)</u>	<u>42,686</u>
Income before contributions and transfers	1,107,817	1,120,245
Capital Contributions	2,312,859	152,798
Transfers, Tax Equivalent	<u>(438,027)</u>	<u>(445,995)</u>
Change in net position	2,982,649	827,048
Net Position, Beginning	<u>22,285,449</u>	<u>21,458,401</u>
Net Position, Ending	<u>\$ 25,268,098</u>	<u>\$ 22,285,449</u>

See notes to the financial statements

Stoughton Electric Utility

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Received from customers	\$ 15,153,892	\$ 14,407,267
Received for street lighting	91,088	90,036
Paid to suppliers for goods and services	(12,382,100)	(11,070,176)
Paid to employees for operating payroll	<u>(806,959)</u>	<u>(781,167)</u>
Net cash flows from operating activities	<u>2,055,921</u>	<u>2,645,960</u>
Cash Flows From Noncapital Financing Activities		
Paid to municipality for tax equivalent	(445,995)	(452,940)
Received from municipality principal on Wisconsin Retirement UAAL liability	48,459	46,007
Received from municipality interest on Wisconsin Retirement UAAL liability	6,193	7,573
Temporary advance to water utility	<u>(877,698)</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(1,269,041)</u>	<u>(399,360)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,492,138)	(1,767,798)
Capital contributions received	2,347,085	102,236
Customer advances for construction received (paid)	(1,115,851)	1,317,500
Debt retired	(670,000)	(660,000)
Interest paid	<u>(84,310)</u>	<u>(99,083)</u>
Net cash flows from capital and related financing activities	<u>(2,015,214)</u>	<u>(1,107,145)</u>
Cash Flows From Investing Activities		
Investments purchased	-	(248,535)
Investments sold and matured	1,092,133	917,344
Dividends/(Investment) in ATC	30,145	(7,571)
Investment income	<u>71,858</u>	<u>68,049</u>
Net cash flows from investing activities	<u>1,194,136</u>	<u>729,287</u>
Net change in cash and cash equivalents	(34,198)	1,868,742
Cash and Cash Equivalents, Beginning	<u>6,362,425</u>	<u>4,493,683</u>
Cash and Cash Equivalents, Ending	<u>\$ 6,328,227</u>	<u>\$ 6,362,425</u>
Noncash Capital and Related Financing Activities		
ATC earnings allocated	<u>\$ 49,072</u>	<u>\$ 11,885</u>
Unrealized gain (loss) on investments	<u>\$ (60,381)</u>	<u>\$ 902</u>
Capital contribution	<u>\$ -</u>	<u>\$ 7,527</u>

See notes to the financial statements

Stoughton Electric Utility

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 1,128,806	\$ 1,077,559
Nonoperating revenue (expense)	(3,621)	(3,227)
Noncash items in operating income:		
Depreciation	1,252,922	1,193,582
Depreciation charged to clearing and other utilities	68,292	65,333
Changes in assets and liabilities:		
Customer accounts receivable	(33,460)	(188,166)
Other accounts receivable	(300,467)	124,188
Due from other funds	58,395	(59,620)
Materials and supplies	150,158	(256,244)
Prepayments	(8,637)	13,404
Pension related deferrals and liabilities	(76,950)	11,210
OPEB related deferrals and liabilities	130,571	-
Accounts payable	(355,182)	620,867
Due to other funds	52,174	44,138
Customer deposits	(15,306)	(13,333)
Accrued sick leave	10,635	5,508
Other current liabilities	(2,287)	10,352
Commitment to community	(122)	409
	<u>\$ 2,055,921</u>	<u>\$ 2,645,960</u>

Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts

Cash and investments	\$ 5,557,085	\$ 6,762,610
Redemption account	533,153	525,535
Reserve account	460,722	460,722
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	533,326	532,766
Sick leave reserve account	<u>161,356</u>	<u>150,721</u>
Total cash and investments	7,270,642	8,457,354
Less noncash equivalents	<u>(942,415)</u>	<u>(2,094,929)</u>
Cash and cash equivalents	<u>\$ 6,328,227</u>	<u>\$ 6,362,425</u>

WATER UTILITY

Stoughton Water Utility

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and investments	\$ -	\$ 1,249,524
Interest receivable	5,805	9,605
Restricted assets:		
Redemption account	296,319	303,450
Customer accounts receivable	224,498	231,094
Other accounts receivable	1,365,765	12,261
Due from municipality	32,673	36,744
Materials and supplies	59,773	41,039
Prepayments	3,141	-
Current portion of special assessments	<u>29,026</u>	<u>29,026</u>
Total current assets	<u>2,017,000</u>	<u>1,912,743</u>
Noncurrent Assets		
Restricted assets:		
Reserve account	340,710	340,710
Depreciation account	25,000	25,000
Construction account	4	110,332
Net pension asset	153,762	75,459
Other assets:		
Water plant and maintenance reserve account	195,382	195,083
Sick leave reserve account	311,399	103,078
Preliminary survey and investigation	-	22,505
Special assessments receivable	87,077	116,103
Nonutility property (net)	9,238	13,518
Capital assets:		
Plant in service	27,123,327	25,218,208
Accumulated depreciation	(8,679,244)	(8,169,139)
Construction work in progress	<u>214,160</u>	<u>11,147</u>
Total noncurrent assets	<u>19,780,815</u>	<u>18,062,004</u>
Total assets	<u>21,797,815</u>	<u>19,974,747</u>
Deferred Outflows of Resources		
Deferred outflows related to pension	249,043	179,243
Deferred outflows related to OPEB	<u>16,645</u>	<u>-</u>
Total deferred outflows of resources	<u>265,688</u>	<u>179,243</u>

See notes to the financial statements

Stoughton Water Utility

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 949,030	\$ 86,419
Due to municipality	412,040	458,608
Temporary advance from electric utility	877,698	-
Customer deposits	650	1,829
Accrued wages	2,175	17,853
Accrued interest	1,148	1,403
Current portion of general obligation debt	54,000	51,000
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	426,571	435,751
Accrued interest	<u>13,944</u>	<u>13,051</u>
Total current liabilities	<u>2,737,256</u>	<u>1,065,914</u>
Noncurrent Liabilities		
General obligation debt	165,000	219,000
Revenue bonds	2,510,885	2,937,456
Unamortized debt premium	50,888	61,517
Accrued sick leave	111,399	103,078
Customer advances for construction	-	5,000
Net OPEB Liability	<u>55,433</u>	<u>-</u>
Total noncurrent liabilities	<u>2,893,605</u>	<u>3,326,051</u>
Total liabilities	<u>5,630,861</u>	<u>4,391,965</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	331,761	233,951
Deferred inflows related to OPEB	<u>4,481</u>	<u>-</u>
Total deferred inflows of resources	<u>336,242</u>	<u>233,951</u>
Net Position		
Net investment in capital assets	15,450,903	13,465,824
Restricted for:		
Debt service	648,085	656,109
Pension	153,762	75,459
Unrestricted	<u>(156,350)</u>	<u>1,330,682</u>
Total net position	<u>\$ 16,096,400</u>	<u>\$ 15,528,074</u>

See notes to the financial statements

Stoughton Water Utility

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sales of water	\$ 2,337,615	\$ 2,280,367
Other	<u>47,237</u>	<u>52,263</u>
Total operating revenues	<u>2,384,852</u>	<u>2,332,630</u>
Operating Expenses		
Operation and maintenance	1,056,916	1,083,459
Depreciation	<u>497,314</u>	<u>468,240</u>
Total operating expenses	<u>1,554,230</u>	<u>1,551,699</u>
Operating Income	<u>830,622</u>	<u>780,931</u>
Nonoperating Revenues (Expenses)		
Investment income	6,261	19,079
Lead service replacement grant proceeds	3,505,294	-
Lead service replacement expenses	(3,507,777)	-
Interest expense	(79,943)	(86,975)
Amortization of premium	10,629	11,579
Miscellaneous expenses	<u>-</u>	<u>(4,280)</u>
Total nonoperating expenses	<u>(65,536)</u>	<u>(60,597)</u>
Income before contributions and transfers	765,086	720,334
Capital Contributions	215,280	-
Capital Contributions, Municipal	-	21,866
Transfers, Tax Equivalent	<u>(412,040)</u>	<u>(437,266)</u>
Change in net position	568,326	304,934
Net Position, Beginning	<u>15,528,074</u>	<u>15,223,140</u>
Net Position, Ending	<u>\$ 16,096,400</u>	<u>\$ 15,528,074</u>

See notes to the financial statements

Stoughton Water Utility

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Received from customers	\$ 2,436,650	\$ 2,350,648
Paid to suppliers for goods and services	(559,934)	(711,644)
Paid to employees for operating payroll	<u>(463,702)</u>	<u>(393,911)</u>
Net cash flows from operating activities	<u>1,413,014</u>	<u>1,245,093</u>
Cash Flows From Noncapital Financing Activities		
Paid to municipality for tax equivalent	(437,266)	(431,034)
Lead service replacement proceeds	3,505,294	-
Lead service replacement expenses	(3,507,777)	-
Temporary advance from electric utility	<u>877,698</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>437,949</u>	<u>(431,034)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,326,875)	(626,559)
Lead service replacement receivable	(1,155,482)	-
Capital contributions received	-	5,156
Special assessments received	29,026	29,026
Debt retired	(486,751)	(490,951)
Interest paid	<u>(79,305)</u>	<u>(86,571)</u>
Net cash flows from capital and related financing activities	<u>(3,019,387)</u>	<u>(1,169,899)</u>
Cash Flows From Investing Activities		
Investments purchased	-	(199,503)
Investments sold and matured	225,750	430,148
Investment income	<u>1,205</u>	<u>19,725</u>
Net cash flows from investing activities	<u>226,955</u>	<u>250,370</u>
Net change in cash and cash equivalents	(941,469)	(105,470)
Cash and Cash Equivalents, Beginning	<u>2,110,283</u>	<u>2,215,753</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,168,814</u>	<u>\$ 2,110,283</u>
Noncash Capital and Related Financing Activities		
Municipality financed additions to utility plant	<u>\$ -</u>	<u>\$ 21,866</u>
Unrealized gain (loss) on investments	<u>\$ 8,856</u>	<u>\$ (902)</u>
Customer contributions receivable	<u>\$ 210,280</u>	<u>\$ -</u>

