

STOUGHTON UTILITIES

Enterprise Funds of the
City of Stoughton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2014 and 2013

STOUGHTON UTILITIES
Enterprise Funds of the City of Stoughton, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the Utilities Committee
Stoughton Utilities
Stoughton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Stoughton Utilities, enterprise funds of the City of Stoughton, Wisconsin, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoughton Utilities as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utilities Committee
Stoughton Utilities

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Stoughton Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Stoughton, Wisconsin, as of December 31, 2014 and 2013 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 Vichas Krause, LLP

Madison, Wisconsin
March 26, 2015

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

STOUGHTON UTILITIES

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

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, 2014, 2013 and 2012. You are invited to read this narrative in conjunction with the utilities' financial statements.

FINANCIAL HIGHLIGHTS

ELECTRIC:

- Electric revenues increased by 1.22% in 2014.
- The electric division's net position increased by \$530,837 from the prior year.
- Financed \$621,000 of capital improvements to improve operations and electric system reliability.

WATER:

- Completed \$590,000 of capital improvements including over 2,000 feet of main replacements.
- The water division's net position increased by \$21,683 from the prior year.
- Sales increased by \$20,316 or 1.19% in 2014 due to a 3.0% increase in retail rates on June 1, 2014.

WASTEWATER:

- Completed \$3,255,000 of sewer projects which included collecting main upgrades, slip lining of mains to extend their useful life, and an electrical upgrade at the Wastewater Treatment Plant.
- The utility experienced an increase in revenues of \$19,685 or 0.98% in 2014 due to a slight increase in volume sales. No retail rate increases were implemented in 2014.
- The wastewater division's net position increased by \$322,769 from the prior year.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

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, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statement of Net Position – Electric Utility

	2014	2013	2012	2014-2013 Change
Current and Other Assets	\$10,529,265	\$ 10,114,745	\$ 9,518,367	\$ 414,520
Capital Assets	14,350,749	14,726,389	15,160,909	(375,640)
Total Assets	24,880,014	24,841,134	24,679,276	38,880
Long-Term Debt Outstanding	4,460,000	4,940,000	5,505,000	(480,000)
Other Liabilities	2,628,423	2,640,380	2,346,261	(11,957)
Total Liabilities	7,088,423	7,580,380	7,851,261	(491,957)
Investment in Capital Assets	9,349,914	9,231,928	9,255,909	117,986
Restricted	1,089,205	1,076,042	1,039,577	13,163
Unrestricted	7,352,472	6,952,784	6,532,529	399,688
Total Net Position	\$17,791,591	\$ 17,260,754	\$ 16,828,015	\$ 530,837

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

In 2013, the electric utility net position increase \$432,732, 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, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Net Position – Water Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014-2013 Change</u>
Current and Other Assets	\$ 1,203,476	\$ 1,563,853	\$ 1,656,392	\$ (360,376)
Capital Assets	<u>12,747,318</u>	<u>12,546,530</u>	<u>12,537,167</u>	<u>200,788</u>
Total Assets	<u>13,950,794</u>	<u>14,110,383</u>	<u>14,193,559</u>	<u>(159,588)</u>
Long-Term Debt Outstanding	1,775,381	1,926,638	2,077,213	(151,257)
Other Liabilities	<u>624,686</u>	<u>654,701</u>	<u>696,443</u>	<u>(30,015)</u>
Total Liabilities	<u>2,400,067</u>	<u>2,581,339</u>	<u>2,773,656</u>	<u>(181,272)</u>
Investment in Capital Assets	10,820,680	10,469,317	10,275,044	351,363
Restricted	406,334	408,836	431,068	(2,502)
Unrestricted	<u>323,713</u>	<u>650,891</u>	<u>713,791</u>	<u>(327,178)</u>
Total Net Position	<u>\$11,550,727</u>	<u>\$ 11,529,044</u>	<u>\$ 11,419,903</u>	<u>\$ 21,683</u>

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

In 2013, the water utility net position increased \$109,141, an increase of 0.96%. A simplified rate increase of 3.0% was completed in 2014 to maintain stable returns.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 3
Condensed Statements of Net Position – Wastewater Utility

	2014	2013	2012	2014-2013 Change
Current and Other Assets	\$ 2,890,768	\$ 2,326,901	\$ 2,941,906	\$ 563,867
Capital Assets	17,931,136	15,303,036	15,021,478	2,628,100
Total Assets	<u>20,821,904</u>	<u>17,629,937</u>	<u>17,963,384</u>	<u>3,191,967</u>
Long-Term Debt Outstanding	5,312,592	2,646,720	2,903,455	2,665,872
Other Liabilities	633,136	429,810	924,964	203,326
Total Liabilities	<u>5,945,728</u>	<u>3,076,530</u>	<u>3,828,419</u>	<u>2,869,198</u>
Investment in Capital Assets	12,236,966	12,399,704	11,468,409	(162,738)
Restricted	1,489,947	1,247,923	1,501,295	242,024
Unrestricted	1,149,263	905,780	1,165,261	243,483
Total Net Position	<u>\$14,876,176</u>	<u>\$ 14,553,407</u>	<u>\$ 14,134,965</u>	<u>\$ 322,769</u>

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

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, 2014 and 2013

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**

	2014	2013	2012	2014-2013 Change
Operating Revenues	\$ 15,603,989	\$ 15,379,679	\$ 15,385,267	\$ 224,310
Non-Operating Revenues	94,519	71,308	100,685	23,211
Total Revenues	<u>15,698,508</u>	<u>15,450,987</u>	<u>15,485,952</u>	<u>247,521</u>
Depreciation Expense	934,151	918,885	910,353	15,266
Other Operating Expense	13,770,271	13,512,427	13,336,299	257,844
Non-Operating Expenses	158,954	254,852	276,156	(95,898)
Total Expenses	<u>14,863,376</u>	<u>14,686,164</u>	<u>14,522,808</u>	<u>177,212</u>
Income Before Capital Contributions and Transfers	835,132	764,823	963,144	70,309
Capital Contributions	80,949	78,489	130,561	2,460
Transfers - Tax Equivalent Transfers	(366,032)	(380,584)	(363,359)	14,552
	<u>(19,212)</u>	<u>(29,989)</u>	<u>(25,600)</u>	<u>10,777</u>
Changes in Net Position	530,837	432,739	704,746	98,098
Beginning Net Position	<u>17,260,754</u>	<u>16,828,015</u>	<u>16,123,269</u>	<u>432,739</u>
Total Net Position-Ending	<u>\$ 17,791,591</u>	<u>\$ 17,260,754</u>	<u>\$ 16,828,015</u>	<u>\$ 530,837</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2014	2013	2012	2014-2013 Change
Operating Revenues	\$ 1,750,961	\$ 1,727,969	\$ 1,756,878	\$ 22,992
Non-Operating Revenues	2,118	5,245	10,718	(3,127)
Total Revenues	<u>1,753,079</u>	<u>1,733,214</u>	<u>1,767,596</u>	<u>19,865</u>
Depreciation Expense	390,653	381,278	364,679	9,375
Other Operating Expense	924,261	779,963	745,471	144,299
Non-Operating Expenses	84,281	90,133	97,706	(5,852)
Total Expenses	<u>1,399,195</u>	<u>1,251,374</u>	<u>1,207,856</u>	<u>147,822</u>
Income Before Capital Contributions and Transfers	353,884	481,840	559,740	(127,957)
Capital Contributions	26,500	-	9,000	26,500
Transfers - Tax Equivalent	(352,700)	(361,820)	(342,159)	9,120
Transfers	<u>(6,001)</u>	<u>(10,879)</u>	<u>(6,935)</u>	<u>4,878</u>
Changes in Net Position	21,683	109,141	219,646	(87,459)
Beginning Net Position	<u>11,529,044</u>	<u>11,419,903</u>	<u>11,200,257</u>	<u>109,141</u>
Total Net Position-Ending	<u>\$ 11,550,727</u>	<u>\$ 11,529,044</u>	<u>\$ 11,419,903</u>	<u>\$ 21,683</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

