

MOUNT HOREB UTILITIES

Enterprise Funds of the
Village of Mount Horeb, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

MOUNT HOREB UTILITIES

Enterprise Funds of the Village of Mount Horeb, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the Utility Commission
Mount Horeb Utilities
Mount Horeb, Wisconsin

We have audited the accompanying financial statements of Mount Horeb Utilities, enterprise funds of the Village of Mount Horeb, Wisconsin, as of and for the years ended December 31, 2017 and 2016, 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 Mount Horeb 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 Mount Horeb 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 Mount Horeb Utilities as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Mount Horeb Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the Village of Mount Horeb, Wisconsin, as of December 31, 2017 and 2016 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Mount Horeb Utilities has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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 the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 1, 2018

ELECTRIC UTILITY

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF NET POSITION As of December 31, 2017 and 2016

	ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and investments		\$ 1,034,781	\$ 610,215
Interest receivable		1,175	2,278
Restricted Assets			
Redemption account		123,696	118,075
Customer accounts receivable		391,454	502,686
Other accounts receivable		11,327	19,734
Due from municipality		15,392	12,533
Materials and supplies		120,083	106,123
Current portion of advance		<u>26,000</u>	<u>26,000</u>
Total Current Assets		<u>1,723,908</u>	<u>1,397,644</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		54,688	54,073
Depreciation account		1,273,212	1,576,836
Other Assets			
Advances to other funds		27,000	53,000
Capital Assets			
Plant in service		14,709,500	14,409,705
Accumulated depreciation		(8,259,863)	(7,857,265)
Construction work in progress		<u>37,677</u>	<u>2,044</u>
Total Noncurrent Assets		<u>7,842,214</u>	<u>8,238,393</u>
Total Assets		<u>9,566,122</u>	<u>9,636,037</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		2,715	4,170
Deferred outflows related to pension		<u>195,348</u>	<u>291,161</u>
Total Deferred Outflows of Resources		<u>198,063</u>	<u>295,331</u>

LIABILITIES		<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES			
Accounts payable		\$ 455,627	\$ 494,760
Due to municipality		312,302	253,708
Accrued interest		2,313	2,813
Commitment to community		6,272	(3,915)
Current portion of general obligation debt		100,000	100,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		130,000	130,000
Accrued interest		<u>2,724</u>	<u>4,057</u>
Total Current Liabilities		<u>1,009,238</u>	<u>981,423</u>
NONCURRENT LIABILITIES			
General obligation debt		300,000	400,000
Revenue bonds		135,000	265,000
Unamortized debt premium		6,602	10,139
Net pension liability		<u>28,132</u>	<u>51,780</u>
Total Noncurrent Liabilities		<u>469,734</u>	<u>726,919</u>
Total Liabilities		<u>1,478,972</u>	<u>1,708,342</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>83,963</u>	<u>112,655</u>
NET POSITION			
Net investment in capital assets		5,818,427	5,653,515
Restricted for:			
Debt service		175,660	168,091
Depreciation		1,273,212	1,576,836
Unrestricted		<u>933,951</u>	<u>711,929</u>
TOTAL NET POSITION		<u><u>\$ 8,201,250</u></u>	<u><u>\$ 8,110,371</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sales of electricity	\$ 6,034,184	\$ 6,082,907
Other	<u>53,831</u>	<u>50,695</u>
Total Operating Revenues	<u>6,088,015</u>	<u>6,133,602</u>
OPERATING EXPENSES		
Operation and maintenance	5,384,623	5,430,238
Depreciation	<u>460,438</u>	<u>441,416</u>
Total Operating Expenses	<u>5,845,061</u>	<u>5,871,654</u>
OPERATING INCOME	<u>242,954</u>	<u>261,948</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	30,591	22,384
Interest expense	(24,646)	(31,612)
Interest charged to construction	-	14,692
Amortization of premium	3,537	4,227
Amortization of loss on advance refunding	<u>(1,455)</u>	<u>(1,739)</u>
Total Nonoperating Revenues (Expenses)	<u>8,027</u>	<u>7,952</u>
Income Before Contributions and Transfers	250,981	269,900
CAPITAL CONTRIBUTIONS	87,774	33,700
TRANSFER IN (OUT)	(50,000)	(50,000)
TRANSFERS - TAX EQUIVALENT	<u>(197,876)</u>	<u>(181,047)</u>
CHANGE IN NET POSITION	90,879	72,553
NET POSITION - Beginning of Year	<u>8,110,371</u>	<u>8,037,818</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,201,250</u></u>	<u><u>\$ 8,110,371</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 6,076,371	\$ 5,931,459
Received from municipality for services	138,611	138,577
Paid to suppliers for goods and services	(4,876,171)	(4,854,602)
Paid to employees for operating payroll	(411,740)	(372,680)
Net Cash Flows From Operating Activities	927,071	842,754
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(181,047)	(181,047)
Transfers to other funds	(50,000)	(50,000)
Repayment of advances to other funds	29,246	29,215
Net Cash Flows From Noncapital Financing Activities	(201,801)	(201,832)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(453,915)	(670,986)
Capital contributions received	87,774	33,700
Debt retired	(230,000)	(225,000)
Interest paid	(30,399)	(33,323)
Net Cash Flows From Capital and Related Financing Activities	(626,540)	(895,609)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(93,511)	(61,142)
Investments sold and matured	199,508	287,916
Investment income	25,975	15,433
Net Cash Flows From Investing Activities	131,972	242,207
Net Change in Cash and Cash Equivalents	230,702	(12,480)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,006,466	2,018,946
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,237,168	\$ 2,006,466
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES		
Interest charged to construction	\$ -	\$ 14,692
Unrealized gain / (loss) on investments	\$ 2,473	\$ 4,135

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 242,954	\$ 261,948
Noncash items in operating income		
Depreciation	460,438	441,416
Depreciation charged to clearing and other utilities	63,571	59,428
Changes in assets and liabilities		
Customer accounts receivable	111,232	(63,828)
Other accounts receivable	8,407	(4,445)
Due from other funds	(2,859)	(757)
Materials and supplies	(13,960)	20,120
Pension related deferrals and liabilities	43,473	32,605
Accounts payable	(38,137)	50,022
Due to other funds	41,765	40,781
Commitment to community	<u>10,187</u>	<u>5,464</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 927,071</u>	<u>\$ 842,754</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,034,781	\$ 610,215
Redemption account	123,696	118,075
Reserve account	54,688	54,073
Depreciation account	<u>1,273,212</u>	<u>1,576,836</u>
Total Cash and Investments	2,486,377	2,359,199
Less: Noncash equivalents	<u>(249,209)</u>	<u>(352,733)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,237,168</u>	<u>\$ 2,006,466</u>

See accompanying notes to the financial statements.

WATER UTILITY

MOUNT HOREB WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2017 and 2016

	<i>ASSETS</i>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and investments		\$ 885,629	\$ 591,243
Restricted Assets			
Redemption account		117,339	110,648
Customer accounts receivable		85,589	94,170
Other accounts receivable		3,495	566
Due from municipality		2,489	130
Materials and supplies		<u>13,764</u>	<u>13,324</u>
Total Current Assets		<u>1,108,305</u>	<u>810,081</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		155,051	202,779
Depreciation account		34,401	153,315
Capital Assets			
Plant in service		14,331,076	13,984,621
Accumulated depreciation		<u>(5,013,010)</u>	<u>(4,660,993)</u>
Total Noncurrent Assets		<u>9,507,518</u>	<u>9,679,722</u>
Total Assets		<u>10,615,823</u>	<u>10,489,803</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension		<u>70,193</u>	<u>113,587</u>