See notes to the financial statements

Stoughton Water Utility

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 830,622	\$ 780,931
Noncash items in operating income:		
Depreciation	497,314	468,240
Depreciation charged to clearing and other utilities	33,512	32,742
Changes in assets and liabilities:		
Customer accounts receivable	6,596	6,165
Other accounts receivable	12,258	(8,351)
Due from other funds	4,488	(6,207)
Materials and supplies	(18,734)	(1,440)
Prepayments	(3,141)	7,184
Pension related deferrals and liabilities	(50,293)	198
OPEB related deferrals and liabilities	43,269	-
Accounts payable	(10,704)	18,854
Due to other funds	76,363	(77,570)
Customer deposits	(1,179)	1,829
Accrued wages	(15,678)	5,002
Accrued sick leave	8,321	17,516
	<u>\$ 1,413,014</u>	<u>\$ 1,245,093</u>
Net cash flows from operating activities		
	<u>\$ 1,413,014</u>	<u>\$ 1,245,093</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts		
Cash and investments	\$ -	\$ 1,249,524
Redemption account	296,319	303,450
Reserve account	340,710	340,710
Depreciation account	25,000	25,000
Construction account	4	110,332
Water plant and maintenance reserve account	195,382	195,083
Sick leave reserve account	311,399	103,078
	<u>1,168,814</u>	<u>2,327,177</u>
Total cash and investments		
	1,168,814	2,327,177
Less noncash equivalents	<u>-</u>	<u>(216,894)</u>
Cash and cash equivalents	<u>\$ 1,168,814</u>	<u>\$ 2,110,283</u>

See notes to the financial statements

WASTEWATER UTILITY

Stoughton Wastewater Utility

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and investments	\$ 1,195,304	\$ 692,624
Interest receivable	3,981	8,379
Restricted assets:		
Redemption account	247,178	242,432
Customer accounts receivable	228,310	238,658
Other accounts receivable	-	5,592
Due from municipality	23,652	26,204
Prepayments	3,926	-
Current portion of special assessments	<u>19,905</u>	<u>19,905</u>
Total current assets	<u>1,722,256</u>	<u>1,233,794</u>
Noncurrent Assets		
Restricted assets:		
Depreciation account	33,283	33,283
Replacement account	1,166,203	1,164,904
Net pension asset	161,017	72,180
Other assets:		
Sick leave reserve account	119,303	112,235
Other prepaid asset	29,710	41,595
Special assessments receivable	59,716	79,621
Capital assets:		
Plant in service	32,651,138	32,381,992
Accumulated depreciation	(13,691,236)	(12,977,468)
Construction work in progress	<u>19,115</u>	<u>9,793</u>
Total noncurrent assets	<u>20,548,249</u>	<u>20,918,135</u>
Total assets	<u>22,270,505</u>	<u>22,151,929</u>
Deferred Outflows of Resources		
Deferred outflows related to pension	255,476	183,065
Deferred outflows related to OPEB	<u>2,274</u>	<u>-</u>
Total deferred outflows of resources	<u>257,750</u>	<u>183,065</u>

See notes to the financial statements

Stoughton Wastewater Utility

Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 148,539	\$ 62,576
Due to municipality	-	20,611
Accrued wages	2,187	16,153
Accrued interest	765	935
Current portion of general obligation debt	36,000	34,000
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	349,930	340,971
Accrued interest	<u>15,160</u>	<u>15,128</u>
Total current liabilities	<u>552,581</u>	<u>490,374</u>
Noncurrent Liabilities		
General obligation debt	110,000	146,000
Revenue bonds	2,787,365	3,137,294
Accrued sick leave	84,619	112,235
Net OPEB Liability	<u>1,101</u>	<u>-</u>
Total noncurrent liabilities	<u>2,983,085</u>	<u>3,395,529</u>
Total liabilities	<u>3,535,666</u>	<u>3,885,903</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	321,985	219,560
Deferred inflows related to OPEB	<u>78</u>	<u>-</u>
Total deferred inflows of resources	<u>322,063</u>	<u>219,560</u>
Net Position		
Net investment in capital assets	15,695,722	15,756,052
Restricted for:		
Debt service	265,301	260,587
Equipment replacement	1,166,203	1,164,904
Pension	161,017	72,180
Unrestricted	<u>1,382,283</u>	<u>975,808</u>
Total net position	<u>\$ 18,670,526</u>	<u>\$ 18,229,531</u>

See notes to the financial statements

Stoughton Wastewater Utility

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Treatment charges	\$ 2,154,019	\$ 2,127,248
Other	<u>39,871</u>	<u>73,210</u>
Total operating revenues	<u>2,193,890</u>	<u>2,200,458</u>
Operating Expenses		
Operation and maintenance	1,036,462	1,046,544
Depreciation	<u>774,018</u>	<u>808,765</u>
Total operating expenses	<u>1,810,480</u>	<u>1,855,309</u>
Operating Income	<u>383,410</u>	<u>345,149</u>
Nonoperating Revenues (Expenses)		
Investment income (expense)	(875)	25,007
Gain on sale of asset	11,505	-
Interest expense	<u>(89,514)</u>	<u>(98,304)</u>
Total nonoperating expenses	<u>(78,884)</u>	<u>(73,297)</u>
Income before contributions	304,526	271,852
Capital Contributions, Municipal	<u>136,469</u>	<u>95,923</u>
Change in net position	440,995	367,775
Net Position, Beginning	<u>18,229,531</u>	<u>17,861,756</u>
Net Position, Ending	<u>\$ 18,670,526</u>	<u>\$ 18,229,531</u>

See notes to the financial statements

Stoughton Wastewater Utility

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Received from customers	\$ 2,212,226	\$ 2,182,857
Paid to suppliers for goods and services	(549,818)	(642,685)
Paid to employees for operating payroll	<u>(455,924)</u>	<u>(387,225)</u>
Net cash flows from operating activities	<u>1,206,484</u>	<u>1,152,947</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(249,498)	(920,301)
Special assessments received	19,905	19,905
Debt retired	(374,970)	(439,677)
Interest paid	<u>(89,652)</u>	<u>(100,296)</u>
Net cash flows from capital and related financing activities	<u>(694,215)</u>	<u>(1,440,369)</u>
Cash Flows From Investing Activities		
Investments purchased	(199,688)	(204,171)
Investments sold and matured	226,963	466,778
Investment income	<u>3,212</u>	<u>36,405</u>
Net cash flows from investing activities	<u>30,487</u>	<u>299,012</u>
Net change in cash and cash equivalents	542,756	11,590
Cash and Cash Equivalents, Beginning	<u>1,665,176</u>	<u>1,653,586</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,207,932</u>	<u>\$ 1,665,176</u>
Noncash Capital and Related Financing Activities		
Municipality financed additions to utility plant	<u>\$ 136,469</u>	<u>\$ 95,923</u>
Unrealized gain (loss) on investments	<u>\$ 311</u>	<u>\$ (4,172)</u>

See notes to the financial statements

Stoughton Wastewater Utility

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 383,410	\$ 345,149
Noncash items in operating income:		
Depreciation	774,018	808,765
Changes in assets and liabilities:		
Customer accounts receivable	10,348	(24,716)
Other accounts receivable	5,436	12,019
Due to / from other funds	2,552	(4,904)
Prepayments	(3,926)	6,656
Pension related deferrals and assets	(58,823)	(7,964)
OPEB related deferrals and assets	(1,095)	-
Accounts payable	124,262	(10,659)
Due to other funds	-	(998)
Accrued sick leave	(27,616)	14,893
Other current liabilities	(13,967)	2,822
Other prepaid asset	11,885	11,884
	<u>\$ 1,206,484</u>	<u>\$ 1,152,947</u>
Net cash flows from operating activities		
	<u>\$ 1,206,484</u>	<u>\$ 1,152,947</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts		
Cash and investments	\$ 1,195,304	\$ 692,624
Redemption account	247,178	242,432
Depreciation account	33,283	33,283
Replacement account	1,166,203	1,164,904
Sick leave reserve account	119,303	112,235
	<u>2,761,271</u>	<u>2,245,478</u>
Total cash and investments		
	2,761,271	2,245,478
Less noncash equivalents	<u>(553,339)</u>	<u>(580,302)</u>
Cash and cash equivalents	<u>\$ 2,207,932</u>	<u>\$ 1,665,176</u>

See notes to the financial statements

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies

The financial statements of Stoughton Utilities (the 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 which reports to the City Council. 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.

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.

In June 2015, the GASB issued statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This standard was implemented January 1, 2021.

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
December 31, 2021 and 2020

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.

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.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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 Utilities Committee.

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

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, 2021 and 2020. The electric items are fully amortized. Water Utility nonutility property consists of a park shelter with a balance of \$107,000 at December 31, 2021 and 2020. The costs are being amortized on a straight-line basis over their useful life.

Capital Assets

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

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plans and additions to/deductions from the OPEB plans's fiduciary net position have been determined on the same basis as they are reported by OPEB plans. For this purpose, the OPEB plans recognizes benefit payments when due and payable in accordance with the benefit terms.

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

The local health insurance OPEB does not have a trust or fiduciary net position.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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.

