

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, 2015 and 2014

MOUNT HOREB UTILITIES

Enterprise Funds of the Village of Mount Horeb, Wisconsin

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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

Report on the Financial Statements

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, 2015 and 2014, 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, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utility Commission
Mount Horeb Utilities

Emphasis of Matters

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, 2015 and 2014 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.

As discussed in the Note 1, Mount Horeb Utilities has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change is shown in the current year. 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 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Gilly Virchow Krause, LLP

Madison, Wisconsin
April 4, 2016

ELECTRIC UTILITY

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF NET POSITION As of December 31, 2015 and 2014

	ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and investments		\$ 795,300	\$ 832,643
Interest receivable		3,677	3,822
Restricted Assets			
Redemption account		68,293	78,323
Customer accounts receivable		438,858	448,243
Other accounts receivable		15,289	11,206
Due from municipality		11,776	2,121
Materials and supplies		126,243	100,962
Current portion of advance		<u>25,000</u>	<u>23,000</u>
Total Current Assets		<u>1,484,436</u>	<u>1,500,320</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		53,736	73,858
Depreciation account		1,676,989	1,714,350
Net pension asset		79,271	-
Other Assets			
Advances to other funds		79,000	104,000
Capital Assets			
Plant in service		13,408,724	13,179,494
Accumulated depreciation		(7,420,952)	(7,038,318)
Construction work in progress		<u>387,242</u>	<u>225,387</u>
Total Noncurrent Assets		<u>8,264,010</u>	<u>8,258,771</u>
Total Assets		<u>9,748,446</u>	<u>9,759,091</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		5,909	7,896
Deferred outflows related to pension		<u>81,785</u>	<u>-</u>
Total Deferred Outflows of Resources		<u>87,694</u>	<u>7,896</u>

LIABILITIES		<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES			
Accounts payable		\$ 450,102	\$ 545,038
Due to municipality		212,927	242,674
Accrued interest		3,313	3,688
Commitment to community		(9,379)	(13,453)
Current portion of general obligation debt		100,000	100,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		125,000	115,000
Accrued interest		<u>5,268</u>	<u>6,275</u>
Total Current Liabilities		<u>887,231</u>	<u>999,222</u>
NONCURRENT LIABILITIES			
General obligation debt		500,000	600,000
Revenue bonds		395,000	520,000
Unamortized debt premium		<u>14,366</u>	<u>19,197</u>
Total Noncurrent Liabilities		<u>909,366</u>	<u>1,139,197</u>
Total Liabilities		<u>1,796,597</u>	<u>2,138,419</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		1,725	-
Unearned revenues		<u>-</u>	<u>3,450</u>
Total Deferred Inflows of Resources		<u>1,725</u>	<u>3,450</u>
 NET POSITION			
Net investment in capital assets		5,246,557	5,020,262
Restricted for:			
Debt service		116,761	145,906
Depreciation		1,676,989	1,714,350
Pension		79,271	-
Unrestricted		<u>918,240</u>	<u>744,600</u>
TOTAL NET POSITION		<u>\$ 8,037,818</u>	<u>\$ 7,625,118</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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sales of electricity	\$ 6,200,960	\$ 6,156,282
Other	<u>62,820</u>	<u>40,100</u>
Total Operating Revenues	<u>6,263,780</u>	<u>6,196,382</u>
OPERATING EXPENSES		
Operation and maintenance	5,386,301	5,454,710
Depreciation	<u>440,377</u>	<u>427,072</u>
Total Operating Expenses	<u>5,826,678</u>	<u>5,881,782</u>
OPERATING INCOME	<u>437,102</u>	<u>314,600</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	19,162	19,753
Interest expense	(37,716)	(42,643)
Interest charged to construction	9,604	-
Amortization of premium	4,831	5,271
Amortization of loss on advance refunding	(1,987)	(2,168)
Loss on retirement	<u>(39,613)</u>	<u>(170,393)</u>
Total Nonoperating Revenues (Expenses)	<u>(45,719)</u>	<u>(190,180)</u>
Income Before Contributions and Transfers	391,383	124,420
CAPITAL CONTRIBUTIONS	38,399	74,155
TRANSFERS - TAX EQUIVALENT	<u>(173,981)</u>	<u>(177,768)</u>
CHANGE IN NET POSITION	255,801	20,807
NET POSITION - Beginning of Year	7,625,118	7,604,311
Cumulative effect of a change in accounting principle	<u>156,899</u>	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,037,818</u></u>	<u><u>\$ 7,625,118</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 6,121,018	\$ 6,070,520
Received from municipality for services	140,758	139,584
Paid to suppliers for goods and services	(5,108,768)	(5,110,152)
Paid to employees for operating payroll	(413,903)	(432,717)
Net Cash Flows From Operating Activities	739,105	667,235
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(173,981)	(186,018)
Repayment of advances to other funds	28,020	25,695
Net Cash Flows From Noncapital Financing Activities	(145,961)	(160,323)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(496,588)	(623,414)
Salvage on retirement of plant	-	2,166
Capital contributions received	38,399	77,211
Debt retired	(215,000)	(205,000)
Interest paid	(39,098)	(43,748)
Net Cash Flows From Capital and Related Financing Activities	(712,287)	(792,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(138,026)	(123,707)
Investment income	17,349	14,585
Net Cash Flows From Investing Activities	(120,677)	(109,122)
Net Change in Cash and Cash Equivalents	(239,820)	(394,995)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,258,766	2,653,761
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,018,946	\$ 2,258,766
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES		
Interest charged to construction	\$ 9,604	\$ -
Unrealized loss on investments	\$ (3,062)	\$ (1,563)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 437,102	\$ 314,600
Noncash items in operating income		
Depreciation	440,377	427,072
Depreciation charged to clearing and other utilities	25,159	1,196
Changes in assets and liabilities		
Customer accounts receivable	9,385	28,404
Other accounts receivable	(4,083)	867
Due from other funds	(9,655)	4,568
Materials and supplies	(25,281)	7,082
Pension related deferrals and liabilities	(4,157)	-
Accounts payable	(102,344)	6,632
Due to other funds	(29,747)	(6,445)
Accrued sick leave	-	(96,624)
Unearned revenue	(1,725)	(3,450)
Commitment to community	4,074	(16,667)
	<u>4,074</u>	<u>(16,667)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 739,105</u>	<u>\$ 667,235</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 795,300	\$ 832,643
Redemption account	68,293	78,323
Reserve account	53,736	73,858
Depreciation account	<u>1,676,989</u>	<u>1,714,350</u>
Total Cash and Investments	2,594,318	2,699,174
Less: Noncash equivalents	<u>(575,372)</u>	<u>(440,408)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,018,946</u>	<u>\$ 2,258,766</u>

See accompanying notes to the financial statements.