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

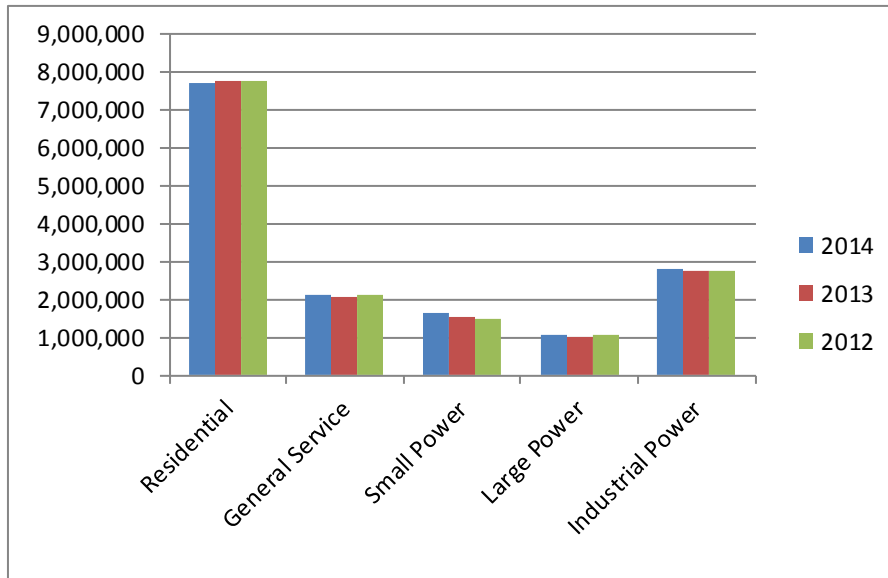
	2014	2013	2012	2014-2013 Change
Operating Revenues	\$ 2,050,885	\$ 2,029,464	\$ 2,062,606	\$ 21,421
Non-Operating Revenues	11,559	3,498	9,763	8,061
Total Revenues	2,062,444	2,032,962	2,072,369	29,482
Depreciation Expense	726,884	673,593	630,188	53,291
Other Operating Expense	944,780	877,420	877,033	67,360
Non-Operating Expenses	105,611	85,280	104,934	20,331
Total Expenses	1,777,275	1,636,293	1,612,155	140,982
Income Before Capital Contributions and Transfers	285,169	396,669	460,214	(111,500)
Capital Contributions	37,600	21,773	49,255	15,827
Changes in Net Position	322,769	418,442	509,469	(95,673)
Beginning Net Position	14,553,407	14,134,965	13,625,496	418,442
Total Net Position-Ending	\$ 14,876,176	\$ 14,553,407	\$ 14,134,965	\$ 322,769

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Electric Sales



Electric sales increased by 1.22% in 2014. The increase is due to a pass thru of increased wholesale electric costs. A review of retail rates was completed in 2014 and rates are expected to increase by 1.50% in the second quarter of 2015. Electric sales remained relatively constant in 2013.

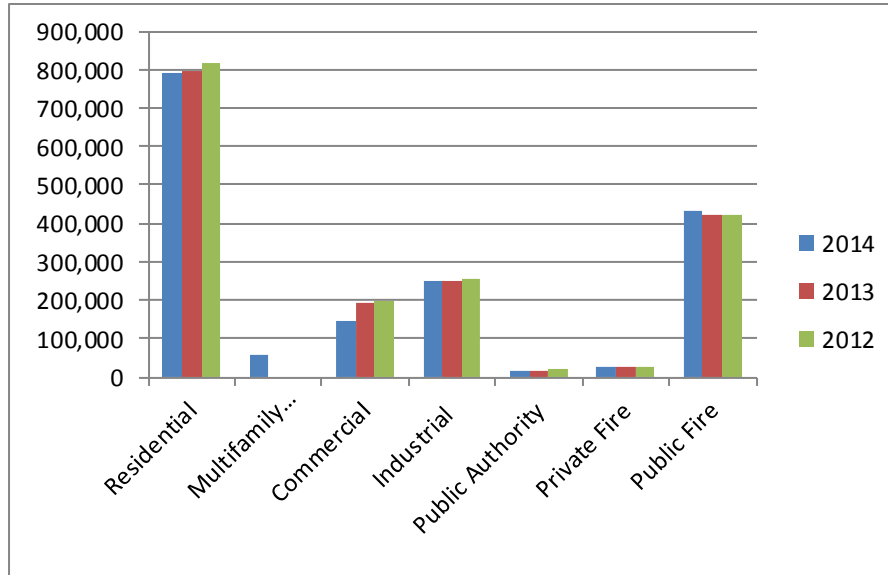
	2014	2013	2012
Residential	\$ 7,705,020	\$ 7,742,249	\$ 7,711,886
General Service	2,099,107	2,067,323	2,104,261
Small Power	1,618,430	1,532,050	1,467,540
Large Power	1,044,735	1,021,094	1,049,188
Industrial Power	2,805,130	2,728,523	2,761,836
Public Lighting	147,079	142,072	141,102
Total Electric Sales	\$ 15,419,501	\$ 15,233,311	\$ 15,235,813

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Water Sales



Sales increased by \$20,316 or 1.19% in 2014 due to a 3.0% increase in retail rates on June 1, 2014. Sales to multifamily residential buildings having 3 or more units are now classified separately as required by the Public Service Commission of Wisconsin. Sales decreased in 2013 due to a decrease in water consumption.

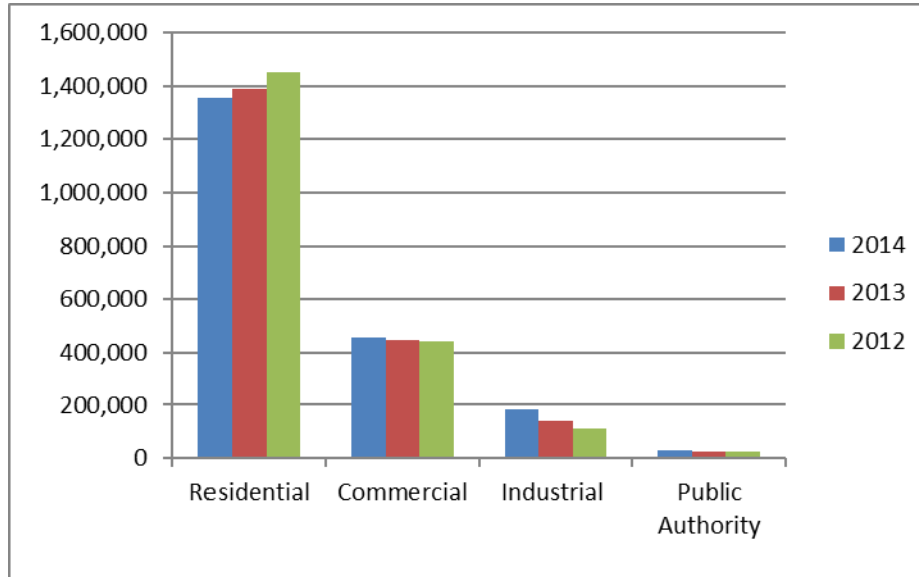
	2014	2013	2012
Residential	\$ 793,284	\$ 797,026	\$ 816,587
Multifamily Residential	59,595	-	-
Commercial	146,790	192,994	196,348
Industrial	251,139	250,544	255,137
Public Authority	16,738	17,672	19,222
Private Fire	28,385	26,318	25,422
Public Fire	432,068	423,129	420,871
Total Water Sales	\$ 1,727,999	\$ 1,707,683	\$ 1,733,587

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Comparison of Wastewater Sales



The utility experienced an increase in revenues of \$19,685 or 0.98% in 2014 due to a slight increase in volume sales. No retail rate increases were implemented in 2014. The decrease in sales in 2013 was also due to a decrease in volume sales.

	2014	2013	2012
Residential	\$ 1,354,439	\$ 1,388,955	\$ 1,449,168
Commercial	456,341	445,201	441,780
Industrial	180,296	138,306	112,101
Public Authority	26,590	25,519	25,855
Total Wastewater Sales	\$ 2,017,666	\$ 1,997,981	\$ 2,028,904

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

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

	2014	2013	2012	2014-2013 Change
Cash Flows From:				
Operating activities	\$ 1,665,622	\$ 2,039,792	\$ 2,062,896	\$ (374,170)
Non-capital financing activities	(352,219)	(346,703)	(302,751)	(5,516)
Capital and related financing activities	(1,200,647)	(1,175,293)	(1,365,177)	(25,354)
Investing activities	(289,421)	409,111	408,202	(698,532)
Net Change in Cash and Cash Equivalents	(176,665)	926,907	803,170	(1,103,572)
Cash and Cash Equivalents Beginning of Year	3,752,549	2,825,642	2,022,472	926,907
Cash and Cash Equivalents End of Year	<u>\$ 3,575,884</u>	<u>\$ 3,752,549</u>	<u>\$ 2,825,642</u>	<u>\$ (176,665)</u>