LIABILITIES		<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES			
Accounts payable		\$ 61,081	\$ 29,871
Due to municipality		308,025	388,707
Due to sewer utility		-	4,354
Accrued interest		545	812
Current portion of advances		26,000	26,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		150,000	150,000
Accrued interest		<u>5,825</u>	<u>6,324</u>
Total Current Liabilities		<u>551,476</u>	<u>606,068</u>
NONCURRENT LIABILITIES			
Revenue bonds		1,315,000	1,465,000
Unamortized debt premium		16,349	19,710
Advance from electric utility		27,000	53,000
Customer deposits		12,290	12,151
Net pension liability		<u>12,375</u>	<u>19,802</u>
Total Noncurrent Liabilities		<u>1,383,014</u>	<u>1,569,663</u>
Total Liabilities		<u>1,934,490</u>	<u>2,175,731</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>30,475</u>	<u>43,096</u>
NET POSITION			
Net investment in capital assets		7,991,768	7,891,697
Restricted for:			
Debt service		111,514	104,324
Depreciation		34,401	153,315
Unrestricted		<u>583,368</u>	<u>235,227</u>
TOTAL NET POSITION		<u><u>\$ 8,721,051</u></u>	<u><u>\$ 8,384,563</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Sales of water	\$ 1,145,855	\$ 1,058,027
Other	<u>57,262</u>	<u>53,858</u>
Total Operating Revenues	<u>1,203,117</u>	<u>1,111,885</u>
OPERATING EXPENSES		
Operation and maintenance	571,752	563,675
Depreciation	<u>341,584</u>	<u>344,407</u>
Total Operating Expenses	<u>913,336</u>	<u>908,082</u>
OPERATING INCOME	<u>289,781</u>	<u>203,803</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	11,651	6,242
Interest expense	(38,930)	(42,922)
Amortization of premium	<u>3,361</u>	<u>3,637</u>
Total Nonoperating Revenues (Expenses)	<u>(23,918)</u>	<u>(33,043)</u>
Income Before Contributions and Transfers	265,863	170,760
CAPITAL CONTRIBUTIONS	233,963	-
CAPITAL CONTRIBUTIONS - IMPACT FEES	70,064	32,944
TRANSFERS - TAX EQUIVALENT	<u>(233,402)</u>	<u>(214,121)</u>
CHANGE IN NET POSITION	336,488	(10,417)
NET POSITION - Beginning of Year	<u>8,384,563</u>	<u>8,394,980</u>
NET POSITION - END OF YEAR	<u>\$ 8,721,051</u>	<u>\$ 8,384,563</u>

See accompanying notes to the financial statements.

MOUNT HOREB WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,231,795	\$ 1,117,013
Paid to suppliers for goods and services	(330,784)	(370,685)
Paid to employees for operating payroll	(178,459)	(175,275)
Net Cash Flows From Operating Activities	<u>722,552</u>	<u>571,053</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	<u>(214,121)</u>	<u>(210,798)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(240,015)	(178,695)
Capital contributions received	70,064	32,944
Repayment of capital related advances	(26,000)	(25,000)
Debt retired	(150,000)	(150,000)
Interest paid	(39,696)	(43,665)
Net Cash Flows From Capital and Related Financing Activities	<u>(385,647)</u>	<u>(364,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>11,651</u>	<u>6,242</u>
Net Change in Cash and Cash Equivalents	134,435	2,081
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,057,985</u>	<u>1,055,904</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,192,420</u>	<u>\$ 1,057,985</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	<u>\$ 233,963</u>	<u>\$ -</u>

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 289,781	\$ 203,803
Noncash items in operating income		
Depreciation	341,584	344,407
Depreciation charged to clearing and other utilities	34,865	24,194
Changes in assets and liabilities		
Customer accounts receivable	8,581	(19,735)
Other accounts receivable	(2,929)	(463)
Due from other funds	(2,359)	1,057
Materials and supplies	(440)	1,311
Pension related deferrals and liabilities	23,346	11,239
Accounts payable	31,210	7,405
Due to other funds	(1,226)	(2,240)
Customer deposits	<u>139</u>	<u>75</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 722,552</u>	<u>\$ 571,053</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 885,629	\$ 591,243
Redemption account	117,339	110,648
Reserve account	155,051	202,779
Depreciation account	<u>34,401</u>	<u>153,315</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,192,420</u>	<u>\$ 1,057,985</u>

See accompanying notes to the financial statements.

SEWER UTILITY

MOUNT HOREB SEWER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2017 and 2016

	ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and investments		\$ 36,602	\$ 1,223,556
Interest receivable		-	978
Restricted Assets			
Redemption account		73,274	58,890
Customer accounts receivable		150,321	156,043
Other accounts receivable		1,523	1,234
Due from municipality		8,317	7,331
Due from water utility		-	4,354
Total Current Assets		<u>270,037</u>	<u>1,452,386</u>
NONCURRENT ASSETS			
Restricted Assets			
Replacement account		199,535	175,784
Connection fee account		-	158,302
Other Assets			
Depreciation account		299,051	640,394
Property held for future use		-	913,328
Capital Assets			
Plant in service		19,666,152	18,547,576
Accumulated depreciation		(8,882,108)	(8,527,878)
Construction work in progress		<u>8,715,950</u>	<u>1,014,250</u>
Total Noncurrent Assets		<u>19,998,580</u>	<u>12,921,756</u>
Total Assets		<u>20,268,617</u>	<u>14,374,142</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension		<u>129,469</u>	<u>201,221</u>

LIABILITIES		<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES			
Accounts payable		\$ 1,915,761	\$ 159,046
Due to municipality		16,149	102,378
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		229,722	73,346
Accrued interest		<u>9,619</u>	<u>6,766</u>
Total Current Liabilities		<u>2,171,251</u>	<u>341,536</u>
NONCURRENT LIABILITIES			
Revenue bonds		4,906,671	1,473,128
Net pension liability		<u>20,789</u>	<u>35,866</u>
Total Noncurrent Liabilities		<u>4,927,460</u>	<u>1,508,994</u>
Total Liabilities		<u>7,098,711</u>	<u>1,850,530</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>56,765</u>	<u>77,967</u>
 NET POSITION			
Net investment in capital assets		12,550,882	10,400,802
Restricted for:			
Debt service		63,655	52,124
Equipment replacement		199,535	175,784
Connection fees		-	158,302
Unrestricted		<u>428,538</u>	<u>1,859,854</u>
TOTAL NET POSITION		<u><u>\$ 13,242,610</u></u>	<u><u>\$ 12,646,866</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB SEWER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Treatment charges	\$ 1,763,328	\$ 1,753,880
Other	<u>14,089</u>	<u>14,002</u>
Total Operating Revenues	<u>1,777,417</u>	<u>1,767,882</u>
OPERATING EXPENSES		
Operation and maintenance	905,620	870,514
Depreciation	<u>527,106</u>	<u>528,780</u>
Total Operating Expenses	<u>1,432,726</u>	<u>1,399,294</u>
OPERATING INCOME	<u>344,691</u>	<u>368,588</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	14,186	17,636
Interest expense	(46,405)	(42,307)
Interest charged to construction	3,920	-
Amortization of premium	-	2,592
Debt issuance expense	<u>(20,000)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(48,299)</u>	<u>(22,079)</u>
Income Before Contributions	296,392	346,509
CAPITAL CONTRIBUTIONS	232,295	-
CAPITAL CONTRIBUTIONS - CONNECTION FEES	<u>67,057</u>	<u>31,500</u>
CHANGE IN NET POSITION	595,744	378,009
NET POSITION - Beginning of Year	<u>12,646,866</u>	<u>12,268,857</u>
NET POSITION - END OF YEAR	<u>\$ 13,242,610</u>	<u>\$ 12,646,866</u>

See accompanying notes to the financial statements.