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. The balance at year end for the loss on refunding is shown as a deferred outflow in 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
December 31, 2021 and 2020

Revenues and Expenses

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

Charges for Services

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

Current electric rates were approved by the PSCW on July 1, 2020. The rates are designed to provide a 4.9% return on rate base.

Current water rates were approved by the PSCW effective June 1, 2021. The rates are designed to earn a 5% return on rate base.

Current wastewater rates were approved by the Utilities Committee effective June 1, 2020.

Capital Contributions

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

Transfers

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

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*

When they become effective, application of these standards may restate portions of these financial statements.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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.

2. Deposits and Investments

	Carrying Value as of December 31,		Risks
	2021	2020	
Checking or savings	\$ 8,079,889	\$ 8,407,704	Custodial credit risk
Local government investment pool	1,076,654	1,181,747	Credit risk
Certificates of deposit, nonnegotiable	1,064,367	1,306,605	Custodial credit risk
Certificates of deposit, negotiable	200,542	888,668	Custodial credit, credit, concentration and interest rate risks
State and local bonds	703,987	1,022,795	Custodial credit, credit, concentration and interest rate risks
U.S. agency securities, explicitly guaranteed	-	93,520	Custodial credit and interest rate risks
U.S. agency securities, implicitly guaranteed	74,538	128,220	Custodial credit, credit, concentration and interest rate risks
Petty cash	<u>750</u>	<u>750</u>	
Total	<u>\$ 11,200,727</u>	<u>\$ 13,030,009</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.

Deposits in credit unions are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts as of December 31, 2021 and 2020.

Bank accounts and credit unions 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.

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, 2021 and 2020, the fair value of the LGIP's assets were substantially equal to the Utilities' share.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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>	<u>December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. agency securities	\$ -	\$ 74,538	\$ -	\$ 74,538
Certificates of deposit, negotiable	-	200,542	-	200,542
State and local bonds	-	703,987	-	703,987
Total	<u>\$ -</u>	<u>\$ 979,067</u>	<u>\$ -</u>	<u>\$ 979,067</u>

<u>Investment Type</u>	<u>December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. agency securities	\$ -	\$ 221,740	\$ -	\$ 221,740
Certificates of deposit, negotiable	-	888,668	-	888,668
State and local bonds	-	1,022,795	-	1,022,795
Total	<u>\$ -</u>	<u>\$ 2,133,203</u>	<u>\$ -</u>	<u>\$ 2,133,203</u>

The investment in ATC is measured at the net asset value (NAV) per share of ownership. As of December 31, 2021 and 2020 the fair value of the investment was \$484,175 and \$465,248, respectively. 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.

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.

	<u>2021</u>		<u>2020</u>	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Wells Fargo	\$ 6,041,130	\$ 5,894,937	\$ 6,696,937	\$ 6,318,523
Associated Bank	1,955,202	1,955,202	1,841,543	1,841,543
Wisconsin Investment Services Cooperative	1,045,117	1,045,117	1,043,856	1,043,856
Investors Community Bank	249,000	249,000	249,000	249,000
One Community Bank	-	-	261,387	261,387
Total	<u>\$ 9,290,449</u>	<u>\$ 9,144,256</u>	<u>\$ 10,092,723</u>	<u>\$ 9,714,309</u>

Stoughton Utilities

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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, 2021 and 2020 the Utilities' investments were exposed to custodial credit risk as follows:

<u>Neither Insured nor Registered and Held by Counterparty</u>	<u>2021</u>	<u>2020</u>
U.S. agencies, implicitly guaranteed	\$ 74,538	\$ 128,220
U.S. agencies, explicitly guaranteed	-	93,520
State and local bonds	703,987	1,022,795
Certificates of deposit, negotiable	<u>200,542</u>	<u>888,668</u>
Total neither insured nor registered and held by counterparty	<u>\$ 979,067</u>	<u>\$ 2,133,203</u>

The Utilities investment policy does not address the risk.

Credit Risk

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

As of December 31, 2021, the Utilities' investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
U.S. agencies, implicitly guaranteed	AAA	Aaa
State and local bonds	AA	Aa1
Certificates of deposit, negotiable	AAA-A+	Aa1

As of December 31, 2020, the Utilities' investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
U.S. agencies, implicitly guaranteed	AAA	Aaa
State and local bonds	AA	Aa1
Certificates of deposit, negotiable	AAA-A+	Aa1

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

Stoughton Utilities

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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, 2021 and 2020, the Utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2021	2020
State of Wisconsin	State and local bonds	11.25%	14.27%
Arkansas State	State and local bonds	11.30%	7.86%

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, 2021, 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	\$ 74,538	\$ -	\$ -	\$ 74,538
Certificates of deposit, negotiable	200,542	-	200,542	-
State and local bonds	703,987	703,987	-	-
Total	<u>\$ 979,067</u>	<u>\$ 703,987</u>	<u>\$ 200,542</u>	<u>\$ 74,538</u>

As of December 31, 2020, 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	\$ 128,220	\$ -	\$ -	\$ 128,220
Certificates of deposit, negotiable	888,668	888,668	-	-
State and local bonds	1,022,795	-	1,022,795	-
U.S. agencies, explicitly guaranteed	93,520	-	-	93,520
Total	<u>\$ 2,133,203</u>	<u>\$ 888,668</u>	<u>\$ 1,022,795</u>	<u>\$ 221,740</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.

Investment Policy

The Utilities' investment policy follows state statutes for investment ratings and maturities.

Stoughton Utilities

Notes to Financial Statements
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3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ending December 31, 2021 and 2020:

Due To	Due From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water Utility	\$ 412,040	Payment in lieu of taxes	\$ 437,266	Payment in lieu of taxes
Municipality	Water Utility	-	Operating	21,342	Operating and capital
Electric Utility	Municipality	15,318	Operating	73,714	Operating
Water Utility	Municipality	32,673	Operating and special	36,774	Operating and special Assessments
Wastewater Utility	Municipality	23,652	Operating and special assessments	26,204	Operating and special assessments
Municipality	Electric Utility	145,918	Stormwater and operations	93,744	Stormwater and operations
Municipality	Electric Utility	438,027	Payment in lieu of taxes	445,995	Payment in lieu of taxes
Municipality	Wastewater Utility	-		20,611	Operating
Electric Utility	Water Utility	877,698	Temporary cash advance	-	

The following is a schedule of transfer balances for the years ending December 31, 2021 and 2020:

To	From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric Utility	438,027	Payment in lieu of taxes	445,995	Payment in lieu of taxes
Municipality	Water Utility	412,040	Payment in lieu of taxes	437,266	Payment in lieu of taxes

Stoughton Utilities

Notes to Financial Statements
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4. Restricted Assets

Restricted Accounts

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

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

	<u>2021</u>	<u>2020</u>
Restricted assets:		
Redemption account	\$ 533,153	\$ 525,535
Reserve account	460,722	460,722
Depreciation account	25,000	25,000
Net pension asset	<u>373,541</u>	<u>221,736</u>
Total restricted assets	<u>1,392,416</u>	<u>1,232,993</u>
Current liabilities payable from restricted assets	<u>(18,929)</u>	<u>(22,482)</u>
Total restricted net position as calculated	<u>\$ 1,373,487</u>	<u>\$ 1,210,511</u>

The purpose of the restricted net position is as follows:

	<u>2021</u>	<u>2020</u>
Debt service	\$ 999,946	\$ 988,775
Pension	<u>373,541</u>	<u>221,736</u>
Total restricted net position	<u>\$ 1,373,487</u>	<u>\$ 1,210,511</u>

Stoughton Utilities

Notes to Financial Statements
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The following calculation supports the amount of water restricted net position:

	<u>2021</u>	<u>2020</u>
Restricted assets:		
Redemption account	\$ 296,319	\$ 303,450
Reserve account	340,710	340,710
Depreciation account	25,000	25,000
Construction account	4	110,332
Net pension asset	<u>153,762</u>	<u>-</u>
Total restricted assets	<u>815,795</u>	<u>779,492</u>
Less restricted assets not funded by revenues		
Construction account	<u>(4)</u>	<u>(110,332)</u>
Current liabilities payable from restricted assets	<u>(13,944)</u>	<u>(13,051)</u>
Total restricted net position as calculated	<u>\$ 801,847</u>	<u>\$ 656,109</u>

The purpose of the restricted net position is as follows:

	<u>2021</u>	<u>2020</u>
Debt service	\$ 648,085	\$ 656,109
Pension	<u>153,762</u>	<u>75,459</u>
Total restricted net position	<u>\$ 801,847</u>	<u>\$ 731,568</u>

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

	<u>2021</u>	<u>2020</u>
Restricted assets:		
Redemption account	\$ 247,178	\$ 242,432
Depreciation account	33,283	33,283
Replacement account	1,166,203	1,164,904
Net pension asset	<u>161,017</u>	<u>72,180</u>
Total restricted assets	<u>1,607,681</u>	<u>1,512,799</u>
Current liabilities payable from restricted assets	<u>(15,160)</u>	<u>(15,128)</u>
Total restricted net position as calculated	<u>\$ 1,592,521</u>	<u>\$ 1,497,671</u>

The purpose of the restricted net position is as follows:

	<u>2021</u>	<u>2020</u>
Debt service	\$ 265,301	\$ 260,587
Equipment replacement	1,166,203	1,164,904
Pension	<u>161,017</u>	<u>72,180</u>
Total restricted net position	<u>\$ 1,592,521</u>	<u>\$ 1,497,671</u>

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 is \$157,976.

