

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, 2019 and 2018

MOUNT HOREB UTILITIES

Enterprise Funds of the Village of Mount Horeb, Wisconsin

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MOUNT HOREB UTILITIES

Enterprise Funds of the Village of Mount Horeb, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the Utility Commission
Mount Horeb Utilities
Mount Horeb, Wisconsin

We have audited the accompanying financial statements of Mount Horeb Utilities, enterprise funds of the Village of Mount Horeb, Wisconsin, as of and for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only 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, 2019 and 2018 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information as listed in the table of contents 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 Tilly Virchow Krause, LLP

Madison, Wisconsin
May 21, 2020

ELECTRIC UTILITY

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and investments	\$ 751,454	\$ 923,579
Interest receivable	29	573
Restricted Assets		
Redemption account	-	115,264
Customer accounts receivable	444,152	427,668
Other accounts receivable	13,042	17,149
Due from municipality	1,724	13,160
Materials and supplies	123,105	132,599
Current portion of advance	-	<u>27,000</u>
Total Current Assets	<u>1,333,506</u>	<u>1,656,992</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	-	55,747
Depreciation account	1,786,974	1,559,430
Net pension asset	-	90,428
Capital Assets		
Plant in service	15,465,519	15,119,171
Accumulated depreciation	<u>(9,107,919)</u>	<u>(8,768,882)</u>
Total Noncurrent Assets	<u>8,144,574</u>	<u>8,055,894</u>
Total Assets	<u>9,478,080</u>	<u>9,712,886</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advance refunding	701	1,553
Deferred outflows related to pension	<u>293,279</u>	<u>166,198</u>
Total Deferred Outflows of Resources	<u>293,980</u>	<u>167,751</u>

LIABILITIES		<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES			
Accounts payable		\$ 391,432	\$ 412,148
Due to municipality		376,498	333,783
Accrued interest		1,219	1,782
Commitment to community		16,342	11,577
Current portion of general obligation debt		100,000	100,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		-	135,000
Accrued interest		-	1,391
Total Current Liabilities		<u>885,491</u>	<u>995,681</u>
NONCURRENT LIABILITIES			
General obligation debt		100,000	200,000
Unamortized debt premium		1,705	3,776
Customer advances for construction		7,520	-
Net pension liability		<u>105,336</u>	<u>-</u>
Total Noncurrent Liabilities		<u>214,561</u>	<u>203,776</u>
Total Liabilities		<u>1,100,052</u>	<u>1,199,457</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>150,810</u>	<u>180,131</u>
NET POSITION			
Net investment in capital assets		6,156,596	5,913,066
Restricted for:			
Debt service		-	169,620
Depreciation		1,786,974	1,559,430
Pension		-	90,428
Unrestricted		<u>577,628</u>	<u>768,505</u>
TOTAL NET POSITION		<u>\$ 8,521,198</u>	<u>\$ 8,501,049</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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of electricity	\$ 5,955,783	\$ 6,225,427
Other	<u>45,642</u>	<u>82,245</u>
Total Operating Revenues	<u>6,001,425</u>	<u>6,307,672</u>
OPERATING EXPENSES		
Operation and maintenance	5,369,448	5,427,638
Depreciation	<u>458,542</u>	<u>476,742</u>
Total Operating Expenses	<u>5,827,990</u>	<u>5,904,380</u>
OPERATING INCOME	<u>173,435</u>	<u>403,292</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	70,149	49,323
Interest expense	(9,615)	(17,222)
Amortization of premium	2,071	2,826
Amortization of loss on advance refunding	<u>(852)</u>	<u>(1,162)</u>
Total Nonoperating Revenues (Expenses)	<u>61,753</u>	<u>33,765</u>
Income Before Contributions and Transfers	235,188	437,057
CAPITAL CONTRIBUTIONS	27,789	86,675
CAPITAL CONTRIBUTIONS - MUNICIPAL	-	25,160
TRANSFER IN (OUT)	(40,000)	(50,000)
TRANSFERS - TAX EQUIVALENT	<u>(202,828)</u>	<u>(199,093)</u>
CHANGE IN NET POSITION	20,149	299,799
NET POSITION - Beginning of Year	<u>8,501,049</u>	<u>8,201,250</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,521,198</u></u>	<u><u>\$ 8,501,049</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB ELECTRIC UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 5,872,038	\$ 6,136,802
Received from municipality for services	133,211	136,371
Paid to suppliers for goods and services	(4,803,158)	(4,978,248)
Paid to employees for operating payroll	(470,877)	(413,277)
Net Cash Flows From Operating Activities	731,214	881,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(199,093)	(197,876)
Transfers to other funds	-	(50,000)
Repayment of advances to other funds	28,114	28,180
Net Cash Flows From Noncapital Financing Activities	(170,979)	(219,696)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(534,146)	(379,643)
Capital contributions received	35,309	86,675
Debt retired	(235,000)	(230,000)
Interest paid	(11,569)	(19,086)
Net Cash Flows From Capital and Related Financing Activities	(745,406)	(542,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments sold and matured	62,934	174,998
Investment income	68,959	47,535
Net Cash Flows From Investing Activities	131,893	222,533
Net Change in Cash and Cash Equivalents	(53,278)	342,431
CASH AND CASH EQUIVALENTS - Beginning of Year	2,579,599	2,237,168
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,526,321	\$ 2,579,599
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES		
Municipality financed additions to utility plant	\$ -	\$ 25,160
Unrealized gain / (loss) on investments	\$ 620	\$ 210