MOUNT HOREB SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,786,218	\$ 1,743,769
Paid to suppliers for goods and services	(469,570)	(551,599)
Paid to employees for operating payroll	(326,272)	(316,526)
Net Cash Flows From Operating Activities	990,376	875,644
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,247,428)	(861,909)
Capital contributions received	67,057	31,500
Debt retired	(73,346)	(216,470)
Interest paid	(43,552)	(42,983)
Proceeds from debt issue	3,663,265	-
Debt issuance costs	(20,000)	-
Net Cash Flows From Capital and Related Financing Activities	(2,654,004)	(1,089,862)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(40,761)
Investments sold and matured	235,156	191,944
Investment income	15,164	15,650
Net Cash Flows From Investing Activities	250,320	166,833
Net Change in Cash and Cash Equivalents	(1,413,308)	(47,385)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,021,770	2,069,155
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 608,462	\$ 2,021,770
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 232,295	\$ -
Unrealized gain / (loss) on investments	\$ -	\$ 2,757
Capitalized interest	\$ 3,920	\$ -

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 344,691	\$ 368,588
Noncash items in operating income		
Depreciation	527,106	528,780
Changes in assets and liabilities		
Customer accounts receivable	5,722	(18,981)
Other accounts receivable	(289)	(85)
Due from other funds	3,368	(5,047)
Pension related deferrals and liabilities	35,473	18,171
Accounts payable	71,154	2,042
Due to other funds	<u>3,151</u>	<u>(17,824)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 990,376</u>	<u>\$ 875,644</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 36,602	\$ 1,223,556
Redemption account	73,274	58,890
Replacement account	199,535	175,784
Connection fee account	-	158,302
Depreciation account	<u>299,051</u>	<u>640,394</u>
Total Cash and Investments	608,462	2,256,926
Less: Noncash equivalents	<u>-</u>	<u>(235,156)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 608,462</u>	<u>\$ 2,021,770</u>

See accompanying notes to the financial statements.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mount Horeb 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 Village of Mount Horeb (municipality). The utilities are managed by a utility commission. The utilities provide electric, water, and sewer service to properties within the municipality.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer utility operates under rules and rates established by the utility commission.

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.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

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

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

Deposits and Investments (cont.)

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair 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 sewer bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

Materials and Supplies

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

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

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

Restricted Assets

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

Property Held for Future Use

The sewer utility has purchased land with the intent of it being the future site of the wastewater treatment plant expansion.

Capital Assets

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

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

	<u>Years</u>
Electric Plant	
Distribution	20 - 40
General	7 - 40
Water Plant	
Source of supply	34
Pumping	23 - 31
Water treatment	17
Transmission and distribution	18 - 77
General	4 - 34
Sewer Plant	
Collecting system	50 - 100
Collecting system pumping	20 - 40
Treatment and disposal	15 - 40
General	7 - 40

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

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

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

Pensions

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

Deferred Outflow of Resources

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

Commitment to Community

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

Long-Term Obligations

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

Deferred Inflows of Resources

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

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

REVENUES AND EXPENSES

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

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The utilities do not accrue revenues beyond billing dates.

Current electric rates were approved by the PSCW effective April of 2009 and are designed to provide a 7.00% return on rate base.

Current water rates were approved by the PSCW effective June of 2016, and are designed to provide a 5.25% return on rate base.

Current sewer rates were approved by the utility commission and became effective November of 2017.

Capital Contributions

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

Connection or Impact Fee

The water and sewer utilities charge new customers an impact fee and connection fee, respectively, to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses, and changes in net position.

Transfers

Transfers include the payment in lieu of taxes to the municipality.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14, Statement No. 81, *Irrevocable Split-Interest Agreements*, Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus*, Statement No. 86, *Certain Debt Extinguishment Issues*, and Statement No. 87, *Leases*. When they become effective, application of these standards may restate portions of these financial statements.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2017	2016	
Checking and money market	\$ 4,037,525	\$ 5,085,697	Custodial credit risk
Certificates of deposit	102,272	101,310	Custodial credit risk
State and local bonds	146,937	486,578	Credit, custodial credit, concentration of credit, interest rate risk
Cash on hand	525	525	Not applicable
Totals	\$ 4,287,259	\$ 5,674,110	

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

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

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

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$25,000,000 and \$15,000,000 at December 31, 2017 and 2016, respectively.

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

The utilities use quoted market prices for fair value measurements. The state and local bonds held by the village and utilities are valued using Level 2 inputs.

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

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

	2017		2016	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Local and area banks	\$ 4,326,942	\$ 4,139,797	\$ 5,187,007	\$ 5,187,007

The utilities' investment policy addresses this risk. Deposits are limited to the amounts insured by FDIC at each financial institution unless the financial institution provides written verification that village funds in excess of that amount will be guaranteed insured through collateral held by an independent third party bank in the name of the village.

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.

The utilities maintain certain investments commingled with the municipality. The following is a summary of the these investment balances disclosed by type.

	2017		2016	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
State and local bonds	\$ 146,937	\$ 146,937	\$ 486,578	\$ 486,578

The utilities' investment policy addresses this risk. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Diversification is preferred in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

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

At December 31, 2017, the village's various state and local bonds commingled with the utilities were rated AA- and AA by Standard and Poor's and Aa1 and Aa2 by Moody's Investment Services.

At December 31, 2016, the state and local bonds were rated A+, AA-, AA, and AAA by Standard and Poor's and Aaa, Aa1, Aa2, Aa3, and A1 by Moody's Investment Services.

The utilities' investment policy does not address this risk.

Concentration of Credit Risk

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

At December 31, 2017 and 2016, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2017	2016
Drummond WI School District	State and local bonds	20.00%	12.23%
Brown Deer	State and local bonds	17.00%	5.10%
Fitchburg WI Library Bonds	State and local bonds	12.00%	-%
Ashwaubenon CDA Lease Bonds	State and local bonds	9.00%	-%
West DePere School Dist Bonds	State and local bonds	9.00%	-%
Milwaukee County GO Bonds	State and local bonds	34.00%	10.24%
Fond du Lac County Bonds	State and local bonds	-%	20.67%
Fond du Lac Waterworks	State and local bonds	-%	20.78%
Menomonie WI School District	State and local bonds	-%	10.19%
MATC District	State and local bonds	-%	5.65%

The utilities' investment policy does not address this risk.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

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

Investment Type	Fair Value	Maturity (In Months)		
		Less than 12	12 - 36	Greater than 36
State and local bonds	\$ 146,937	\$ 145,497	\$ 1,440	\$ -

As of December 31, 2016, the utilities' investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 12	12 - 36	Greater than 36
State and local bonds	\$ 486,578	\$ 341,571	\$ 145,007	\$ -

The utilities' investment policy addresses this risk. The village will generally not allow investments with maturities over three years unless matched to a specific cash flow.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2017 and 2016:

Due To	Due From	2017		2016	
		Amount	Principal Purpose	Amount	Principal Purpose
Sewer Municipality	Water	\$ -		\$ 4,354	Joint metering
	Electric, Water and Sewer	636,476	Tax equivalent, accrued payroll	744,793	Tax equivalent, accrued payroll, street project
Electric, Water and Sewer	Municipality	26,198	Tax roll	19,994	Tax roll

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

The following is a schedule of transfer balances for the years ending December 31, 2017 and 2016:

To	From	2017		2016	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric	\$ 197,876	Tax equivalent	\$ 181,047	Tax equivalent
Municipality	Water	233,402	Tax equivalent	214,121	Tax equivalent
Municipality	Electric	50,000	Economic development	50,000	Economic development

NOTE 4 - RESTRICTED ASSETS

Restricted Accounts

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

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

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.

Connection Fee Account

The sewer utility has received connection fees which must be spent in accordance with local ordinances.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position

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

	2017	2016
Restricted Assets		
Redemption account	\$ 123,696	\$ 118,075
Reserve account	54,688	54,073
Depreciation account	1,273,212	1,576,836
Total Restricted Assets	1,451,596	1,748,984
Current Liabilities Payable From Restricted Assets	(2,724)	(4,057)
Total Restricted Net Position as Calculated	\$ 1,448,872	\$ 1,744,927

The purpose of the restricted net position is as follows:

	2017	2016
Debt service	\$ 175,660	\$ 168,091
Depreciation	1,273,212	1,576,836
Total Restricted Net Position	\$ 1,448,872	\$ 1,744,927

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

	2017	2016
Restricted Assets		
Redemption account	\$ 117,339	\$ 110,648
Reserve account	155,051	202,779
Depreciation account	34,401	153,315
Total Restricted Assets	306,791	466,742
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(155,051)	(202,779)
Current Liabilities Payable From Restricted Assets	(5,825)	(6,324)
Total Restricted Net Position as Calculated	\$ 145,915	\$ 257,639

The purpose of the restricted net position is as follows:

	2017	2016
Debt service	\$ 111,514	\$ 104,324
Depreciation	34,401	153,315
Total Restricted Net Position	\$ 145,915	\$ 257,639

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position (cont.)