Repayment requirements to maturity follow:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 51,006	\$ 4,739	\$ 55,745
2023	53,651	3,209	56,860
2024	47,388	1,600	48,988
2025	5,931	178	6,109
Total	<u>\$ 157,976</u>	<u>\$ 9,726</u>	<u>\$ 167,702</u>

6. Changes in Capital Assets

Electric Utility

A summary of changes in electric capital assets for 2021 follows:

	<u>Balance 1/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/21</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 344,364	\$ -	\$ -	\$ 344,364
Capital assets being depreciated:				
Transmission	15,019	-	-	15,019
Distribution	30,122,031	2,998,214	617,292	32,502,953
General	3,995,565	22,330	61,098	3,956,797
Total capital assets being depreciated	<u>34,132,615</u>	<u>3,020,544</u>	<u>678,390</u>	<u>36,474,769</u>
Total capital assets	<u>34,476,979</u>	<u>3,020,544</u>	<u>678,390</u>	<u>36,819,133</u>
Less accumulated depreciation:				
Transmission	(19,366)	-	-	(19,366)
Distribution	(14,499,187)	(1,139,085)	629,914	(15,008,358)
General	(2,605,454)	(180,802)	57,097	(2,729,159)
Total accumulated depreciation	<u>(17,124,007)</u>	<u>(1,319,887)</u>	<u>687,011</u>	<u>(17,756,883)</u>
Construction in progress	<u>981,323</u>	<u>-</u>	<u>613,340</u>	<u>367,983</u>
Net capital assets	<u>\$ 18,334,295</u>			<u>\$ 19,430,233</u>

Stoughton Utilities

Notes to Financial Statements
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A summary of changes in electric capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 344,364	\$ -	\$ -	\$ 344,364
Capital assets being depreciated:				
Transmission	15,019	-	-	15,019
Distribution	29,370,280	976,630	224,879	30,122,031
General	<u>3,989,226</u>	<u>9,815</u>	<u>3,476</u>	<u>3,995,565</u>
Total capital assets being depreciated	<u>33,374,525</u>	<u>986,445</u>	<u>228,355</u>	<u>34,132,615</u>
Total capital assets	<u>33,718,889</u>	<u>986,445</u>	<u>228,355</u>	<u>34,476,979</u>
Less accumulated depreciation:				
Transmission	(19,366)	-	-	(19,366)
Distribution	(13,646,535)	(1,080,855)	228,203	(14,499,187)
General	<u>(2,430,870)</u>	<u>(178,060)</u>	<u>3,476</u>	<u>(2,605,454)</u>
Total accumulated depreciation	<u>(16,096,771)</u>	<u>(1,258,915)</u>	<u>231,679</u>	<u>(17,124,007)</u>
Construction in progress	<u>123,908</u>	<u>857,415</u>	<u>-</u>	<u>981,323</u>
Net capital assets	<u>\$ 17,746,026</u>			<u>\$ 18,334,295</u>

Stoughton Utilities

Notes to Financial Statements
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Water Utility

A summary of changes in Water capital assets for 2021 follows:

	<u>Balance</u> <u>1/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/21</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated:				
Source of supply	595,730	-	-	595,730
Pumping	1,598,744	-	-	1,598,744
Water treatment	90,763	1,533	1,501	90,795
Transmission and distribution	21,901,934	245,315	8,687	22,138,562
General	1,006,196	5,943	4,780	1,007,359
Completed construction not classified	-	1,667,296	-	1,667,296
Total capital assets being depreciated	<u>25,193,367</u>	<u>1,920,087</u>	<u>14,968</u>	<u>27,098,486</u>
Total capital assets	<u>25,218,208</u>	<u>1,920,087</u>	<u>14,968</u>	<u>27,123,327</u>
Less accumulated depreciation:				
Source of supply	(438,817)	(17,276)	-	(456,093)
Pumping	(1,414,584)	(50,125)	-	(1,464,709)
Water treatment	(90,388)	(1,907)	1,500	(90,795)
Transmission and distribution	(5,313,180)	(409,002)	10,162	(5,712,020)
General	(912,170)	(24,060)	4,779	(931,451)
Completed construction not classified	-	(24,176)	-	(24,176)
Total accumulated depreciation	<u>(8,169,139)</u>	<u>(526,546)</u>	<u>16,441</u>	<u>(8,679,244)</u>
Construction in progress	<u>11,147</u>	<u>203,013</u>	<u>-</u>	<u>214,160</u>
Net capital assets	<u>\$ 17,060,216</u>			<u>\$ 18,658,243</u>

Stoughton Utilities

Notes to Financial Statements
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A summary of changes in Water capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 24,841	\$ -	\$ -	\$ 24,841
Capital assets being depreciated:				
Source of supply	595,730	-	-	595,730
Pumping	1,598,744	-	-	1,598,744
Water treatment	90,763	-	-	90,763
Transmission and distribution	21,318,013	625,621	41,700	21,901,934
General	1,006,196	-	-	1,006,196
Total capital assets being depreciated	<u>24,609,446</u>	<u>625,621</u>	<u>41,700</u>	<u>25,193,367</u>
Total capital assets	<u>24,634,287</u>	<u>625,621</u>	<u>41,700</u>	<u>25,218,208</u>
Less accumulated depreciation:				
Source of supply	(421,541)	(17,276)	-	(438,817)
Pumping	(1,357,135)	(57,449)	-	(1,414,584)
Water treatment	(89,951)	(437)	-	(90,388)
Transmission and distribution	(4,976,342)	(399,839)	63,001	(5,313,180)
General	(886,189)	(25,981)	-	(912,170)
Total accumulated depreciation	<u>(7,731,158)</u>	<u>(500,982)</u>	<u>63,001</u>	<u>(8,169,139)</u>
Construction in progress	<u>30</u>	<u>11,117</u>	<u>-</u>	<u>11,147</u>
Net capital assets	<u>\$ 16,903,159</u>			<u>\$ 17,060,216</u>

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

Wastewater Utility

A summary of changes in wastewater capital assets for 2021 follows:

	<u>Balance 1/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/21</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Capital assets being depreciated:				
Collecting system	14,454,576	156,094	1,654	14,609,016
Collecting system pumping	755,459	5,104	4,555	756,008
Treatment and disposal	15,672,308	34,689	22,661	15,684,336
General	1,499,649	133,410	31,381	1,601,678
Total capital assets being depreciated	<u>32,381,992</u>	<u>329,297</u>	<u>60,251</u>	<u>32,651,038</u>
Total capital assets	<u>32,382,092</u>	<u>329,297</u>	<u>60,251</u>	<u>32,651,138</u>
Less accumulated depreciation	<u>(12,977,468)</u>	<u>(774,019)</u>	<u>60,251</u>	<u>(13,691,236)</u>
Construction in progress	<u>9,793</u>	<u>9,322</u>	<u>-</u>	<u>19,115</u>
Net capital assets	<u>\$ 19,414,417</u>			<u>\$ 18,979,017</u>

A summary of changes in wastewater capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Capital assets being depreciated:				
Collecting system	13,667,393	815,021	27,838	14,454,576
Collecting system pumping	753,684	2,975	1,200	755,459
Treatment and disposal	15,664,654	19,234	11,580	15,672,308
General	1,467,607	32,042	-	1,499,649
Total capital assets being depreciated	<u>31,553,338</u>	<u>869,272</u>	<u>40,618</u>	<u>32,381,992</u>
Total capital assets	<u>31,553,438</u>	<u>869,272</u>	<u>40,618</u>	<u>32,382,092</u>
Less accumulated depreciation	<u>(12,237,929)</u>	<u>(808,765)</u>	<u>69,226</u>	<u>(12,977,468)</u>
Construction in progress	<u>-</u>	<u>9,793</u>	<u>-</u>	<u>9,793</u>
Net capital assets	<u>\$ 19,315,509</u>			<u>\$ 19,414,417</u>

Stoughton Utilities

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December 31, 2021 and 2020

7. Long-Term Obligations

Revenue Debt Electric

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/21</u>
May 3, 2016	Electric system improvements, refund 2006 bonds	April 1, 2036	2.00 - 3.00%	\$ 4,005,000	\$ 2,415,000
February 15, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25	3,170,000	665,000

Revenue bonds debt service requirements to maturity follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 685,000	\$ 68,438	\$ 753,438
2023	690,000	53,856	743,856
2024	110,000	45,450	155,450
2025	115,000	43,200	158,200
2026	115,000	40,900	155,900
2027-2031	635,000	157,575	792,575
2032-2036	730,000	55,950	785,950
Total	<u>\$ 3,080,000</u>	<u>\$ 465,369</u>	<u>\$ 3,545,369</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 2021 and 2020 were \$752,813 and \$756,513, respectively. Total customer gross revenues as defined for the same periods were \$15,601,584 and \$14,769,162. Annual principal and interest payments are expected to require 2% of gross revenues on average.

Revenue Debt Water

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/21</u>
May 3, 2016	Additions and improvements, refund 2006 bonds	May 1, 2026	1.00 - 2.75%	\$ 2,520,000	\$ 1,035,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018	277,456 *
November 14, 2019	Additions and improvements	May 1, 2034	2.00 - 3.00	1,825,000	1,625,000

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

Stoughton Utilities

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Revenue bonds debt service requirements to maturity follows:

Years Ending December 31,	Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
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	250,000	37,250	34,166	4,352	325,768
2026	260,000	29,956	35,078	3,428	328,462
2027-2031	655,000	92,300	110,949	4,492	862,741
2032-2034	435,000	16,563	-	-	451,563
Total	<u>\$ 2,660,000</u>	<u>\$ 329,313</u>	<u>\$ 277,456</u>	<u>\$ 30,632</u>	<u>\$ 3,297,401</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 2021 and 2020 were \$509,864 and \$520,335, respectively. Total customer gross revenues as defined for the same periods were \$2,391,113 and \$2,351,709. Annual principal and interest payments are expected to require 11% of gross revenues on average.