WATER UTILITY

MOUNT HOREB WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2015 and 2014

	<i>ASSETS</i>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and investments		\$ 534,305	\$ 691,598
Interest receivable		-	856
Restricted Assets			
Redemption account		91,637	113,835
Customer accounts receivable		74,435	73,668
Other accounts receivable		103	1,709
Due from municipality		1,187	707
Due from wastewater utility		-	59,061
Materials and supplies		<u>14,635</u>	<u>14,181</u>
Total Current Assets		<u>716,302</u>	<u>955,615</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		201,514	189,831
Depreciation account		228,448	328,574
Net pension asset		30,934	-
Capital Assets			
Plant in service		13,709,631	13,615,830
Accumulated depreciation		<u>(4,345,094)</u>	<u>(4,041,386)</u>
Total Noncurrent Assets		<u>9,825,433</u>	<u>10,092,849</u>
Total Assets		<u>10,541,735</u>	<u>11,048,464</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension		<u>31,667</u>	<u>-</u>

LIABILITIES		<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES			
Accounts payable		\$ 22,466	\$ 36,592
Due to municipality		242,981	547,911
Accrued interest		1,054	1,255
Current portion of advances		25,000	23,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		150,000	125,000
Accrued interest		<u>6,825</u>	<u>12,558</u>
Total Current Liabilities		<u>448,326</u>	<u>746,316</u>
NONCURRENT LIABILITIES			
Revenue bonds		1,615,000	1,745,000
Unamortized premium and discount		23,347	(18,912)
Advance from electric utility		79,000	104,000
Customer deposits		<u>12,076</u>	<u>12,512</u>
Total Noncurrent Liabilities		<u>1,729,423</u>	<u>1,842,600</u>
 Total Liabilities		 <u>2,177,749</u>	 <u>2,588,916</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>673</u>	<u>-</u>
 NET POSITION			
Net investment in capital assets		7,777,704	7,913,187
Restricted for:			
Debt service		84,812	101,277
Depreciation		228,448	328,574
Net pension asset		30,934	-
Unrestricted		<u>273,082</u>	<u>116,510</u>
 TOTAL NET POSITION		 <u>\$ 8,394,980</u>	 <u>\$ 8,459,548</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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sales of water	\$ 980,634	\$ 959,619
Other	<u>58,304</u>	<u>91,094</u>
Total Operating Revenues	<u>1,038,938</u>	<u>1,050,713</u>
OPERATING EXPENSES		
Operation and maintenance	508,003	651,833
Depreciation	<u>337,987</u>	<u>334,155</u>
Total Operating Expenses	<u>845,990</u>	<u>985,988</u>
OPERATING INCOME	<u>192,948</u>	<u>64,725</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	5,958	6,185
Interest expense	(64,901)	(82,476)
Amortization of premium and discount	(17,506)	(3,061)
Debt issuance costs	<u>(47,273)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(123,722)</u>	<u>(79,352)</u>
Income (Loss) Before Contributions and Transfers	69,226	(14,627)
CAPITAL CONTRIBUTIONS	15,776	27,840
TRANSFERS - TAX EQUIVALENT	<u>(210,798)</u>	<u>(218,682)</u>
CHANGE IN NET POSITION	(125,796)	(205,469)
NET POSITION - Beginning of Year	8,459,548	8,665,017
Cumulative effect of a change in accounting principle	<u>61,228</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 8,394,980</u>	<u>\$ 8,459,548</u>

See accompanying notes to the financial statements.

MOUNT HOREB WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,121,594	\$ 1,136,752
Paid to suppliers for goods and services	(347,810)	(503,776)
Paid to employees for operating payroll	(172,216)	(174,037)
Net Cash Flows From Operating Activities	<u>601,568</u>	<u>458,939</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	<u>(218,682)</u>	<u>(229,181)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(452,055)	(100,885)
Capital contributions received	15,776	27,840
Repayment of capital related advances	(23,000)	(25,695)
Debt retired	(1,870,000)	(120,000)
Interest paid	(70,835)	(77,750)
Proceeds from debt issue	1,789,753	-
Debt issuance costs	(47,273)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(657,634)</u>	<u>(296,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(41,236)
Investments sold and matured	147,970	-
Investment income	5,647	6,256
Net Cash Flows From Investing Activities	<u>153,617</u>	<u>(34,980)</u>
Net Change in Cash and Cash Equivalents	(121,131)	(101,712)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,177,035</u>	<u>1,278,747</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,055,904</u>	<u>\$ 1,177,035</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Unrealized loss on investments	<u>\$ 1,167</u>	<u>\$ 521</u>

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 192,948	\$ 64,725
Noncash items in operating income		
Depreciation	337,987	334,155
Depreciation charged to clearing and other utilities	23,672	23,037
Changes in assets and liabilities		
Customer accounts receivable	(767)	9,243
Other accounts receivable	1,606	(1,093)
Due from other funds	58,581	54,332
Materials and supplies	(454)	(328)
Pension related deferrals and liabilities	(700)	-
Accounts payable	(10,412)	2,610
Due to other funds	(457)	5,934
Customer deposits	(436)	520
Accrued sick leave	-	(34,196)
	<u>-</u>	<u>(34,196)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 601,568</u>	<u>\$ 458,939</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 534,305	\$ 691,598
Redemption account	91,637	113,835
Reserve account	201,514	189,831
Depreciation account	<u>228,448</u>	<u>328,574</u>
Total Cash and Investments	1,055,904	1,323,838
Less: Noncash equivalents	<u>-</u>	<u>(146,803)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,055,904</u>	<u>\$ 1,177,035</u>

See accompanying notes to the financial statements.

SEWER UTILITY

MOUNT HOREB SEWER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2015 and 2014

	<i>ASSETS</i>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and investments		\$ 1,441,582	\$ 976,732
Interest receivable		1,749	856
Restricted Assets			
Redemption account		159,709	126,936
Customer accounts receivable		137,062	136,238
Other accounts receivable		1,149	2,175
Due from municipality		<u>6,638</u>	<u>5,518</u>
Total Current Assets		<u>1,747,889</u>	<u>1,248,455</u>
NONCURRENT ASSETS			
Restricted Assets			
Replacement account		153,144	131,024
Connection fee account		141,615	133,115
Net pension asset		51,919	-
Other Assets			
Depreciation account		556,687	671,997
Property held for future use		913,328	913,328
Capital Assets			
Plant in service		18,606,224	18,548,988
Accumulated depreciation		(8,177,611)	(7,685,322)
Construction work in progress		<u>58,190</u>	<u>-</u>
Total Noncurrent Assets		<u>12,303,496</u>	<u>12,713,130</u>
Total Assets		<u>14,051,385</u>	<u>13,961,585</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension		<u>54,769</u>	<u>-</u>

LIABILITIES		<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES			
Accounts payable		\$ 37,114	\$ 101,387
Due to municipality		26,076	142,577
Due to water utility		-	59,061
Accrued interest		342	1,400
Current portion of general obligation debt		145,000	140,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		71,470	67,275
Accrued interest		<u>7,100</u>	<u>7,100</u>
Total Current Liabilities		<u>287,102</u>	<u>518,800</u>
NONCURRENT LIABILITIES			
General obligation debt		-	145,000
Revenue bonds		1,546,474	1,562,971
Unamortized debt premium		<u>2,592</u>	<u>4,748</u>
Total Noncurrent Liabilities		<u>1,549,066</u>	<u>1,712,719</u>
Total Liabilities		<u>1,836,168</u>	<u>2,231,519</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>1,129</u>	<u>-</u>
NET POSITION			
Net investment in capital assets		9,634,595	9,857,000
Restricted for:			
Debt service		152,609	119,836
Equipment replacement		153,144	131,024
Connection fees		141,615	133,115
Pension		51,919	-
Unrestricted		<u>2,134,975</u>	<u>1,489,091</u>
TOTAL NET POSITION		<u><u>\$ 12,268,857</u></u>	<u><u>\$ 11,730,066</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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Treatment charges	\$ 1,767,155	\$ 1,755,759
Other	<u>15,521</u>	<u>13,584</u>
Total Operating Revenues	<u>1,782,676</u>	<u>1,769,343</u>
OPERATING EXPENSES		
Operation and maintenance	800,767	854,452
Depreciation	<u>528,789</u>	<u>494,991</u>
Total Operating Expenses	<u>1,329,556</u>	<u>1,349,443</u>
OPERATING INCOME	<u>453,120</u>	<u>419,900</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	10,418	7,207
Interest expense	(45,664)	(35,399)
Interest charged to construction	-	29,049
Amortization of premium	<u>2,156</u>	<u>3,535</u>
Total Nonoperating Revenues (Expenses)	<u>(33,090)</u>	<u>4,392</u>
Income Before Contributions	420,030	424,292
CAPITAL CONTRIBUTIONS	<u>16,000</u>	<u>22,000</u>
CHANGE IN NET POSITION	436,030	446,292
NET POSITION - Beginning of Year	11,730,066	11,283,774
Cumulative effect of a change in accounting principle	<u>102,761</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 12,268,857</u>	<u>\$ 11,730,066</u>

See accompanying notes to the financial statements.

