

STOUGHTON UTILITIES

Enterprise Funds of the
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2013 and 2012

STOUGHTON UTILITIES
Enterprise Funds of the City of Stoughton, Wisconsin

TABLE OF CONTENTS
December 31, 2013 and 2012

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

STOUGHTON UTILITIES
Enterprise Funds of the City of Stoughton, Wisconsin

TABLE OF CONTENTS
December 31, 2013 and 2012

Supplemental Information (cont.)

Water Utility

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

Wastewater Utility

Utility Plant	73
Operating Revenues and Expenses	74

INDEPENDENT AUDITORS' REPORT

To the Utilities Committee
Stoughton Utilities
Stoughton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Stoughton Utilities, enterprise funds of the City of Stoughton, Wisconsin, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoughton Utilities as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utilities Committee
Stoughton Utilities

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Stoughton Utilities enterprise funds and do not purport to, and do not present fairly the financial position of the City of Stoughton, Wisconsin, as of December 31, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, Stoughton Utilities have adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly Viechow Krause, LLP

Madison, Wisconsin
March 6, 2014

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

STOUGHTON UTILITIES

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

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, 2013 and 2012. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Electric sales remained constant in 2013.
- The electric division's net position increased by \$432,739 from the prior year.
- Refunded the 2003 revenue bonds for a net present value interest savings in excess of \$560,000.
- Financed \$575,000 of capital improvements to improve operations and electric system reliability.

WATER:

- Completed \$435,000 of capital improvements including approximately ½ mile of main replacements.
- The water division's net position increased by \$109,141 from the prior year.
- Sales decreased by 1.49% in 2013 due to a decrease in water consumption. Consumption was higher in 2012 due to unusually dry weather conditions. There were no retail rate adjustments in 2013.

WASTEWATER:

- Completed \$1,025,000 of sewer projects which included collecting main upgrades, slip lining of mains to extend their useful life, and equipment replacement at the Wastewater Treatment Plant.
- Started construction for a \$3.5 million electrical upgrade in the Wastewater Treatment Plant. The project will be financed with a Wisconsin DNR Environmental Improvement Loan.
- The wastewater division's net position increased by \$418,442 from the prior year.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

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 establishes rates and service rules. Accounting records are maintained in accordance with the Governmental Accounting Standards Board.

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

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

UTILITY FINANCIAL ANALYSIS

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

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Position – Electric Utility

	2013	2012	2011	2013-2012 Change
Current and Other Assets	\$10,114,745	\$ 9,518,367	\$ 8,982,799	\$ 596,378
Capital Assets	14,726,389	15,160,909	15,310,259	(434,520)
Total Assets	<u>24,841,134</u>	<u>24,679,276</u>	<u>24,293,058</u>	<u>161,858</u>
Long-Term Debt Outstanding	4,940,000	5,505,000	5,905,000	(565,000)
Other Liabilities	2,640,380	2,346,261	2,264,789	294,119
Total Liabilities	<u>7,580,380</u>	<u>7,851,261</u>	<u>8,169,789</u>	<u>(270,881)</u>
Investment in Capital Assets	9,231,928	9,255,909	8,677,595	(23,981)
Restricted	1,076,042	1,039,577	1,016,417	36,465
Unrestricted	6,952,784	6,532,529	6,429,257	420,255
Total Net Position	<u>\$17,260,754</u>	<u>\$ 16,828,015</u>	<u>\$ 16,123,269</u>	<u>\$ 432,739</u>

In 2013, the electric utility net position increased \$432,739, an increase of 2.57%. The increase was as anticipated and in line with the 2013 operating budget.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Net Position – Water Utility

	2013	2012	2011	2013-2012 Change
Current and Other Assets	\$ 1,563,853	\$ 1,656,392	\$ 1,759,183	\$ (92,539)
Capital Assets	12,546,530	12,537,167	12,341,715	9,363
Total Assets	<u>14,110,383</u>	<u>14,193,559</u>	<u>14,100,898</u>	<u>(83,176)</u>
Long-Term Debt Outstanding	1,926,638	2,077,213	2,262,123	(150,575)
Other Liabilities	654,701	696,443	638,518	(41,742)
Total Liabilities	<u>2,581,339</u>	<u>2,773,656</u>	<u>2,900,641</u>	<u>(192,317)</u>
Investment in Capital Assets	10,469,317	10,275,044	9,900,329	194,273
Restricted	408,836	431,068	427,587	(22,232)
Unrestricted	650,891	713,791	872,341	(62,900)
Total Net Position	<u>\$11,529,044</u>	<u>\$11,419,903</u>	<u>\$ 11,200,257</u>	<u>\$ 109,141</u>

In 2013, the water utility net position increased \$109,141, an increase of 0.96%. The water utility has experienced stable increases in net position since the last retail rate increase was implemented in 2010. An estimated retail rate increase of 3.0% will likely occur in 2014 in order to maintain the water utility net position.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3
Condensed Statements of Net Position – Wastewater Utility

	2013	2012	2011	2013-2012 Change
Current and Other Assets	\$ 2,326,901	\$ 2,941,906	\$ 3,222,504	\$ (615,005)
Capital Assets	15,303,036	15,021,478	14,847,485	281,558
Total Assets	<u>17,629,937</u>	<u>17,963,384</u>	<u>18,069,989</u>	<u>(333,447)</u>
Long-Term Debt Outstanding	2,646,720	2,903,455	3,553,191	(256,735)
Other Liabilities	429,810	924,964	891,302	(495,154)
Total Liabilities	<u>3,076,530</u>	<u>3,828,419</u>	<u>4,444,493</u>	<u>(751,889)</u>
Investment in Capital Assets	12,399,704	11,468,409	10,663,942	931,295
Restricted	1,247,923	1,501,295	1,479,173	(253,372)
Unrestricted	905,780	1,165,261	1,482,381	(259,481)
Total Net Position	<u>\$14,553,407</u>	<u>\$ 14,134,965</u>	<u>\$ 13,625,496</u>	<u>\$ 418,442</u>

In 2013, wastewater net position increased \$418,442 or 2.96%. The increase was as anticipated and in line with the 2013 operating budget.

The restricted portion of net position includes accounts that are limited by bond covenants. Listed below are restricted assets:

- Redemption – Used for debt service payments.
- Reserve – Used for any deficiencies in the redemption account.
- Depreciation – Used to restore deficiencies in the redemption and reserve accounts, and for funding plant replacements.
- Construction – Bond issue proceeds used only for the restricted construction project(s).
- Replacement – Used for plant replacement.

The specific nature or source of these changes becomes more evident in the Statement of Revenues, Expenses and Changes in Net Position as shown in Tables 4 through 6.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Revenues, Expenses, and Changes in Net Position provides an indication of the utilities' financial health.

Table 4
Condensed Statement of Revenues,
Expenses and Changes in Net Position -
Electric Utility

	2013	2012	2011	2013-2012 Change
Operating Revenues	\$ 15,379,679	\$ 15,385,267	\$ 15,055,468	\$ (5,588)
Non-Operating Revenues	71,308	100,685	117,555	(29,377)
Total Revenues	<u>15,450,987</u>	<u>15,485,952</u>	<u>15,173,023</u>	<u>(34,965)</u>
Depreciation Expense	918,885	910,353	912,530	8,532
Other Operating Expense	13,512,427	13,336,299	13,136,259	176,128
Non-Operating Expenses	254,852	276,156	289,363	(21,304)
Total Expenses	<u>14,686,164</u>	<u>14,522,808</u>	<u>14,338,152</u>	<u>163,356</u>
Income Before Capital Contributions and Transfers	764,823	963,144	834,871	(198,321)
Capital Contributions	78,489	130,561	17,407	(52,072)
Transfers - Tax Equivalent Transfers	(380,584)	(363,359)	(322,881)	(17,225)
	<u>(29,989)</u>	<u>(25,600)</u>	<u>(20,788)</u>	<u>(4,389)</u>
Changes in Net Position	432,739	704,746	508,609	(272,007)
Beginning Net Position	<u>16,828,015</u>	<u>16,123,269</u>	<u>15,614,660</u>	<u>704,746</u>
Total Net Position-Ending	<u>\$ 17,260,754</u>	<u>\$ 16,828,015</u>	<u>\$ 16,123,269</u>	<u>\$ 432,739</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2013	2012	2011	2013-2012 Change
Operating Revenues	\$ 1,727,969	\$ 1,756,878	\$ 1,734,825	\$ (28,909)
Non-Operating Revenues	5,245	10,718	11,297	(5,473)
Total Revenues	<u>1,733,214</u>	<u>1,767,596</u>	<u>1,746,122</u>	<u>(34,382)</u>
Depreciation Expense	381,278	364,679	342,667	16,599
Other Operating Expense	779,963	745,471	788,488	34,492
Non-Operating Expenses	90,133	97,706	175,123	(7,573)
Total Expenses	<u>1,251,374</u>	<u>1,207,856</u>	<u>1,306,278</u>	<u>43,518</u>
Income Before Capital Contributions and Transfers	481,840	559,740	439,844	(77,900)
Capital Contributions	-	9,000	86,600	(9,000)
Transfers - Tax Equivalent	(361,820)	(342,159)	(301,135)	(19,661)
Transfers	<u>(10,879)</u>	<u>(6,935)</u>	<u>(10,600)</u>	<u>(3,944)</u>
Changes in Net Position	109,141	219,646	214,709	(110,505)
Beginning Net Position	<u>11,419,903</u>	<u>11,200,257</u>	<u>10,985,548</u>	<u>219,646</u>
Total Net Position-Ending	<u>\$ 11,529,044</u>	<u>\$ 11,419,903</u>	<u>\$ 11,200,257</u>	<u>\$ 109,141</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