Revenue Debt Wastewater

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/21
July 12, 2000	WWTP improvements	May 1, 2020	3.049%	\$ 1,116,259	\$ -
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	212,327 *
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	587,385 *
November 1, 2014	WWTP improvements	May 1, 2034	2.625	3,305,713	2,337,583 *

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

Revenue bonds debt service requirements to maturity follows:

Years Ending December 31,	Direct Placement		Total
	Principal	Interest	
2022	\$ 349,930	\$ 77,175	\$ 427,105
2023	359,126	67,858	426,984
2024	257,975	59,826	317,801
2025	264,602	53,114	317,716
2026	271,399	46,229	317,628
2026-2030	1,022,943	143,079	1,166,022
2031-2034	611,320	24,348	635,668
Total	<u>\$ 3,137,295</u>	<u>\$ 471,629</u>	<u>\$ 3,608,924</u>

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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 2021 and 2020 were \$427,222 and \$501,892, respectively. Total customer gross revenues as defined for the same periods were \$2,193,015 and \$2,225,465. Annual principal and interest payments are expected to require 13% of gross revenues on average.

General Obligation Debt Water

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/21</u>
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$ 522,000	\$ 219,000

General obligation bonds debt service requirements to maturity follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 54,000	\$ 4,050	\$ 58,050
2023	54,000	2,970	56,970
2024	54,000	1,856	55,856
2025	57,000	641	57,641
Total	<u>\$ 219,000</u>	<u>\$ 9,517</u>	<u>\$ 228,517</u>

General Obligation Debt Wastewater

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/21</u>
July 9, 2015	Additions and improvements	April 1, 2025	2.00 - 2.25%	\$ 348,000	\$ 146,000

General obligation bonds debt service requirements to maturity follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 36,000	\$ 2,700	\$ 38,700
2023	36,000	1,980	37,980
2024	36,000	1,238	37,238
2025	38,000	427	38,427
Total	<u>\$ 146,000</u>	<u>\$ 6,345</u>	<u>\$ 152,345</u>

Stoughton Utilities

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Long-Term Obligations Summary Electric

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	<u>1/1/21 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 3,750,000	\$ -	\$ 670,000	\$ 3,080,000	\$ 685,000
Accrued sick leave	150,721	47,991	37,356	161,356	-
Customer advances for construction	1,344,916	199,649	1,315,500	229,065	-
Unamortized premium on bonds	<u>63,098</u>	<u>-</u>	<u>10,957</u>	<u>52,141</u>	<u>-</u>
Total	<u>\$ 5,308,735</u>	<u>\$ 247,640</u>	<u>\$ 2,033,813</u>	<u>\$ 3,522,562</u>	<u>\$ 685,000</u>

Long-term obligation activity for the year ended December 31, 2020 is as follows:

	<u>1/1/20 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/20 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 4,410,000	\$ -	\$ 660,000	\$ 3,750,000	\$ 670,000
Accrued sick leave	145,213	38,457	32,949	150,721	-
Customer advances for construction	27,416	1,380,963	63,463	1,344,916	-
Unamortized premium on bonds	<u>76,286</u>	<u>-</u>	<u>13,188</u>	<u>63,098</u>	<u>-</u>
Total	<u>\$ 4,658,915</u>	<u>\$ 1,419,420</u>	<u>\$ 769,600</u>	<u>\$ 5,308,735</u>	<u>\$ 670,000</u>

Long-Term Obligations Summary Water

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	<u>1/1/21 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 3,373,207	\$ -	\$ 435,751	\$ 2,937,456	\$ 426,571
General obligation debt	270,000	-	51,000	219,000	54,000
Accrued sick leave	103,078	17,451	9,130	111,399	-
Customer advances for construction	5,000	-	5,000	-	-
Unamortized premium on bonds	<u>61,517</u>	<u>-</u>	<u>10,629</u>	<u>50,888</u>	<u>-</u>
Total	<u>\$ 3,812,802</u>	<u>\$ 17,451</u>	<u>\$ 511,510</u>	<u>\$ 3,318,743</u>	<u>\$ 480,571</u>

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Long-term obligation activity for the year ended December 31, 2020 is as follows:

	<u>1/1/20</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/20</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 3,813,158	\$ -	\$ 439,951	\$ 3,373,207	\$ 435,751
General obligation debt	321,000	-	51,000	270,000	51,000
Accrued sick leave	85,562	17,516	-	103,078	-
Customer advances for construction	-	5,000	-	5,000	-
Unamortized premium on bonds	73,096	-	11,579	61,517	-
Total	<u>\$ 4,292,816</u>	<u>\$ 22,516</u>	<u>\$ 502,530</u>	<u>\$ 3,812,802</u>	<u>\$ 486,751</u>

Long-Term Obligations Summary Wastewater

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	<u>1/1/21</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 3,478,265	\$ -	\$ 340,970	\$ 3,137,295	\$ 349,930
General obligation debt	180,000	-	34,000	146,000	36,000
Accrued sick leave	112,235	21,814	49,430	84,619	-
Total	<u>\$ 3,770,500</u>	<u>\$ 21,814</u>	<u>\$ 424,400</u>	<u>\$ 3,367,914</u>	<u>\$ 385,930</u>

Long-term obligation activity for the year ended December 31, 2020 is as follows:

	<u>1/1/20</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/20</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 3,883,942	\$ -	\$ 405,677	\$ 3,478,265	\$ 340,971
General obligation debt	214,000	-	34,000	180,000	34,000
Accrued sick leave	97,342	17,480	2,587	112,235	-
Total	<u>\$ 4,195,284</u>	<u>\$ 17,480</u>	<u>\$ 442,264</u>	<u>\$ 3,770,500</u>	<u>\$ 374,971</u>

Bond Covenant Disclosures

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

Insurance

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

Stoughton Utilities

Notes to Financial Statements
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The Utilities are covered under the following insurance policies at December 31, 2021:

Type	Coverage	Expiration
Automobile	\$ 20,000,000 CVMIC Self-Insured	1/1/22
Excess Liability	5,000,000 CVMIC Self-Insured	1/1/22
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/22
Buildings	1,000,000 CVMIC Self-Insured	1/1/22
Boiler Insurance	500,000,000 CVMIC Self-Insured	1/1/22
Property	Wisconsin Local Property Insurance Fund	2/1/22
	68,083,830	

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 2021 and 2020 as follows:

	2021	2020
Operating revenues	\$ 15,545,034	\$ 14,637,461
Investment income	56,550	131,701
Less operation and maintenance expenses	<u>(13,163,306)</u>	<u>(12,366,320)</u>
Net defined earnings	<u>\$ 2,438,278</u>	<u>\$ 2,402,842</u>
Minimum required earnings per resolution:		
Highest annual debt service	\$ 415,200	\$ 415,200
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum required earnings	<u>\$ 539,760</u>	<u>\$ 539,760</u>
Actual debt coverage	<u>5.87</u>	<u>5.79</u>

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Notes to Financial Statements
December 31, 2021 and 2020

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 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 2,384,825	\$ 2,332,630
Investment income	6,261	19,079
Less operation and maintenance expenses	<u>(1,056,916)</u>	<u>(1,083,459)</u>
Net defined earnings	<u>\$ 1,334,170</u>	<u>\$ 1,268,250</u>
Minimum required earnings per resolution: Highest annual debt service	\$ 509,864	\$ 509,864
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum required earnings	<u>\$ 662,823</u>	<u>\$ 662,823</u>
Actual debt coverage	<u>2.62</u>	<u>2.49</u>

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 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 2,193,890	\$ 2,200,458
Investment income	(875)	25,007
Less operation and maintenance expenses	<u>(1,036,462)</u>	<u>(1,046,544)</u>
Net defined earnings	<u>\$ 1,156,553</u>	<u>\$ 1,178,921</u>
Minimum required earnings per resolution: Highest annual debt service	\$ 427,223	\$ 427,223
Coverage factor	<u>1.10</u>	<u>1.10</u>
Minimum required earnings	<u>\$ 469,945</u>	<u>\$ 469,945</u>
Actual debt coverage	<u>2.71</u>	<u>2.76</u>

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Notes to Financial Statements
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Number of Customers and Billed Volumes - Electric

The Utility has the following number of customers and billed volumes for 2021 and 2020:

	Customers		Sales (000 kWh)	
	2021	2020	2021	2020
Residential	7,875	7,851	67,514	66,977
General	878	869	18,539	16,297
Small power	42	45	15,620	16,096
Large power	10	9	12,137	9,729
Industrial	14	14	27,490	27,789
Street and highway lighting	6	6	338	395
Total	<u>8,825</u>	<u>8,794</u>	<u>141,638</u>	<u>137,283</u>

Number of Customers and Billed Volumes - Water

The Utility has the following number of customers and billed volumes for 2021 and 2020:

	Customers		Sales (000 gals)	
	2021	2020	2021	2020
Residential	4,550	4,528	207,203	213,704
Multifamily residential	81	80	37,443	36,781
Commercial	379	379	43,462	38,170
Industrial	26	27	150,133	142,457
Public authority	35	35	4,420	3,860
Interdepartmental	6	6	-	-
Total	<u>5,077</u>	<u>5,055</u>	<u>442,661</u>	<u>434,972</u>

Number of Customers and Billed Volumes - Wastewater

The utility has the following number of customers and billed volumes for 2021 and 2020:

	Customers		Sales (000 gals)	
	2021	2020	2021	2020
Residential	4,538	4,512	205,674	212,528
Multifamily residential	81	80	37,703	36,131
Commercial	364	361	36,601	33,355
Industrial	23	24	37,866	39,450
Public authority	28	28	2,672	2,492
Wholesale	1	1	-	19
Total	<u>5,035</u>	<u>5,006</u>	<u>320,516</u>	<u>323,975</u>

Utility Budget

The 2021 and 2020 utility budgets were prepared and approved as required by the bond resolutions.