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 173,435	\$ 403,292
Noncash items in operating income		
Depreciation	458,542	476,742
Depreciation charged to clearing and other utilities	68,293	64,038
Changes in assets and liabilities		
Customer accounts receivable	(16,484)	(36,214)
Other accounts receivable	4,107	(5,822)
Due from other funds	11,436	2,232
Materials and supplies	9,494	(12,516)
Pension related deferrals and liabilities	39,362	6,758
Accounts payable	(20,716)	(42,431)
Due to other funds	(1,020)	20,264
Commitment to community	<u>4,765</u>	<u>5,305</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 731,214</u>	<u>\$ 881,648</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 751,454	\$ 923,579
Redemption account	-	115,264
Reserve account	-	55,747
Depreciation account	<u>1,786,974</u>	<u>1,559,430</u>
Total Cash and Investments	2,538,428	2,654,020
Less: Noncash equivalents	<u>(12,107)</u>	<u>(74,421)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,526,321</u>	<u>\$ 2,579,599</u>

See accompanying notes to the financial statements.

WATER UTILITY

MOUNT HOREB WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

	ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and investments		\$ 843,473	\$ 851,294
Restricted Assets			
Redemption account		108,353	107,189
Customer accounts receivable		88,108	85,686
Other accounts receivable		4,147	25,281
Due from municipality		1,420	507
Due from sewer utility		63,441	59,490
Materials and supplies		15,677	14,337
Total Current Assets		<u>1,124,619</u>	<u>1,143,784</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		162,161	158,053
Depreciation account		129,995	79,277
Net pension asset		-	36,167
Capital Assets			
Plant in service		14,604,090	14,514,959
Accumulated depreciation		<u>(5,685,823)</u>	<u>(5,334,975)</u>
Total Noncurrent Assets		<u>9,210,423</u>	<u>9,453,481</u>
Total Assets		<u>10,335,042</u>	<u>10,597,265</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension		<u>116,270</u>	<u>66,281</u>