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

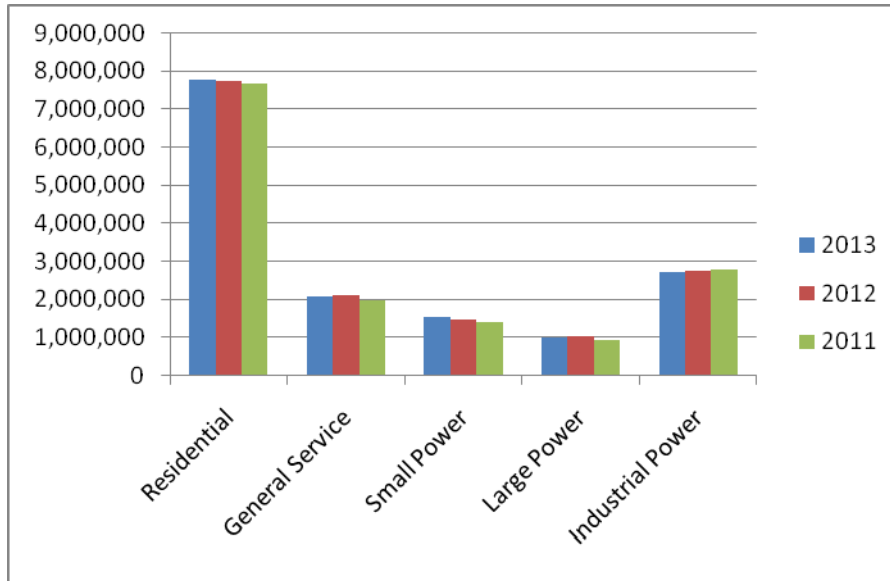
	2013	2012	2011	2013-2012 Change
Operating Revenues	\$ 2,029,464	\$ 2,062,606	\$ 2,073,764	\$ (33,142)
Non-Operating Revenues	3,498	9,763	19,138	(6,265)
Total Revenues	2,032,962	2,072,369	2,092,902	(39,407)
Depreciation Expense	673,593	630,188	630,352	43,405
Other Operating Expense	877,420	877,033	905,616	387
Non-Operating Expenses	85,280	104,934	124,008	(19,654)
Total Expenses	1,636,293	1,612,155	1,659,976	24,138
Income Before Capital Contributions and Transfers	396,669	460,214	432,926	(63,545)
Capital Contributions	21,773	49,255	-	(27,482)
Changes in Net Position	418,442	509,469	432,926	(91,027)
Beginning Net Position	14,134,965	13,625,496	13,192,570	509,469
Total Net Position-Ending	\$ 14,553,407	\$ 14,134,965	\$ 13,625,496	\$ 418,442

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Electric sales remained relatively constant in 2013. A review of retail rates will be completed in 2014 to analyze the adequacy and structure of rates by customer class.

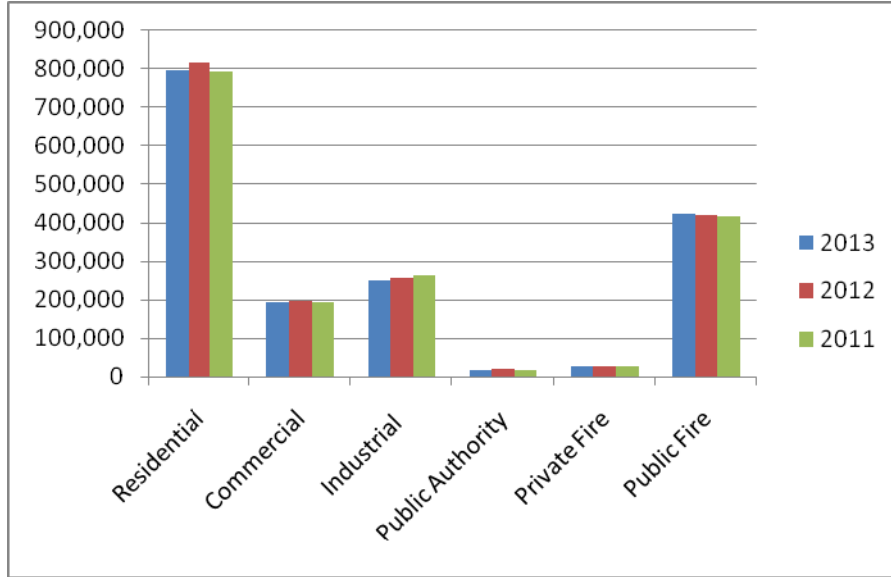
	2013	2012	2011
Residential	\$ 7,742,249	\$ 7,711,886	\$ 7,652,332
General Service	2,067,323	2,104,261	1,966,989
Small Power	1,532,050	1,467,540	1,410,706
Large Power	1,021,094	1,049,188	956,963
Industrial Power	2,728,523	2,761,836	2,781,578
Public Lighting	142,072	141,102	150,044
Total Electric Sales	<u>\$ 15,233,311</u>	<u>\$ 15,235,813</u>	<u>\$ 14,918,612</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales decreased by \$25,904 or 1.49% in 2013 due to a decrease in water consumption. Sales were higher in 2012 due to dry weather conditions. There were no retail rate adjustments in 2013.

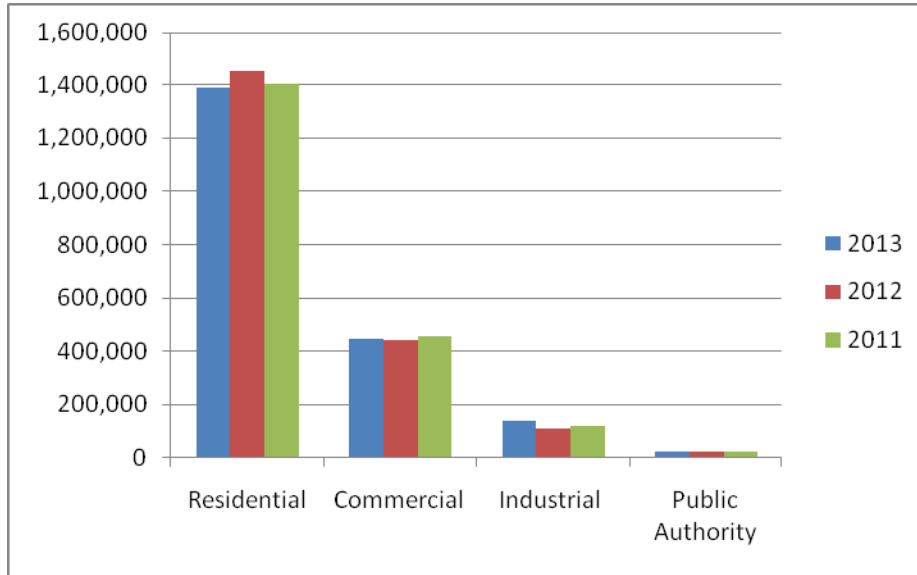
	2013	2012	2011
Residential	\$ 797,026	\$ 816,587	\$ 792,642
Commercial	192,994	196,348	193,971
Industrial	250,544	255,137	263,376
Public Authority	17,672	19,222	17,828
Private Fire	26,318	25,422	25,417
Public Fire	423,129	420,871	417,354
 Total Water Sales	 <u>\$ 1,707,683</u>	 <u>\$ 1,733,587</u>	 <u>\$ 1,710,588</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



The utility experienced a decrease in revenues of \$30,923 or 1.52% in 2013 due to a decrease in volume sales. No retail rate increases were implemented in 2013.

	2013	2012	2011
Residential	\$ 1,388,955	\$ 1,449,168	\$ 1,403,877
Commercial	445,201	441,780	456,246
Industrial	138,306	112,101	120,473
Public Authority	25,519	25,855	24,129
Total Wastewater Sales	\$ 1,997,981	\$ 2,028,904	\$ 2,004,725

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Table 7
Condensed Statements of Cash Flows
Electric Utility

	2013	2012	2011	2013-2012 Change
Cash Flows From:				
Operating activities	\$ 2,039,792	\$ 2,062,896	\$ 1,941,440	\$ (23,104)
Non-capital financing activities	(346,703)	(302,751)	(867,454)	(43,952)
Capital and related financing activities	(1,175,293)	(1,365,177)	(1,717,639)	189,884
Investing activities	409,111	408,202	(733,924)	909
Net Change in Cash and Cash Equivalents	926,907	803,170	(1,377,577)	123,737
Cash and Cash Equivalents Beginning of Year	2,825,642	2,022,472	3,400,049	803,170
Cash and Cash Equivalents End of Year	<u>\$ 3,752,549</u>	<u>\$ 2,825,642</u>	<u>\$ 2,022,472</u>	<u>\$ 926,907</u>

The increase in cash and cash equivalents in 2013 is a result of cash flows from normal operating activities and maturities of long term investments. The increase of \$926,907 was anticipated and in line with the 2013 operating budget.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8
Condensed Statements of Cash Flows -
Water Utility

	2013	2012	2011	2013-2012 Change
Cash Flows From:				
Operating activities	\$ 952,858	\$ 1,059,453	\$ 1,017,676	\$ (106,595)
Non-Capital financing activities	(353,038)	(308,070)	(269,762)	(44,968)
Capital and related financing activities	(706,358)	(851,898)	(888,548)	145,540
Investing activities	(236,512)	411,612	485,432	(648,124)
Net Change in Cash and Cash Equivalents	(343,050)	311,097	344,798	(654,147)
Cash and Cash Equivalents Beginning of Year	1,013,453	702,356	357,558	311,097
Cash and Cash Equivalents End of Year	\$ 670,403	\$ 1,013,453	\$ 702,356	\$ (343,050)

The water utility experienced a decrease in cash and cash equivalents of \$343,050 in 2013. The decrease is primarily due to the purchase of long term investment securities.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9
Condensed Statements of Cash Flows -
Wastewater Utility