Stoughton Utilities

Notes to Financial Statements
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8. Net Position

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

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

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

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

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

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

	<u>2021</u>	<u>2020</u>
Total accumulated depreciation	\$ (17,756,883)	\$ (17,124,007)
Total construction work in progress	367,983	981,323
Plant in service	<u>36,819,133</u>	<u>34,476,979</u>
Subtotal	<u>19,430,233</u>	<u>18,334,295</u>
Less capital related debt:		
Current portion of capital related long-term debt	685,000	670,000
Long-term portion of capital related long-term debt	2,395,000	3,080,000
Unamortized debt premium	52,141	63,098
Property held for future use	<u>(229,097)</u>	<u>(229,097)</u>
Subtotal	<u>2,903,044</u>	<u>3,584,001</u>
Total net investment in capital assets	<u>\$ 16,527,189</u>	<u>\$ 14,750,294</u>

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

	<u>2021</u>	<u>2020</u>
Total accumulated depreciation	\$ (8,679,244)	\$ (8,169,139)
Total construction work in progress	214,160	11,147
Plant in service	<u>27,123,327</u>	<u>25,218,208</u>
Subtotal	<u>18,658,243</u>	<u>17,060,216</u>
Less capital related debt:		
Current portion of capital related long-term debt	480,571	486,751
Long-term portion of capital related long-term debt	2,675,885	3,156,456
Unamortized debt premium	<u>50,888</u>	<u>61,517</u>
Subtotal	<u>3,207,344</u>	<u>3,704,724</u>
Add unspent debt proceeds:		
Construction funds	<u>4</u>	<u>110,332</u>
Total net investment in capital assets	<u>\$ 15,450,903</u>	<u>\$ 13,465,824</u>

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

	<u>2021</u>	<u>2020</u>
Total accumulated depreciation	\$ (13,691,236)	\$ (12,977,468)
Total construction work in progress	19,115	9,793
Plant in service	<u>32,651,138</u>	<u>32,381,992</u>
Subtotal	<u>18,979,017</u>	<u>19,414,317</u>
Less capital related debt:		
Current portion of capital related long-term debt	385,930	374,971
Long-term portion of capital related long-term debt	<u>2,897,365</u>	<u>3,283,294</u>
Subtotal	<u>3,283,295</u>	<u>3,658,265</u>
Total net investment in capital assets	<u>\$ 15,695,722</u>	<u>\$ 15,756,052</u>

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 expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be bound at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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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 retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupation employees) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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>
2011	(1.2)%	11.0%
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

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.

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The WRS recognized \$113,997 and \$115,463 in contributions from the Utilities during the current and prior reporting periods, respectively.

Contribution rates for the plan year reported as of December 31, 2021 and December 31, 2020 are:

	2021		2020	
	Employee	Employer	Employee	Employer
General (including executives and elected officials)	6.75 %	6.75 %	6.55 %	6.55 %
Protective with Social Security	6.75 %	11.65 %	6.55 %	10.55 %
Protective without Social Security	6.75 %	16.25 %	6.55 %	14.95 %

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

At December 31, 2021, the Utilities reported a liability (asset) of \$(688,320) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net pension liability (asset) was based on the Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the City of Stoughton's proportion was .05058802%, which was a decrease of 0.0002056% from its proportion measured as of December 31, 2019.

At December 31, 2020, the Utilities reported a liability (asset) of \$(369,375) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net pension liability (asset) was based on the Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City of Stoughton's proportion was 0.05079366%, which was an increase of .00089611% from its proportion measured as of December 31, 2018.

For the years ended December 31, 2021 and 2020, the Utilities recognized pension expense of \$186,066 and \$3,444, respectively.

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At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Wastewater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 609,596	\$ 148,616	\$ 218,740	\$ 45,523	\$ 221,521	\$ 56,432
Changes in assumption	10,186	-	3,164	-	6,218	-
Net differences between project and actual earnings on pension plan	-	776,565	-	285,455	-	264,613
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,862	-	783	-	940
Employer contributions subsequent to the measurement date	<u>59,121</u>	<u>-</u>	<u>27,139</u>	<u>-</u>	<u>27,737</u>	<u>-</u>
Total	<u>\$ 678,903</u>	<u>\$ 927,043</u>	<u>\$ 249,043</u>	<u>\$ 331,761</u>	<u>\$ 255,476</u>	<u>\$ 321,985</u>

At December 31, 2020, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Wastewater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 436,675	\$ 216,179	\$ 147,560	\$ 73,334	\$ 146,982	\$ 85,555
Changes in assumption	16,809	-	5,890	-	9,073	-
Net differences between project and actual earnings on pension plan	-	471,286	-	159,792	-	133,021
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,964	-	825	-	984
Employer contributions subsequent to the measurement date	<u>62,660</u>	<u>-</u>	<u>25,793</u>	<u>-</u>	<u>27,010</u>	<u>-</u>
Total	<u>\$ 516,144</u>	<u>\$ 689,429</u>	<u>\$ 179,243</u>	<u>\$ 233,951</u>	<u>\$ 183,065</u>	<u>\$ 219,560</u>

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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:

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Years ending December 31:			
2022	\$ (79,413)	\$ (28,393)	\$ (24,358)
2023	(32,210)	(6,937)	(6,656)
2024	(130,986)	(52,843)	(44,409)
2025	(64,652)	(21,684)	(18,823)
2026	-	-	-
Thereafter	-	-	-
Total	<u>\$ (307,261)</u>	<u>\$ (109,857)</u>	<u>\$ (94,246)</u>

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:

	<u>2021</u>	<u>2020</u>
Actuarial valuation date	December 31, 2019	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2020	December 31, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments *	1.9%	1.9%

* 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 are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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 geometric real rates of return for each major asset class as of December 31, 2021 are summarized in the following table:

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51 %	7.2 %	4.7 %
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
Variable Fund Asset Class			
U.S Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.4%.

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Stoughton Utilities

Notes to Financial Statements
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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2020 are summarized in the following table:

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
Variable Fund Asset Class			
U.S Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

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% was used to measure the total pension liability as of December 31, 2021 and December 31, 2020. This 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 2.0% and 2.75%, in 2021 and 2020 respectively. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020 and 2019, respectively. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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
December 31, 2021 and 2020

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, 2021 follows:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
Electric Utility's proportionate share of the net position liability (asset)	\$ 330,687	\$ (373,541)	\$ (845,469)
Water Utility's proportionate share of the net position liability (asset)	150,312	(153,762)	(384,304)
Wastewater Utility's proportionate share of the net position liability (asset)	150,312	(161,017)	(384,304)

The sensitivity analysis as of December 31, 2020 follows:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
Electric Utility's proportionate share of the net position liability (asset)	\$ 463,944	\$ (221,736)	\$ (661,702)
Water Utility's proportionate share of the net position liability (asset)	210,884	(75,459)	(300,774)
Wastewater Utility's proportionate share of the net position liability (asset)	210,884	(72,180)	(300,774)

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/about-etf/reports-and-studies/financial-reports-and-statements>.

10. Other Postemployment Benefits

General Information About the OPEB Plan

Plan description: The City's defined benefit OPEB plan, Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the Utilities. RBP is a single-employer defined benefit OPEB plan administered by the City of Stoughton. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City of Stoughton Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: RBP provides healthcare benefits for retirees and their dependents. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy. Retirees participating in the plan contribute 100% of the blended premium. The City, by paying the blended premium for active employees, contributes the difference between the blended premium and the age-adjusted premium towards retiree benefits.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	3
Active plan members	<u>94</u>
	<u><u>97</u></u>

Total OPEB Liability

At December 31, 2021, the Utilities' total OPEB liability of \$82,381 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.12% - 2.06%
Salary increases	3.20%
Healthcare cost trend rates	5.00%
Retirees' share of benefit-related costs	Retiree \$6,952 and Spouse \$7,647

The discount rate was based on a combination of the expected long-term rate of return on plan assets and the municipal bond rate.

Mortality rates were based on the Wisconsin Retirement Experience Study Report dated November 19, 2021 with the MP-2021 generational improvement scale.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at January 1, 2021	<u>\$ 77,394</u>
Changes for the year:	
Service cost	5,293
Interest	1,616
Changes in assumptions or other inputs	455
Benefit payments	<u>(2,377)</u>
Net changes	<u>4,987</u>
Balances at December 31, 2021	<u><u>\$ 82,381</u></u>

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

As of December 31, 2021:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 90,514	\$ 82,381	\$ 75,227

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Utilities, as well as what the Utilities' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of December 31, 2021:

	<u>1% Decrease (4.0%)</u>	<u>Healthcare Cost Trend Rates (5.0%)</u>	<u>1% Increase (6.0%)</u>
Total OPEB liability	\$ 73,494	\$ 82,381	\$ 92,831

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the Utilities recognized OPEB expense of \$79,596. At December 31, 2021 the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>
	<u>Deferred Outflows of Resources</u>
Changes of assumptions or other inputs	408
Employer contributions subsequent to the measurement date	<u>2,377</u>
Total	<u>\$ 2,785</u>

Deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2022	\$ 48
2023	48
2024	48
2025	48
2026	48
Thereafter	168

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

Local Retiree Life Insurance Fund (LRLIF)

Plan description: The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Benefits provided: The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions: The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan year reported as of December 31, 2021 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the plan year are as listed below:

Life Insurance Member Contribution Rates For the Plan Year		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
34-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

Disabled members under 70 receive a waiver-of-premium benefit.