MOUNT HOREB SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,781,758	\$ 1,796,490
Paid to suppliers for goods and services	(537,250)	(671,862)
Paid to employees for operating payroll	(325,013)	(303,986)
Net Cash Flows From Operating Activities	<u>919,495</u>	<u>820,642</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(333,063)	(1,204,873)
Capital contributions received	16,000	22,000
Debt retired	(207,275)	(135,000)
Interest paid	(46,722)	(30,199)
Proceeds from debt issue	54,973	1,396,119
Net Cash Flows From Capital and Related Financing Activities	<u>(516,087)</u>	<u>48,047</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(239,988)	(41,206)
Investment income	12,734	7,278
Net Cash Flows From Investing Activities	<u>(227,254)</u>	<u>(33,928)</u>
Net Change in Cash and Cash Equivalents	176,154	834,761
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,893,001</u>	<u>1,058,240</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,069,155</u>	<u>\$ 1,893,001</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES		
Unrealized loss on investments	<u>\$ 3,209</u>	<u>\$ 521</u>

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 453,120	\$ 419,900
Noncash items in operating income		
Depreciation	528,789	494,991
Changes in assets and liabilities		
Customer accounts receivable	(824)	25,048
Other accounts receivable	1,026	404
Due from other funds	(1,120)	1,695
Pension related deferrals and liabilities	(2,798)	-
Accounts payable	(8,568)	(17,441)
Due to other funds	(50,130)	(49,138)
Accrued sick leave	-	(54,817)
	<u>-</u>	<u>(54,817)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 919,495</u>	<u>\$ 820,642</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,441,582	\$ 976,732
Redemption account	159,709	126,936
Replacement account	153,144	131,024
Connection fee account	141,615	133,115
Depreciation account	<u>556,687</u>	<u>671,997</u>
Total Cash and Investments	2,452,737	2,039,804
Less: Noncash equivalents	<u>(383,582)</u>	<u>(146,803)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,069,155</u>	<u>\$ 1,893,001</u>

See accompanying notes to the financial statements.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

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.

GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utilities's cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. The utilities adopted these statements effective January 1, 2015. The cumulative impact of implementation is shown in Note 12.

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

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

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.

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 effective December 5, 2012. That policy follows the state statute for allowable investments.

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

Receivables/Payables

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

The utilities have the right under Wisconsin statutes to place delinquent electric, water, and 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, 2015 and 2014

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 fair market value at the time of contribution to the utilities. Major outlays for utilities plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed. 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

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

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

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

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 utilities 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.

Unearned revenues represents an up front payment from WPPI for future generation from solar panels installed in 2010. The payment was amortized on a straight-line basis for five years as the revenues were earned.

REVENUES AND EXPENSES

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

Charges for Services

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

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

REVENUES AND EXPENSES (cont.)

Charges for Services (cont.)

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 August of 2014, and are designed to provide a 7.00% return on rate base.

Current sewer rates were approved by the utility commission and became effective July of 2013.

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. 72, *Fair Value Measure and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and Statement No. 79, *Certain External Investment Pools and Pool Participants*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2015	2014	
Checking and money market	\$ 5,143,480	\$ 5,328,277	Custodial credit risk
Certificates of deposit	100,000	50,000	Custodial credit risk
State and local bonds	858,954	684,014	Credit, custodial credit, concentration of credit, interest rate risk
Cash on hand	525	525	Not applicable
Totals	\$ 6,102,959	\$ 6,062,816	

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 \$13,542,346 and \$15,584,719 at December 31, 2015 and 2014, respectively.

Custodial Credit Risk

Deposits

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

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

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Local and area banks	\$ 5,260,238	\$ 5,243,480	\$ 5,349,599	\$ 5,378,277

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

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.

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
State and local bonds	<u>\$ 858,954</u>	<u>\$ 858,954</u>	<u>\$ 684,014</u>	<u>\$ 684,014</u>

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.

Credit Risk

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

As of December 31, 2015 and 2014, the village's various state and local bonds commingled with the utilities were rate A+, AA-, AAA, and SP-1+ by Standard & Poors and Aa2, Aa3, and MIG1 by Moody's Investor Services.

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, 2015 and 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

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, 2015 and 2014, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2015	2014
Menomonee Falls Taxable Bonds	State and local bonds	5.83%	7.35%
Platteville, WI Bonds	State and local bonds	14.71%	18.55%
Oak Creek, WI Bonds	State and local bonds	5.87%	7.40%
Fond du Lac County Bonds	State and local bonds	11.66%	14.70%
DeForest, WI Bonds	State and local bonds	14.62%	18.43%
Fond du Lac Wtrwks	State and local bonds	11.83%	14.92%
Menomonie WI School District	State and local bonds	5.75%	-%

The utilities' investment policy does not address this risk.

Interest Rate Risk

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

As of December 31, 2015, the utilities' investments were as follows:

Investment Type	Maturity (In Months)			
	Fair Value	Less than 12	12 - 36	Greater than 36
State and local bonds	\$ 858,954	\$ 471,199	\$ 387,755	\$ -

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

Investment Type	Maturity (In Months)			
	Fair Value	Less than 12	12 - 36	Greater than 36
State and local bonds	\$ 684,014	\$ 25,252	\$ 658,762	\$ -

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2015 and 2014:

Due To	Due From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Municipality	Sewer Electric, Water and Sewer Municipality	\$ - 481,984	Tax equivalent, accrued payroll	\$ 59,061 933,162	Joint metering Tax equivalent, accrued payroll and street projects
Electric, Water and Sewer	Municipality	19,601	Tax roll	8,346	Tax roll

The following is a schedule of transfer balances for the years ending December 31, 2015 and 2014:

To	From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric	\$ 173,981	Tax equivalent	\$ 177,768	Tax equivalent
Municipality	Water	210,798	Tax equivalent	218,682	Tax equivalent

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, 2015 and 2014

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position

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

	<u>2015</u>	<u>2014</u>
Restricted Assets		
Redemption account	\$ 68,293	\$ 78,323
Reserve account	53,736	73,858
Depreciation account	1,676,989	1,714,350
Net pension asset	<u>79,271</u>	<u>-</u>
Total Restricted Assets	<u>1,878,289</u>	<u>1,866,531</u>
Current Liabilities Payable From Restricted Assets	<u>(5,268)</u>	<u>(6,275)</u>
Total Restricted Net Position as Calculated	<u>\$ 1,873,021</u>	<u>\$ 1,860,256</u>

The purpose of the restricted net position is as follows:

	<u>2015</u>	<u>2014</u>
Debt service	\$ 116,761	\$ 145,906
Depreciation	1,676,989	1,714,350
Pension	<u>79,271</u>	<u>-</u>
Total Restricted Net Position	<u>\$ 1,873,021</u>	<u>\$ 1,860,256</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 4 - RESTRICTED ASSETS (cont.)