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013-2012</u> <u>Change</u>
Cash Flows From:				
Operating activities	\$ 1,178,921	\$ 1,201,971	\$ 1,256,322	\$ (23,050)
Capital and related financing activities	(1,792,026)	(1,490,850)	(1,574,558)	(301,176)
Investing activities	<u>(178,826)</u>	<u>287,856</u>	<u>177,730</u>	<u>(466,682)</u>
Net Change in Cash and Cash Equivalents	(791,931)	(1,023)	(140,506)	(790,908)
Cash and Cash Equivalents Beginning of Year	<u>2,241,709</u>	<u>2,242,732</u>	<u>2,383,238</u>	<u>(1,023)</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,449,778</u>	<u>\$ 2,241,709</u>	<u>\$ 2,242,732</u>	<u>\$ (791,931)</u>

The utility experienced a decrease in cash and cash equivalents of \$791,931 in 2013. The decrease is due to the purchase of long term investment securities and initial cash expenditures for a large wastewater treatment plant electrical upgrade. The cash expended will be reimbursed with Wisconsin Clean Water Fund project financing.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10
Capital Assets – Electric Utility

	2013	2012	2011	2013-2012 Change
Capital Assets				
Transmission and distribution	\$22,081,116	\$ 21,618,433	\$ 21,002,881	\$ 462,683
General	4,385,802	4,367,482	4,312,988	18,320
Total Capital Assets	<u>26,466,918</u>	<u>25,985,915</u>	<u>25,315,869</u>	<u>481,003</u>
Less: Accumulated depreciation	(11,742,374)	(10,854,101)	(10,038,045)	(888,273)
Construction in progress	<u>1,845</u>	<u>29,095</u>	<u>32,435</u>	<u>(27,250)</u>
Net Capital Assets	<u>\$14,726,389</u>	<u>\$ 15,160,909</u>	<u>\$ 15,310,259</u>	<u>\$ (434,520)</u>

Table 11
Capital Assets – Water Utility

	2013	2012	2011	2013-2012 Change
Capital Assets				
Source of supply	\$ 581,758	\$ 581,758	\$ 581,758	\$ -
Pumping	1,461,653	1,428,957	1,407,274	32,696
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	14,776,519	14,400,401	13,904,420	376,118
General	<u>1,189,714</u>	<u>1,185,462</u>	<u>914,078</u>	<u>4,252</u>
Total Capital Assets	<u>18,100,407</u>	<u>17,687,341</u>	<u>16,898,293</u>	<u>413,066</u>
Less: Accumulated depreciation	(5,578,071)	(5,174,407)	(4,785,085)	(403,664)
Construction in progress	<u>24,194</u>	<u>24,233</u>	<u>228,507</u>	<u>(39)</u>
Net Capital Assets	<u>\$12,546,530</u>	<u>\$ 12,537,167</u>	<u>\$ 12,341,715</u>	<u>\$ 9,363</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

UTILITY FINANCIAL ANALYSIS (cont.)

Table 12
Capital Assets – Wastewater Utility

	2013	2012	2011	2013-2012 Change
Capital Assets				
Collection system	\$ 9,092,573	\$ 8,789,146	\$ 8,277,782	\$ 303,427
Collection system pumping	397,412	397,412	397,412	-
Treatment and disposal	13,319,526	12,914,727	12,786,069	404,799
General	1,155,937	1,150,622	841,480	5,315
Total Capital Assets	<u>23,965,448</u>	<u>23,251,907</u>	<u>22,302,743</u>	<u>713,541</u>
Less: Accumulated depreciation	(9,062,641)	(8,446,186)	(7,816,519)	(616,455)
Construction in progress	<u>400,229</u>	<u>215,757</u>	<u>361,261</u>	<u>184,472</u>
Net Capital Assets	<u>\$15,303,036</u>	<u>\$ 15,021,478</u>	<u>\$ 14,847,485</u>	<u>\$ 281,558</u>

LONG-TERM DEBT

As of December 31, 2013, the electric utility had total mortgage revenue bond debt outstanding of \$5,420,000 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, 2013, the water utility had total mortgage revenue bond debt outstanding of \$2,077,213 payable from and secured by a pledge of income and revenue to be derived from the operation of the water utility. These issues were primarily for additions and improvements to the water system, street improvement projects, AMR implementation and a new tower.

The wastewater utility had \$2,903,455 of clean water fund loans outstanding as of December 31, 2013. These bonds were issued for a series of wastewater treatment plant upgrade and expansion projects.

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013 and 2012

CONTACTING UTILITY MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact the Finance and Administrative Manager, Stoughton Utilities, 600 South Fourth Street, P.O. Box 383, Stoughton, WI 53589.

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

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF NET POSITION December 31, 2013 and 2012

	ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and investments		\$ 5,622,496	\$ 5,082,813
Interest receivable		19,115	30,252
Restricted Assets			
Redemption account		387,545	377,610
Customer accounts receivable		1,627,431	1,445,185
Other accounts receivable		65,639	167,935
Due from municipality		17,389	24,918
Current portion of advance to municipality		33,119	31,250
Materials and supplies		136,045	139,181
Prepayments		20,681	20,425
Total Current Assets		<u>7,929,460</u>	<u>7,319,569</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		704,728	704,728
Depreciation account		25,000	25,000
Other Assets			
Electric plant and maintenance reserve account		505,712	504,498
Sick leave reserve account		173,704	170,916
Advance to municipality		448,806	481,925
Investment in ATC		302,062	282,798
Nonutility property (net)		25,273	28,933
Capital Assets			
Plant in service		26,114,254	25,633,251
Accumulated depreciation		(11,742,374)	(10,854,101)
Property held for future use		352,664	352,664
Construction work in progress		1,845	29,095
Total Noncurrent Assets		<u>16,911,674</u>	<u>17,359,707</u>
Total Assets		<u>24,841,134</u>	<u>24,679,276</u>

	LIABILITIES	
	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,071,358	\$ 1,056,225
Due to municipality	453,337	363,359
Customer deposits	155,552	144,259
Accrued wages	21,305	18,512
Accrued interest	2,315	2,241
Accrued liabilities	130,749	138,067
Commitment to community	30,854	(24,064)
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	480,000	400,000
Accrued interest	41,231	67,761
Total Current Liabilities	<u>2,386,701</u>	<u>2,166,360</u>
NONCURRENT LIABILITIES		
Revenue bonds	4,940,000	5,505,000
Unamortized premium on bonds	74,461	-
Accrued sick leave	173,704	171,819
Customer advances for construction	5,514	8,082
Total Noncurrent Liabilities	<u>5,193,679</u>	<u>5,684,901</u>
 Total Liabilities	 <u>7,580,380</u>	 <u>7,851,261</u>
NET POSITION		
Net investment in capital assets	9,231,928	9,255,909
Restricted for debt service	1,076,042	1,039,577
Unrestricted	6,952,784	6,532,529
 TOTAL NET POSITION	 <u>\$ 17,260,754</u>	 <u>\$ 16,828,015</u>

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Sales of electricity	\$ 15,233,311	\$ 15,235,813
Other	146,368	149,454
Total Operating Revenues	15,379,679	15,385,267
OPERATING EXPENSES		
Operation and maintenance	13,512,427	13,336,299
Depreciation	918,885	910,353
Total Operating Expenses	14,431,312	14,246,652
OPERATING INCOME	948,367	1,138,615
NONOPERATING REVENUES (EXPENSES)		
Investment income	59,346	100,685
Interest expense	(199,379)	(274,683)
Debt issuance costs	(51,813)	-
Amortization of premium on bonds	11,962	-
Miscellaneous revenues (expenses)	(3,660)	(1,473)
Total Nonoperating Revenues (Expenses)	(183,544)	(175,471)
Income Before Contributions and Transfers	764,823	963,144
CAPITAL CONTRIBUTIONS	78,489	130,561
TRANSFER IN (OUT)	(29,989)	(25,600)
TRANSFERS - TAX EQUIVALENT	(380,584)	(363,359)
CHANGE IN NET POSITION	432,739	704,746
NET POSITION - Beginning of Year	16,828,015	16,123,269
NET POSITION - END OF YEAR	\$ 17,260,754	\$ 16,828,015

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 15,181,787	\$ 15,166,459
Received for street lighting	132,993	132,550
Paid to suppliers for goods and services	(12,528,169)	(12,336,543)
Paid to employees for operating payroll	(758,112)	(917,915)
Customer deposit	11,293	18,345
Net Cash Flows From Operating Activities	2,039,792	2,062,896
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(363,359)	(322,881)
Received from municipality principal on Wisconsin Retirement UAAL liability	31,250	41,569
Received from municipality interest on Wisconsin Retirement UAAL liability	15,395	4,161
Transfers to other funds	(29,989)	(25,600)
Net Cash Flows From Noncapital Financing Activities	(346,703)	(302,751)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(570,320)	(847,627)
Received from the sale of capital assets	6,513	3,774
Capital contributions received	64,739	131,919
Proceeds on bond refunding	3,170,000	-
Debt retired	(3,655,000)	(375,000)
Interest paid	(225,835)	(278,243)
Debt issuance costs paid	(51,813)	-
Premium received	86,423	-
Net Cash Flows From Capital and Related Financing Activities	(1,175,293)	(1,365,177)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,473,764)	(1,855,546)
Investments sold and matured	1,847,051	2,084,356
Dividends/(Investment) in ATC	12,731	7,466
Investment income	23,093	171,926
Net Cash Flows From Investing Activities	409,111	408,202
Net Change in Cash and Cash Equivalents	926,907	803,170
CASH AND CASH EQUIVALENTS - Beginning of Year	2,825,642	2,022,472
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,752,549	\$ 2,825,642
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (63,334)	\$ (107,331)
ATC earnings allocated	\$ 31,995	\$ 30,595