		<u>2019</u>	<u>2018</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		\$ 17,579	\$ 56,269
Due to municipality		247,918	245,558
Accrued interest		-	557
Current portion of advances		-	27,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		155,000	150,000
Accrued interest		<u>4,825</u>	<u>5,046</u>
Total Current Liabilities		<u>425,322</u>	<u>484,430</u>
NONCURRENT LIABILITIES			
Revenue bonds		1,010,000	1,165,000
Unamortized debt premium		10,458	13,265
Customer deposits		12,853	12,528
Net pension liability		<u>44,937</u>	<u>-</u>
Total Noncurrent Liabilities		<u>1,078,248</u>	<u>1,190,793</u>
Total Liabilities		<u>1,503,570</u>	<u>1,675,223</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>59,660</u>	<u>75,844</u>
NET POSITION			
Net investment in capital assets		7,904,970	8,009,772
Restricted for:			
Debt service		103,528	102,143
Depreciation		129,995	79,277
Pension		-	36,167
Unrestricted		<u>749,589</u>	<u>685,120</u>
TOTAL NET POSITION		<u><u>\$ 8,888,082</u></u>	<u><u>\$ 8,912,479</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of water	\$ 1,129,161	\$ 1,134,423
Other	<u>56,877</u>	<u>63,426</u>
Total Operating Revenues	<u>1,186,038</u>	<u>1,197,849</u>
OPERATING EXPENSES		
Operation and maintenance	674,759	602,132
Depreciation	<u>349,068</u>	<u>346,328</u>
Total Operating Expenses	<u>1,023,827</u>	<u>948,460</u>
OPERATING INCOME	<u>162,211</u>	<u>249,389</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	32,148	22,346
Interest expense	(30,229)	(33,773)
Amortization of premium	<u>2,807</u>	<u>3,084</u>
Total Nonoperating Revenues (Expenses)	<u>4,726</u>	<u>(8,343)</u>
Income Before Contributions and Transfers	166,937	241,046
CAPITAL CONTRIBUTIONS	3,000	-
CAPITAL CONTRIBUTIONS - IMPACT FEES	35,728	52,896
CAPITAL CONTRIBUTIONS - MUNICIPAL	5,050	129,058
TRANSFER IN (OUT)	-	3,042
TRANSFERS - TAX EQUIVALENT	<u>(235,112)</u>	<u>(234,614)</u>
CHANGE IN NET POSITION	(24,397)	191,428
NET POSITION - Beginning of Year	<u>8,912,479</u>	<u>8,721,051</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,888,082</u></u>	<u><u>\$ 8,912,479</u></u>

See accompanying notes to the financial statements.

MOUNT HOREB WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,227,905	\$ 1,145,008
Paid to suppliers for goods and services	(438,870)	(448,323)
Paid to employees for operating payroll	(200,450)	(194,850)
Net Cash Flows From Operating Activities	588,585	501,835
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(234,614)	(233,402)
Transfers from other funds	-	3,042
Net Cash Flows From Noncapital Financing Activities	(234,614)	(230,360)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(165,671)	(132,784)
Capital contributions received	35,728	52,896
Repayment of capital related advances	(27,000)	(26,000)
Debt retired	(150,000)	(150,000)
Interest paid	(31,007)	(34,540)
Net Cash Flows From Capital and Related Financing Activities	(337,950)	(290,428)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	32,148	22,346
Net Change in Cash and Cash Equivalents	48,169	3,393
CASH AND CASH EQUIVALENTS - Beginning of Year	1,195,813	1,192,420
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,243,982	\$ 1,195,813
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 3,000	\$ -
Municipality financed additions to utility plant	\$ 5,050	\$ 129,058

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 162,211	\$ 249,389
Noncash items in operating income		
Depreciation	349,068	346,328
Depreciation charged to clearing and other utilities	37,766	36,168
Changes in assets and liabilities		
Customer accounts receivable	(2,422)	(97)
Other accounts receivable	21,134	(21,786)
Due from other funds	(4,864)	(57,508)
Materials and supplies	(1,340)	(573)
Pension related deferrals and liabilities	14,931	739
Accounts payable	9,914	(55,106)
Due to other funds	1,862	4,043
Customer deposits	<u>325</u>	<u>238</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 588,585</u>	<u>\$ 501,835</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 843,473	\$ 851,294
Redemption account	108,353	107,189
Reserve account	162,161	158,053
Depreciation account	<u>129,995</u>	<u>79,277</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,243,982</u>	<u>\$ 1,195,813</u>

See accompanying notes to the financial statements.

SEWER UTILITY

MOUNT HOREB SEWER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

	ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and investments		\$ 538,960	\$ 633,132
Restricted Assets			
Redemption account		592,089	487,516
Customer accounts receivable		203,227	196,985
Other accounts receivable		2,034	605
Due from municipality		<u>2,983</u>	<u>13,662</u>
Total Current Assets		<u>1,339,293</u>	<u>1,331,900</u>
NONCURRENT ASSETS			
Restricted Assets			
Replacement account		521,327	357,546
Net pension asset		-	64,074
Other Assets			
Depreciation account		534,293	414,052
Capital Assets			
Plant in service		37,157,392	18,460,871
Accumulated depreciation		(8,277,874)	(8,120,923)
Construction work in progress		<u>-</u>	<u>16,505,176</u>
Total Noncurrent Assets		<u>29,935,138</u>	<u>27,680,796</u>
Total Assets		<u>31,274,431</u>	<u>29,012,696</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension		<u>199,272</u>	<u>116,687</u>