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

	<u>2015</u>	<u>2014</u>
Restricted Assets		
Redemption account	\$ 91,637	\$ 113,835
Reserve account	201,514	189,831
Depreciation account	228,448	328,574
Net pension asset	<u>30,934</u>	<u>-</u>
Total Restricted Assets	<u>552,533</u>	<u>632,240</u>
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	<u>(201,514)</u>	<u>(189,831)</u>
Current Liabilities Payable From Restricted Assets	<u>(6,825)</u>	<u>(12,558)</u>
Total Restricted Net Position as Calculated	<u>\$ 344,194</u>	<u>\$ 429,851</u>

The purpose of the restricted net position is as follows:

	<u>2015</u>	<u>2014</u>
Debt service	\$ 84,812	\$ 101,277
Depreciation	228,448	328,574
Net pension asset	<u>30,934</u>	<u>-</u>
Total Restricted Net Position	<u>\$ 344,194</u>	<u>\$ 429,851</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 4 - RESTRICTED ASSETS (cont.)

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

	2015	2014
Restricted Assets		
Redemption account	\$ 159,709	\$ 126,936
Replacement account	153,144	131,024
Connection fee account	141,615	133,115
Net pension asset	51,919	-
Total Restricted Assets	506,387	391,075
Current Liabilities Payable From Restricted Assets	(7,100)	(7,100)
Total Restricted Net Position as Calculated	\$ 499,287	\$ 383,975

The purpose of the restricted net position is as follows:

	2015	2014
Debt service	\$ 152,609	\$ 119,836
Equipment replacement	153,144	131,024
Connection fees	141,615	133,115
Pension	51,919	-
Total Restricted Net Position	\$ 499,287	\$ 383,975

NOTE 5 - ADVANCES TO OTHER FUNDS

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
8/19/09	Advance from electric utility to water utility for utility garage construction	10/1/19	2.50 - 4.13%	\$ 226,000	\$ 104,000

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
2016	\$ 25,000	\$ 4,214	\$ 29,214
2017	26,000	3,246	29,246
2018	26,000	2,180	28,180
2019	27,000	1,114	28,114
Totals	\$ 104,000	\$ 10,754	\$ 114,754

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 52,269	\$ -	\$ -	\$ 52,269
Capital assets being depreciated				
Distribution	10,527,629	312,311	104,624	10,735,316
General	2,599,596	61,683	40,140	2,621,139
Total Capital Assets Being Depreciated	13,127,225	373,994	144,764	13,356,455
Total Capital Assets	13,179,494	373,994	144,764	13,408,724
Less: Accumulated depreciation	(7,038,318)	(487,787)	105,153	(7,420,952)
Construction in progress	225,387	161,855	-	387,242
Net Capital Assets	\$ 6,366,563			\$ 6,375,014

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

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 52,269	\$ -	\$ -	\$ 52,269
Capital assets being depreciated				
Distribution	10,262,260	327,454	62,085	10,527,629
General	2,604,815	-	5,219	2,599,596
Total Capital Assets Being Depreciated	12,867,075	327,454	67,304	13,127,225
Total Capital Assets	12,919,344	327,454	67,304	13,179,494
Less: Accumulated depreciation	(6,504,945)	(600,677)	67,304	(7,038,318)
Construction in progress	-	225,387	-	225,387
Net Capital Assets	\$ 6,414,399			\$ 6,366,563

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility

A summary of changes in water capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
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	10,206,408	116,096	40,743	10,281,761
General	872,132	45,208	26,760	890,580
Total Capital Assets Being Depreciated	13,552,880	161,304	67,503	13,646,681
Total Capital Assets	13,615,830	161,304	67,503	13,709,631
Less: Accumulated depreciation	(4,041,386)	(371,211)	67,503	(4,345,094)
Net Capital Assets	\$ 9,574,444			\$ 9,364,537

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

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
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	9,849,124	411,951	54,667	10,206,408
General	876,128	1,223	5,219	872,132
Total Capital Assets Being Depreciated	13,199,592	413,174	59,886	13,552,880
Total Capital Assets	13,262,542	413,174	59,886	13,615,830
Less: Accumulated depreciation	(3,742,808)	(358,464)	59,886	(4,041,386)
Net Capital Assets	\$ 9,519,734			\$ 9,574,444

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

A summary of changes in sewer capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 56,294	\$ -	\$ -	\$ 56,294
Capital assets being depreciated				
Collecting system	8,561,461	22,874	4,000	8,580,335
Collecting system pumping	2,075,978	64,093	27,900	2,112,171
Treatment and disposal	6,963,929	6,769	4,600	6,966,098
General	891,326	-	-	891,326
Total Capital Assets Being Depreciated	<u>18,492,694</u>	<u>93,736</u>	<u>36,500</u>	<u>18,549,930</u>
Total Capital Assets	<u>18,548,988</u>	<u>93,736</u>	<u>36,500</u>	<u>18,606,224</u>
Less: Accumulated depreciation	<u>(7,685,322)</u>	<u>(528,789)</u>	<u>36,500</u>	<u>(8,177,611)</u>
Construction in progress	-	<u>58,190</u>	-	<u>58,190</u>
Net Capital Assets	<u>\$ 10,863,666</u>			<u>\$ 10,486,803</u>

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

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 56,294	\$ -	\$ -	\$ 56,294
Capital assets being depreciated				
Collecting system	8,448,527	150,379	37,445	8,561,461
Collecting system pumping	2,075,978	-	-	2,075,978
Treatment and disposal	5,326,765	1,888,094	250,930	6,963,929
General	889,247	29,383	27,304	891,326
Total Capital Assets Being Depreciated	<u>16,740,517</u>	<u>2,067,856</u>	<u>315,679</u>	<u>18,492,694</u>
Total Capital Assets	<u>16,796,811</u>	<u>2,067,856</u>	<u>315,679</u>	<u>18,548,988</u>
Less: Accumulated depreciation	<u>(7,482,043)</u>	<u>(518,958)</u>	<u>315,679</u>	<u>(7,685,322)</u>
Construction in progress	<u>732,349</u>	-	<u>732,349</u>	-
Net Capital Assets	<u>\$ 10,047,117</u>			<u>\$ 10,863,666</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Bonds - Electric

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
8/19/09	Construction of utility garage	10/1/19	2.50 - 4.13%	\$ 1,130,000	\$ 520,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ 125,000	\$ 21,072	\$ 146,072
2017	130,000	16,228	146,228
2018	130,000	10,898	140,898
2019	135,000	5,568	140,568
Totals	<u>\$ 520,000</u>	<u>\$ 53,766</u>	<u>\$ 573,766</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 2015 and 2014 were \$140,098 and \$128,473, respectively. Total customer gross revenues as defined for the same periods were \$6,282,942 and \$6,216,135. Annual principal and interest payments are expected to require 2% of gross revenues on average.

Revenue Bonds - Water

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
11/15/06	Construction of well and tower	5/1/26	4.00 - 4.10%	\$ 2,665,000	-
6/17/15	Refund the 2006 water revenue bonds	5/1/26	2.00 - 3.00	1,765,000	1,765,000

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water (cont.)