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 948,367	\$ 1,138,615
Nonoperating revenue (expense)	(3,660)	(1,473)
Noncash items in operating income		
Depreciation	918,885	910,353
Depreciation charged to clearing and other utilities	39,600	39,600
Changes in assets and liabilities		
Customer accounts receivable	(182,246)	46,299
Other account receivable	113,478	(133,269)
Due from municipality	7,529	712
Due to municipality	72,753	-
Materials and supplies	3,136	(4,124)
Prepayments	(256)	4,852
Accounts payable	58,635	87,308
Customer deposits	11,293	18,345
Accrued sick leave	1,885	903
Other current liabilities	(4,525)	35,438
Commitment to community	54,918	(80,663)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 2,039,792	\$ 2,062,896
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 5,622,496	\$ 5,082,813
Redemption account	387,545	377,610
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	505,712	504,498
Sick leave reserve account	173,704	170,916
Total Cash and Investments	7,419,185	6,865,565
Less: Noncash equivalents	(3,666,636)	(4,039,923)
CASH AND CASH EQUIVALENTS	\$ 3,752,549	\$ 2,825,642

WATER UTILITY

STOUGHTON WATER UTILITY

STATEMENTS OF NET POSITION December 31, 2013 and 2012

	ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and investments		\$ 317,809	\$ 405,347
Interest receivable		10,665	7,346
Restricted Assets			
Redemption account		123,710	147,233
Customer accounts receivable		174,323	164,941
Other accounts receivable		5,808	-
Due from municipality		2,709	6,341
Materials and supplies		36,627	35,244
Prepayments		7,157	7,064
Total Current Assets		<u>678,808</u>	<u>773,516</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		274,005	274,005
Depreciation account		25,000	25,000
Other Assets			
Water plant and maintenance reserve account		447,924	447,481
Sick leave reserve account		94,638	88,632
Non-utility property (net)		43,478	47,758
Capital Assets			
Plant in service		18,100,407	17,687,341
Accumulated depreciation		(5,578,071)	(5,174,407)
Construction work in progress		24,194	24,233
Total Noncurrent Assets		<u>13,431,575</u>	<u>13,420,043</u>
Total Assets		<u>14,110,383</u>	<u>14,193,559</u>

	LIABILITIES	
	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 20,627	\$ 48,977
Due to municipality	361,820	342,159
Customer deposits	39	591
Accrued wages	13,123	12,190
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	150,575	184,910
Accrued interest	13,879	15,170
Total Current Liabilities	<u>560,063</u>	<u>603,997</u>
NONCURRENT LIABILITIES		
Revenue bonds	1,926,638	2,077,213
Accrued sick leave	94,638	92,446
Total Noncurrent Liabilities	<u>2,021,276</u>	<u>2,169,659</u>
 Total Liabilities	 <u>2,581,339</u>	 <u>2,773,656</u>
	NET POSITION	
Net investment in capital assets	10,469,317	10,275,044
Restricted	408,836	431,068
Unrestricted	650,891	713,791
 TOTAL NET POSITION	 <u>\$ 11,529,044</u>	 <u>\$ 11,419,903</u>

STOUGHTON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Sales of water	\$ 1,707,683	\$ 1,733,587
Other	20,286	23,291
Total Operating Revenues	<u>1,727,969</u>	<u>1,756,878</u>
OPERATING EXPENSES		
Operation and maintenance	779,963	745,471
Depreciation	381,278	364,679
Total Operating Expenses	<u>1,161,241</u>	<u>1,110,150</u>
OPERATING INCOME	<u>566,728</u>	<u>646,728</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	5,245	10,718
Interest expense	(85,856)	(93,433)
Miscellaneous expenses	(4,277)	(4,273)
Total Nonoperating Revenues (Expenses)	<u>(84,888)</u>	<u>(86,988)</u>
Income Before Contributions and Transfers	481,840	559,740
CAPITAL CONTRIBUTIONS	-	9,000
TRANSFER IN (OUT)	(10,879)	(6,935)
TRANSFERS - TAX EQUIVALENT	<u>(361,820)</u>	<u>(342,159)</u>
CHANGE IN NET POSITION	109,141	219,646
NET POSITION - Beginning of Year	<u>11,419,903</u>	<u>11,200,257</u>
NET POSITION - END OF YEAR	<u>\$ 11,529,044</u>	<u>\$ 11,419,903</u>

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,728,676	\$ 1,775,815
Paid to suppliers for goods and services	(494,642)	(459,540)
Paid to employees for operating payroll	(281,176)	(256,822)
Net Cash Flows From Operating Activities	952,858	1,059,453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(342,159)	(301,135)
Transfers to other funds	(10,879)	(6,935)
Net Cash Flows From Noncapital Financing Activities	(353,038)	(308,070)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(434,301)	(586,893)
Capital contributions received	-	9,000
Debt retired	(184,910)	(179,263)
Interest paid	(87,147)	(94,742)
Net Cash Flows From Capital and Related Financing Activities	(706,358)	(851,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(608,868)	-
Investments sold and matured	370,430	394,835
Investment income	1,926	16,777
Net Cash Flows From Investing Activities	(236,512)	411,612
Net Change in Cash and Cash Equivalents	(343,050)	311,097
CASH AND CASH EQUIVALENTS - Beginning of Year	1,013,453	702,356
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 670,403	\$ 1,013,453
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ 14,871	\$ (8,914)

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 566,728	\$ 646,728
Nonoperating income (expense)	(4,277)	-
Noncash items in operating income		
Depreciation	381,278	364,679
Depreciation charged to clearing and other utilities	27,342	27,007
Changes in assets and liabilities		
Customer accounts receivable	(9,382)	20,821
Other account receivable	(5,808)	4,457
Due from municipality	3,632	(6,341)
Materials and supplies	(1,383)	(11,987)
Prepayments	(93)	1,764
Accounts payable	(7,753)	11,163
Accrued wages	933	(2,652)
Accrued sick leave	2,192	3,814
Customer deposits	(552)	-
	\$ 952,858	\$ 1,059,453
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 317,809	\$ 405,347
Redemption account	123,710	147,233
Reserve account	274,005	274,005
Depreciation account	25,000	25,000
Water plant and maintenance reserve account	447,924	447,481
Sick leave reserve account	94,638	88,632
Total Cash and Investments	1,283,086	1,387,698
Less: Noncash equivalents	(612,683)	(374,245)
	\$ 670,403	\$ 1,013,453

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION

December 31, 2013 and 2012

	ASSETS	
	2013	2012
CURRENT ASSETS		
Cash and investments	\$ 738,999	\$ 1,088,123
Interest receivable	4,107	1,732
Restricted Assets		
Redemption account	198,451	456,417
Customer accounts receivable	204,873	203,564
Other accounts receivable	14,426	18,068
Due from municipality	2,789	5,971
Prepayments	8,946	8,829
Total Current Assets	<u>1,172,591</u>	<u>1,782,704</u>
NONCURRENT ASSETS		
Restricted Assets		
Depreciation account	33,283	33,283
Replacement account	1,029,299	1,028,014
Construction account	123	123
Other Assets		
Sick leave reserve account	91,605	97,782
Capital Assets		
Plant in service	23,965,448	23,251,907
Accumulated depreciation	(9,062,641)	(8,446,186)
Construction work in progress	400,229	215,757
Total Noncurrent Assets	<u>16,457,346</u>	<u>16,180,680</u>
Total Assets	<u>17,629,937</u>	<u>17,963,384</u>

LIABILITIES		<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES			
Accounts payable		\$ 47,522	\$ 151,503
Accrued wages		20,838	15,588
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		256,735	649,737
Accrued interest		13,110	16,419
Total Current Liabilities		<u>338,205</u>	<u>833,247</u>
NONCURRENT LIABILITIES			
Revenue bonds		2,646,720	2,903,455
Accrued sick leave		91,605	91,717
Total Noncurrent Liabilities		<u>2,738,325</u>	<u>2,995,172</u>
Total Liabilities		<u>3,076,530</u>	<u>3,828,419</u>
NET POSITION			
Net investment in capital assets		12,399,704	11,468,409
Restricted for debt service		218,624	473,281
Restricted for equipment replacement		1,029,299	1,028,014
Unrestricted		<u>905,780</u>	<u>1,165,261</u>
TOTAL NET POSITION		<u>\$ 14,553,407</u>	<u>\$ 14,134,965</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Treatment charges	\$ 1,997,981	\$ 2,028,904
Other	31,483	33,702
Total Operating Revenues	<u>2,029,464</u>	<u>2,062,606</u>
OPERATING EXPENSES		
Operation and maintenance	877,420	877,033
Depreciation	673,593	630,188
Total Operating Expenses	<u>1,551,013</u>	<u>1,507,221</u>
OPERATING INCOME	<u>478,451</u>	<u>555,385</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,498	9,763
Interest expense	(85,280)	(104,934)
Total Nonoperating Revenues (Expenses)	<u>(81,782)</u>	<u>(95,171)</u>
Income Before Contributions	396,669	460,214
CAPITAL CONTRIBUTIONS	<u>21,773</u>	<u>49,255</u>
CHANGE IN NET POSITION	418,442	509,469
NET POSITION - Beginning of Year	<u>14,134,965</u>	<u>13,625,496</u>
NET POSITION - END OF YEAR	<u>\$ 14,553,407</u>	<u>\$ 14,134,965</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,034,979	\$ 2,059,184
Paid to suppliers for goods and services	(514,833)	(533,151)
Paid to employees for operating payroll	(341,225)	(324,062)
Net Cash Flows From Operating Activities	1,178,921	1,201,971
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,053,700)	(752,227)
Debt retired	(649,737)	(630,474)
Interest paid	(88,589)	(108,149)
Net Cash Flows From Capital and Related Financing Activities	(1,792,026)	(1,490,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(608,868)	(246,000)
Investments sold and matured	428,919	510,721
Investment income	1,123	23,135
Net Cash Flows From Investing Activities	(178,826)	287,856
Net Change in Cash and Cash Equivalents	(791,931)	(1,023)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,241,709	2,242,732
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,449,778	\$ 2,241,709
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ 22,685	\$ (14,721)
Capital assets financed by CTC program	\$ 21,773	\$ 49,255