LIABILITIES		<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES			
Accounts payable		\$ 260,940	\$ 681,908
Due to municipality		20,461	17,235
Due to water utility		63,441	59,490
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		789,484	647,852
Accrued interest		<u>50,657</u>	<u>43,079</u>
Total Current Liabilities		<u>1,184,983</u>	<u>1,449,564</u>
NONCURRENT LIABILITIES			
Revenue bonds		15,415,372	13,489,208
Net pension liability		<u>75,767</u>	<u>-</u>
Total Noncurrent Liabilities		<u>15,491,139</u>	<u>13,489,208</u>
Total Liabilities		<u>16,676,122</u>	<u>14,938,772</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>105,118</u>	<u>132,436</u>
NET POSITION			
Net investment in capital assets		12,526,399	12,100,516
Restricted for:			
Debt service		541,432	444,437
Equipment replacement		521,327	357,546
Pension		-	64,074
Unrestricted		<u>1,103,305</u>	<u>1,091,602</u>
TOTAL NET POSITION		<u><u>\$ 14,692,463</u></u>	<u><u>\$ 14,058,175</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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Treatment charges	\$ 2,402,552	\$ 2,282,071
Other	11,071	20,313
Total Operating Revenues	2,413,623	2,302,384
OPERATING EXPENSES		
Operation and maintenance	975,017	935,417
Depreciation	720,901	504,968
Total Operating Expenses	1,695,918	1,440,385
OPERATING INCOME	717,705	861,999
NONOPERATING REVENUES (EXPENSES)		
Investment income	55,914	35,694
Interest expense	(275,658)	(199,165)
Total Nonoperating Revenues (Expenses)	(219,744)	(163,471)
Income Before Contributions	497,961	698,528
CAPITAL CONTRIBUTIONS - CONNECTION FEES	31,900	56,165
CAPITAL CONTRIBUTIONS - MUNICIPAL	104,427	60,872
CHANGE IN NET POSITION	634,288	815,565
NET POSITION - Beginning of Year	14,058,175	13,242,610
NET POSITION - END OF YEAR	\$ 14,692,463	\$ 14,058,175

See accompanying notes to the financial statements.

MOUNT HOREB SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,416,631	\$ 2,251,293
Paid to suppliers for goods and services	(567,942)	(558,965)
Paid to employees for operating payroll	(331,644)	(336,221)
Net Cash Flows From Operating Activities	<u>1,517,045</u>	<u>1,356,107</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,110,152)	(8,999,144)
Capital contributions received	31,900	56,165
Debt retired	(678,871)	(367,927)
Interest paid	(268,080)	(165,705)
Proceeds from debt issue	<u>2,746,667</u>	<u>9,368,594</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,278,536)</u>	<u>(108,017)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>55,914</u>	<u>35,694</u>
Net Change in Cash and Cash Equivalents	294,423	1,283,784
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,892,246</u>	<u>608,462</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,186,669</u>	<u>\$ 1,892,246</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Municipality financed additions to utility plant	<u>\$ 104,427</u>	<u>\$ 60,872</u>

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 717,705	\$ 861,999
Noncash items in operating income		
Depreciation	720,901	504,968
Changes in assets and liabilities		
Customer accounts receivable	(6,242)	(46,664)
Other accounts receivable	(1,429)	918
Due from other funds	10,679	(5,345)
Pension related deferrals and liabilities	29,938	3,590
Accounts payable	38,316	(28,681)
Due to other funds	<u>7,177</u>	<u>65,322</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,517,045</u>	<u>\$ 1,356,107</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 538,960	\$ 633,132
Redemption account	592,089	487,516
Replacement account	521,327	357,546
Depreciation account	<u>534,293</u>	<u>414,052</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,186,669</u>	<u>\$ 1,892,246</u>

See accompanying notes to the financial statements.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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.

In March 2018, the GASB issued Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The utilities adopted this statement effective January 1, 2019.

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

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

Deposits and Investments

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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

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

Deposits and Investments (cont.)