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

The increase in cash and cash equivalents in 2013 was a result of normal operations, maturities of long-term investments and was anticipated and in line with the 2013 budget.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 8
Condensed Statements of Cash Flows –
Water Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014-2013</u> <u>Change</u>
Cash Flows From:				
Operating activities	\$ 824,521	\$ 952,858	\$ 1,059,453	\$ (128,337)
Non-Capital financing activities	(367,821)	(353,038)	(308,070)	(14,783)
Capital and related financing activities	(819,346)	(706,358)	(851,898)	(112,988)
Investing activities	<u>40,654</u>	<u>(236,512)</u>	<u>411,612</u>	<u>277,166</u>
Net Change in Cash and Cash Equivalents	(321,992)	(343,050)	311,097	21,058
Cash and Cash Equivalents Beginning of Year	<u>670,403</u>	<u>1,013,453</u>	<u>702,356</u>	<u>(343,050)</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 348,411</u></u>	<u><u>\$ 670,403</u></u>	<u><u>\$ 1,013,453</u></u>	<u><u>\$ (321,992)</u></u>

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

The decrease in cash and cash equivalents in 2013 was primarily the result of purchases of long-term investment securities.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 9
Condensed Statements of Cash Flows –
Wastewater Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014-2013 Change</u>
Cash Flows From:				
Operating activities	\$ 1,061,317	\$ 1,178,921	\$ 1,201,971	\$ (117,604)
Capital and related financing activities	(504,963)	(1,792,026)	(1,490,850)	1,287,063
Investing activities	<u>42,552</u>	<u>(178,826)</u>	<u>287,856</u>	<u>221,378</u>
Net Change in Cash and Cash Equivalents	598,906	(791,931)	(1,023)	1,390,837
Cash and Cash Equivalents Beginning of Year	<u>1,449,778</u>	<u>2,241,709</u>	<u>2,242,732</u>	<u>(791,931)</u>
Cash and Cash Equivalents End of Year	<u>\$ 2,048,684</u>	<u>\$ 1,449,778</u>	<u>\$ 2,241,709</u>	<u>\$ 598,906</u>

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

The 2013 decrease in cash and cash equivalents was due to the purchase of long-term investment securities and expenditures for the Wastewater Treatment Plant project which were subsequently reimbursed through the Clean Water Fund financing.

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 10
Capital Assets – Electric Utility

	2014	2013	2012	2014-2013 Change
Capital Assets				
Transmission and distribution	\$22,522,693	\$ 22,081,116	\$ 21,618,433	\$ 441,577
General	4,396,696	4,385,802	4,367,482	10,894
Total Capital Assets	<u>26,919,389</u>	<u>26,466,918</u>	<u>25,985,915</u>	<u>452,471</u>
Less: Accumulated depreciation	(12,594,695)	(11,742,374)	(10,854,101)	(852,321)
Construction in progress	<u>26,055</u>	<u>1,845</u>	<u>29,095</u>	<u>24,210</u>
Net Capital Assets	<u>\$14,350,749</u>	<u>\$ 14,726,389</u>	<u>\$ 15,160,909</u>	<u>\$ (375,640)</u>

Table 11
Capital Assets – Water Utility

	2014	2013	2012	2014-2013 Change
Capital Assets				
Source of supply	\$ 581,758	\$ 581,758	\$ 581,758	\$ -
Pumping	1,461,653	1,461,653	1,428,957	-
Water treatment	90,763	90,763	90,763	-
Transmission and distribution	15,354,937	14,776,519	14,400,401	578,418
General	<u>1,208,737</u>	<u>1,189,714</u>	<u>1,185,462</u>	<u>19,023</u>
Total Capital Assets	<u>18,697,848</u>	<u>18,100,407</u>	<u>17,687,341</u>	<u>597,441</u>
Less: Accumulated depreciation	(5,981,157)	(5,578,071)	(5,174,407)	(403,086)
Construction in progress	<u>30,627</u>	<u>24,194</u>	<u>24,233</u>	<u>6,433</u>
Net Capital Assets	<u>\$12,747,318</u>	<u>\$ 12,546,530</u>	<u>\$ 12,537,167</u>	<u>\$ 200,788</u>

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

Table 12
Capital Assets – Wastewater Utility

	2014	2013	2012	2014-2013 Change
Capital Assets				
Collection system	\$ 9,360,156	\$ 9,092,573	\$ 8,789,146	\$ 267,583
Collection system pumping	401,065	397,412	397,412	3,653
Treatment and disposal	15,550,149	13,319,526	12,914,727	2,230,623
General	1,308,895	1,155,937	1,150,622	152,958
Total Capital Assets	<u>26,620,265</u>	<u>23,965,448</u>	<u>23,251,907</u>	<u>2,654,817</u>
Less: Accumulated depreciation	(8,727,985)	(9,062,641)	(8,446,186)	334,656
Construction in progress	<u>38,856</u>	<u>400,229</u>	<u>215,757</u>	<u>(361,373)</u>
Net Capital Assets	<u>\$17,931,136</u>	<u>\$ 15,303,036</u>	<u>\$ 15,021,478</u>	<u>\$ 2,628,100</u>

LONG-TERM DEBT

As of December 31, 2014, the electric utility had total mortgage revenue bond debt outstanding of \$4,940,000 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, 2014, the water utility had total mortgage revenue bond debt outstanding of \$1,926,638 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 \$5,694,293 of clean water fund loans outstanding as of December 31, 2014. These bonds were issued for a series of wastewater treatment plant upgrade and expansion projects, including an electrical upgrade in 2014.

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

STOUGHTON UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 and 2013

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, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and investments	\$ 5,787,365	\$ 5,622,496
Interest receivable	22,550	19,115
Restricted Assets		
Redemption account	397,337	387,545
Customer accounts receivable	1,751,971	1,627,431
Other accounts receivable	230,224	65,639
Due from municipality	13,329	17,389
Current portion of advance to municipality	35,065	33,119
Materials and supplies	130,091	136,045
Prepayments	2,918	20,681
Total Current Assets	8,370,850	7,929,460
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Other Assets		
Electric plant and maintenance reserve account	506,807	505,712
Sick leave reserve account	173,704	173,704
Advance to municipality	413,741	448,806
Investment in ATC	312,822	302,062
Non-utility property (net)	21,613	25,273
Capital Assets		
Plant in service	26,566,725	26,114,254
Accumulated depreciation	(12,594,695)	(11,742,374)
Property held for future use	352,664	352,664
Construction work in progress	26,055	1,845
Total Noncurrent Assets	16,509,164	16,911,674
Total Assets	24,880,014	24,841,134

	LIABILITIES	
	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,183,584	\$ 1,071,358
Due to municipality	403,925	453,337
Customer deposits	135,472	155,552
Accrued wages	12,030	21,305
Accrued interest	1,792	2,315
Accrued liabilities	100,650	130,749
Commitment to community	31,052	30,854
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	480,000	480,000
Accrued interest	37,860	41,231
Total Current Liabilities	<u>2,386,365</u>	<u>2,386,701</u>
NONCURRENT LIABILITIES		
Revenue bonds	4,460,000	4,940,000
Unamortized premium on bonds	60,835	74,461
Accrued sick leave	166,873	173,704
Customer advances for construction	14,350	5,514
Total Noncurrent Liabilities	<u>4,702,058</u>	<u>5,193,679</u>
 Total Liabilities	 <u>7,088,423</u>	 <u>7,580,380</u>
NET POSITION		
Investment in capital assets	9,349,914	9,231,928
Restricted for debt service	1,089,205	1,076,042
Unrestricted	<u>7,352,472</u>	<u>6,952,784</u>
 TOTAL NET POSITION	 <u>\$ 17,791,591</u>	 <u>\$ 17,260,754</u>

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sales of electricity	\$ 15,419,500	\$ 15,233,311
Other	184,489	146,368
Total Operating Revenues	15,603,989	15,379,679
OPERATING EXPENSES		
Operation and maintenance	13,770,271	13,512,427
Depreciation	934,151	918,885
Total Operating Expenses	14,704,422	14,431,312
OPERATING INCOME	899,567	948,367
NON-OPERATING REVENUES (EXPENSES)		
Investment income	80,893	59,346
Interest expense	(155,041)	(199,379)
Amortization of debt issuance costs	-	(51,813)
Amortization of premium on bond refunding	13,626	11,962
Miscellaneous revenues (expenses)	(3,913)	(3,660)
Total Non-Operating Revenues (Expenses)	(64,435)	(183,544)
Income Before Contributions and Transfers	835,132	764,823
CAPITAL CONTRIBUTIONS	80,949	78,489
TRANSFER IN (OUT)	(19,212)	(29,989)
TRANSFERS - TAX EQUIVALENT	(366,032)	(380,584)
CHANGE IN NET POSITION	530,837	432,739
NET POSITION - Beginning of Year	17,260,754	16,828,015
NET POSITION - END OF YEAR	\$ 17,791,591	\$ 17,260,754