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 478,451	\$ 555,385
Nonoperating revenue (expense)		-
Noncash items in operating income		
Depreciation	673,593	630,188
Changes in assets and liabilities		
Customer accounts receivable	(1,309)	19,070
Other account receivable	3,642	(16,521)
Due from municipality	3,182	(5,971)
Prepayments	(117)	2,206
Accounts payable	16,341	25,775
Accrued sick leave	(112)	(6,065)
Other current liabilities	5,250	(2,096)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,178,921	\$ 1,201,971
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 738,999	\$ 1,088,123
Redemption account	198,451	456,417
Depreciation account	33,283	33,283
Replacement account	1,029,299	1,028,014
Construction account	123	123
Sick leave reserve account	91,605	97,782
Total Cash and Investments	2,091,760	2,703,742
Less: Noncash equivalents	(641,982)	(462,033)
CASH AND CASH EQUIVALENTS	\$ 1,449,778	\$ 2,241,709

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The utilities implemented this standard effective January 1, 2013.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

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

ASSETS, LIABILITIES AND NET POSITION

Deposits and Investments

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

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

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

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

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

Receivables/Payables

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Materials and Supplies

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

Restricted Assets

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

Investment in American Transmission Company (ATC)

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

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

Sick Leave Reserve Account

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

Plant and Maintenance Reserve Account

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

Non-Utility Property

Electric utility non-utility property consists of the city dam with a balance of \$84,212 and leasehold rental property with a balance of \$91,458 at December 31, 2013 and 2012. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2013 and 2012. The costs are being amortized on a straight-line basis over their useful life.

Capital Assets

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

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the utilities. Major outlays for utilities plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Capital Assets (cont.)

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

Accrued Vacation and Sick Leave

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

Customer Advances for Construction

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

Commitment to Community

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2005 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the low income program fees so revenues and expenses associated with the low income program are recorded as a current liability on the statement of net position.

Customer Deposits

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

Accrued liabilities

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Long-Term Obligations

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

REVENUES AND EXPENSES

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

Charges for Services

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

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

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

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

Capital Contributions

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

Transfers

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25; Statement No. 68, *Accounting and Financial reporting for Pensions* – an amendment of GASB Statement No. 27; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Application of these standards may restate portions of these financial statements.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

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

COMPARATIVE DATA

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

NOTE 2 - DEPOSITS AND INVESTMENTS

	<u>Carrying Value as of</u>		<u>Risks</u>
	<u>2013</u>	<u>2012</u>	
Checking and Savings	\$ 5,162,273	\$ 5,099,721	Custodial credit risk
LGIP	709,707	981,261	Credit risk
Negotiable Certificates of Deposit	2,226,329	1,493,474	Custodial credit, credit, concentration, and interest rate risks
U.S. Agency Securities	2,694,972	2,874,519	Custodial credit, credit, concentration and interest rate risks
Corporate Bonds	-	507,280	Custodial credit, credit, concentration and interest rate risks
Petty Cash	<u>750</u>	<u>750</u>	
Totals	<u>\$ 10,794,031</u>	<u>\$ 10,957,005</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), \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

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

In addition, the utilities, with the city, have collateral or depository insurance agreements in the amount of \$2,423,175 at December 31, 2013 and \$3,690,884 at December 31, 2012.

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, 2013 and 2012, the fair value of the LGIP's assets were substantially equal to the utilities' share.

Custodial Credit Risk

Deposits

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

The utilities maintain certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the utilities' resources at these institutions cannot be determined individually for those accounts. The following is a summary of the utilities' total deposit balances at these institutions.

	2013		2012	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 3,188,597	\$ 3,246,867	\$ 3,915,203	\$ 3,876,690
Wells Fargo Brokerage	928	928	928	928
Associated Bank	1,915,109	1,915,109	1,222,732	1,222,732
Deposits Exposed to Custodial Credit Risk	<u>\$ 5,104,634</u>	<u>\$ 5,162,904</u>	<u>\$ 5,138,863</u>	<u>\$ 5,100,350</u>

The utilities' investment policy does not address this risk.

Investments

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments (cont.)

As of December 31, 2013 and 2012 the utilities' investments were exposed to custodial credit risk as follows:

U.S. Agencies - Implicitly Guaranteed	2013	2012
Neither insured nor registered and held by counterparty	\$ <u>2,694,972</u>	\$ <u>2,874,519</u>
Corporate Bonds		
Neither insured nor registered and held by counterparty	\$ <u>-</u>	\$ <u>507,280</u>
Negotiable Certificates of Deposit		
Neither insured nor registered and held by counterparty	\$ <u>5,150</u>	\$ <u>10,232</u>

All remaining certificates are covered by FDIC.

The utilities' investment policy does not address this risk.

Credit Risk

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

As of December 31, 2013, the utilities' investments were rated as follows:

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

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

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

The utilities' investment policy follows state statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2013 and 2012, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2013	2012
Ginnie Mae	U.S. Agencies – Implicitly Guaranteed	20.83%	21.06%
GE Capital	Corporate bond	-	4.63%
FHR 4083 PA	U.S. Agencies – Implicitly Guaranteed	4.03%	0%
FHR 3857 EC	U.S. Agencies – Implicitly Guaranteed	3.65%	0%
FHLMC	U.S. Agencies – Implicitly Guaranteed	3.69%	0%

The utilities' investment policy does not address this risk.

Interest Rate Risk

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

As of December 31, 2013, the utilities' investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1 - 3	3 or more
U.S. Agencies - Implicitly Guaranteed	\$ 2,694,972	\$ 216,701	\$ -	\$ 2,478,271
Negotiable Certificates of Deposit	2,226,329	735,710	1,490,619	-
Totals	\$ 4,921,301	\$ 952,411	\$ 1,490,619	\$ 2,478,271

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

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

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1 - 3	3 or more
U.S. Agencies - Implicitly Guaranteed	\$ 2,874,519	\$ 176,657	\$ 215,299	\$ 2,482,563
Corporate Bonds	507,280	507,280	-	-
Negotiable Certificates of Deposit	1,493,474	248,124	735,118	510,232
Totals	\$ 4,875,273	\$ 932,061	\$ 950,417	\$ 2,992,795

The utilities' investment policy does not address this risk.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2013 and 2012:

Due To	Due From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 361,820	Payment in lieu of taxes	\$ 342,159	Payment in lieu of taxes
Electric utility	Municipality	17,389	Operating	24,918	Operating
Water utility	Municipality	2,709	Operating	6,341	Operating
Sewer utility	Municipality	2,789	Operating	5,971	Operating
Municipality	Electric utility	72,753	Stormwater	-	Stormwater
Municipality	Electric utility	380,584	Payment in lieu of taxes	363,359	Payment in lieu of taxes

The following is a schedule of transfers for the years ending December 31, 2013 and 2012:

To	From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 29,989	Operating	\$ 25,600	Operating
Municipality	Electric utility	380,584	Payment in lieu of taxes	363,359	Payment in lieu of taxes
Municipality	Water utility	10,879	Operating	6,935	Operating
Municipality	Water utility	361,820	Payment in lieu of taxes	342,159	Payment in lieu of taxes

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 4 - ADVANCE RECEIVABLE

In December 2011, the Electric Utility provided an advance to the General Fund in the amount of \$554,744 for the purpose of full payment of the Wisconsin Retirement System Unfunded Actuarial Accrued Liability. The General Fund will repay the Electric Utility over a period of fourteen years at 3.0% annual interest. The amount outstanding at December 31, 2013 is \$481,925. Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 33,119	\$ 14,458	\$ 47,577
2015	35,065	13,464	48,529
2016	37,088	12,412	49,500
2017	39,190	11,300	50,490
2018	41,375	10,124	51,499
2019 - 2023	242,769	30,597	273,366
2024 - 2025	<u>53,319</u>	<u>1,778</u>	<u>55,097</u>
Totals	<u>\$ 481,925</u>	<u>\$ 94,133</u>	<u>\$ 576,058</u>

NOTE 5 - RESTRICTED ASSETS

Restricted Accounts

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 5 - RESTRICTED ASSETS (cont.)

Replacement Account

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

Restricted Net Position

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

	<u>2013</u>	<u>2012</u>
Restricted Assets		
Redemption account	\$ 387,545	\$ 377,610
Reserve account	704,728	704,728
Depreciation account	<u>25,000</u>	<u>25,000</u>
Total Restricted Assets	<u>1,117,273</u>	<u>1,107,338</u>
Current Liabilities Payable From Restricted Assets	<u>(41,231)</u>	<u>(67,761)</u>
Total Restricted Net Position as Calculated	<u>\$ 1,076,042</u>	<u>\$ 1,039,577</u>

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

	<u>2013</u>	<u>2012</u>
Restricted Assets		
Redemption account	\$ 123,710	\$ 147,233
Reserve account	274,005	274,005
Depreciation account	<u>25,000</u>	<u>25,000</u>
Total Restricted Assets	<u>422,715</u>	<u>446,238</u>
Current Liabilities Payable From Restricted Assets	<u>(13,879)</u>	<u>(15,170)</u>
Total Restricted Net Position as Calculated	<u>\$ 408,836</u>	<u>\$ 431,068</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 5 - RESTRICTED ASSETS (cont.)

Restricted Net Position (cont.)