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

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

The utilities have the right under Wisconsin statutes to place delinquent electric, water, and 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, 2019 and 2018

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.

Capital Assets

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

Capital assets of the utilities are recorded at cost or the estimated acquisition value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. 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.

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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

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

Customer Advances for Construction

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

Commitment to Community

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

Long-Term Obligations

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

Deferred Inflows of Resources

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

REVENUES AND EXPENSES

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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

REVENUES AND EXPENSES (cont.)

Charges for Services

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

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

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

Current sewer rates were approved by the utility commission on and became effective May of 2018.

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. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus*, Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. When they become effective, application of these standards may restate portions of these financial statements.

These statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2019	2018	
Checking and money market	\$ 5,956,447	\$ 5,667,133	Custodial credit risk
State and local bonds	12,107	74,421	Credit, custodial credit, concentration of credit, interest rate risk
Cash on hand	525	525	Not applicable
Totals	\$ 5,969,079	\$ 5,742,079	

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

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

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

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$25,000,000 and \$25,000,000 at December 31, 2019 and 2018 respectively.

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

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

Custodial Credit Risk

Deposits

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

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

	2019		2018	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Local and area banks	\$ 5,956,448	\$ 5,956,448	\$ 5,762,252	\$ 5,667,133

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 with the same counterparties as the municipality. The following is a summary of the these investment balances disclosed by type.

	2019		2018	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
State and Local bonds	\$ 12,107	\$ 12,107	\$ 74,421	\$ 74,421

Credit Risk

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

At December 31, 2019, the village's various state and local bonds commingled with the utilities were rated Aa2 by Moody's Investment Services.

At December 31, 2018, the village's various state and local bonds commingled with the utilities were rated AA by Standard and Poor's and Aa2 by Moody's Investment Services.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

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, 2019 and 2018, the utilities' investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2019	2018
Ashwaubenon CDA Lease Bonds	State and Local Bonds	100.00%	17.00%
West DePere School Dist Bonds	State and Local Bonds	-%	17.00%
Milwaukee County GO Bonds	State and Local Bonds	-%	66.00%

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, 2019, 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	\$ 12,107	\$ 12,107	\$ -	\$ -

As of December 31, 2018, 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	\$ 74,421	\$ 62,934	\$ 11,487	\$ -

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, 2019 and 2018

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2019 and 2018:

Due To	Due From	2019		2018	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric, Water and Sewer	644,877	Tax equivalent, accrued payroll	596,576	Tax equivalent, accrued payroll
Electric, Water and Sewer	Municipality	6,127	Tax roll	27,329	Tax roll
Water	Sewer	63,441	Joint metering allocation	59,490	Joint metering allocation

The following is a schedule of transfer balances for the years ending December 31, 2019 and 2018:

To	From	2019		2018	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric	\$ 202,828	Tax Equivalent	\$ 199,093	Tax Equivalent
Municipality	Water	235,112	Tax Equivalent	234,614	Tax Equivalent
Municipality	Electric	40,000	Economic development	50,000	Economic development
Water	Municipality	-		3,042	Contribution for repair

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.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 - RESTRICTED ASSETS (cont.)

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Restricted Net Position

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

	<u>2019</u>	<u>2018</u>
Restricted Assets		
Redemption account	\$ -	\$ 115,264
Reserve account	-	55,747
Depreciation account	1,786,974	1,559,430
Net pension asset	-	90,428
Total Restricted Assets	<u>1,786,974</u>	<u>1,820,869</u>
Current Liabilities Payable From Restricted Assets	<u>-</u>	<u>(1,391)</u>
Total Restricted Net Position as Calculated	<u>\$ 1,786,974</u>	<u>\$ 1,819,478</u>

The purpose of the restricted net position is as follows:

	<u>2019</u>	<u>2018</u>
Debt service	\$ -	\$ 169,620
Depreciation	1,786,974	1,559,430
Pension	<u>-</u>	<u>90,428</u>
Total Restricted Net Position	<u>\$ 1,786,974</u>	<u>\$ 1,819,478</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 4 - RESTRICTED ASSETS (cont.)