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 15,206,898	\$ 15,181,787
Received for street lighting	137,049	132,993
Paid to suppliers for goods and services	(12,903,408)	(12,528,169)
Paid to employees for operating payroll	(754,837)	(758,112)
Customer deposit	(20,080)	11,293
Net Cash Flows From Operating Activities	1,665,622	2,039,792
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(380,584)	(363,359)
Received from municipality principal on Wisconsin Retirement UAAL	33,119	31,250
Received from municipality interest on Wisconsin Retirement UAAL	14,458	15,395
Transfers to other funds	(19,212)	(29,989)
Net Cash Flows From Noncapital Financing Activities	(352,219)	(346,703)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(621,075)	(570,320)
Received from the sale of capital assets	5,091	6,513
Capital contributions received	53,749	64,739
Proceeds on bond refunding	-	3,170,000
Debt retired	(480,000)	(3,655,000)
Interest paid	(158,412)	(225,835)
Debt issuance costs paid	-	(51,813)
Premium received	-	86,423
Net Cash Flows From Capital and Related Financing Activities	(1,200,647)	(1,175,293)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,292,597)	(1,473,764)
Investments sold and matured	907,919	1,847,051
Dividends/(Investment) in ATC	9,512	12,731
Investment income	85,745	23,093
Net Cash Flows From Investing Activities	(289,421)	409,111
Net Change in Cash and Cash Equivalents	(176,665)	926,907
CASH AND CASH EQUIVALENTS - Beginning of Year	3,752,549	2,825,642
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,575,884	\$ 3,752,549
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (32,257)	\$ (63,334)
ATC earnings allocated	\$ -	\$ 31,995
Capital contributions	\$ 10,760	\$ -

STOUGHTON ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 899,567	\$ 948,367
Nonoperating revenue (expense)	13,373	(3,660)
Noncash items in operating income		
Depreciation	934,151	918,885
Depreciation charged to clearing and other utilities	39,600	39,600
Changes in assets and liabilities		
Customer accounts receivable	(124,540)	(182,246)
Other account receivable	(139,309)	113,478
Due from municipality	4,060	7,529
Due to municipality	(34,860)	72,753
Materials and supplies	5,954	3,136
Prepayments	17,763	(256)
Accounts payable	130,099	58,635
Customer deposits	(20,080)	11,293
Accrued sick leave	(6,831)	1,885
Other current liabilities	(53,523)	(4,525)
Commitment to community	198	54,918
	<u>\$ 1,665,622</u>	<u>\$ 2,039,792</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENT OF NET POSITION ACCOUNTS		
Cash and investments	\$ 5,787,365	\$ 5,622,496
Redemption account	397,337	387,545
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Electric plant and maintenance reserve account	506,807	505,712
Sick leave reserve account	173,704	173,704
Total Cash and Investments	<u>7,594,941</u>	<u>7,419,185</u>
Less: Noncash equivalents	<u>(4,019,057)</u>	<u>(3,666,636)</u>
	<u>\$ 3,575,884</u>	<u>\$ 3,752,549</u>
CASH AND CASH EQUIVALENTS		

WATER UTILITY

STOUGHTON WATER UTILITY

STATEMENTS OF NET POSITION December 31, 2014 and 2013

	ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and investments		\$ 227,481	\$ 546,693
Interest receivable		1,938	10,665
Restricted Assets			
Redemption account		120,935	123,710
Customer accounts receivable		189,838	174,323
Other accounts receivable		5,922	5,808
Due from municipality		-	2,709
Materials and supplies		34,597	36,627
Prepayments		698	7,157
Total Current Assets		<u>581,409</u>	<u>907,692</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		189,226	219,040
Sick leave reserve account		94,638	94,638
Non-utility property (net)		39,198	43,478
Capital Assets			
Plant in service		18,697,848	18,100,407
Accumulated depreciation		(5,981,157)	(5,578,071)
Construction work in progress		30,627	24,194
Total Noncurrent Assets		<u>13,369,385</u>	<u>13,202,691</u>
Total Assets		<u>13,950,794</u>	<u>14,110,383</u>

LIABILITIES		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES			
Accounts payable		\$ 6,926	\$ 20,627
Due to municipality		352,700	361,820
Customer deposits		1,733	39
Accrued wages		15,033	13,123
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		151,257	150,575
Accrued interest		13,606	13,879
Total Current Liabilities		<u>541,255</u>	<u>560,063</u>
NONCURRENT LIABILITIES			
Revenue bonds		1,775,381	1,926,638
Accrued sick leave		83,431	94,638
Total Noncurrent Liabilities		<u>1,858,812</u>	<u>2,021,276</u>
Total Liabilities		<u>2,400,067</u>	<u>2,581,339</u>
NET POSITION			
Invested in capital assets		10,820,680	10,469,317
Restricted for debt service		406,334	408,836
Unrestricted		<u>323,713</u>	<u>650,891</u>
TOTAL NET POSITION		<u>\$ 11,550,727</u>	<u>\$ 11,529,044</u>

STOUGHTON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Sales of water	\$ 1,727,999	\$ 1,707,683
Other	22,962	20,286
Total Operating Revenues	<u>1,750,961</u>	<u>1,727,969</u>
OPERATING EXPENSES		
Operation and maintenance	924,261	779,963
Depreciation	390,653	381,278
Total Operating Expenses	<u>1,314,914</u>	<u>1,161,241</u>
OPERATING INCOME	<u>436,047</u>	<u>566,728</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	2,118	5,245
Interest expense	(80,004)	(85,856)
Miscellaneous expenses	(4,277)	(4,277)
Total Non-Operating Revenues (Expenses)	<u>(82,163)</u>	<u>(84,888)</u>
Income Before Contributions and Transfers	353,884	481,840
CAPITAL CONTRIBUTIONS	26,500	-
TRANSFER IN (OUT)	(6,001)	(10,879)
TRANSFERS - TAX EQUIVALENT	<u>(352,700)</u>	<u>(361,820)</u>
CHANGE IN NET POSITION	21,683	109,141
NET POSITION - Beginning of Year	<u>11,529,044</u>	<u>11,419,903</u>
NET POSITION - END OF YEAR	<u>\$ 11,550,727</u>	<u>\$ 11,529,044</u>

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,752,973	\$ 1,728,676
Paid to suppliers for goods and services	(589,326)	(494,642)
Paid to employees for operating payroll	(339,126)	(281,176)
Net Cash Flows From Operating Activities	824,521	952,858
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(361,820)	(342,159)
Transfers to other funds	(6,001)	(10,879)
Net Cash Flows From Noncapital Financing Activities	(367,821)	(353,038)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(590,292)	(434,301)
Received from the sale of capital assets	1,798	-
Debt retired	(150,575)	(184,910)
Interest paid	(80,277)	(87,147)
Net Cash Flows From Capital and Related Financing Activities	(819,346)	(706,358)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,030,000)	(608,868)
Investments sold and matured	1,049,556	370,430
Investment income	21,098	1,926
Net Cash Flows From Investing Activities	40,654	(236,512)
Net Change in Cash and Cash Equivalents	(321,992)	(343,050)
CASH AND CASH EQUIVALENTS - Beginning of Year	670,403	1,013,453
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 348,411	\$ 670,403
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (10,253)	\$ 14,871
Capital contributions	\$ 26,500	\$ -

STOUGHTON WATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH		
 FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 436,047	\$ 566,728
Nonoperating income (expense)	(4,277)	(4,277)
Noncash items in operating income		
Depreciation	390,653	381,278
Depreciation charged to clearing and other utilities	28,315	27,342
Changes in assets and liabilities		
Customer accounts receivable	(15,515)	(9,382)
Other account receivable	(114)	(5,808)
Due from municipality	2,709	3,632
Materials and supplies	2,030	(1,383)
Prepayments	6,459	(93)
Accounts payable	(14,183)	(7,753)
Accrued wages	1,910	933
Accrued sick leave	(11,207)	2,192
Customer deposits	1,694	(552)
	\$ 824,521	\$ 952,858
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 824,521	\$ 952,858
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
 STATEMENT OF NET POSITION ACCOUNTS		
Cash and investments	\$ 227,481	\$ 546,693
Redemption account	120,935	123,710
Reserve account	274,005	274,005
Depreciation account	25,000	25,000
Water plant and maintenance reserve account	189,226	219,040
Sick leave reserve account	94,638	94,638
Total Cash and Investments	931,285	1,283,086
Less: Noncash equivalents	(582,874)	(612,683)
	\$ 348,411	\$ 670,403
CASH AND CASH EQUIVALENTS	\$ 348,411	\$ 670,403

WASTEWATER UTILITY

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION December 31, 2014 and 2013

	ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and investments		\$ 1,055,750	\$ 738,999
Interest receivable		1,461	4,107
Restricted Assets			
Redemption account		328,068	198,451
Customer accounts receivable		211,690	204,873
Other accounts receivable		14,426	14,426
Due from municipality		-	2,789
Prepayments		872	8,946
Total Current Assets		<u>1,612,267</u>	<u>1,172,591</u>
NONCURRENT ASSETS			
Restricted Assets			
Depreciation account		33,283	33,283
Replacement account		1,153,490	1,029,299
Construction account		123	123
Other Assets			
Sick leave reserve account		91,605	91,605
Capital Assets			
Plant in service		26,620,265	23,965,448
Accumulated depreciation		(8,727,985)	(9,062,641)
Construction work in progress		38,856	400,229
Total Noncurrent Assets		<u>19,209,637</u>	<u>16,457,346</u>
Total Assets		<u>20,821,904</u>	<u>17,629,937</u>

LIABILITIES		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES			
Accounts payable		\$ 118,866	\$ 47,522
Accrued wages		16,670	20,838
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		381,701	256,735
Accrued interest		24,894	13,110
Total Current Liabilities		<u>542,131</u>	<u>338,205</u>
NONCURRENT LIABILITIES			
Revenue bonds		5,312,592	2,646,720
Accrued sick leave		91,005	91,605
Total Noncurrent Liabilities		<u>5,403,597</u>	<u>2,738,325</u>
Total Liabilities		<u>5,945,728</u>	<u>3,076,530</u>
NET POSITION			
Investment in capital assets		12,236,966	12,399,704
Restricted for debt service		336,457	218,624
Restricted for equipment replacement		1,153,490	1,029,299
Unrestricted		<u>1,149,263</u>	<u>905,780</u>
TOTAL NET POSITION		<u>\$ 14,876,176</u>	<u>\$ 14,553,407</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Treatment charges	\$ 2,017,666	\$ 1,997,981
Other	33,219	31,483
Total Operating Revenues	<u>2,050,885</u>	<u>2,029,464</u>
OPERATING EXPENSES		
Operation and maintenance	944,780	877,420
Depreciation	726,884	673,593
Total Operating Expenses	<u>1,671,664</u>	<u>1,551,013</u>
OPERATING INCOME	<u>379,221</u>	<u>478,451</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	11,559	3,498
Interest expense	(105,611)	(85,280)
Miscellaneous revenues	-	-
Total Non-Operating Revenues (Expenses)	<u>(94,052)</u>	<u>(81,782)</u>
Income Before Contributions	285,169	396,669
CAPITAL CONTRIBUTIONS	<u>37,600</u>	<u>21,773</u>
CHANGE IN NET POSITION	322,769	418,442
NET POSITION - Beginning of Year	<u>14,553,407</u>	<u>14,134,965</u>
NET POSITION - END OF YEAR	<u>\$ 14,876,176</u>	<u>\$ 14,553,407</u>

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,046,857	\$ 2,034,979
Paid to suppliers for goods and services	(639,382)	(514,833)
Paid to employees for operating payroll	(346,158)	(341,225)
Net Cash Flows From Operating Activities	1,061,317	1,178,921
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,254,921)	(1,053,700)
Debt retired	(256,735)	(649,737)
Interest paid	(93,827)	(88,589)
Received from the sale of capital assets	15,347	-
Capital contributions received	37,600	-
Proceeds from debt issue	3,047,573	-
Net Cash Flows From Capital and Related Financing Activities	(504,963)	(1,792,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(846,000)	(608,868)
Investments sold and matured	874,044	428,919
Investment income	14,508	1,123
Net Cash Flows From Investing Activities	42,552	(178,826)
Net Change in Cash and Cash Equivalents	598,906	(791,931)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,449,778	2,241,709
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,048,684	\$ 1,449,778
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (303)	\$ 22,685
Capital assets financed by CTC program	\$ -	\$ 21,773

STOUGHTON WASTEWATER UTILITY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 379,221	\$ 478,451
Nonoperating revenue (expense)		
Noncash items in operating income		
Depreciation	726,884	673,593
Changes in assets and liabilities		
Customer accounts receivable	(6,817)	(1,309)
Other account receivable	-	3,642
Due from municipality	2,789	3,182
Prepayments	8,074	(117)
Accounts payable	(44,066)	16,341
Accrued sick leave	(600)	(112)
Other current liabilities	(4,168)	5,250
	\$ 1,061,317	\$ 1,178,921
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,055,750	\$ 738,999
Redemption account	328,068	198,451
Depreciation account	33,283	33,283
Replacement account	1,153,490	1,029,299
Construction account	123	123
Sick leave reserve account	91,605	91,605
Total Cash and Investments	2,662,319	2,091,760
Less: Noncash equivalents	(613,635)	(641,982)
	\$ 2,048,684	\$ 1,449,778

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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.

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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013. Water utility non-utility property consists of a park shelter with a balance of \$107,000 at December 31, 2014 and 2013. The costs are being amortized on a straight-line basis over their useful life.

Capital Assets

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Capital Assets (cont.)

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

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

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 forwarded to the State of Wisconsin and are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the low income program fees so revenues and expenses associated with the low income program are recorded as a current liability on the statement of net position

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

Customer Deposits

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

Accrued Liabilities

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

Long-Term Obligations

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

REVENUES AND EXPENSES

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

Charges for Services

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

Current electric rates were approved by the PSCW on 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 June 1, 2014. 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.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 68, Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. When they become effective, application of the standards may restate portions of these financial statements.

COMPARATIVE DATA

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

NOTE 2 - DEPOSITS AND INVESTMENTS

	<u>Carrying Value as of</u> <u>December 31,</u>		
	2014	2013	Risks
Checking and Savings	\$ 5,125,888	\$ 5,162,273	Custodial credit risk
LGIP	846,341	709,707	Credit and interest rate risks
Negotiable Certificates of Deposit	2,465,472	2,226,329	Custodial credit, credit, concentration, and interest rate risks
U.S. Agency Securities	2,750,094	2,694,972	Custodial credit, credit, concentration and interest rate risks
Petty Cash	750	750	
Totals	<u>\$ 11,188,545</u>	<u>\$ 10,794,031</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, 2014 and 2013

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 \$4,339,228 at December 31, 2014 and \$2,423,175 at December 31, 2013.

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, 2014 and 2013, 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.

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Wells Fargo	\$ 2,559,228	\$ 2,671,138	\$ 3,188,597	\$ 3,246,867
Wells Fargo Brokerage	928	928	928	928
Associated Bank	2,453,822	2,453,822	1,915,109	1,915,109
Deposits Exposed to Custodial Credit Risk	<u>\$ 5,013,978</u>	<u>\$ 5,125,888</u>	<u>\$ 5,104,634</u>	<u>\$ 5,162,904</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, 2014 and 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments (cont.)

As of December 31, 2014 and 2013 the utilities' investments were exposed to custodial credit risk as follows:

U.S. Agencies - Implicitly Guaranteed	2014	2013
Neither insured nor registered and held by counterparty	\$ <u>2,750,094</u>	\$ <u>2,694,972</u>
<u>Negotiable Certificates of Deposit</u>		
Neither insured nor registered and held by counterparty	\$ <u>2,746</u>	\$ <u>5,150</u>

The utilities' investment policy does not address this risk.

Credit Risk

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

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

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

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	

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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, 2014 and 2013, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2014	2013
Ginnie Mae	U.S. Agencies – Implicitly Guaranteed	44.41%	20.83%
FHR 4083 PA	U.S. Agencies – Implicitly Guaranteed	6.23%	4.03%
FHR 3857 EC	U.S. Agencies – Implicitly Guaranteed	5.53%	3.65%
FHLB	U.S. Agencies – Implicitly Guaranteed	10.15%	3.69%

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, 2014, the utilities' investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1 - 3	3 or more
U.S. Agencies - Implicitly Guaranteed	\$ 2,750,094	\$ -	\$ -	\$ 2,750,094
Negotiable Certificates of Deposit	<u>2,465,472</u>	<u>738,523</u>	<u>1,726,949</u>	<u>-</u>
Totals	<u>\$ 5,215,566</u>	<u>\$ 738,523</u>	<u>\$ 1,726,949</u>	<u>\$ 2,750,094</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

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	<u>2,226,329</u>	<u>735,710</u>	<u>1,490,619</u>	<u>-</u>
Totals	<u>\$ 4,921,301</u>	<u>\$ 952,411</u>	<u>\$ 1,490,619</u>	<u>\$ 2,478,271</u>

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, 2014 and 2013:

Due To	Due From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water utility	\$ 352,700	Payment in lieu of taxes	\$ 361,820	Payment in lieu of taxes
Electric utility	Municipality	13,329	Operating	17,389	Operating
Water utility	Municipality	-	Operating	2,709	Operating
Sewer utility	Municipality	-	Operating	2,789	Operating
Municipality	Electric utility	37,893	Stormwater	72,753	Stormwater
Municipality	Electric utility	366,032	Payment in lieu of taxes	380,584	Payment in lieu of taxes

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFRS (cont.)