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

	2013	2012
Restricted Assets		
Redemption account	\$ 198,451	\$ 456,417
Depreciation account	33,283	33,283
Replacement account	1,029,299	1,028,014
Construction account	123	123
Total Restricted Assets	1,261,156	1,517,837
Less: Restricted Assets Not Funded by Revenues		
Construction account	(123)	(123)
Current Liabilities Payable From Restricted Assets	(13,110)	(16,419)
Total Restricted Net Position as Calculated	\$ 1,247,923	\$ 1,501,295

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2013 follows:

	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 573,461	\$ -	\$ -	\$ 573,461
Capital assets being depreciated				
Transmission	15,019	-	-	15,019
Distribution	21,382,617	531,617	68,934	21,845,300
General	4,014,818	18,320	-	4,033,138
Total Capital Assets Being Depreciated	25,412,454	549,937	68,934	25,893,457
Total Capital Assets	25,985,915	549,937	68,934	26,466,918
Less: Accumulated depreciation				
Transmission	(19,366)	-	-	(19,366)
Distribution	(8,617,372)	(788,359)	76,725	(9,329,006)
General	(2,217,363)	(176,639)	-	(2,394,002)
Total Accumulated Depreciation	(10,854,101)	(964,998)	76,725	(11,742,374)
Construction in progress	29,095	593,691	620,941	1,845
Net Capital Assets	\$ 15,160,909			\$ 14,726,389

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2013 follows:

	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 430,131	\$ -	\$ -	\$ 430,131
Capital assets being depreciated				
Source of supply	570,123	-	-	570,123
Pumping	1,428,957	32,696	-	1,461,653
Water treatment	90,763	-	-	90,763
Transmission and distribution	14,387,195	381,074	4,956	14,763,313
General	780,172	4,252	-	784,424
Total Capital Assets Being Depreciated	17,257,210	418,022	4,956	17,670,276
Total Capital Assets	17,687,341	418,022	4,956	18,100,407
Less: Accumulated depreciation				
Source of supply	(302,464)	(16,534)	-	(318,998)
Pumping	(1,044,059)	(56,417)	-	(1,100,476)
Water treatment	(86,892)	(437)	-	(87,329)
Transmission and distribution	(3,198,394)	(268,403)	4,956	(3,461,841)
General	(542,598)	(66,829)	-	(609,427)
Total Accumulated Depreciation	(5,174,407)	(408,620)	4,956	(5,578,071)
Construction in progress	24,233	475,491	475,530	24,194
Net Capital Assets	\$ 12,537,167			\$ 12,546,530

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

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

	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 430,131	\$ -	\$ -	\$ 430,131
Capital assets being depreciated				
Source of supply	570,123	-	-	570,123
Pumping	1,407,274	21,683	-	1,428,957
Water treatment	90,763	-	-	90,763
Transmission and distribution	13,891,214	502,758	6,777	14,387,195
General	508,788	271,384	-	780,172
Total Capital Assets Being Depreciated	16,468,162	795,825	6,777	17,257,210
Total Capital Assets	16,898,293	795,825	6,777	17,687,341
Less: Accumulated depreciation				
Source of supply	(285,930)	(16,534)	-	(302,464)
Pumping	(988,708)	(55,351)	-	(1,044,059)
Water treatment	(85,576)	(1,316)	-	(86,892)
Transmission and distribution	(2,939,773)	(261,187)	2,566	(3,198,394)
General	(485,098)	(57,500)	-	(542,598)
Total Accumulated Depreciation	(4,785,085)	(391,888)	2,566	(5,174,407)
Construction in progress	228,507	582,673	786,947	24,233
Net Capital Assets	\$ 12,341,715			\$ 12,537,167

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

A summary of changes in wastewater capital assets for 2013 follows:

	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Capital assets being depreciated				
Collecting system	\$ 8,789,146	\$ 307,765	\$ 4,338	\$ 9,092,573
Collecting system pumping	397,412	-	-	397,412
Treatment and disposal	12,914,727	457,599	52,800	13,319,526
General	1,150,622	5,315	-	1,155,937
Total Capital Assets Being Depreciated	23,251,907	770,679	57,138	23,965,448
Less: Accumulated depreciation	(8,446,186)	(673,593)	57,138	(9,062,641)
Construction in progress	215,757	1,028,549	844,077	400,229
Net Capital Assets	\$ 15,021,478			\$ 15,303,036

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
April 1, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25	\$ 3,170,000	\$ 3,170,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	2,250,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 480,000	\$ 158,375	\$ 638,375
2015	480,000	145,275	625,275
2016	490,000	131,856	621,856
2017	500,000	117,488	617,488
2018	520,000	102,288	622,288
2019 - 2023	2,950,000	247,619	3,197,619
Totals	<u>\$ 5,420,000</u>	<u>\$ 902,901</u>	<u>\$ 6,322,901</u>

All utilities' revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 (including amounts refunded) and 2012 were \$3,880,400 and \$653,243, respectively. Total gross revenues as defined for the same periods were \$15,439,025 and \$15,485,952, respectively. Annual principal and interest payments are expected to require 4.1% of gross revenues.

Revenue Bonds - Water

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/13
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50	1,925,000	1,575,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018	502,213

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds – Water (cont.)

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 150,575	\$ 80,277	\$ 230,852
2015	151,257	74,273	225,530
2016	176,958	67,719	244,677
2017	177,677	60,428	238,105
2018	178,415	52,929	231,344
2019-2023	1,028,860	141,893	1,170,753
2024-2028	175,510	17,017	192,527
2029	37,961	506	38,467
Totals	<u>\$ 2,077,213</u>	<u>\$ 495,042</u>	<u>\$ 2,572,255</u>

All utilities' revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 and 2012 were \$272,057 and \$274,005, respectively. Total gross revenues as defined for the same periods were \$1,733,214 and \$1,767,596, respectively. Annual principal and interest payments are expected to require 9.3% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Wastewater

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/13</u>
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049	\$ 623,465	\$ 230,313
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	470,602
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	954,706
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	1,247,834

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 256,735	\$ 75,084	\$ 331,819
2015	263,891	67,829	331,720
2016	271,247	60,369	331,616
2017	278,809	52,700	331,509
2018	286,584	44,816	331,400
2019-2023	1,145,106	119,074	1,264,180
2024-2027	401,083	20,156	421,239
Totals	<u>\$ 2,903,455</u>	<u>\$ 440,028</u>	<u>\$ 3,343,483</u>

All utilities' revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 and 2012 were \$738,326 and \$738,623, respectively. Total gross revenues as defined for the same periods were \$2,032,962 and \$2,072,369, respectively. Annual principal and interest payments are expected to require 11.7% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	<u>01/01/13 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 5,905,000	\$ 3,170,000	\$ 3,655,000	\$ 5,420,000	\$ 480,000
Unamortized premium on bonds	-	83,431	8,970	74,461	-
Accrued sick leave	171,819	42,282	40,397	173,704	-
Customer advances for construction	8,082	49,389	51,957	5,514	-
Totals	<u>\$ 6,084,901</u>	<u>\$ 3,345,102</u>	<u>\$ 3,756,324</u>	<u>\$ 5,673,679</u>	<u>\$ 480,000</u>

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

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

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	<u>01/01/13 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,262,123	\$ -	\$ 184,910	\$ 2,077,213	\$ 150,575
Accrued sick leave	92,446	24,117	21,925	94,638	-
Totals	<u>\$ 2,354,569</u>	<u>\$ 24,117</u>	<u>\$ 206,835</u>	<u>\$ 2,171,851</u>	<u>\$ 150,575</u>

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Wastewater

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	01/01/13 Balance	Additions	Reductions	12/31/13 Balance	Due Within One Year
Revenue bonds	\$ 3,553,192	\$ -	\$ 649,737	\$ 2,903,455	\$ 256,735
Accrued sick leave	91,717	7,583	7,695	91,605	-
Totals	\$ 3,644,909	\$ 7,583	\$ 657,432	\$ 2,995,060	\$ 256,735

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

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

Current Refunding

On February 15, 2013, bonds in the amount of \$3,170,000 were issued with an average interest rate of 2.13% to refund \$3,580,000 of outstanding 2003 bonds with an average interest rate of 4.81%. The net proceeds along with existing debt service funds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$4,575,205 from April 2013 through 2023. The cash flow requirements on the new bonds are \$3,554,591 from October 2013 through 2023. The current refunding resulted in an economic gain of \$564,120.

Bond Covenant Disclosures

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

Insurance

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2013:

Type	Coverage	Expiration
Automobile	\$ 10,000,000 CVMIC Self-Insured	1/1/14
Excess Liability	5,000,000 CVMIC Self-Insured	1/1/14
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/14
	1,000,000 CVMIC Self-Insured	1/1/14
Boiler Insurance	100,000,000 CVMIC Self-Insured	1/1/14
Property	47,230,211 Wisconsin Local Property Insurance Fund	2/1/14

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 2013 and 2012 as follows:

	2013	2012
Operating revenues	\$ 15,379,679	\$ 15,385,267
Investment income	59,346	100,685
Less: Operation and maintenance expenses	<u>(13,512,427)</u>	<u>(13,336,299)</u>
Net Defined Earnings	<u>\$ 1,926,598</u>	<u>\$ 2,149,653</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 649,338	\$ 704,728
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 844,139</u>	<u>\$ 916,146</u>
Actual Debt Coverage	<u>2.97</u>	<u>3.05</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Debt Coverage - Water

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.3 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2013 and 2012 as follows:

	2013	2012
Operating revenues	\$ 1,727,969	\$ 1,756,878
Investment income	5,245	10,718
Less: Operation and maintenance expenses	(779,963)	(745,471)
Net Defined Earnings	\$ 953,251	\$ 1,022,125
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 244,677	\$ 272,056
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 318,080	\$ 353,673
Actual Debt Coverage	3.90	3.73

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 2013 and 2012 as follows:

	2013	2012
Operating revenues	\$ 2,029,464	\$ 2,062,606
Investment income	3,498	9,763
Less: Operation and maintenance expenses	(877,420)	(877,033)
Net Defined Earnings	\$ 1,155,542	\$ 1,195,336
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 331,820	\$ 738,326
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 365,002	\$ 812,158
Actual Debt Coverage	3.48	1.62

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers - Electric

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 kWh)	
	2013	2012	2013	2012
Residential	7,552	7,583	65,629	64,853
General	852	840	18,500	18,624
Small power	50	47	15,105	14,359
Large power	8	8	10,937	11,153
Industrial	6	6	30,266	30,081
Street and highway lighting	6	6	976	913
Totals	<u>8,474</u>	<u>8,490</u>	<u>141,413</u>	<u>139,983</u>

Number of Customers - Water

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	4,381	4,401	214,740	228,325
Commercial	413	426	83,772	81,977
Industrial	25	23	175,414	179,812
Public authority	43	47	5,864	6,839
Interdepartmental	2	3	837	1,022
Totals	<u>4,864</u>	<u>4,900</u>	<u>480,627</u>	<u>497,975</u>

Number of Customers - Wastewater

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	4,375	4,345	213,095	225,577
Commercial	399	389	81,512	80,010
Industrial	21	21	27,101	21,831
Public authority	32	33	4,193	4,258
Interdepartmental	1	2	50	45
Totals	<u>4,828</u>	<u>4,790</u>	<u>325,951</u>	<u>331,721</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utilities Budget

The 2013 and 2012 utilities' budgets were prepared and approved as required by the bond resolutions.