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

	2017	2016
Restricted Assets		
Redemption account	\$ 73,274	\$ 58,890
Replacement account	199,535	175,784
Connection fee account	-	158,302
Total Restricted Assets	272,809	392,976
 Current Liabilities Payable From Restricted Assets	 (9,619)	 (6,766)
Total Restricted Net Position as Calculated	\$ 263,190	\$ 386,210

The purpose of the restricted net position is as follows:

	2017	2016
Debt service	\$ 63,655	\$ 52,124
Equipment replacement	199,535	175,784
Connection fees	-	158,302
Total Restricted Net Position	\$ 263,190	\$ 386,210

NOTE 5 - ADVANCES TO OTHER FUNDS

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/17
8/19/09	Advance from electric utility to water utility for utility garage construction	10/1/19	2.50 - 4.13%	\$ 226,000	\$ 53,000

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
2018	\$ 26,000	\$ 2,180	\$ 28,180
2019	27,000	1,114	28,114
Totals	\$ 53,000	\$ 3,294	\$ 56,294

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

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

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 52,269	\$ -	\$ -	\$ 52,269
Capital assets being depreciated				
Distribution	11,649,952	317,973	18,937	11,948,988
General	<u>2,707,484</u>	<u>139,733</u>	<u>138,974</u>	<u>2,708,243</u>
Total Capital Assets Being Depreciated	<u>14,357,436</u>	<u>457,706</u>	<u>157,911</u>	<u>14,657,231</u>
Total Capital Assets	<u>14,409,705</u>	<u>457,706</u>	<u>157,911</u>	<u>14,709,500</u>
Less: Accumulated depreciation	<u>(7,857,265)</u>	<u>(560,509)</u>	<u>157,911</u>	<u>(8,259,863)</u>
Construction in progress	<u>2,044</u>	<u>35,633</u>	<u>-</u>	<u>37,677</u>
Net Capital Assets	<u>\$ 6,554,484</u>			<u>\$ 6,487,314</u>

A summary of changes in electric capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 52,269	\$ -	\$ -	\$ 52,269
Capital assets being depreciated				
Distribution	10,735,316	982,624	67,988	11,649,952
General	<u>2,621,139</u>	<u>86,345</u>	<u>-</u>	<u>2,707,484</u>
Total Capital Assets Being Depreciated	<u>13,356,455</u>	<u>1,068,969</u>	<u>67,988</u>	<u>14,357,436</u>
Total Capital Assets	<u>13,408,724</u>	<u>1,068,969</u>	<u>67,988</u>	<u>14,409,705</u>
Less: Accumulated depreciation	<u>(7,420,952)</u>	<u>(500,844)</u>	<u>64,531</u>	<u>(7,857,265)</u>
Construction in progress	<u>387,242</u>	<u>149,844</u>	<u>535,042</u>	<u>2,044</u>
Net Capital Assets	<u>\$ 6,375,014</u>			<u>\$ 6,554,484</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

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

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 62,950	\$ -	\$ -	\$ 62,950
Capital assets being depreciated				
Source of supply	583,486	-	-	583,486
Pumping	1,860,895	-	-	1,860,895
Water treatment	29,959	-	-	29,959
Transmission and distribution	10,538,357	371,178	24,877	10,884,658
General	908,974	154	-	909,128
Total Capital Assets Being Depreciated	13,921,671	371,332	24,877	14,268,126
Total Capital Assets	13,984,621	371,332	24,877	14,331,076
Less: Accumulated depreciation	(4,660,993)	(376,894)	24,877	(5,013,010)
Net Capital Assets	\$ 9,323,628			\$ 9,318,066

A summary of changes in water capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 62,950	\$ -	\$ -	\$ 62,950
Capital assets being depreciated				
Source of supply	583,486	-	-	583,486
Pumping	1,860,895	-	-	1,860,895
Water treatment	29,959	-	-	29,959
Transmission and distribution	10,281,761	309,425	52,829	10,538,357
General	890,580	18,394	-	908,974
Total Capital Assets Being Depreciated	13,646,681	327,819	52,829	13,921,671
Total Capital Assets	13,709,631	327,819	52,829	13,984,621
Less: Accumulated depreciation	(4,345,094)	(368,728)	52,829	(4,660,993)
Net Capital Assets	\$ 9,364,537			\$ 9,323,628

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

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

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 56,294	\$ 913,328	\$ -	\$ 969,622
Capital assets being depreciated				
Collecting system	8,643,085	237,042	270	8,879,857
Collecting system pumping	2,112,171	42,399	25,000	2,129,570
Treatment and disposal	6,832,398	3,546	149,796	6,686,148
General	903,628	153	-	903,781
Completed construction not classified	-	97,174	-	97,174
Total Capital Assets Being Depreciated	18,491,282	380,314	175,066	18,696,530
Total Capital Assets	18,547,576	1,293,642	175,066	19,666,152
Less: Accumulated depreciation	(8,527,878)	(529,296)	175,066	(8,882,108)
Construction in progress	1,014,250	7,798,874	97,174	8,715,950
Net Capital Assets	\$ 11,033,948			\$ 19,499,994

A summary of changes in sewer capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 56,294	\$ -	\$ -	\$ 56,294
Capital assets being depreciated				
Collecting system	8,580,335	94,126	31,376	8,643,085
Collecting system pumping	2,112,171	-	-	2,112,171
Treatment and disposal	6,966,098	-	133,700	6,832,398
General	891,326	32,220	19,918	903,628
Total Capital Assets Being Depreciated	18,549,930	126,346	184,994	18,491,282
Total Capital Assets	18,606,224	126,346	184,994	18,547,576
Less: Accumulated depreciation	(8,177,611)	(535,261)	184,994	(8,527,878)
Construction in progress	58,190	956,060	-	1,014,250
Net Capital Assets	\$ 10,486,803			\$ 11,033,948

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric Utility

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/17
8/19/09	Construction of utility garage	10/1/19	2.50 - 4.13%	\$ 1,130,000	\$ 265,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2018	\$ 130,000	\$ 10,898	\$ 140,898
2019	135,000	5,568	140,568
Totals	<u>\$ 265,000</u>	<u>\$ 16,466</u>	<u>\$ 281,466</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2017 and 2016 were \$146,229 and \$143,073, respectively. Total customer gross revenues as defined for the same periods were \$6,118,606 and \$6,155,986. Annual principal and interest payments are expected to require 2% of gross revenues on average.

Revenue Bonds - Water Utility

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/17
6/17/15	Refund the 2006 water revenue bonds	5/1/26	2.00 - 3.00%	\$ 1,765,000	\$ 1,465,000

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water Utility (cont.)

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2018	\$ 150,000	\$ 33,450	\$ 183,450
2019	150,000	30,450	180,450
2020	155,000	27,400	182,400
2021	160,000	24,050	184,050
2022	160,000	20,650	180,650
2023	165,000	17,400	182,400
2024	170,000	13,200	183,200
2025	175,000	8,025	183,025
2026	180,000	2,700	182,700
Totals	<u>\$ 1,465,000</u>	<u>\$ 177,325</u>	<u>\$ 1,642,325</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2017 and 2016 were \$186,450 and \$189,450, respectively. Total customer gross revenues as defined for the same periods were \$1,284,832 and \$1,151,071. Annual principal and interest payments are expected to require 14% of gross revenues on average.