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

The LRLIF recognized \$554 and \$554 in contributions from the employer during the current and prior reporting periods, respectively.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2021, the Utilities reported a liability of \$140,145 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of January 1, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to January 1, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability was based on the Utilities' share of contributions to the OPEB plan relative to the contributions of all participating employers. At January 1, 2021, the Utilities' proportion was 0.13045400%, which was an increase of 0.00098400% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021 the Utilities recognized OPEB expense of \$156,398.

At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,687
Net differences between projected and actual earnings on OPEB plan investments	2,041	-
Changes in assumptions	54,518	9,616
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,253	1,660
Employer contributions subsequent to the measurement date	<u>4,147</u>	<u>-</u>
Total	<u>\$ 64,959</u>	<u>\$ 17,963</u>

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

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

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2022	\$ 7,988
2023	7,764
2024	7,537
2025	7,074
2026	8,638
Thereafter	3,848

Actuarial assumptions: The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2020
Measurement Date of Net OPEB Liability	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation. The Total OPEB Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 actuarial valuation. The Total OPEB Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 actuarial valuation.

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December 31, 2021 and 2020

Long-term expected return on plan assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2020

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return %</u>
US Credit Bonds	Barclays Credit	50%	1.47%
US Mortgages	Barclays MBS	50	0.82
Inflation			2.20
Long-Term Expected Rate of Return			4.25

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% respectively. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single discount rate: A single discount rate was used to measure the total OPEB liability (2.25% for 2021 and 2.87% for 2020). The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the Utilities' proportionate share of the net OPEB liability to changes in the discount rate: The following presents the Utilities' proportionate share of the net OPEB liability calculated using the discount rate, as well as what the Utilities' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

As of December 31, 2021:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
The Utilities' proportionate share of the net OPEB liability	\$ 196,201	\$ 140,145	\$ 104,935

11. Commitments and Contingencies

Long-Term Contracts - WPPI Energy

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

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

Fifty members, representing approximately 99.8% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining member has a long-term contract 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 was \$291 million as of December 31, 2021.

Claims and Judgments

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

Stoughton Utilities

Notes to Financial Statements
December 31, 2021 and 2020

12. 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.

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.

13. Subsequent Events

The Utilities evaluated subsequent events through July 13, 2022, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Rate Adjustment

The PSCW has approved a water rate increase effective June 1, 2022.

In May 2022, the Utilities Committee approved a street reconstruction contract for \$1,776,000.

Construction Contracts

On May 16, 2022, the Utilities Committee approved a street reconstruction contract for \$1,776,000.

REQUIRED SUPPLEMENTARY INFORMATION

Stoughton Utilities

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System
Year Ended December 31, 2021

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

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset) - City</u>	<u>Utilities' Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/30/21	0.05058802%	\$ (688,320)	\$ 1,710,558	40.24%	105.26%
12/31/20	0.05079366%	(369,375)	1,838,134	20.10%	102.96%
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
Year Ended December 31, 2020

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/21	\$ 113,997	\$ 113,997	\$ -	\$ 1,688,846	6.75%
12/31/20	115,463	115,463	-	1,710,558	6.75%
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 notes to required supplementary information

Stoughton Utilities

Notes to Required Supplementary Information
Year Ended December 31, 2021

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

Changes of assumptions.

	2015 - 2018	2019 - 2021
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.

Stoughton Utilities

Schedule of Proportionate Share of the Net OPEB Liability -

Local Retiree Life Insurance Fund

Year Ended December 31, 2021

<u>Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
12/30/21	0.13045400%	\$ 140,145	\$ 1,361,800	10.29%	31.36%

See notes to required supplementary information

Stoughton Utilities

Schedule of Changes in Employer's Total OPEB Liability and Related Ratios

Health Insurance

Year Ended December 31, 2021

	<u>2021</u>
Total OPEB Liability	
Service cost	\$ 5,293
Interest	1,616
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	455
Benefit payments	<u>(2,377)</u>
Net Change in Total OPEB Liability	4,987
Total OPEB Liability, Beginning	<u>77,394</u>
Total OPEB Liability, Ending	<u>\$ 82,381</u>
Covered payroll	\$ 553,147
Total OPEB liability as a percentage of covered payroll	14.89%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the previous calendar year.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The City is required to present the last ten fiscal years' data; however, standards allow the presentation of as many years as are available until 10 years are presented.

SUPPLEMENTARY INFORMATION

ELECTRIC UTILITY

Stoughton Electric Utility

Electric Utility Plant

Year Ended December 31, 2021

	<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/21</u>
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	6,982,913	-	-	6,982,913
Poles, towers and fixtures	3,697,053	1,996,038	254,849	5,438,242
Overhead conductors and devices	5,967,743	567,859	277,537	6,258,065
Underground conduit	946,479	22,850	1,503	967,826
Underground conductors and devices	5,498,028	219,523	30,953	5,686,598
Line transformers	3,406,266	61,738	33,446	3,434,558
Services	2,047,748	72,053	6,876	2,112,925
Meters	733,934	6,696	1,199	739,431
Street lighting and signal systems	789,034	51,457	10,929	829,562
Total distribution	<u>30,466,395</u>	<u>2,998,214</u>	<u>617,292</u>	<u>32,847,317</u>
General				
Structures and improvements	1,652,643	-	-	1,652,643
Office furniture and equipment	79,778	16,343	13,144	82,977
Computer equipment	100,107	-	-	100,107
Transportation equipment	330,959	5,987	47,954	288,992
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	84,885	-	-	84,885
Laboratory equipment	59,461	-	-	59,461
Power-operated equipment	1,188,543	-	-	1,188,543
Communication equipment	489,204	-	-	489,204
Total general	<u>3,995,564</u>	<u>22,330</u>	<u>61,098</u>	<u>3,956,796</u>
Total electric utility plant	<u>\$ 34,476,979</u>	<u>\$ 3,020,544</u>	<u>\$ 678,390</u>	<u>\$ 36,819,133</u>

Stoughton Electric Utility

Electric Utility Operating Revenues and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sales of electricity:		
Residential	\$ 5,463,703	\$ 5,203,534
Rural	2,955,981	2,800,696
General service	1,862,303	1,589,676
Large commercial and industrial	1,271,705	1,243,666
Large power	1,321,819	1,070,270
Industrial	2,257,349	2,330,008
Public street and highway lighting	91,088	90,036
Interdepartmental	<u>156,766</u>	<u>151,703</u>
Total sales of electricity	<u>15,380,714</u>	<u>14,479,589</u>
Other operating revenues:		
Forfeited discounts	33,082	25,238
Other	<u>131,238</u>	<u>132,634</u>
Total operating revenues	<u>15,545,034</u>	<u>14,637,461</u>
Operating Expenses		
Operation and maintenance:		
Other power supply:		
Purchased power	<u>11,325,693</u>	<u>10,596,835</u>
Transmission:		
Operation supervision and engineering	14,653	13,235
Station	53,824	46,730
Overhead lines	42,142	21,683
Underground lines	<u>87,812</u>	<u>203,866</u>
Total transmission	<u>198,431</u>	<u>285,514</u>
Distribution:		
Meter	5,542	3,576
Miscellaneous	31,109	34,157
Maintenance:		
Supervision and engineering	42,083	30,588
Station equipment	23,850	13,209
Overhead lines	257,642	202,757
Underground lines	105,511	96,602
Line transformers	3,459	2,699
Street lighting and signal system	2,695	8,538
Meters	<u>18,616</u>	<u>22,004</u>
Total distribution	<u>490,507</u>	<u>414,130</u>
Customer accounts:		
Meter reading	3,239	3,267
Customer records and collection	320,373	286,887
Miscellaneous	<u>9,144</u>	<u>17,285</u>
Total customer accounts	<u>332,756</u>	<u>307,439</u>

Stoughton Electric Utility

Electric Utility Operating Revenues and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Administrative and general:		
Salaries	\$ 225,914	\$ 264,624
Office supplies	77,312	56,685
Outside services employed	29,914	23,429
Property insurance	34,911	37,173
Injuries and damages	40,123	31,165
Employee pensions and benefits	52,007	140,506
Regulatory commission	-	7,212
Miscellaneous	17,059	678
Rents	14,430	14,054
Maintenance	32,400	32,229
Total administrative and general	<u>524,070</u>	<u>607,755</u>
Taxes	<u>161,278</u>	<u>154,647</u>
Total operation and maintenance	13,032,735	12,366,320
Depreciation	<u>1,252,922</u>	<u>1,193,582</u>
Total operating expenses	<u>14,285,657</u>	<u>13,559,902</u>
Operating income	<u>\$ 1,259,377</u>	<u>\$ 1,077,559</u>

Stoughton Electric Utility

Rate of Return - Regulatory Basis
Years Ended December 31, 2021 and 2020

	Electric	
	2021	2020
Utility Financed Plant in Service		
Beginning of year	\$ 30,650,994	\$ 29,942,145
End of year	<u>30,695,672</u>	<u>30,650,994</u>
Average	<u>30,673,333</u>	<u>30,296,570</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(15,071,160)	(14,151,033)
End of year	<u>(15,542,982)</u>	<u>(15,071,160)</u>
Average	<u>(15,307,071)</u>	<u>(14,611,097)</u>
Materials and Supplies		
Beginning of year	443,455	187,211
End of year	<u>293,295</u>	<u>443,455</u>
Average	<u>368,375</u>	<u>315,333</u>
Regulatory Liability		
Beginning of year	(66,484)	(88,644)
End of year	<u>(44,324)</u>	<u>(66,484)</u>
Average	<u>(55,404)</u>	<u>(77,564)</u>
Customer Advances for Construction		
Beginning of year	(1,344,916)	(27,416)
End of year	<u>(229,066)</u>	<u>(1,344,916)</u>
Average	<u>(786,991)</u>	<u>(686,166)</u>
Average net rate base	<u>\$ 14,892,242</u>	<u>\$ 15,237,076</u>
Operating income, regulatory basis	<u>\$ 934,835</u>	<u>\$ 785,957</u>
Rate of return (percent)	<u>6.28 %</u>	<u>5.16 %</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