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

	2019	2018
Restricted Assets		
Redemption account	\$ 108,353	\$ 107,189
Reserve account	162,161	158,053
Depreciation account	129,995	79,277
Net pension asset	-	36,167
Total Restricted Assets	400,509	380,686
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(162,161)	(158,053)
Current Liabilities Payable From Restricted Assets	(4,825)	(5,046)
Total Restricted Net Position as Calculated	\$ 233,523	\$ 217,587

The purpose of the restricted net position is as follows:

	2019	2018
Debt service	\$ 103,528	\$ 102,143
Depreciation	129,995	79,277
Pension	-	36,167
Total Restricted Net Position	\$ 233,523	\$ 217,587

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

	2019	2018
Restricted Assets		
Redemption account	\$ 592,089	\$ 487,516
Replacement account	521,327	357,546
Net pension asset	-	64,074
Total Restricted Assets	1,113,416	909,136
Current Liabilities Payable From Restricted Assets	(50,657)	(43,079)
Total Restricted Net Position as Calculated	\$ 1,062,759	\$ 866,057

The purpose of the restricted net position is as follows:

	2019	2018
Debt service	\$ 541,432	\$ 444,437
Equipment replacement	521,327	357,546
Pension	-	64,074
Total Restricted Net Position	\$ 1,062,759	\$ 866,057

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 5 - ADVANCES TO OTHER FUNDS

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2019
8/19/09	Advance from electric utility to water utility for utility garage construction	10/1/19	2.50 - 4.13%	\$ 226,000	\$ -

The advance from the electric utility to the water utility was paid off in 2019.

NOTE 6 - CHANGES IN CAPITAL ASSETS

Electric Utility

A summary of changes in electric capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Capital assets, not being depreciated				
Land and land rights	\$ 52,269	\$ -	\$ -	\$ 52,269
Capital assets being depreciated				
Distribution	12,331,924	335,216	64,263	12,602,877
General	2,734,978	221,197	145,802	2,810,373
Total Capital Assets Being Depreciated	15,066,902	556,413	210,065	15,413,250
Total Capital Assets	15,119,171	556,413	210,065	15,465,519
Less: Accumulated depreciation	(8,768,882)	(550,167)	211,130	(9,107,919)
Net Capital Assets	\$ 6,350,289			\$ 6,357,600

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Electric Utility (cont.)

A summary of changes in electric capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 52,269	\$ -	\$ -	\$ 52,269
Capital assets being depreciated				
Distribution	11,948,988	441,690	58,754	12,331,924
General	2,708,243	40,390	13,655	2,734,978
Total Capital Assets Being Depreciated	14,657,231	482,080	72,409	15,066,902
Total Capital Assets	14,709,500	482,080	72,409	15,119,171
Less: Accumulated depreciation	(8,259,863)	(589,179)	80,160	(8,768,882)
Construction in progress	37,677	21,193	58,870	-
Net Capital Assets	\$ 6,487,314			\$ 6,350,289

Water Utility

A summary of changes in water capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
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	11,053,812	123,546	34,643	11,142,715
General	923,857	1,571	1,343	924,085
Total Capital Assets Being Depreciated	14,452,009	125,117	35,986	14,541,140
Total Capital Assets	14,514,959	125,117	35,986	14,604,090
Less: Accumulated depreciation	(5,334,975)	(386,834)	35,986	(5,685,823)
Net Capital Assets	\$ 9,179,984			\$ 8,918,267

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

A summary of changes in water capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
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	10,884,658	220,815	51,661	11,053,812
General	909,128	31,585	16,856	923,857
Total Capital Assets Being Depreciated	14,268,126	252,400	68,517	14,452,009
Total Capital Assets	14,331,076	252,400	68,517	14,514,959
Less: Accumulated depreciation	(5,013,010)	(390,482)	68,517	(5,334,975)
Net Capital Assets	\$ 9,318,066			\$ 9,179,984

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

A summary of changes in sewer capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Capital assets, not being depreciated				
Land and land rights	\$ 969,622	\$ -	\$ -	\$ 969,622
Capital assets being depreciated				
Collecting system	8,939,855	104,427	3,007	9,041,275
Collecting system pumping	2,129,570	6,860	-	2,136,430
Treatment and disposal	5,420,869	-	560,943	4,859,926
General	903,781	-	-	903,781
Completed construction not classified	97,174	19,149,184	-	19,246,358
Total Capital Assets Being Depreciated	17,491,249	19,260,471	563,950	36,187,770
Total Capital Assets	18,460,871	19,260,471	563,950	37,157,392
Less: Accumulated depreciation	(8,120,923)	(720,901)	563,950	(8,277,874)
Construction in progress	16,505,176	2,644,008	19,149,184	-
Net Capital Assets	\$ 26,845,124			\$ 28,879,518