Revenue Bonds - Sewer Utility

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/17	
9/25/13	Improvements to the wastewater treatment plant	5/1/33	2.63%	\$ 1,685,220	\$ 1,473,128	(1)
12/31/17	Improvements to the wastewater treatment plant	5/1/37	1.76	3,663,264	3,663,265	(2)

(1) - During 2013 the utility was authorized to issue \$1,774,300 of sewer system Clean Water Fund revenue bonds. The original amount reported above has been issued as of December 31, 2017. The repayment schedule is for the amount issued.

(2) - During 2017 the utility was authorized to issue \$16,750,650 of sewer system Clean Water Fund revenue bonds. The original amount reported above has been issued as of December 31, 2017. The repayment schedule is for the amount issued.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Sewer Utility (cont.)

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2018	\$ 229,722	\$ 93,179	\$ 322,901
2019	234,411	95,949	330,360
2020	239,200	91,109	330,309
2021	244,091	86,166	330,257
2022	249,086	81,118	330,204
2023	254,187	75,963	330,150
2024	259,397	70,697	330,094
2025	264,718	65,320	330,038
2026	270,152	59,827	329,979
2027	275,703	54,218	329,921
2028	281,372	48,488	329,860
2029	287,162	42,636	329,798
2030	293,076	36,658	329,734
2031	299,117	30,552	329,669
2032	305,288	24,316	329,604
2033	311,591	17,945	329,536
2034	204,088	12,933	217,021
2035	207,674	9,316	216,990
2036	211,323	5,635	216,958
2037	215,035	1,889	216,924
Totals	<u>\$ 5,136,393</u>	<u>\$ 1,003,914</u>	<u>\$ 6,140,307</u>

All utility revenues are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2017 and 2016 were \$112,978 and \$113,003, respectively. Total customer gross revenues as defined for the same periods were \$1,858,660 and \$1,817,018. Annual principal and interest payments are expected to require 17% of gross revenues on average.

General Obligation Debt - Electric Utility

The following general obligation bonds and notes have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/17
6/19/13	Refund the 2002 electric system revenue bonds	4/1/21	1.00 - 2.50%	\$ 805,000	\$ 400,000

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Electric Utility (cont.)

General obligation bonds and notes debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 100,000	\$ 9,250	\$ 109,250
2019	100,000	7,124	107,124
2020	100,000	4,874	104,874
2021	<u>100,000</u>	<u>2,500</u>	<u>102,500</u>
Totals	<u>\$ 400,000</u>	<u>\$ 23,748</u>	<u>\$ 423,748</u>

General Obligation Debt - Sewer Utility

The following general obligation bonds and notes have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/17</u>
10/18/12	Refinance 2007 sewer system bonds	10/1/16	2.00%	\$ 555,000	\$ -

The final payment was made on the 2012 general obligation bonds in 2016.

Long-Term Obligations Summary - Electric Utility

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

	<u>1/1/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 395,000	\$ -	\$ 130,000	\$ 265,000	\$ 130,000
General obligation debt	500,000	-	100,000	400,000	100,000
Unamortized debt premium	10,139	-	3,537	6,602	-
Net pension liability	<u>51,780</u>	<u>-</u>	<u>23,648</u>	<u>28,132</u>	<u>-</u>
Totals	<u>\$ 956,919</u>	<u>\$ -</u>	<u>\$ 257,185</u>	<u>\$ 699,734</u>	<u>\$ 230,000</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric Utility (cont.)

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	<u>1/1/16</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 520,000	\$ -	\$ 125,000	\$ 395,000	\$ 130,000
General obligation debt	600,000	-	100,000	500,000	100,000
Unamortized debt premium	14,366	-	4,227	10,139	-
Net pension liability	<u>-</u>	<u>51,780</u>	<u>-</u>	<u>51,780</u>	<u>-</u>
Totals	<u>\$ 1,134,366</u>	<u>\$ 51,780</u>	<u>\$ 229,227</u>	<u>\$ 956,919</u>	<u>\$ 230,000</u>

Long-Term Obligations Summary - Water Utility

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

	<u>1/1/17</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,615,000	\$ -	\$ 150,000	\$ 1,465,000	\$ 150,000
Advance from municipality	79,000	-	26,000	53,000	26,000
Customer deposits	12,151	139	-	12,290	-
Unamortized premium and discount	19,710	-	3,361	16,349	-
Net pension liability	<u>19,802</u>	<u>-</u>	<u>7,427</u>	<u>12,375</u>	<u>-</u>
Totals	<u>\$ 1,745,663</u>	<u>\$ 139</u>	<u>\$ 186,788</u>	<u>\$ 1,559,014</u>	<u>\$ 176,000</u>

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	<u>1/1/16</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,765,000	\$ -	\$ 150,000	\$ 1,615,000	\$ 150,000
Advance from municipality	104,000	-	25,000	79,000	26,000
Customer deposits	12,076	75	-	12,151	-
Unamortized premium and discount	23,347	-	3,637	19,710	-
Net pension liability	<u>-</u>	<u>19,802</u>	<u>-</u>	<u>19,802</u>	<u>-</u>
Totals	<u>\$ 1,904,423</u>	<u>\$ 19,877</u>	<u>\$ 178,637</u>	<u>\$ 1,745,663</u>	<u>\$ 176,000</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Sewer Utility

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

	1/1/17 Balance	Additions	Reductions	12/31/17 Balance	Due Within One Year
Revenue bonds	\$ 1,546,474	\$ 3,663,264	\$ 73,345	\$ 5,136,393	\$ 229,722
Net pension liability	<u>35,866</u>	-	<u>15,077</u>	<u>20,789</u>	-
Totals	<u>\$ 1,582,340</u>	<u>\$ 3,663,264</u>	<u>\$ 88,422</u>	<u>\$ 5,157,182</u>	<u>\$ 229,722</u>

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	1/1/16 Balance	Additions	Reductions	12/31/16 Balance	Due Within One Year
Revenue bonds	\$ 1,617,944	\$ -	\$ 71,470	\$ 1,546,474	\$ 73,346
General obligation debt	145,000	-	145,000	-	-
Unamortized debt premium	2,592	-	2,592	-	-
Net pension liability	<u>-</u>	<u>35,866</u>	<u>-</u>	<u>35,866</u>	<u>-</u>
Totals	<u>\$ 1,765,536</u>	<u>\$ 35,866</u>	<u>\$ 219,062</u>	<u>\$ 1,582,340</u>	<u>\$ 73,346</u>

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the electric utility, water utility, and sewer utility 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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2017:

Type	Coverage	Expiration
<i>League of Wisconsin Municipalities Mutual Insurance</i>		
General Liability	\$ 3,000,000	1/1/2018
Personal and Advertising Injury and Law Enforcement	3,000,000	1/1/2018
Premises medical payments	10,000	1/1/2018
Workers Compensation	2,000,000	1/1/2018
Public Officials Errors and Omissions	3,000,000	1/1/2018
Damage to Premises Rented to You	250,000	1/1/2018

Number of Customers and Billed Volumes - Electric

The utility has the following number of customers and billed volumes for 2017 and 2016:

	Customers		Sales (000 kWh)	
	2017	2016	2017	2016
Residential	3,289	3,257	26,551	27,178
General	473	463	9,023	9,136
Small power	46	44	12,206	12,502
Large power	5	10	3,175	3,405
Street and highway lighting	30	30	605	587
Yard lights	78	78	43	43
Totals	3,921	3,882	51,603	52,851

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2017 and 2016:

	Customers		Sales (000 gals)	
	2017	2016	2017	2016
Residential	2,638	2,620	110,934	117,262
Multifamily residential	174	174	18,027	17,436
Industrial	33	33	4,184	4,184
Totals	2,845	2,827	133,145	138,882

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Utility Budget

The 2017 and 2016 utility budgets were prepared and approved as required by the bond resolutions.

The debt coverage requirement was met for all utilities at December 31, 2017 and 2016.