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ 150,000	\$ 39,450	\$ 189,450
2017	150,000	36,450	186,450
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>\$ 1,765,000</u>	<u>\$ 253,225</u>	<u>\$ 2,018,225</u>

All utility revenues are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$190,098 and \$197,750, respectively. Total customer gross revenues as defined for the same periods were \$1,060,672 and \$1,084,738. Annual principal and interest payments are expected to require 17% of gross revenues on average.

Revenue Bonds - Sewer

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
9/25/13	Improvements to the wastewater treatment plant	5/1/33	2.63%	\$ 1,685,220	\$ 1,617,944 (1)

(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, 2015. The repayment schedule is for the amount issued.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ 71,470	\$ 41,533	\$ 113,003
2017	73,346	39,632	112,978
2018	75,271	37,682	112,953
2019	77,247	35,680	112,927
2020	79,275	33,626	112,901
2021	81,356	31,517	112,873
2022	83,491	29,354	112,845
2023	85,683	27,133	112,816
2024	87,932	24,855	112,787
2025	90,240	22,516	112,756
2026	92,609	20,116	112,725
2027	95,040	17,653	112,693
2028	97,535	15,126	112,661
2029	100,095	12,532	112,627
2030	102,723	9,870	112,593
2031	105,419	7,138	112,557
2032	108,186	4,334	112,520
2033	111,026	1,457	112,483
Totals	<u>\$ 1,617,944</u>	<u>\$ 411,754</u>	<u>\$ 2,029,698</u>

All utility revenues are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$109,697 and \$0, respectively. Total customer gross revenues as defined for the same periods were \$1,809,094 and \$1,798,550. Annual principal and interest payments are expected to require 6% of gross revenues on average.

General Obligation Debt - Electric

The following general obligation bonds and notes have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
6/19/13	Refund the 2002 electric system revenue bonds	4/1/21	1.00 - 2.50%	\$ 805,000	\$ 600,000

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (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>
2016	\$ 100,000	\$ 13,250	\$ 113,250
2017	100,000	11,250	111,250
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>\$ 600,000</u>	<u>\$ 48,248</u>	<u>\$ 648,248</u>

General Obligation Debt - Sewer

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 12/31/15</u>
10/18/12	Refinance 2007 sewer system bonds	10/1/16	2.00%	\$ 555,000	\$ 145,000

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>
2016	<u>\$ 145,000</u>	<u>\$ 1,450</u>	<u>\$ 146,450</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Electric

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 635,000	\$ -	\$ 115,000	\$ 520,000	\$ 125,000
General obligation debt	700,000	-	100,000	600,000	100,000
Unamortized debt premium	<u>19,197</u>	<u>-</u>	<u>4,831</u>	<u>14,366</u>	<u>-</u>
Totals	<u>\$ 1,354,197</u>	<u>\$ -</u>	<u>\$ 219,831</u>	<u>\$ 1,134,366</u>	<u>\$ 225,000</u>

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

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 735,000	\$ -	\$ 100,000	\$ 635,000	\$ 115,000
General obligation debt	805,000	-	105,000	700,000	100,000
Unamortized debt premium	24,468	-	5,271	19,197	-
Accrued sick leave	<u>96,624</u>	<u>-</u>	<u>96,624</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,661,092</u>	<u>\$ -</u>	<u>\$ 306,895</u>	<u>\$ 1,354,197</u>	<u>\$ 215,000</u>

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 1,870,000	\$ 1,765,000	\$ 1,870,000	\$ 1,765,000	\$ 150,000
Advance from electric utility	127,000	-	23,000	104,000	25,000
Unamortized premium and discount	(18,912)	24,752	(17,507)	23,347	-
Customer deposits	<u>12,512</u>	<u>-</u>	<u>436</u>	<u>12,076</u>	<u>-</u>
Totals	<u>\$ 1,990,600</u>	<u>\$ 1,789,752</u>	<u>\$ 1,875,929</u>	<u>\$ 1,904,423</u>	<u>\$ 175,000</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

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

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 1,990,000	\$ -	\$ 120,000	\$ 1,870,000	\$ 125,000
General obligation debt	-	-	-	-	-
Advance from electric utility	147,000	-	20,000	127,000	23,000
Unamortized debt discount	(21,973)	-	(3,061)	(18,912)	-
Accrued sick leave	34,196	-	34,196	-	-
Customer deposits	<u>11,992</u>	<u>520</u>	<u>-</u>	<u>12,512</u>	<u>-</u>
Totals	<u>\$ 2,161,215</u>	<u>\$ 520</u>	<u>\$ 171,135</u>	<u>\$ 1,990,600</u>	<u>\$ 148,000</u>

Long-Term Obligations Summary - Sewer

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 1,630,246	\$ 54,973	\$ 67,275	\$ 1,617,944	\$ 71,470
General obligation debt	285,000	-	140,000	145,000	145,000
Unamortized debt premium	<u>4,748</u>	<u>-</u>	<u>2,156</u>	<u>2,592</u>	<u>-</u>
Totals	<u>\$ 1,919,994</u>	<u>\$ 54,973</u>	<u>\$ 209,431</u>	<u>\$ 1,765,536</u>	<u>\$ 216,470</u>

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

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 234,127	\$ 1,396,119	\$ -	\$ 1,630,246	\$ 67,275
General obligation debt	420,000	-	135,000	285,000	140,000
Accrued sick leave	54,817	-	54,817	-	-
Unamortized debt premium	<u>8,283</u>	<u>-</u>	<u>3,535</u>	<u>4,748</u>	<u>-</u>
Totals	<u>\$ 717,227</u>	<u>\$ 1,396,119</u>	<u>\$ 193,352</u>	<u>\$ 1,919,994</u>	<u>\$ 207,275</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Current Refunding

On June 17, 2015, bonds in the amount of \$1,765,000 were issued with an average interest rate of 2.0 - 3.0% to refund \$1,745,000 of outstanding 2006 bonds with an average interest rate of 4.00 - 4.10%. The net proceeds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$2,160,940 from 2016 through 2026. The cash flow requirements on the new bonds are \$2,018,225 from 2016 through 2026. The current refunding resulted in an economic gain of \$128,555. The 2006 bonds were called and paid on July 7, 2015.

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.

The utilities are covered under the following insurance policies at December 31, 2015:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
<i>League of Wisconsin Municipalities Mutual Insurance</i>		
General Liability	\$ 3,000,000	1/1/2016
Automobile	3,000,000	1/1/2016
Workers Compensation	2,000,000	1/1/2016
Public Officials Errors and Omissions	3,000,000	1/1/2016

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Number of Customers and Billed Volumes - Electric

The utility has the following number of customers and billed volumes for 2015 and 2014:

	Customers		Sales (000 kWh)	
	2015	2014	2015	2014
Residential	3,109	3,177	26,977	27,995
General	453	444	9,155	9,292
Small power	46	46	12,216	11,367
Large power	10	9	3,448	4,190
Street and highway lighting	30	30	593	596
Yard lights	78	78	43	43
Totals	<u>3,726</u>	<u>3,784</u>	<u>52,432</u>	<u>53,483</u>

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2015 and 2014:

	Customers		Sales (000 gals)	
	2015	2014	2015	2014
Residential	2,588	2,584	119,720	120,949
Multifamily residential	28	28	6,461	6,456
Commercial	169	164	18,253	17,801
Wholesale	34	34	4,141	6,456
Totals	<u>2,819</u>	<u>2,810</u>	<u>148,575</u>	<u>151,662</u>

Utility Budget

The 2015 and 2014 utility budgets were prepared and approved as required by the bond resolutions.