NOTE 8 - NET POSITION

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

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

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

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 8 - NET POSITION (cont.)

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

	2013	2012
Plant in service	\$ 26,114,254	\$ 25,633,251
Accumulated depreciation	(11,742,374)	(10,854,101)
Property held for future use	352,664	352,664
Construction work in progress	1,845	29,095
Sub-Totals	14,726,389	15,160,909
Less: Capital related debt		
Current portion of capital related long-term debt	480,000	400,000
Long-term portion of capital related long-term debt	4,940,000	5,505,000
Unamortized debt premium	74,461	-
Sub-Totals	5,494,461	5,905,000
Total Net Investment in Capital Assets	\$ 9,231,928	\$ 9,255,909

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

	2013	2012
Plant in service	\$ 18,100,407	\$ 17,687,341
Accumulated depreciation	(5,578,071)	(5,174,407)
Construction work in progress	24,194	24,233
Sub-Totals	12,546,530	12,537,167
Less: Capital related debt		
Current portion of capital related long-term debt	150,575	184,910
Long-term portion of capital related long-term debt	1,926,638	2,077,213
Unamortized debt issuance costs	-	-
Sub-Totals	2,077,213	2,262,123
Total Net Investment in Capital Assets	\$ 10,469,317	\$ 10,275,044

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 8 - NET POSITION (cont.)

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

	2013	2012
Plant in service	\$ 23,965,448	\$ 23,251,907
Accumulated depreciation	(9,062,641)	(8,446,186)
Construction work in progress	400,229	215,757
Sub-Totals	15,303,036	15,021,478
Less: Capital related debt		
Current portion of capital related long-term debt	256,735	649,737
Long-term portion of capital related long-term debt	2,646,720	2,903,455
Sub-Totals	2,903,455	3,553,192
Add: Unspent debt proceeds		
Construction funds	123	123
Total Net Investment in Capital Assets	\$ 12,399,704	\$ 11,468,409

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple employer defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 and 2012 are:

	Employees	Employer
2013	6.65%	6.65%
2012	5.90%	5.90%

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Electric

	Year Ended December 31		
	2013	2012	2011
Total Covered Employee Payroll	<u>\$ 911,661</u>	<u>\$ 917,915</u>	<u>\$ 985,805</u>
Total Required Contributions	<u>\$ 121,251</u>	<u>\$ 108,314</u>	<u>\$ 126,183</u>
Total Required Contributions	<u>13.3%</u>	<u>11.8%</u>	<u>12.8%</u>

Water

	Year Ended December 31		
	2013	2012	2011
Total Covered Employee Payroll	<u>\$ 260,471</u>	<u>\$ 256,822</u>	<u>\$ 240,336</u>
Total Required Contributions	<u>\$ 34,643</u>	<u>\$ 30,305</u>	<u>\$ 30,763</u>
Total Required Contributions	<u>13.3%</u>	<u>11.8%</u>	<u>12.8%</u>

Wastewater

	Year Ended December 31		
	2013	2012	2011
Total Covered Employee Payroll	<u>\$ 343,835</u>	<u>\$ 324,062</u>	<u>\$ 299,570</u>
Total Required Contributions	<u>\$ 45,730</u>	<u>\$ 38,239</u>	<u>\$ 38,345</u>
Total Required Contributions	<u>13.3%</u>	<u>11.8%</u>	<u>12.8%</u>

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

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

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

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

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$487 million as of December 31, 2013.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont.)

Claims and Judgments

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

NOTE 11 - RISK MANAGEMENT

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

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

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the municipalities which make up the membership of the WMIC.

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

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

Financial statements of WMIC and CVMIC are available directly from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The municipality shows the general obligation bond that it owes to WMIC in the insurance internal service fund (governmental activities column of government-wide statement of net position). The transactions of the organization are not included in these financial statements.

NOTE 12 - SELF INSURANCE

The utilities are part of the municipality's self-funded health insurance program with claims processed by an administrative firm on behalf of the municipality. A separate fund has been established into which deposits are made and actual claims are paid out. As part of the plan, a reinsurance policy has been purchased which covers claims in excess of \$45,000 per individual up to a maximum of \$1,000,000. Deposits to the self-insured fund in excess of the claims and other costs paid are retained by the municipality. The utilities' total contributions to the program during the years 2013 and 2012 were \$380,119 and \$327,527, respectively. Details of the plan can be found in the basic financial statements of the City of Stoughton

SUPPLEMENTAL INFORMATION

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY PLANT

December 31, 2013

	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013
TRANSMISSION				
Land and land rights	\$ 1	\$ -	\$ -	\$ 1
Poles and fixtures	5,035	-	-	5,035
Overhead conductors and devices	9,984	-	-	9,984
Total Transmission	15,020	-	-	15,020
DISTRIBUTION				
Land and land rights	220,796	-	-	220,796
Structures and improvements	44,389	-	-	44,389
Station equipment	4,269,937	6,000	-	4,275,937
Poles, towers and fixtures	2,951,805	64,229	24,089	2,991,945
Overhead conductors and devices	5,452,833	289,598	28,446	5,713,985
Underground conduit	408,947	19,884	-	428,831
Underground conductors and devices	2,644,596	43,303	1,770	2,686,129
Line transformers	2,833,228	39,238	939	2,871,527
Services	1,635,952	51,478	6,286	1,681,144
Meters	632,258	5,778	-	638,036
Street lighting and signal systems	508,672	12,109	7,404	513,377
Total Distribution	21,603,413	531,617	68,934	22,066,096
GENERAL				
Structures and improvements	1,635,949	-	-	1,635,949
Office furniture and equipment	192,342	18,320	-	210,662
Computer equipment	178,348	-	-	178,348
Transportation equipment	288,978	-	-	288,978
Stores equipment	9,984	-	-	9,984
Tools, shop and garage equipment	81,791	-	-	81,791
Laboratory equipment	50,236	-	-	50,236
Power-operated equipment	1,200,625	-	-	1,200,625
Communication equipment	92,122	-	-	92,122
SCADA equipment	279,453	-	-	279,453
Miscellaneous equipment	4,990	-	-	4,990
Total General	4,014,818	18,320	-	4,033,138
TOTAL ELECTRIC UTILITY PLANT	\$ 25,633,251	\$ 549,937	\$ 68,934	\$ 26,114,254

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2013 and 2012

OPERATING REVENUES	2013	2012
Sales of Electricity		
Residential	\$ 5,217,505	\$ 5,198,813
Rural	2,945,578	2,920,985
General service	1,631,966	1,682,787
Large commercial and industrial	1,373,160	1,281,437
Large power	1,021,094	1,049,188
Industrial	2,728,523	2,761,836
Public street and highway lighting	132,993	132,550
Interdepartmental	182,492	208,217
Total Sales of Electricity	15,233,311	15,235,813
Other Operating Revenues		
Forfeited discounts	34,864	47,637
Other	111,504	101,817
Total Operating Revenues	15,379,679	15,385,267
 OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	11,899,750	11,889,641
Transmission		
Operating supervision and engineering	4,487	6,919
Station	46,350	35,150
Overhead lines	76,057	77,054
Underground lines	35,018	36,577
Total Transmission	161,912	155,700
Distribution		
Street lighting and signal system	3,534	6,585
Meter	36,976	41,578
Customer installations	174	27
Miscellaneous	45,332	4,560
Maintenance		
Station equipment	15,021	33,627
Overhead lines	266,969	213,053
Underground lines	7,961	10,258
Line transformers	1,284	842
Street lighting and signal system	140	537
Miscellaneous	-	1,999
Total Distribution	377,391	313,066
Customer Accounts		
Meter reading	6,808	8,106
Accounting and collecting labor	208,736	212,603
Miscellaneous	19,441	234
Total Customer Accounts	234,985	220,943

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2013 and 2012

OPERATING EXPENSES (cont.)

Operation and Maintenance (cont.)