NOTE 8 - NET POSITION

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

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

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

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

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 8 - NET POSITION (cont.)

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

	2017	2016
Construction work in progress	\$ 37,677	\$ 2,044
Plant in service	14,709,500	14,409,705
Accumulated depreciation	<u>(8,259,863)</u>	<u>(7,857,265)</u>
Sub-Totals	<u>6,487,314</u>	<u>6,554,484</u>
Less: Capital related debt		
Current portion of capital related long-term debt	230,000	230,000
Long-term portion of capital related long-term debt	435,000	665,000
Unamortized debt premium	6,602	10,139
Unamortized loss on advance refunding	<u>(2,715)</u>	<u>(4,170)</u>
Sub-Totals	<u>668,887</u>	<u>900,969</u>
Total Net Investment in Capital Assets	<u>\$ 5,818,427</u>	<u>\$ 5,653,515</u>

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

	2017	2016
Plant in service	\$ 14,331,076	\$ 13,984,621
Accumulated depreciation	<u>(5,013,010)</u>	<u>(4,660,993)</u>
Sub-Totals	<u>9,318,066</u>	<u>9,323,628</u>
Less: Capital related debt		
Current portion of capital related long-term debt	150,000	150,000
Long-term portion of capital related long-term debt	1,315,000	1,465,000
Unamortized debt premium	<u>16,349</u>	<u>19,710</u>
Sub-Totals	<u>1,481,349</u>	<u>1,634,710</u>
Add: Unspent debt proceeds		
Reserve from borrowing	<u>155,051</u>	<u>202,779</u>
Total Net Investment in Capital Assets	<u>\$ 7,991,768</u>	<u>\$ 7,891,697</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 8 - NET POSITION (cont.)

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

	2017	2016
Construction work in progress	\$ 8,715,950	\$ 1,927,578
Plant in service	19,666,152	18,547,576
Accumulated depreciation	<u>(8,882,108)</u>	<u>(8,527,878)</u>
Sub-Totals	<u>19,499,994</u>	<u>11,947,276</u>
Less: Capital related debt		
Current portion of capital related long-term debt	229,722	73,346
Long-term portion of capital related long-term debt	4,906,671	1,473,128
Construction payables	<u>1,812,719</u>	<u>-</u>
Sub-Totals	<u>6,949,112</u>	<u>1,546,474</u>
Total Net Investment in Capital Assets	<u>\$ 12,550,882</u>	<u>\$ 10,400,802</u>

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

General Information About the Pension Plan

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

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$69,658 and \$65,935 in contributions from the utilities during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2017 and December 31, 2016 are:

	2017		2016	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.8%	6.8%	6.6%	6.6%
Protective with Social Security	6.8%	10.6%	6.6%	9.4%
Protective without Social Security	6.8%	14.9%	6.6%	13.2%

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

At December 31, 2017, the utilities reported a liability (asset) of \$61,296 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities' proportion of the net pension liability (asset) was based on the utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Village of Mount Horeb's proportion was 0.02266%, which was an increase of 0.000023% from its proportion measured as of December 31, 2015.

At December 31, 2016, the utilities reported a liability (asset) of \$107,448 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities' proportion of the net pension liability (asset) was based on the utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Village of Mount Horeb's proportion was 0.02264%, which was an increase of 0.000676% from its proportion measured as of December 31, 2014.

For the years ended December 31, 2017 and 2016, the utilities recognized pension expense of \$168,265 and \$130,328, respectively.

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

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Sewer Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,601	\$ 80,722	\$ 4,223	\$ 29,248	\$ 6,958	\$ 54,607
Changes in assumption	26,836	-	9,723	-	18,155	-
Net differences between project and actual earnings on pension plan	126,622	-	43,733	-	82,186	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,241	-	1,227	-	2,158
Employer contributions subsequent to the measurement date	<u>31,289</u>	<u>-</u>	<u>12,514</u>	<u>-</u>	<u>22,170</u>	<u>-</u>
Total	<u>\$ 195,348</u>	<u>\$ 83,963</u>	<u>\$ 70,193</u>	<u>\$ 30,475</u>	<u>\$ 129,469</u>	<u>\$ 56,765</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2016, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Sewer Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,259	\$ 108,969	\$ 3,633	\$ 41,673	\$ 5,966	\$ 75,480
Changes in assumption	213,668	-	82,021	-	146,509	-
Net differences between project and actual earnings on pension plan	36,227	-	13,854	-	25,094	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,686	-	1,423	-	2,487
Employer contributions subsequent to the measurement date	<u>32,007</u>	<u>-</u>	<u>14,079</u>	<u>-</u>	<u>23,652</u>	<u>-</u>
Total	<u>\$ 291,161</u>	<u>\$ 112,655</u>	<u>\$ 113,587</u>	<u>\$ 43,096</u>	<u>\$ 201,221</u>	<u>\$ 77,967</u>

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

<u>Year Ended December 31</u>	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
2018	\$ 32,806	\$ 11,142	\$ 20,698
2019	32,806	11,142	20,698
2020	22,275	7,566	14,053
2021	(7,829)	(2,659)	(4,940)
2022	38	13	25
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 80,096</u>	<u>\$ 27,204</u>	<u>\$ 50,534</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

	2017	2016
Actuarial valuation date	December 31, 2015	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2016	December 31, 2015
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.2%	7.2%
Discount rate	7.2%	7.2%
Salary increases		
Inflation	3.2%	3.2%
Seniority/Merit	0.2% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

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

Actuarial assumptions used in the December 31, 2014 actuarial valuation are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.24	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2016 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.

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

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability as of December 31, 2017 and December 31, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78% in 2017 and 3.56% in 2016. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Sensitivity of the utilities' proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the utilities' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

The sensitivity analysis as of December 31, 2017 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Electric Utility's proportionate share of the net position liability (asset)	\$ 370,095	\$ 28,132	\$ (235,195)
Water Utility's proportionate share of the net position liability (asset)	162,801	12,375	(103,460)
Sewer Utility's proportionate share of the net position liability (asset)	273,493	20,789	(173,804)

The sensitivity analysis as of December 31, 2016 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Electric Utility's proportionate share of the net position liability (asset)	\$ 363,186	\$ 51,780	\$ (191,433)
Water Utility's proportionate share of the net position liability (asset)	138,891	19,802	(73,209)
Sewer Utility's proportionate share of the net position liability (asset)	251,565	35,866	(132,598)

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI Energy (cont.)

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

In 2015 and 2016, all but two of WPPI Energy members ratified an extension to their existing contracts. The new contract expires at midnight on December 31, 2055. The contract for the remaining members expires 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 \$388 million as of December 31, 2017.

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.

Open Contracts

The utilities have open contracts for approximately \$16,306,299 for a wastewater treatment plant improvement project. As of December 31, 2017, approximately \$6,898,691 has been expended.

NOTE 11 - SUBSEQUENT EVENTS

The utilities evaluated subsequent events through May 1, 2018, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Rate Adjustment

The Village Board approved a sewer rate increase effective May 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT HOREB UTILITIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset) (Village)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/17	0.02266274%	\$ 61,296	\$ 997,939	6.14%	99.12%
12/31/16	0.02263951%	107,448	973,676	11.04%	98.20%
12/31/15	0.02196354%	(162,124)	962,015	-16.85%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2015

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/17	\$ 65,973	\$ 65,973	-	\$ 970,191	6.80%
12/31/16	65,864	65,864	-	997,939	6.60%
12/31/15	66,210	66,210	-	973,676	6.80%

See independent auditors' report and accompanying notes to the required supplementary information.