Debt Coverage

The debt coverage requirement was met for all utilities at December 31, 2015 and 2014.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2015 and 2014

NOTE 8 - NET POSITION

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

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

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

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

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

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

	<u>2015</u>	<u>2014</u>
Plant in service	\$ 13,408,724	\$ 13,179,494
Accumulated depreciation	(7,420,952)	(7,038,318)
Total construction work in progress	<u>387,242</u>	<u>225,387</u>
Sub-Totals	<u>6,375,014</u>	<u>6,366,563</u>
Less: Capital related debt		
Current portion of capital related long-term debt	225,000	215,000
Long-term portion of capital related long-term debt	895,000	1,120,000
Unamortized debt premium	14,366	19,197
Unamortized loss on advance refunding	<u>(5,909)</u>	<u>(7,896)</u>
Sub-Totals	<u>1,128,457</u>	<u>1,346,301</u>
Total Net Investment in Capital Assets	<u>\$ 5,246,557</u>	<u>\$ 5,020,262</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 8 - NET POSITION (cont.)

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

	2015	2014
Plant in service	\$ 13,709,631	\$ 13,615,830
Accumulated depreciation	(4,345,094)	(4,041,386)
Sub-Totals	9,364,537	9,574,444
Less: Capital related debt		
Current portion of capital related long-term debt	150,000	125,000
Long-term portion of capital related long-term debt	1,615,000	1,745,000
Unamortized premium and discount	23,347	(18,912)
Sub-Totals	1,788,347	1,851,088
Add: Unspent debt proceeds		
Reserve from borrowing	201,514	189,831
Total Net Investment in Capital Assets	\$ 7,777,704	\$ 7,913,187

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

	2015	2014
Plant in service	\$ 18,606,224	\$ 18,548,988
Accumulated depreciation	(8,177,611)	(7,685,322)
Total construction work in progress	971,518	913,328
Sub-Totals	11,400,131	11,776,994
Less: Capital related debt		
Current portion of capital related long-term debt	216,470	207,275
Long-term portion of capital related long-term debt	1,546,474	1,707,971
Unamortized debt premium	2,592	4,748
Sub-Totals	1,765,536	1,919,994
Total Net Investment in Capital Assets	\$ 9,634,595	\$ 9,857,000

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

The utilities implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015. The prior year balances for deferred outflows of resources and the net pension liability were not restated due to the measurement date used for the calculation of the balances and the timing of information received by WRS. For this reason, prior year pension footnote disclosures are included under GASB No. 27.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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.

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.

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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
2005	2.6%	7%
2006	0.8	3
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

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. 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.

During the reporting period, the WRS recognized \$65,935 in contributions from the utilities.

Contribution rates as of December 31, 2015 are:

	2015		2014	
	Employee	Employer	Employee	Employer
General (including teachers	6.8%	6.8%	7.0%	7.0%
Executives & Elected Officials	7.7%	7.7%	7.75%	7.75%
Protective with Social Security	6.8%	9.5%	7.0%	10.1%
Protective without Social Security	6.8%	13.1%	7.0%	13.7%

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

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, 2015, the utilities reported a liability (asset) of \$(162,124) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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, 2014, the Village of Mount Horeb's proportion was .02196354%, which was an increase of .00048754% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the utilities recognized pension expense of \$58,599.

At December 31, 2015, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Electric Utility		Water Utility		Sewer Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,491	\$ -	\$ 4,485	\$ -	\$ 7,527	\$ -
Changes in assumption	-	-	-	-	-	-
Net differences between project and actual earnings on pension plan	38,387	-	14,980	-	25,141	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,725	-	673	-	1,129
Employer contributions subsequent to the measurement date	<u>31,907</u>	<u>-</u>	<u>12,202</u>	<u>-</u>	<u>22,101</u>	<u>-</u>
Total	<u>\$ 81,785</u>	<u>\$ 1,725</u>	<u>\$ 31,667</u>	<u>\$ 673</u>	<u>\$ 54,769</u>	<u>\$ 1,129</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. \$31,907, \$12,202, and \$22,101 are reported for the electric, water, and sewer utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31	Electric Utility		Water Utility		Sewer Utility	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 12,216	\$ 393	\$ 4,767	\$ 153	\$ 8,001	\$ 257
2017	12,216	393	4,767	153	8,001	257
2018	12,216	393	4,767	153	8,001	257
2019	12,216	393	4,767	153	8,001	257
2020	1,014	153	397	61	664	101
Thereafter	-	-	-	-	-	-
Total	<u>\$ 49,878</u>	<u>\$ 1,725</u>	<u>\$ 19,465</u>	<u>\$ 673</u>	<u>\$ 32,668</u>	<u>\$ 1,129</u>

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2013
Measurement date of net pension liability (asset)	December 31, 2014
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	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 are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

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 are summarized in the following table:

Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities	5.3%	21.0%
International Equities	5.7	23.0
Fixed Income	1.7	36.0
Inflation Sensitive Assets	2.3	20.0
Real Estate	4.2	7.0
Private Equity/Debt	6.9	7.0
Multi-Asset	3.9	6.0
Cash	0.9	(20.0)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. 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 3.56%. 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.

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:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Electric Utility's proportionate share of the net position liability (asset)	\$ 223,637	\$ (79,271)	\$ (318,495)
Water Utility's proportionate share of the net position liability (asset)	87,271	(30,934)	(124,288)
Sewer Utility's proportionate share of the net position liability (asset)	146,471	(51,919)	(208,598)

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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://legis.wisconsin.gov/lab/> and reference report number 15-11.

Required Disclosures Under GASB No. 27

Covered payroll listed below is substantially the same as total payroll.

	Year Ended December 31	
	2014	2013
Total Covered Employee Payroll	<u>\$ 962,015</u>	<u>\$ 899,898</u>
Total Required Contributions	<u>\$ 134,682</u>	<u>\$ 119,686</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

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

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

In 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contract. Remaining members are expected to ratify the same extension in 2016. The new contract expires at midnight on December 31, 2055.

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 \$437 million as of December 31, 2015.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2015 and 2014

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont.)

Claims and Judgments

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

Open Contracts

The utilities have open contracts for approximately \$364,850 for a wastewater treatment plant improvement project. As of December 31, 2015, approximately \$184,150 has been expended.

NOTE 11 - SUBSEQUENT EVENTS

The utilities evaluated subsequent events through April 4, 2016, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Rate Adjustment

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

NOTE 12 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The utilities adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position as follows:

Electric Utility

Net pension asset January 1, 2014	\$	124,411
Deferred outflows January 1, 2014		<u>32,488</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>156,899</u>

Water Utility

Net pension asset January 1, 2014	\$	48,550
Deferred outflows January 1, 2014		<u>12,678</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>61,228</u>

Sewer Utility

Net pension asset January 1, 2014	\$	81,483
Deferred outflows January 1, 2014		<u>21,278</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>102,761</u>

Additional information required for retroactive implementation was not provided by the pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT HOREB UTILITIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) Wisconsin Retirement System Last 10 Fiscal Years*

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS. The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

	<u>2015</u>
City of Mount Horeb's proportion of the net pension liability (asset)	0.2196354%
Mount Horeb Utilities' proportionate share of the net pension liability (asset)	\$ (162,124)
Mount Horeb Utilities' covered employee payroll	\$ 962,015
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

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

SCHEDULE OF CONTRIBUTIONS Wisconsin Retirement System Last 10 Fiscal Years*

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

	<u>2015</u>
Contractually required contributions	\$ 66,210
Contributions in relation to the contractually required contributions	66,210
Contributions deficiency (excess)	-
Mount Horeb Utilities's covered-employee payroll	973,676
Contributions as a percentage of covered-employee payroll	6.8%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2015

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

Changes of assumption: There were no changes in the assumptions.