The following is a schedule of transfers for the years ending December 31, 2014 and 2013:

To	From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric utility	\$ 19,212	Operating	\$ 29,989	Operating
Municipality	Electric utility	366,032	Payment in lieu of taxes	380,584	Payment in lieu of taxes
Municipality	Water utility	6,001	Operating	10,879	Operating
Municipality	Water utility	352,700	Payment in lieu of taxes	361,820	Payment in lieu of taxes

NOTE 4 – ADVANCE RECEIVABLE

In December 2011, the Electric Utility provided an advance to the General Fund in the amount of \$554,744 for the purpose of full payment of the Wisconsin Retirement System Unfunded Actuarial Accrued Liability. The General Fund will repay the Electric Utility over a period of fourteen years at 3.0% annual interest. The amount outstanding at December 31, 2014 is \$448,806.

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
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	43,646	8,883	52,529
2020 - 2024	246,511	23,314	269,825
2025	5,931	178	6,109
Totals	<u>\$ 448,806</u>	<u>\$ 79,675</u>	<u>\$ 528,481</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, 2014 and 2013

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:

	2014	2013
Restricted Assets		
Redemption account	\$ 397,337	\$ 387,545
Reserve account	704,728	704,728
Depreciation account	25,000	25,000
Total Restricted Assets	1,127,065	1,117,273
Current Liabilities Payable From Restricted Assets	(37,860)	(41,231)
Total Restricted Net Position as Calculated	\$ 1,089,205	\$ 1,076,042

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

	2014	2013
Restricted Assets		
Redemption account	\$ 120,935	\$ 123,710
Reserve account	274,005	274,005
Depreciation account	25,000	25,000
Total Restricted Assets	419,940	422,715
Current Liabilities Payable From Restricted Assets	(13,606)	(13,879)
Total Restricted Net Position as Calculated	\$ 406,334	\$ 408,836

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

	2014	2013
Restricted Assets		
Redemption account	\$ 328,068	\$ 198,451
Depreciation account	33,283	33,283
Replacement account	1,153,490	1,029,299
Construction account	123	123
Total Restricted Assets	1,514,964	1,261,156
Less: Restricted Assets Not Funded by Revenues		
Construction account	(123)	(123)
Current Liabilities Payable From Restricted Assets	(24,894)	(13,110)
Total Restricted Net Position as Calculated	\$ 1,489,947	\$ 1,247,923

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 6 – CHANGES IN CAPITAL ASSETS

Electric Utility

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

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, 2014 and 2013

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

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	1,428,958	32,696	-	1,461,654
Water treatment	90,763	-	-	90,763
Transmission and distribution	14,387,194	381,074	4,956	14,763,312
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, 2014 and 2013

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Wastewater Utility

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

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

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 – LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/14</u>
February 15, 2013	Electric system improvements	April 1, 2023	2.00 - 2.25%	\$ 3,170,000	\$ 2,865,000
November 15, 2006	Electric system improvements	April 1, 2023	4.00 - 4.50	2,550,000	2,075,000

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	535,000	86,425	621,425
2020 - 2023	<u>2,415,000</u>	<u>161,194</u>	<u>2,576,194</u>
Totals	<u>\$ 4,940,000</u>	<u>\$ 744,525</u>	<u>\$ 5,684,525</u>

All electric utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2014 and 2013 (including amounts refunded) were \$638,412 and \$3,880,835, respectively. Total gross revenues as defined for the same periods were \$15,684,882 and \$15,439,025, respectively. Annual principal and interest payments are expected to require 4% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/14</u>
November 15, 2006	Additions and improvements	May 1, 2023	4.00 - 4.50%	1,925,000	1,450,000
January 27, 2010	Additions and improvements	May 1, 2029	2.668	575,018	476,638

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	179,173	45,411	224,584
2020-2024	882,965	101,733	984,698
2025-2029	180,193	12,272	192,465
Totals	<u>\$ 1,926,638</u>	<u>\$ 414,766</u>	<u>\$ 2,341,404</u>

All water utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2014 and 2013 were \$230,852 and \$272,057, respectively. Total gross revenues as defined for the same periods were \$1,753,079 and \$1,733,214, respectively. Annual principal and interest payments are expected to require 8.9% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 12/31/14</u>
December 22, 1999	Wastewater interceptor	May 1, 2019	3.049%	\$ 623,465	\$ 194,751
July 12, 2000	WWTP improvements	May 1, 2020	3.049	1,116,259	409,276
September 10, 2003	WWTP improvements	May 1, 2023	2.766	1,670,624	870,525
June 27, 2007	WWTP improvements	May 1, 2027	2.475	1,539,762	1,172,166
November 1, 2014	WWTP improvements	May 1, 2034	2.625	3,047,575	3,047,575

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 381,701	\$ 145,212	\$ 526,913
2016	392,149	135,689	527,838
2017	402,886	124,805	527,691
2018	413,918	113,621	527,539
2019	425,253	102,129	527,382
2020-2024	1,653,821	364,195	2,018,016
2025-2029	1,108,876	185,494	1,294,370
2030-2034	915,689	61,337	977,026
Totals	<u>\$ 5,694,293</u>	<u>\$ 1,232,482</u>	<u>\$ 6,926,775</u>

All wastewater utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2014 and 2013 were \$350,562 and \$738,326, respectively. Total gross revenues as defined for the same periods were \$2,062,444 and \$2,032,962, respectively. Annual principal and interest payments are expected to require 16.8% of gross revenues.

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

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

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

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	\$ 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	\$ 6,084,901	\$ 3,345,102	\$ 3,756,261	\$ 5,673,679	\$ 480,000

Long-Term Obligations Summary - Water

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

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

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	\$ 2,262,123	\$ -	\$ 184,910	\$ 2,077,213	\$ 150,575
Accrued sick leave	92,446	24,117	21,925	94,638	-
Totals	\$ 2,354,569	\$ 24,117	\$ 206,835	\$ 2,171,851	\$ 150,575

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Wastewater

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

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

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

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, 2014 and 2013

NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2014:

Type	Coverage	Expiration
Automobile	\$ 10,000,000 CVMIC Self-Insured	1/1/15
Excess Liability	5,000,000 CVMIC Self-Insured	1/1/15
Workers Compensation	5,000,000 CVMIC Self-Insured	1/1/15
	1,000,000 CVMIC Self-Insured	1/1/15
Boiler Insurance	100,000,000 CVMIC Self-Insured	1/1/15
Property	47,707,453 Wisconsin Local Property Insurance Fund	2/1/15

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 2014 and 2013 as follows:

	2014	2013
Operating revenues	\$ 15,603,989	\$ 15,379,679
Investment income	80,893	59,346
Less: Operation and maintenance expenses	<u>(13,770,271)</u>	<u>(13,512,427)</u>
Net Defined Earnings	<u>\$ 1,914,611</u>	<u>\$ 1,926,598</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 649,338	\$ 649,338
Coverage factor	<u>1.30</u>	<u>1.30</u>
Minimum Required Earnings	<u>\$ 844,139</u>	<u>\$ 844,139</u>
Actual Debt Coverage	<u>2.95</u>	<u>2.97</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 2014 and 2013 as follows:

	2014	2013
Operating revenues	\$ 1,750,961	\$ 1,727,969
Investment income	2,118	5,245
Less: Operation and maintenance expenses	(924,261)	(779,963)
Net Defined Earnings	\$ 828,818	\$ 953,251
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 244,677	\$ 244,677
Coverage factor	1.30	1.30
Minimum Required Earnings	\$ 318,080	\$ 318,080
Actual Debt Coverage	3.39	3.90

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 2014 and 2013 as follows:

	2014	2013
Operating revenues	\$ 2,050,885	\$ 2,029,464
Investment income	11,559	3,498
Less: Operation and maintenance expenses	(944,780)	(877,420)
Net Defined Earnings	\$ 1,117,664	\$ 1,155,542
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 527,838	\$ 331,820
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 580,622	\$ 365,002
Actual Debt Coverage	2.12	3.48

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 2014 and 2013:

	Customers		Sales (000 kWh)	
	2014	2013	2014	2013
Residential	7,562	7,552	64,316	65,629
General	855	852	17,294	18,500
Small power	50	50	16,725	15,105
Large power	8	8	11,014	10,937
Industrial	6	6	31,232	30,266
Street and highway lighting	6	6	994	976
Totals	<u>8,487</u>	<u>8,474</u>	<u>141,575</u>	<u>141,413</u>

Number of Customers - Water

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	4,383	4,381	234,669	214,740
Commercial	403	413	59,411	83,772
Industrial	24	25	170,804	175,414
Public authority	42	43	5,777	5,864
Interdepartmental	2	2	606	837
Totals	<u>4,854</u>	<u>4,864</u>	<u>471,267</u>	<u>480,627</u>

Number of Customers - Wastewater

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	4,364	4,375	207,008	213,095
Commercial	399	399	83,053	81,512
Industrial	21	21	35,629	27,101
Public authority	31	32	4,448	4,193
Interdepartmental	1	1	45	50
Totals	<u>4,816</u>	<u>4,828</u>	<u>330,183</u>	<u>325,951</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 – LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utilities Budget

The 2014 and 2013 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.