MOUNT HOREB UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

SUPPLEMENTAL INFORMATION

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY PLANT
As of and for the Year Ended December 31, 2017

	Balance 1/1/17	Additions	Retirements	Balance 12/31/17
DISTRIBUTION				
Land and land rights	\$ 51,998	\$ -	\$ -	\$ 51,998
Structures and improvements	50,868	-	-	50,868
Station equipment	1,125,638	-	-	1,125,638
Poles, towers and fixtures	819,859	34,236	3,550	850,545
Overhead conductors and devices	1,514,578	6,229	550	1,520,257
Underground conduit	1,390,328	33,883	250	1,423,961
Underground conductors and devices	2,821,753	71,519	1,000	2,892,272
Line transformers	1,752,909	77,089	6,562	1,823,436
Services	1,088,227	49,996	600	1,137,623
Meters	415,173	21,793	5,425	431,541
Installation on customers' premises	9,831	-	-	9,831
Street lighting and signal systems	660,788	23,228	1,000	683,016
Total Distribution	<u>11,701,950</u>	<u>317,973</u>	<u>18,937</u>	<u>12,009,986</u>
GENERAL				
Land and land rights	271	-	-	271
Structures and improvements	1,506,400	-	-	1,506,400
Office furniture and equipment	110,906	-	-	110,906
Computer equipment	98,786	1,104	-	99,890
Transportation equipment	635,871	138,629	138,974	635,526
Tools, shop and garage equipment	108,056	-	-	108,056
Laboratory equipment	17,033	-	-	17,033
Power-operated equipment	184,713	-	-	184,713
Communication equipment	40,914	-	-	40,914
Miscellaneous equipment	4,805	-	-	4,805
Total General	<u>2,707,755</u>	<u>139,733</u>	<u>138,974</u>	<u>2,708,514</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$ 14,409,705</u>	<u>\$ 457,706</u>	<u>\$ 157,911</u>	<u>\$ 14,709,500</u>

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 4,145,032	\$ 4,176,487
Small commercial and industrial	1,126,849	1,147,766
Large commercial and industrial	358,871	368,412
Public street and highway lighting	138,611	138,577
Sales for resale	52,730	52,724
Interdepartmental	212,091	198,941
Total Sales of Electricity	6,034,184	6,082,907
Other Operating Revenues		
Forfeited discounts	16,761	15,734
Miscellaneous service revenues	4,625	2,540
Rent from electric property	5,050	3,840
Other	27,395	28,581
Total Operating Revenues	6,088,015	6,133,602
 OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	4,502,122	4,633,729
Other	11,221	14,029
Total Other Power Supply	4,513,343	4,647,758
Distribution		
Line and station labor	54,925	51,861
Line and station supplies	65,750	50,634
Street lighting and signal system	165	-
Meter	9,633	5,577
Customer installation	-	328
Maintenance		
Structures and equipment	6,667	8,839
Lines	66,488	55,509
Line transformers	552	75
Street lighting and signal system	15,480	16,214
Meters	6,503	1,299
Total Distribution	226,163	190,336
Customer Accounts		
Meter reading	1,201	952
Accounting and collecting	71,724	70,207
Total Customer Accounts	72,925	71,159

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 82,535	\$ 77,530
Office Supplies	11,291	10,183
Outside services employed	59,698	39,078
Property insurance	7,057	7,173
Injuries and damages	22,985	25,287
Employee pensions and benefits	221,801	200,013
Miscellaneous	43,569	45,638
Transportation	51,888	45,387
Maintenance	1,384	-
Total Administrative and General	<u>502,208</u>	<u>450,289</u>
Taxes	<u>69,984</u>	<u>70,696</u>
Total Operation and Maintenance	5,384,623	5,430,238
Depreciation	<u>460,438</u>	<u>441,416</u>
Total Operating Expenses	<u>5,845,061</u>	<u>5,871,654</u>
 OPERATING INCOME	 <u>\$ 242,954</u>	 <u>\$ 261,948</u>

MOUNT HOREB ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2016

	Electric	
	2017	2016
Utility Financed Plant in Service		
Beginning of year	\$ 12,164,017	\$ 11,198,603
End of year	<u>12,379,306</u>	<u>12,164,017</u>
Average	<u>12,271,662</u>	<u>11,681,310</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(6,538,033)	(6,174,703)
End of year	<u>(6,866,169)</u>	<u>(6,538,033)</u>
Average	<u>(6,702,101)</u>	<u>(6,356,368)</u>
Materials and Supplies		
Beginning of year	106,123	126,243
End of year	<u>120,083</u>	<u>106,123</u>
Average	<u>113,103</u>	<u>116,183</u>
Regulatory Liability		
Beginning of year	(179,006)	(204,577)
End of year	<u>(153,429)</u>	<u>(179,006)</u>
Average	<u>(166,218)</u>	<u>(191,792)</u>
AVERAGE NET RATE BASE	<u>\$ 5,516,446</u>	<u>\$ 5,249,333</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 163,512</u>	<u>\$ 136,489</u>
RATE OF RETURN (PERCENT)	<u>2.96</u>	<u>2.60</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>7.00</u>	<u>7.00</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.

MOUNT HOREB WATER UTILITY

WATER UTILITY PLANT
As of and for the Year Ended December 31, 2017

	Balance 1/1/17	Additions	Retirements	Balance 12/31/17
SOURCE OF SUPPLY				
Land and land rights	\$ 31,550	\$ -	\$ -	\$ 31,550
Wells and springs	583,486	-	-	583,486
Total Source of Supply	<u>615,036</u>	<u>-</u>	<u>-</u>	<u>615,036</u>
PUMPING				
Structures and improvements	1,126,563	-	-	1,126,563
Other power production equipment	105,000	-	-	105,000
Electric pumping equipment	590,810	-	-	590,810
Diesel pumping equipment	35,147	-	-	35,147
Other pumping equipment	3,375	-	-	3,375
Total Pumping	<u>1,860,895</u>	<u>-</u>	<u>-</u>	<u>1,860,895</u>
WATER TREATMENT				
Water treatment equipment	<u>29,959</u>	<u>-</u>	<u>-</u>	<u>29,959</u>
TRANSMISSION AND DISTRIBUTION				
Land and land rights	31,400	-	-	31,400
Distribution reservoirs and standpipes	1,286,035	-	-	1,286,035
Transmission and distribution mains	6,071,010	209,495	350	6,280,155
Services	1,461,494	64,832	795	1,525,531
Meters	902,393	54,500	23,232	933,661
Hydrants	816,359	42,351	500	858,210
Other transmission and distribution plant	1,066	-	-	1,066
Total Transmission and Distribution	<u>10,569,757</u>	<u>371,178</u>	<u>24,877</u>	<u>10,916,058</u>
GENERAL				
Structures and improvements	358,816	-	-	358,816
Office furniture and equipment	22,675	-	-	22,675
Computer equipment	56,598	154	-	56,752
Transportation equipment	72,323	-	-	72,323
Stores equipment	2,135	-	-	2,135
Tools, shop and garage equipment	58,680	-	-	58,680
Laboratory equipment	1,932	-	-	1,932
Power-operated equipment	36,864	-	-	36,864
Communication equipment	39,421	-	-	39,421
SCADA equipment	251,080	-	-	251,080
Miscellaneous equipment	8,450	-	-	8,450
Total General	<u>908,974</u>	<u>154</u>	<u>-</u>	<u>909,128</u>
TOTAL WATER UTILITY PLANT	<u><u>\$ 13,984,621</u></u>	<u><u>\$ 371,332</u></u>	<u><u>\$ 24,877</u></u>	<u><u>\$14,331,076</u></u>

MOUNT HOREB WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 578,394	\$ 592,720
Multifamily residential	24,819	23,793
Commercial	77,279	71,063
Public authorities	21,883	22,502
Irrigation	112,534	26,970
Service to other systems	3,032	2,029
Total Metered Sales	817,941	739,077
Private fire protection	14,313	13,226
Public fire protection	313,601	305,724
Total Sales of Water	1,145,855	1,058,027
Other Operating Revenues		
Forfeited discounts	3,618	3,457
Miscellaneous service revenue	53,644	50,401
Total Operating Revenues	1,203,117	1,111,885
OPERATING EXPENSES		
Operation and Maintenance		
Pumping		
Operation labor	24,993	31,009
Fuel or power purchased for pumping	96,252	94,924
Operation supplies	6,999	8,504
Total Pumping	128,244	134,437
Water Treatment		
Chemicals	18,076	20,268
Operation supplies	795	2,087
Total Water Treatment	18,871	22,355
Transmission and Distribution		
Operation supplies	25,102	20,173
Maintenance		
Distribution reservoirs and standpipes	60,049	56,070
Mains	38,979	35,372
Services	41,100	78,299
Meters	7,251	39
Hydrants	6,893	4,462
Total Transmission and Distribution	179,374	194,415
Customer Accounts		
Meter reading labor	1,578	1,294
Accounting and collecting labor	42,903	41,798
Total Customer Accounts	44,481	43,092