Year Ended December 31, 2021

	Balance 1/1/21	Additions	Retirements	Balance 12/31/21
Source of Supply				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	595,730	-	-	595,730
Total source of supply	<u>607,365</u>	<u>-</u>	<u>-</u>	<u>607,365</u>
Pumping				
Structures and improvements	644,611	-	-	644,611
Other power production equipment	283,758	-	-	283,758
Electric pumping equipment	670,375	-	-	670,375
Total pumping	<u>1,598,744</u>	<u>-</u>	<u>-</u>	<u>1,598,744</u>
Water Treatment				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092	1,533	1,501	77,124
Total water treatment	<u>90,763</u>	<u>1,533</u>	<u>1,501</u>	<u>90,795</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	13,793,143	133,849	678	13,926,314
Services	3,463,433	57,441	-	3,520,874
Meters	912,368	27,035	8,009	931,394
Hydrants	1,763,728	26,990	-	1,790,718
Other transmission and distribution plant	11,800	-	-	11,800
Total transmission and distribution	<u>21,915,140</u>	<u>245,315</u>	<u>8,687</u>	<u>22,151,768</u>
General				
Structures and improvements	411,903	-	-	411,903
Office furniture and equipment	36,146	5,943	4,780	37,309
Computer equipment	21,458	-	-	21,458
Transportation equipment	55,137	-	-	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	30,427	-	-	30,427
SCADA equipment	299,506	-	-	299,506
Miscellaneous equipment	89	-	-	89
Total general	<u>1,006,196</u>	<u>5,943</u>	<u>4,780</u>	<u>1,007,359</u>
Completed Construction Not Classified				
	<u>-</u>	<u>1,667,296</u>	<u>-</u>	<u>1,667,296</u>
Total water utility plant	<u>\$25,218,208</u>	<u>\$ 1,920,087</u>	<u>\$ 14,968</u>	<u>\$27,123,327</u>

Stoughton Water Utility

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sales of water:		
Unmetered	\$ 1,397	\$ 1,054
Metered:		
Residential	1,098,266	1,095,218
Multifamily residential	119,161	114,650
Commercial	165,033	149,534
Industrial	301,792	284,054
Public authorities	21,223	19,641
Interdepartmental	2,175	2,296
Total metered sales	1,707,650	1,665,393
Private fire protection	59,590	58,097
Public fire protection	568,978	555,823
Total sales of water	2,337,615	2,280,367
Other operating revenues:		
Forfeited discounts	6,419	6,151
Other	40,818	46,112
Total operating revenues	2,384,852	2,332,630
Operating Expenses		
Operation and maintenance:		
Source of supply:		
Maintenance:		
Wells and springs	-	125
Pumping:		
Fuel or purchased power for pumping	116,417	114,269
Pumping labor	6,683	13,499
Maintenance:		
Structures and improvements	5,886	4,421
Pumping equipment	1,446	833
Total pumping	130,432	133,022
Water treatment:		
Chemicals	16,909	20,178
Operation labor	44,245	55,755
Miscellaneous	246	-
Maintenance:		
Water treatment equipment	6,546	7,049
Total water treatment	67,946	82,982

Stoughton Water Utility

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Transmission and distribution:		
Transmission and distribution lines	\$ 11,574	\$ 11,023
Meters	20,155	37,831
Customer installations	9,492	12,936
Miscellaneous	23,288	17,437
Maintenance:		
Reservoirs and standpipes	58,032	53,947
Mains	99,778	57,247
Services	101,775	96,472
Meters	(293)	-
Hydrants	19,433	8,187
Miscellaneous	2,176	3,993
Total transmission and distribution	<u>345,410</u>	<u>299,073</u>
Customer accounts:		
Meter reading	12,131	11,712
Accounting and collecting labor	91,384	105,124
Total customer accounts	<u>103,515</u>	<u>116,836</u>
Administrative and general:		
Salaries	153,058	169,476
Office supplies	25,088	15,090
Outside services employed	48,150	90,267
Property insurance	12,695	13,517
Injuries and damages	13,578	9,762
Employee pensions and benefits	68,131	117,100
Regulatory commission	4,497	-
Miscellaneous	5,253	791
Rents	5,243	4,666
Maintenance	4,277	5,690
Total administrative and general	<u>339,970</u>	<u>426,359</u>
Taxes	<u>26,374</u>	<u>25,062</u>
Total operation and maintenance	1,013,647	1,083,459
Depreciation	<u>497,314</u>	<u>468,240</u>
Total operating expenses	<u>1,510,961</u>	<u>1,551,699</u>
Operating income	<u>\$ 873,891</u>	<u>\$ 780,931</u>

Stoughton Water Utility

Rate of Return - Regulatory Basis
Years Ended December 31, 2021 and 2020

	Water	
	2021	2020
Utility Financed Plant in Service		
Beginning of year	\$ 17,255,621	\$ 16,671,700
End of year	<u>17,278,165</u>	<u>17,255,621</u>
Average	<u>17,266,893</u>	<u>16,963,661</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(5,676,756)	(5,371,671)
End of year	<u>(6,056,266)</u>	<u>(5,676,756)</u>
Average	<u>(5,866,511)</u>	<u>(5,524,214)</u>
Materials and Supplies		
Beginning of year	41,039	39,599
End of year	<u>59,771</u>	<u>41,039</u>
Average	<u>50,405</u>	<u>40,319</u>
Regulatory Liability		
Beginning of year	(102,688)	(136,916)
End of year	<u>(68,460)</u>	<u>(102,688)</u>
Average	<u>(85,574)</u>	<u>(119,802)</u>
Average net rate base	<u>\$ 11,365,213</u>	<u>\$ 11,359,964</u>
Operating income, regulatory basis	<u>\$ 546,439</u>	<u>\$ 476,760</u>
Rate of return (percent)	<u>4.81 %</u>	<u>4.20 %</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

Year Ended December 31, 2021

	<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/21</u>
Collecting System				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	12,541,447	156,094	1,654	12,695,887
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951	-	-	48,951
Total collecting system	<u>14,454,582</u>	<u>156,094</u>	<u>1,654</u>	<u>14,609,022</u>
Collecting System Pumping				
Structures and improvements	109,564	-	-	109,564
Electric pumping equipment	624,495	5,104	4,555	625,044
Other power pumping equipment	21,399	-	-	21,399
Total collecting system pumping	<u>755,458</u>	<u>5,104</u>	<u>4,555</u>	<u>756,007</u>
Treatment and Disposal				
Structures and improvements	5,375,812	-	-	5,375,812
Preliminary treatment equipment	1,579,689	6,564	4,474	1,581,779
Primary treatment equipment	1,150,534	-	-	1,150,534
Secondary treatment equipment	529,291	-	-	529,291
Advanced treatment equipment	1,934,027	-	-	1,934,027
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,967,183	19,945	13,188	3,973,940
Plant site piping	690,433	-	-	690,433
Flow metering and monitoring equipment	40,357	8,180	4,999	43,538
Other treatment and disposal equipment	38,818	-	-	38,818
Total treatment and disposal	<u>15,672,306</u>	<u>34,689</u>	<u>22,661</u>	<u>15,684,334</u>
General				
Structures and improvements	244,010	-	-	244,010
Office furniture and equipment	42,044	7,429	5,975	43,498
Computer equipment	73,289	-	-	73,289
Transportation equipment	584,673	33,686	25,406	592,953
Communication equipment	485,793	-	-	485,793
Other general equipment	69,837	92,395	-	162,232
Total general	<u>1,499,646</u>	<u>133,510</u>	<u>31,381</u>	<u>1,601,775</u>
Total wastewater utility plant	<u>\$32,381,992</u>	<u>\$ 329,397</u>	<u>\$ 60,251</u>	<u>\$32,651,138</u>

Stoughton Wastewater Utility

Wastewater Utility Operating Revenues and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Wastewater revenues:		
Residential	\$ 1,497,393	\$ 1,493,914
Commercial	441,996	412,576
Industrial	192,817	200,540
Public authorities	21,372	19,821
Interdepartmental sales	441	397
Total wastewater revenues	<u>2,154,019</u>	<u>2,127,248</u>
Other operating revenues:		
Forfeited discounts	4,897	4,058
Miscellaneous	34,974	69,152
Total operating revenues	<u>2,193,890</u>	<u>2,200,458</u>
Operating Expenses		
Operation and maintenance:		
Operation:		
Supervision and labor	(910)	1,240
Power and fuel for pumping	85,613	83,767
Sludge conditioning chemicals	13,236	12,023
Other operating supplies	39,216	33,143
Total operation	<u>137,155</u>	<u>130,173</u>
Maintenance:		
Collection system	138,670	126,357
Treatment and disposal plant equipment	140,076	110,929
General plant structures and equipment	70,679	57,854
Total maintenance	<u>349,425</u>	<u>295,140</u>
Customer accounts:		
Accounting and collecting	165,196	174,322
Administrative and general:		
Salaries	100,628	108,549
Office supplies	32,660	23,388
Outside services employed	29,635	45,330
Insurance	31,774	27,593
Employees pensions and benefits	51,487	104,553
Miscellaneous	33,021	33,614
Rents	74,181	73,270
Total administrative and general	<u>353,386</u>	<u>416,297</u>
Taxes	31,300	30,612
Total operation and maintenance	1,036,462	1,046,544
Depreciation	<u>774,018</u>	<u>808,765</u>
Total operating expenses	<u>1,810,480</u>	<u>1,855,309</u>
Operating income	<u>\$ 383,410</u>	<u>\$ 345,149</u>