Administrative and General

Salaries	\$	269,473	\$	214,060
Office supplies		32,183		32,621
Outside services employed		31,058		19,920
Property insurance		23,211		19,590
Injuries and damages		16,951		24,421
Employee pensions and benefits		238,598		221,491
Miscellaneous		2,523		13,490
Rents		11,377		11,013
Maintenance		42,170		33,025
Total Administrative and General		<u>667,544</u>		<u>589,631</u>
Taxes		<u>170,845</u>		<u>167,318</u>
Total Operation and Maintenance		<u>13,512,427</u>		<u>13,336,299</u>
Depreciation		<u>918,885</u>		<u>910,353</u>
Total Operating Expenses		<u>14,431,312</u>		<u>14,246,652</u>
OPERATING INCOME	\$	<u>948,367</u>	\$	<u>1,138,615</u>

STOUGHTON ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS December 31, 2013 and 2012

	2013	2012
Utility Plant in Service		
Beginning of year	\$ 22,981,902	\$ 22,421,815
End of year	23,396,576	22,981,902
Average	23,189,239	22,701,859
Accumulated Depreciation		
Beginning of year	(10,083,729)	(9,353,661)
End of year	(10,874,683)	(10,083,729)
Average	(10,479,206)	(9,718,695)
Materials and Supplies		
Beginning of year	139,181	135,057
End of year	136,045	139,181
Average	137,613	137,119
Regulatory Liability		
Beginning of year	(243,764)	(265,924)
End of year	(221,604)	(243,764)
Average	(232,684)	(254,844)
Customer Advances for Construction		
Beginning of year	(8,082)	(9,440)
End of year	(5,514)	(8,082)
Average	(6,798)	(8,761)
AVERAGE NET RATE BASE	\$ 12,608,164	\$ 12,856,678
OPERATING INCOME - REGULATORY BASIS	\$ 693,277	\$ 884,783
RATE OF RETURN (PERCENT)	5.50	6.88

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

WATER UTILITY

STOUGHTON WATER UTILITY

WATER UTILITY PLANT December 31, 2013

	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013
SOURCE OF SUPPLY				
Land and land rights	\$ 11,635	\$ -	\$ -	\$ 11,635
Wells and springs	570,123	-	-	570,123
Total Source of Supply	581,758	-	-	581,758
PUMPING				
Structures and improvements	598,025	-	-	598,025
Other power production equipment	246,036	32,696	-	278,732
Electric pumping equipment	584,896	-	-	584,896
Other pumping equipment	-	-	-	-
Total Pumping	1,428,957	32,696	-	1,461,653
WATER TREATMENT				
Structures and improvements	13,671	-	-	13,671
Water treatment equipment	77,092	-	-	77,092
Total Water Treatment	90,763	-	-	90,763
TRANSMISSION AND DISTRIBUTION				
Land and land rights	13,206	-	-	13,206
Structures and improvements	1,611	-	-	1,611
Distribution reservoirs and standpipes	1,955,850	-	-	1,955,850
Transmission and distribution mains	8,784,697	250,855	3,384	9,032,168
Services	1,939,695	84,191	1,572	2,022,314
Meters	589,847	4,426	-	594,273
Hydrants	1,114,522	41,602	-	1,156,124
Other transmission and distribution plant	973	-	-	973
Total Transmission and Distribution	14,400,401	381,074	4,956	14,776,519
GENERAL				
Land and land rights	405,290	-	-	405,290
Office furniture and equipment	56,523	4,252	-	60,775
Computer equipment	59,925	-	-	59,925
Transportation equipment	28,026	-	-	28,026
Stores equipment	2,187	-	-	2,187
Tools, shop and garage equipment	35,109	-	-	35,109
Power-operated equipment	102,034	-	-	102,034
Communication equipment	37,858	-	-	37,858
SCADA equipment	458,421	-	-	458,421
Miscellaneous equipment	89	-	-	89
Total General	1,185,462	4,252	-	1,189,714
TOTAL WATER UTILITY PLANT	\$ 17,687,341	\$ 418,022	\$ 4,956	\$ 18,100,407

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 797,026	\$ 816,587
Commercial	190,799	193,863
Industrial	250,544	255,137
Public authorities	17,672	19,222
Interdepartmental	2,195	2,485
Total Metered Sales	1,258,236	1,287,294
Private fire protection	26,318	25,422
Public fire protection	423,129	420,871
Total Sales of Water	1,707,683	1,733,587
Other Operating Revenues		
Forfeited discounts	4,741	5,341
Other	15,545	17,950
Total Operating Revenues	1,727,969	1,756,878
OPERATING EXPENSES		
Operation and Maintenance		
Operation labor	-	-
Maintenance		
Wells and springs	3,191	-
Total Source of Supply	3,191	-
Pumping		
Fuel or purchased power for pumping	116,965	121,645
Pumping labor	7,137	2,878
Miscellaneous	455	249
Maintenance		
Structures and improvements	4,762	3,185
Pumping equipment	5,469	9,552
Total Pumping	134,788	137,509
Water Treatment		
Chemicals	11,869	18,349
Operation labor	24,449	12,663
Maintenance		
Structures and improvements	875	1,700
Water treatment equipment	3,654	3,640
Total Water Treatment	40,847	36,352

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2013 and 2012

OPERATING EXPENSES (cont.)

Operation and Maintenance (cont.)

Transmission and Distribution

Transmission and distribution lines	\$ 11,694	\$ 17,387
Meters	22,885	11,503
Miscellaneous	59,315	7,385
Maintenance		
Reservoirs and standpipes	54,415	87,838
Mains	39,533	36,055
Services	17,676	26,422
Meters	-	-
Hydrants	11,986	7,479
Miscellaneous	591	2,097
Total Transmission and Distribution	218,095	196,166

Customer Accounts

Meter reading	2,097	2,442
Accounting and collecting labor	75,969	76,337
Total Customer Accounts	78,066	78,779

Administrative and General

Salaries	152,946	154,387
Office supplies	7,500	10,745
Outside services employed	24,169	4,783
Property insurance	8,440	7,123
Injuries and damages	7,797	8,930
Employee pensions and benefits	80,708	89,521
Regulatory commission	-	-
Rents	4,195	4,005
Maintenance	4,639	3,238
Total Administrative and General	290,394	282,732

Taxes

Total Operation and Maintenance	779,963	745,471
---------------------------------	---------	---------

Depreciation

Total Operating Expenses	381,278	364,679
	1,161,241	1,110,150

OPERATING INCOME	\$ 566,728	\$ 646,728
------------------	------------	------------

STOUGHTON WATER UTILITY

RATE OF RETURN - REGULATORY BASIS December 31, 2013 and 2012

	2013	2012
Utility Plant in Service		
Beginning of year	\$ 11,571,887	\$ 10,791,839
End of year	11,984,953	11,571,887
Average	11,778,420	11,181,863
Accumulated Depreciation		
Beginning of year	(3,605,921)	(3,319,808)
End of year	(3,906,376)	(3,605,921)
Average	(3,756,149)	(3,462,865)
Materials and Supplies		
Beginning of year	35,244	23,257
End of year	36,627	35,244
Average	35,936	29,251
Regulatory Liability		
Beginning of year	(376,512)	(410,740)
End of year	(342,284)	(376,512)
Average	(359,398)	(393,626)
AVERAGE NET RATE BASE	\$ 7,698,809	\$ 7,354,623
OPERATING INCOME - REGULATORY BASIS	\$ 277,025	\$ 407,777
RATE OF RETURN (PERCENT)	3.60	5.54

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

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY PLANT

December 31, 2013

	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013
COLLECTING SYSTEM				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	6,876,011	307,765	4,338	7,179,438
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951	-	-	48,951
Total Collecting System	8,789,146	307,765	4,338	9,092,573
COLLECTING SYSTEM PUMPING				
Structures and improvements	67,382	-	-	67,382
Electric pumping equipment	308,631	-	-	308,631
Other pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	397,412	-	-	397,412
TREATMENT AND DISPOSAL				
Structures and improvements	3,369,224	-	-	3,369,224
Preliminary treatment equipment	1,259,171	336,195	52,800	1,542,566
Primary treatment equipment	1,147,165	-	-	1,147,165
Secondary treatment equipment	529,291	-	-	529,291
Advanced treatment equipment	1,930,493	-	-	1,930,493
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,563,739	121,404	-	3,685,143
Plant site pumping	685,498	-	-	685,498
Flow metering and monitoring equipment	25,166	-	-	25,166
Other treatment and disposal equipment	38,818	-	-	38,818
Total Treatment and Disposal	12,914,727	457,599	52,800	13,319,526
GENERAL				
Structures and improvements	232,233	-	-	232,233
Office furniture and equipment	56,773	5,315	-	62,088
Computer equipment	110,021	-	-	110,021
Transportation equipment	409,462	-	-	409,462
Communication equipment	309,620	-	-	309,620
Other general equipment	32,513	-	-	32,513
Total General	1,150,622	5,315	-	1,155,937
TOTAL WASTEWATER UTILITY PLANT	\$ 23,251,907	\$ 770,679	\$ 57,138	\$ 23,965,448

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,388,955	\$ 1,449,168
Commercial	444,731	441,335
Industrial	138,306	112,101
Public authorities	25,519	25,855
Interdepartmental	470	445
Total Wastewater Revenues	1,997,981	2,028,904
Other Operating Revenues		
Forfeited discounts	4,535	5,345
Miscellaneous	26,948	28,357
Total Operating Revenues	2,029,464	2,062,606
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	61	1,431
Power and fuel for pumping	101,446	96,572
Sludge conditioning chemicals	7,761	14,188
Other operating supplies	840	-
Total Operation	110,108	112,191
Maintenance		
Collection system	73,666	52,593
Treatment and disposal plant equipment	121,426	149,860
General plant structures and equipment	86,443	71,430
Total Maintenance	281,535	273,883
Customer Accounts		
Accounting and collecting	110,777	133,485
Administrative and General		
Salaries	92,201	87,050
Office supplies	21,065	13,066
Outside services employed	11,265	48,957
Insurance	19,112	18,394
Employee pensions and benefits	124,135	88,391
Miscellaneous	24,908	20,846
Rents	57,768	57,660
Total Administrative and General	350,454	334,364
Taxes	24,546	23,110
Total Operation and Maintenance	877,420	877,033
Depreciation	673,593	630,188
Total Operating Expenses	1,551,013	1,507,221
OPERATING INCOME	\$ 478,451	\$ 555,385