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

SUPPLEMENTAL INFORMATION

ELECTRIC UTILITY

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY PLANT
As of and for the Year Ended December 31, 2015

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
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	741,776	33,381	3,250	771,907
Overhead conductors and devices	1,429,039	48,477	3,050	1,474,466
Underground conduit	1,062,090	31,754	2,941	1,090,903
Underground conductors and devices	2,336,621	67,570	8,149	2,396,042
Line transformers	1,657,712	48,985	15,716	1,690,981
Services	1,009,736	37,507	2,838	1,044,405
Meters	468,442	20,059	63,530	424,971
Installation on customers' premises	9,831	-	-	9,831
Street lighting and signal systems	635,876	24,578	5,150	655,304
Total Distribution	<u>10,579,627</u>	<u>312,311</u>	<u>104,624</u>	<u>10,787,314</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	95,968	-	-	95,968
Transportation equipment	531,151	61,683	40,140	552,694
Tools, shop and garage equipment	108,056	-	-	108,056
Laboratory equipment	17,033	-	-	17,033
Power-operated equipment	184,713	-	-	184,713
Communication equipment	40,564	-	-	40,564
Miscellaneous equipment	4,805	-	-	4,805
Total General	<u>2,599,867</u>	<u>61,683</u>	<u>40,140</u>	<u>2,621,410</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$ 13,179,494</u>	<u>\$ 373,994</u>	<u>\$ 144,764</u>	<u>\$ 13,408,724</u>

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 4,253,614	\$ 4,271,562
Small commercial and industrial	1,149,936	1,045,180
Large commercial and industrial	389,974	435,094
Public street and highway lighting	140,758	139,584
Sales for resale	58,427	58,157
Interdepartmental	208,251	206,705
Total Sales of Electricity	6,200,960	6,156,282
Other Operating Revenues		
Forfeited discounts	17,259	21,859
Miscellaneous service revenues	2,045	2,790
Rent from electric property	3,840	1,280
Other	39,676	14,171
Total Operating Revenues	6,263,780	6,196,382
 OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	4,586,966	4,729,844
Other	11,748	11,837
Total Other Power Supply	4,598,714	4,741,681
Distribution		
Line and station labor	61,286	49,978
Line and station supplies	45,170	51,450
Meter	4,705	4,082
Customer installation	233	62
Maintenance		
Structures and equipment	3,709	10,367
Lines	39,127	44,639
Line transformers	81	745
Street lighting and signal system	17,876	20,180
Meters	1,200	9,047
Total Distribution	173,387	190,550
Customer Accounts		
Meter reading	2,786	4,635
Accounting and collecting	68,328	64,781
Total Customer Accounts	71,114	69,416

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 76,252	\$ 79,065
Office Supplies	11,333	14,503
Outside services employed	36,853	31,167
Property insurance	6,573	6,244
Injuries and damages	25,508	18,825
Employee pensions and benefits	208,771	205,439
Miscellaneous	94,252	43,137
Transportation	1,160	(14,556)
Maintenance	<u>2,574</u>	<u>1,196</u>
Total Administrative and General	<u>463,276</u>	<u>385,020</u>
Taxes	<u>79,810</u>	<u>68,043</u>
Total Operation and Maintenance	5,386,301	5,454,710
Depreciation	<u>440,377</u>	<u>427,072</u>
Total Operating Expenses	<u>5,826,678</u>	<u>5,881,782</u>
 OPERATING INCOME	 <u>\$ 437,102</u>	 <u>\$ 314,600</u>

MOUNT HOREB ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS
For the Years Ended December 31, 2015 and 2014

	Electric	
	2015	2014
Utility Financed Plant in Service		
Beginning of year	\$ 10,995,694	\$ 10,811,516
End of year	<u>11,198,603</u>	<u>10,995,694</u>
Average	<u>11,097,149</u>	<u>10,903,605</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(5,842,069)	(5,378,821)
End of year	<u>(6,174,703)</u>	<u>(5,842,069)</u>
Average	<u>(6,008,386)</u>	<u>(5,610,445)</u>
Materials and Supplies		
Beginning of year	100,962	108,044
End of year	<u>126,243</u>	<u>100,962</u>
Average	<u>113,603</u>	<u>104,503</u>
Regulatory Liability		
Beginning of year	(230,148)	(255,719)
End of year	<u>(204,577)</u>	<u>(230,148)</u>
Average	<u>(217,363)</u>	<u>(242,934)</u>
AVERAGE NET RATE BASE	<u>\$ 4,985,003</u>	<u>\$ 5,154,729</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 332,379</u>	<u>\$ 207,107</u>
RATE OF RETURN (PERCENT)	<u>6.67</u>	<u>4.02</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.

WATER UTILITY

MOUNT HOREB WATER UTILITY

WATER UTILITY PLANT
As of and for the Year Ended December 31, 2015

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
SOURCE OF SUPPLY				
Land and land rights	\$ 31,550	\$ -	\$ -	\$ 31,550
Wells and springs	<u>583,486</u>	-	-	<u>583,486</u>
Total Source of Supply	<u>615,036</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	<u>3,375</u>	-	-	<u>3,375</u>
Total Pumping	<u>1,860,895</u>	-	-	<u>1,860,895</u>
WATER TREATMENT				
Water treatment equipment	<u>29,959</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	5,910,871	21,467	400	5,931,938
Services	1,392,553	23,144	2,450	1,413,247
Meters	828,823	65,670	37,343	857,150
Hydrants	787,060	5,815	550	792,325
Other transmission and distribution plant	<u>1,066</u>	-	-	<u>1,066</u>
Total Transmission and Distribution	<u>10,237,808</u>	<u>116,096</u>	<u>40,743</u>	<u>10,313,161</u>
GENERAL				
Structures and improvements	358,816	-	-	358,816
Office furniture and equipment	22,675	-	-	22,675
Computer equipment	54,485	-	-	54,485
Transportation equipment	44,975	41,122	26,760	59,337
Stores equipment	2,135	-	-	2,135
Tools, shop and garage equipment	51,649	4,086	-	55,735
Laboratory equipment	1,932	-	-	1,932
Power-operated equipment	36,864	-	-	36,864
Communication equipment	39,071	-	-	39,071
SCADA equipment	251,080	-	-	251,080
Miscellaneous equipment	<u>8,450</u>	-	-	<u>8,450</u>
Total General	<u>872,132</u>	<u>45,208</u>	<u>26,760</u>	<u>890,580</u>
TOTAL WATER UTILITY PLANT	<u><u>\$ 13,615,830</u></u>	<u><u>\$ 161,304</u></u>	<u><u>\$ 67,503</u></u>	<u><u>\$13,709,631</u></u>