The following calculation supports the electric investment in capital assets:

	2014	2013
Plant in service	\$ 26,566,725	\$ 26,114,254
Accumulated depreciation	(12,594,695)	(11,742,374)
Property held for future use	352,664	352,664
Construction work in progress	26,055	1,845
Sub-Totals	14,350,749	14,726,389
Less: Capital related debt		
Current portion of capital related long-term debt	480,000	480,000
Long-term portion of capital related long-term debt	4,460,000	4,940,000
Unamortized premium on bonds	60,835	74,461
Sub-Totals	5,000,835	5,494,461
Total Investment in Capital Assets	\$ 9,349,914	\$ 9,231,928

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 8 – NET POSITION (cont.)

The following calculation supports the water investment in capital assets:

	2014	2013
Plant in service	\$ 18,697,848	\$ 18,100,407
Accumulated depreciation	(5,981,157)	(5,578,071)
Construction work in progress	<u>30,627</u>	<u>24,194</u>
Sub-Totals	<u>12,747,318</u>	<u>12,546,530</u>
Less: Capital related debt		
Current portion of capital related long-term debt	151,257	150,575
Long-term portion of capital related long-term debt	<u>1,775,381</u>	<u>1,926,638</u>
Sub-Totals	<u>1,926,638</u>	<u>2,077,213</u>
Total Investment in Capital Assets	<u>\$ 10,820,680</u>	<u>\$ 10,469,317</u>

The following calculation supports the wastewater investment in capital assets:

	2014	2013
Plant in service	\$ 26,620,265	\$ 23,965,448
Accumulated depreciation	(8,727,985)	(9,062,641)
Construction work in progress	<u>38,856</u>	<u>400,229</u>
Sub-Totals	<u>17,931,136</u>	<u>15,303,036</u>
Less: Capital related debt		
Current portion of capital related long-term debt	381,701	256,735
Long-term portion of capital related long-term debt	<u>5,312,592</u>	<u>2,646,720</u>
Sub-Totals	<u>5,694,293</u>	<u>2,903,455</u>
Add: Unspent debt proceeds		
Construction funds	<u>123</u>	<u>123</u>
Total Investment in Capital Assets	<u>\$ 12,236,966</u>	<u>\$ 12,399,704</u>

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 2014 and 2013 are:

	<u>Employees</u>	<u>Employer</u>
2014	7.00%	7.00%
2013	6.65%	6.65%

Electric

	<u>Year Ended December 31</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Covered Employee Payroll	<u>\$ 869,715</u>	<u>\$ 911,661</u>	<u>\$ 917,915</u>
Total Required Contributions	<u>\$ 121,760</u>	<u>\$ 121,251</u>	<u>\$ 108,314</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>	<u>11.8%</u>

Water

	<u>Year Ended December 31</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Covered Employee Payroll	<u>\$ 319,569</u>	<u>\$ 260,471</u>	<u>\$ 256,822</u>
Total Required Contributions	<u>\$ 44,740</u>	<u>\$ 34,643</u>	<u>\$ 30,305</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>	<u>11.8%</u>

Wastewater

	<u>Year Ended December 31</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Covered Employee Payroll	<u>\$ 341,890</u>	<u>\$ 343,835</u>	<u>\$ 324,062</u>
Total Required Contributions	<u>\$ 47,865</u>	<u>\$ 45,730</u>	<u>\$ 38,239</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>	<u>11.8%</u>

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 \$455 million as of December 31, 2014.

Claims and Judgments

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

STOUGHTON UTILITIES

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 2014 and 2013 were \$315,080 and \$380,119, respectively. Details of the plan can be found in the basic financial statements of the City of Stoughton.

NOTE 13 – SUBSEQUENT EVENTS

This utility evaluated subsequent events through the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Rate Adjustment

New sewer rates were approved by the utilities committee and placed into effect on January 1, 2015.

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

SUPPLEMENTAL INFORMATION

ELECTRIC UTILITY

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY PLANT

December 31, 2014

	Balance 1/1/2014	Additions	Retirements	Balance 12/31/2014
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	4,275,937	-	-	4,275,937
Poles, towers and fixtures	2,991,945	134,700	19,366	3,107,279
Overhead conductors and devices	5,713,985	84,219	32,348	5,765,856
Underground conduit	428,831	24,062	119	452,774
Underground conductors and devices	2,686,129	148,102	6,176	2,828,055
Line transformers	2,871,527	63,187	21,935	2,912,779
Services	1,681,144	50,383	4,090	1,727,437
Meters	638,036	18,937	-	656,973
Street lighting and signal systems	513,377	9,208	7,187	515,398
Total Distribution	22,066,096	532,798	91,221	22,507,673
GENERAL				
Structures and improvements	1,635,949	14,025	-	1,649,974
Office furniture and equipment	210,662	4,738	-	215,400
Computer equipment	178,348	-	-	178,348
Transportation equipment	288,978	25,931	33,800	281,109
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	4,033,138	44,694	33,800	4,044,032
TOTAL ELECTRIC UTILITY PLANT	\$ 26,114,254	\$ 577,492	\$ 125,021	\$ 26,566,725

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES

Years Ended December 31, 2014 and 2013

OPERATING REVENUES	<u>2014</u>	<u>2013</u>
Sales of Electricity		
Residential	\$ 5,212,839	\$ 5,217,505
Rural	2,932,266	2,945,578
General service	1,645,991	1,631,966
Large commercial and industrial	1,434,413	1,373,160
Large power	1,044,735	1,021,094
Industrial	2,805,130	2,728,523
Public street and highway lighting	137,049	132,993
Interdepartmental	207,077	182,492
Total Sales of Electricity	<u>15,419,500</u>	<u>15,233,311</u>
Other Operating Revenues		
Forfeited discounts	43,090	34,864
Other	141,399	111,504
Total Operating Revenues	<u>15,603,989</u>	<u>15,379,679</u>
 OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	<u>12,122,364</u>	<u>11,899,750</u>
Transmission		
Operating supervision and engineering	1,876	4,487
Station	33,258	46,350
Overhead lines	92,637	76,057
Underground lines	51,736	35,018
Total Transmission	<u>179,507</u>	<u>161,912</u>
Distribution		
Street lighting and signal system	3,787	3,534
Meter	55,839	36,976
Customer installations	268	174
Miscellaneous	39,457	45,332
Maintenance		
Structures	-	-
Station equipment	69,779	15,021
Overhead lines	236,874	266,969
Underground lines	12,734	7,961
Line transformers	5,475	1,284
Street lighting and signal system	149	140
Meters	-	-
Miscellaneous	-	-
Total Distribution	<u>424,362</u>	<u>377,391</u>
Customer Accounts		
Meter reading	4,800	6,808
Accounting and collecting labor	236,595	208,736
Miscellaneous	3,548	19,441
Total Water Treatment	<u>244,943</u>	<u>234,985</u>

STOUGHTON ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 271,281	\$ 269,473
Office supplies	62,574	32,183
Outside services employed	16,782	31,058
Property insurance	26,429	23,211
Injuries and damages	21,445	16,951
Employee pensions and benefits	166,987	238,598
Regulatory commission	-	-
Miscellaneous	10,188	2,523
Rents	11,356	11,377
Maintenance	42,238	42,170
Total Administrative and General	<u>629,280</u>	<u>667,544</u>
Taxes	<u>169,815</u>	<u>170,845</u>
Total Operation and Maintenance	<u>13,770,271</u>	<u>13,512,427</u>
Depreciation	<u>934,151</u>	<u>918,885</u>
Total Operating Expenses	<u>14,704,422</u>	<u>14,431,312</u>
	<u>\$ 899,567</u>	<u>\$ 948,367</u>
OPERATING INCOME		