MOUNT HOREB WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 29,763	\$ 33,701
Office supplies	9,905	10,267
Outside services employed	26,795	25,341
Property insurance	5,784	5,879
Injuries and damages	8,397	9,343
Employee pensions and benefits	84,732	68,279
Regulatory commission	-	4,042
Miscellaneous	14,411	15,187
Transportation	12,932	(10,918)
Maintenance	1,038	-
Total Administrative and General	<u>193,757</u>	<u>161,121</u>
Taxes	<u>7,025</u>	<u>8,255</u>
Total Operation and Maintenance	571,752	563,675
Depreciation	<u>341,584</u>	<u>344,407</u>
Total Operating Expenses	<u>913,336</u>	<u>908,082</u>
 OPERATING INCOME	 <u>\$ 289,781</u>	 <u>\$ 203,803</u>

MOUNT HOREB WATER UTILITY

RATE OF RETURN - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2016

	Water	
	2017	2016
Utility Financed Plant in Service		
Beginning of year	\$ 6,480,321	\$ 6,196,083
End of year	<u>6,592,813</u>	<u>6,480,321</u>
Average	<u>6,536,567</u>	<u>6,338,202</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(2,612,540)	(2,441,293)
End of year	<u>(2,808,163)</u>	<u>(2,612,540)</u>
Average	<u>(2,710,352)</u>	<u>(2,526,917)</u>
Materials and Supplies		
Beginning of year	13,324	14,635
End of year	<u>13,764</u>	<u>13,324</u>
Average	<u>13,544</u>	<u>13,980</u>
Regulatory Liability		
Beginning of year	(154,789)	(176,901)
End of year	<u>(132,674)</u>	<u>(154,789)</u>
Average	<u>(143,732)</u>	<u>(165,845)</u>
AVERAGE NET RATE BASE	<u>\$ 3,696,027</u>	<u>\$ 3,659,420</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 235,568</u>	<u>\$ 154,821</u>
RATE OF RETURN (PERCENT)	<u>6.37</u>	<u>4.23</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>5.25</u>	<u>5.25</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.

MOUNT HOREB SEWER UTILITY

SEWER UTILITY PLANT
As of and for the Year Ended December 31, 2017

	Balance 1/1/17	Additions	Retirements	Balance 12/31/17
COLLECTING SYSTEM				
Land and land rights	\$ 8,550	\$ -	\$ -	\$ 8,550
Service connections	251,949	-	-	251,949
Collecting mains	6,794,210	237,042	270	7,030,982
Interceptor mains	491,884	-	-	491,884
Force mains	1,042,040	-	-	1,042,040
Other collecting system equipment	<u>63,002</u>	<u>-</u>	<u>-</u>	<u>63,002</u>
Total Collecting System	<u>8,651,635</u>	<u>237,042</u>	<u>270</u>	<u>8,888,407</u>
COLLECTING SYSTEM PUMPING				
Land and land rights	46,844	-	-	46,844
Structures and improvements	536,768	-	-	536,768
Receiving wells	57,848	-	-	57,848
Electric pumping equipment	1,431,639	42,399	25,000	1,449,038
Miscellaneous pumping equipment	<u>85,916</u>	<u>-</u>	<u>-</u>	<u>85,916</u>
Total Collecting System Pumping	<u>2,159,015</u>	<u>42,399</u>	<u>25,000</u>	<u>2,176,414</u>
TREATMENT AND DISPOSAL				
Land and land rights	900	913,328	-	914,228
Structures and improvements	1,189,590	-	-	1,189,590
Preliminary treatment equipment	1,884,647	-	-	1,884,647
Primary treatment equipment	159,984	-	84,600	75,384
Secondary treatment equipment	1,207,931	-	44,900	1,163,031
Advanced treatment equipment	695,897	-	-	695,897
Chlorination equipment	77,584	-	17,796	59,788
Sludge treatment and disposal equipment	593,596	-	-	593,596
Plant site piping	607,465	-	-	607,465
Flow metering and monitoring equipment	42,647	3,546	2,500	43,693
Outfall sewer pipes	3,996	-	-	3,996
Other treatment and disposal equipment	<u>369,061</u>	<u>-</u>	<u>-</u>	<u>369,061</u>
Total Treatment and Disposal	<u>6,833,298</u>	<u>916,874</u>	<u>149,796</u>	<u>7,600,376</u>
GENERAL				
Structures and improvements	254,145	-	-	254,145
Office furniture and equipment	18,961	-	-	18,961
Computer equipment	69,848	153	-	70,001
Transportation equipment	429,380	-	-	429,380
Other general equipment	113,666	-	-	113,666
Laboratory equipment	<u>17,628</u>	<u>-</u>	<u>-</u>	<u>17,628</u>
Total General	<u>903,628</u>	<u>153</u>	<u>-</u>	<u>903,781</u>
COMPLETED CONSTRUCTION NOT CLASSIFIED	<u>-</u>	<u>97,174</u>	<u>-</u>	<u>97,174</u>
TOTAL SEWER UTILITY PLANT	<u><u>\$18,547,576</u></u>	<u><u>\$ 1,293,642</u></u>	<u><u>\$ 175,066</u></u>	<u><u>\$19,666,152</u></u>

MOUNT HOREB SEWER UTILITY

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 1,458,153	\$ 1,454,296
Commercial	259,462	252,836
Public authorities	43,552	43,759
Other	2,161	2,989
Total Sewer Revenues	1,763,328	1,753,880
Other Operating Revenues		
Forfeited discounts	6,231	6,421
Rent from sewer property	3,480	5,690
Miscellaneous	4,378	1,891
Total Operating Revenues	1,777,417	1,767,882
 OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	12,587	20,605
Power and fuel for pumping	123,636	108,233
Treatment charges	24,379	27,516
Chlorine	3,247	3,125
Phosphorous removal chemicals	19,602	20,067
Other chemicals	2,115	53
Laboratory expenses	32,232	31,626
Other operating supplies	670	1,347
Joint metering costs	57,075	55,242
Transportation	6,943	8,414
Rents	9,060	9,060
Total Operation	291,546	285,288
Maintenance		
Collection system	46,734	77,439
Pumping equipment	45,511	42,524
Treatment and disposal plant equipment	97,508	87,104
General plant structures and equipment	61,215	53,613
Total Maintenance	250,968	260,680
Customer Accounts		
Accounting and collecting	47,488	46,369
Meter reading	1,677	1,294
Total Customer Accounts	49,165	47,663

MOUNT HOREB SEWER UTILITY

SEWER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 21,987	\$ 20,891
Office supplies	11,978	11,227
Outside services employed	44,005	22,998
Insurance	24,625	26,443
Employees pensions and benefits	172,596	152,408
Regulatory commission	7,039	11,452
Miscellaneous	<u>7,437</u>	<u>8,031</u>
Total Administrative and General	<u>289,667</u>	<u>253,450</u>
Taxes	<u>24,274</u>	<u>23,433</u>
Total Operation and Maintenance	<u>905,620</u>	<u>870,514</u>
Depreciation	<u>527,106</u>	<u>528,780</u>
Total Operating Expenses	<u>1,432,726</u>	<u>1,399,294</u>
 OPERATING INCOME	 <u>\$ 344,691</u>	 <u>\$ 368,588</u>