MOUNT HOREB WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 558,383	\$ 546,431
Multifamily residential	22,693	19,594
Commercial	67,339	64,822
Public authorities	20,016	24,306
Bulk water	1,725	2,134
Total Metered Sales	670,156	657,287
Private fire protection	12,481	11,915
Public fire protection	297,997	290,417
Total Sales of Water	980,634	959,619
Other Operating Revenues		
Forfeited discounts	3,525	3,785
Miscellaneous service revenue	54,779	87,309
Total Operating Revenues	1,038,938	1,050,713
OPERATING EXPENSES		
Operation and Maintenance		
Pumping		
Operation labor	28,461	26,174
Fuel or power purchased for pumping	98,773	104,789
Operation supplies	2,459	6,956
Total Pumping	129,693	137,919
Water Treatment		
Chemicals	17,727	20,063
Operation supplies	1,103	25
Total Water Treatment	18,830	20,088
Transmission and Distribution		
Operation supplies	16,315	18,466
Maintenance		
Distribution reservoirs and standpipes	43,137	134,950
Mains	27,125	60,234
Services	51,500	64,537
Meters	5,984	5,332
Hydrants	6,236	6,895
Total Transmission and Distribution	150,297	290,414
Customer Accounts		
Meter reading labor	1,175	1,547
Accounting and collecting labor	40,707	38,417
Total Customer Accounts	41,882	39,964

MOUNT HOREB WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 30,435	\$ 29,841
Office supplies	9,843	12,827
Outside services employed	26,913	25,225
Property insurance	4,446	4,223
Injuries and damages	9,793	7,136
Employee pensions and benefits	55,411	60,922
Regulatory commission	8,124	-
Miscellaneous	14,299	14,365
Transportation	(1,246)	247
Maintenance	1,930	897
Total Administrative and General	<u>159,948</u>	<u>155,683</u>
Taxes	<u>7,353</u>	<u>7,765</u>
Total Operation and Maintenance	508,003	651,833
Depreciation	<u>337,987</u>	<u>334,155</u>
Total Operating Expenses	<u>845,990</u>	<u>985,988</u>
 OPERATING INCOME	 <u>\$ 192,948</u>	 <u>\$ 64,725</u>

MOUNT HOREB WATER UTILITY

RATE OF RETURN - REGULATORY BASIS
For the Years Ended December 31, 2015 and 2014

	Water	
	2015	2014
Utility Financed Plant in Service		
Beginning of year	\$ 6,100,445	\$ 5,740,531
End of year	<u>6,196,083</u>	<u>6,100,445</u>
Average	<u>6,148,264</u>	<u>5,920,488</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(2,289,052)	(2,138,648)
End of year	<u>(2,441,293)</u>	<u>(2,289,052)</u>
Average	<u>(2,365,173)</u>	<u>(2,213,850)</u>
Materials and Supplies		
Beginning of year	14,181	13,853
End of year	<u>14,635</u>	<u>14,181</u>
Average	<u>14,408</u>	<u>14,017</u>
Regulatory Liability		
Beginning of year	(199,013)	(221,125)
End of year	<u>(176,901)</u>	<u>(199,013)</u>
Average	<u>(187,957)</u>	<u>(210,069)</u>
AVERAGE NET RATE BASE	<u>\$ 3,609,542</u>	<u>\$ 3,510,586</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 135,304</u>	<u>\$ 843</u>
RATE OF RETURN (PERCENT)	<u>3.75</u>	<u>0.02</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.

SEWER UTILITY

MOUNT HOREB SEWER UTILITY

SEWER UTILITY PLANT
As of and for the Year Ended December 31, 2015

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
COLLECTING SYSTEM				
Land and land rights	\$ 8,550	\$ -	\$ -	\$ 8,550
Service connections	251,949	-	-	251,949
Collecting mains	6,712,586	22,874	4,000	6,731,460
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>8,570,011</u>	<u>22,874</u>	<u>4,000</u>	<u>8,588,885</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	1,395,446	64,093	27,900	1,431,639
Miscellaneous pumping equipment	<u>85,916</u>	<u>-</u>	<u>-</u>	<u>85,916</u>
Total Collecting System Pumping	<u>2,122,822</u>	<u>64,093</u>	<u>27,900</u>	<u>2,159,015</u>
TREATMENT AND DISPOSAL				
Land and land rights	900	-	-	900
Structures and improvements	1,189,590	-	-	1,189,590
Preliminary treatment equipment	1,884,647	-	-	1,884,647
Primary treatment equipment	159,984	-	-	159,984
Secondary treatment equipment	1,339,462	6,769	4,600	1,341,631
Advanced treatment equipment	695,897	-	-	695,897
Chlorination equipment	77,584	-	-	77,584
Sludge treatment and disposal equipment	593,596	-	-	593,596
Plant site piping	607,465	-	-	607,465
Flow metering and monitoring equipment	42,647	-	-	42,647
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>6,964,829</u>	<u>6,769</u>	<u>4,600</u>	<u>6,966,998</u>
GENERAL				
Structures and improvements	254,145	-	-	254,145
Office furniture and equipment	18,961	-	-	18,961
Computer equipment	67,734	-	-	67,734
Transportation equipment	421,426	-	-	421,426
Other general equipment	113,666	-	-	113,666
Laboratory equipment	<u>15,394</u>	<u>-</u>	<u>-</u>	<u>15,394</u>
Total General	<u>891,326</u>	<u>-</u>	<u>-</u>	<u>891,326</u>
TOTAL SEWER UTILITY PLANT	<u><u>\$18,548,988</u></u>	<u><u>\$ 93,736</u></u>	<u><u>\$ 36,500</u></u>	<u><u>\$18,606,224</u></u>

MOUNT HOREB SEWER UTILITY

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 1,464,020	\$ 1,462,363
Commercial	259,370	245,783
Public authorities	40,792	44,297
Other	2,973	3,316
Total Sewer Revenues	1,767,155	1,755,759
Other Operating Revenues		
Forfeited discounts	6,952	7,582
Rent from sewer property	6,574	5,690
Miscellaneous	1,995	312
Total Operating Revenues	1,782,676	1,769,343
 OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	20,123	20,614
Power and fuel for pumping	114,839	116,953
Treatment charges	29,884	35,653
Chlorine	1,657	729
Phosphorous removal chemicals	25,473	20,166
Other chemicals	-	706
Laboratory expenses	31,561	38,991
Other operating supplies	2,109	2,490
Joint metering costs	59,253	59,134
Transportation	11,781	11,936
Rents	9,060	9,060
Total Operation	305,740	316,432
Maintenance		
Collection system	34,272	63,026
Pumping equipment	39,723	51,258
Treatment and disposal plant equipment	76,139	69,592
General plant structures and equipment	62,010	55,828
Total Maintenance	212,144	239,704
Customer Accounts		
Accounting and collecting	45,145	42,699
Meter reading	1,175	1,547
Total Customer Accounts	46,320	44,246

MOUNT HOREB SEWER UTILITY

SEWER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 20,232	\$ 23,070
Office supplies	12,901	13,945
Outside services employed	23,331	25,738
Insurance	24,690	20,799
Employees pensions and benefits	118,747	134,174
Regulatory commission	4,623	3,455
Miscellaneous	8,806	9,947
Total Administrative and General	<u>213,330</u>	<u>231,128</u>
Taxes	<u>23,233</u>	<u>22,942</u>
Total Operation and Maintenance	800,767	854,452
Depreciation	<u>528,789</u>	<u>494,991</u>
Total Operating Expenses	<u>1,329,556</u>	<u>1,349,443</u>
 OPERATING INCOME	 <u>\$ 453,120</u>	 <u>\$ 419,900</u>