STOUGHTON ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS

December 31, 2014 and 2013

	2014	2013
Utility Plant in Service		
Beginning of year	\$ 23,396,576	\$ 22,981,902
End of year	<u>23,775,258</u>	<u>23,396,576</u>
Average	<u>23,585,917</u>	<u>23,189,239</u>
Accumulated Depreciation		
Beginning of year	(10,874,683)	(10,083,729)
End of year	<u>(11,626,564)</u>	<u>(10,874,683)</u>
Average	<u>(11,250,623)</u>	<u>(10,479,206)</u>
Materials and Supplies		
Beginning of year	136,045	139,181
End of year	<u>130,091</u>	<u>136,045</u>
Average	<u>133,068</u>	<u>137,613</u>
Regulatory Liability		
Beginning of year	(221,604)	(243,764)
End of year	<u>(199,444)</u>	<u>(221,604)</u>
Average	<u>(210,524)</u>	<u>(232,684)</u>
Customer Advances for Construction		
Beginning of year	(5,514)	(8,082)
End of year	<u>(14,350)</u>	<u>(5,514)</u>
Average	<u>(9,932)</u>	<u>(6,798)</u>
AVERAGE NET RATE BASE	<u>\$ 12,247,906</u>	<u>\$ 12,608,164</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 647,833</u>	<u>\$ 693,277</u>
RATE OF RETURN (PERCENT)	<u>5.29</u>	<u>5.50</u>

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

WATER UTILITY

STOUGHTON WATER UTILITY

WATER UTILITY PLANT December 31, 2014

	Balance 1/1/2014	Additions	Retirements	Balance 12/31/2014
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	278,732	-	-	278,732
Electric pumping equipment	584,896	-	-	584,896
Other pumping equipment	-	-	-	-
Total Pumping	1,461,653	-	-	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	9,032,168	405,998	16,531	9,421,635
Services	2,022,314	86,097	1,149	2,107,262
Meters	594,273	66,338	-	660,611
Hydrants	1,156,124	37,665	-	1,193,789
Other transmission and distribution plant	973	-	-	973
Total Transmission and Distribution	14,776,519	596,098	17,680	15,354,937
GENERAL				
Structures and equipment	405,290	5,100	-	410,390
Office furniture and equipment	60,775	1,723	-	62,498
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	12,200	-	47,309
Power-operated equipment	102,034	-	-	102,034
Communication equipment	37,858	-	-	37,858
SCADA equipment	458,421	-	-	458,421
Miscellaneous equipment	89	-	-	89
Total General	1,189,714	19,023	-	1,208,737
TOTAL WATER UTILITY PLANT	\$ 18,100,407	\$ 615,121	\$ 17,680	\$ 18,697,848

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 793,284	\$ 797,026
Multi-family residential	59,595	-
Commercial	144,950	190,799
Industrial	251,139	250,544
Public authorities	16,738	17,672
Interdepartmental	1,840	2,195
Total Metered Sales	1,267,546	1,258,236
Private fire protection	28,385	26,318
Public fire protection	432,068	423,129
Total Sales of Water	1,727,999	1,707,683
Other Operating Revenues		
Forfeited discounts	4,526	4,741
Other	18,436	15,545
Total Operating Revenues	1,750,961	1,727,969
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Operation labor	-	-
Maintenance		
Wells and springs	8,377	3,191
Total Source of Supply	8,377	3,191
Pumping		
Fuel or purchased power for pumping	144,116	116,965
Pumping labor	1,607	7,137
Miscellaneous	472	455
Maintenance		
Structures and improvements	2,525	4,762
Pumping equipment	13,364	5,469
Total Pumping	162,084	134,788
Water Treatment		
Chemicals	17,420	11,869
Operation labor	27,981	24,449
Miscellaneous	-	-
Maintenance		
Structures and improvements	325	875
Water treatment equipment	1,229	3,654
Total Water Treatment	46,955	40,847

STOUGHTON WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Transmission and distribution lines	\$ 4,997	\$ 11,694
Meters	18,683	22,885
Miscellaneous	62,704	59,315
Maintenance		
Reservoirs and standpipes	46,168	54,415
Mains	59,142	39,533
Services	77,747	17,676
Meters	4,541	-
Hydrants	15,634	11,986
Miscellaneous	959	591
Total Transmission and Distribution	290,575	218,095
Customer Accounts		
Meter reading	3,272	2,097
Accounting and collecting labor	79,750	75,969
Total Customer Accounts	83,022	78,066
Administrative and General		
Salaries	145,084	152,946
Office supplies	17,688	7,500
Outside services employed	34,968	24,169
Property insurance	9,611	8,440
Injuries and damages	8,735	7,797
Employee pensions and benefits	85,430	80,708
Regulatory commission	-	-
Rents	4,129	4,195
Maintenance	6,937	4,639
Total Administrative and General	312,582	290,394
Taxes	20,667	14,583
Total Operation and Maintenance	924,261	779,963
Depreciation	390,653	381,278
Total Operating Expenses	1,314,914	1,161,241
OPERATING INCOME	\$ 436,047	\$ 566,728

STOUGHTON WATER UTILITY

RATE OF RETURN - REGULATORY BASIS

December 31, 2014 and 2013

	2014	2013
Utility Plant in Service		
Beginning of year	\$ 11,984,953	\$ 11,571,887
End of year	12,555,894	11,984,953
Average	12,270,424	11,778,420
Accumulated Depreciation		
Beginning of year	(3,906,376)	(3,605,921)
End of year	(4,205,739)	(3,906,376)
Average	(4,056,057)	(3,756,149)
Materials and Supplies		
Beginning of year	36,627	35,244
End of year	34,597	36,627
Average	35,612	35,936
Regulatory Liability		
Beginning of year	(342,284)	(376,512)
End of year	(308,056)	(342,284)
Average	(325,170)	(359,398)
AVERAGE NET RATE BASE	\$ 7,924,809	\$ 7,698,809
OPERATING INCOME - REGULATORY BASIS	\$ 187,072	\$ 308,114
RATE OF RETURN (PERCENT)	2.36	4.00

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, 2014

	Balance 1/1/2014	Additions	Retirements	Balance 12/31/2014
COLLECTING SYSTEM				
Land and land rights	\$ 100	\$ -	\$ -	\$ 100
Collecting mains	7,179,438	277,337	9,754	7,447,021
Interceptor mains	1,864,084	-	-	1,864,084
Force mains	48,951	-	-	48,951
Total Collecting System	9,092,573	277,337	9,754	9,360,156
COLLECTING SYSTEM PUMPING				
Structures and improvements	67,382	-	-	67,382
Electric pumping equipment	308,631	7,153	3,500	312,284
Other pumping equipment	21,399	-	-	21,399
Total Collecting System Pumping	397,412	7,153	3,500	401,065
TREATMENT AND DISPOSAL				
Structures and improvements	3,369,224	2,346,880	352,032	5,364,072
Preliminary treatment equipment	1,542,566	-	-	1,542,566
Primary treatment equipment	1,147,165	5,371	2,000	1,150,536
Secondary treatment equipment	529,291	-	-	529,291
Advanced treatment equipment	1,930,493	-	-	1,930,493
Chlorination equipment	366,162	-	-	366,162
Sludge treatment and disposal equipment	3,685,143	617,004	384,600	3,917,547
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	13,319,526	2,969,255	738,632	15,550,149
GENERAL				
Structures and improvements	232,233	6,375	-	238,608
Office furniture and equipment	62,088	2,154	-	64,242
Computer equipment	110,021	-	-	110,021
Transportation equipment	409,462	17,922	-	427,384
Communication equipment	309,620	451,507	325,000	436,127
Other general equipment	32,513	-	-	32,513
Total General	1,155,937	477,958	325,000	1,308,895
TOTAL WASTEWATER UTILITY PLANT	\$ 23,965,448	\$ 3,731,703	\$ 1,076,886	\$ 26,620,265

STOUGHTON WASTEWATER UTILITY

WASTEWATER UTILITY OPERATING REVENUES AND EXPENSES Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Wastewater Revenues		
Residential	\$ 1,354,439	\$ 1,388,955
Commercial	455,896	444,731
Industrial	180,296	138,306
Public authorities	26,590	25,519
Interdepartmental	445	470
Total Wastewater Revenues	2,017,666	1,997,981
Other Operating Revenues		
Forfeited discounts	5,116	4,535
Miscellaneous	28,103	26,948
Total Operating Revenues	2,050,885	2,029,464
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	61	61
Power and fuel for pumping	108,486	101,446
Sludge conditioning chemicals	10,078	7,761
Other operating supplies	26,790	840
Total Operation	145,415	110,108
Maintenance		
Collection system	78,253	73,666
Treatment and disposal plant equipment	105,856	121,426
General plant structures and equipment	81,860	86,443
Total Maintenance	265,969	281,535
Customer Accounts		
Accounting and collecting	116,233	110,777
Administrative and General		
Salaries	88,830	92,201
Office supplies	43,550	21,065
Outside services employed	17,923	11,265
Insurance	20,650	19,112
Employee pensions and benefits	125,938	124,135
Miscellaneous	36,376	24,908
Rents	59,527	57,768
Total Administrative and General	392,794	350,454
Taxes	24,369	24,546
Total Operation and Maintenance	944,780	877,420
Depreciation	726,884	673,593
Total Operating Expenses	1,671,664	1,551,013
OPERATING INCOME	\$ 379,221	\$ 478,451