A summary of changes in sewer capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 969,622	\$ -	\$ -	\$ 969,622
Capital assets being depreciated				
Collecting system	8,879,857	60,872	874	8,939,855
Collecting system pumping	2,129,570	-	-	2,129,570
Treatment and disposal	6,686,148	-	1,265,279	5,420,869
General	903,781	-	-	903,781
Completed construction not classified	97,174	-	-	97,174
Total Capital Assets Being Depreciated	18,696,530	60,872	1,266,153	17,491,249
Total Capital Assets	19,666,152	60,872	1,266,153	18,460,871
Less: Accumulated depreciation	(8,882,108)	(504,968)	1,266,153	(8,120,923)
Construction in progress	8,715,950	7,789,226	-	16,505,176
Net Capital Assets	\$ 19,499,994			\$ 26,845,124

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS

Revenue Debt - Electric Utility

The following bonds have been issued:

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

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 2019 and 2018 were \$140,569 and \$140,898, respectively. Total customer gross revenues as defined for the same periods were \$6,071,574 and \$6,356,995. All of the electric revenue debt was paid off during 2019 and thus does not have any future revenues pledged for its repayment.

Revenue Debt - Water Utility

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
6/17/15	Refund the 2006 water revenue bonds	5/1/26	2.00 - 3.00%	\$ 1,765,000	\$ 1,165,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
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 - 2026	<u>355,000</u>	<u>10,725</u>	<u>365,725</u>
Totals	<u>\$ 1,165,000</u>	<u>\$ 113,425</u>	<u>\$ 1,278,425</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 2019 and 2018 were \$180,450 and \$183,450, respectively. Total customer gross revenues as defined for the same periods were \$1,253,914 and \$1,273,091. Annual principal and interest payments are expected to require 15% of gross revenues on average.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Revenue Debt - Sewer Utility

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
9/25/13	Improvements to the wastewater treatment plant	5/1/33	2.63%	\$ 1,685,220	\$ 1,320,611 * (1)
12/31/17	Improvements to the wastewater treatment plant (Additional drawn upon in 2019)	5/1/37	1.76	13,031,858	14,884,245 * (1)

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

- (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, 2019. The repayment schedule is for the amount issued.
- During 2017 the utility was authorized to issue \$16,750,650 of sewer system Clean Water Fund revenue bonds. The original amount reported above has been issued as of December 31, 2019. The repayment schedule is for the amount issued.

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Direct Placement		
	Principal	Interest	Total
2020	\$ 789,484	\$ 287,538	\$ 1,077,022
2021	804,043	274,206	1,078,249
2022	818,876	259,234	1,078,110
2023	833,988	243,979	1,077,967
2024	849,385	228,437	1,077,822
2025-2029	4,488,231	898,605	5,386,836
2030-2034	4,805,190	465,130	5,270,320
2035-2037	2,815,659	74,781	2,890,440
Totals	<u>\$ 16,204,856</u>	<u>\$ 2,731,910</u>	<u>\$ 18,936,766</u>

All utility revenues are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2019 and 2018 were \$946,951 and \$533,632, respectively. Total customer gross revenues as defined for the same periods were \$2,501,437 and \$2,394,243. Annual principal and interest payments are expected to require 42% of gross revenues on average.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Electric Utility

The following general obligation bonds and notes have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
6/19/13	Refund the 2002 electric system revenue bonds	4/1/21	1.00 - 2.50%	\$ 805,000	\$ 200,000

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

Year Ending December 31	Principal	Interest	Total
2020	\$ 100,000	\$ 4,874	\$ 104,874
2021	100,000	2,500	102,500
Totals	<u>\$ 200,000</u>	<u>\$ 7,374</u>	<u>\$ 207,374</u>

Long-Term Obligations Summary - Electric Utility

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	1/1/19 Balance	Additions	Reductions	12/31/19 Balance	Due Within One Year
Revenue bonds	\$ 135,000	\$ -	\$ 135,000	\$ -	\$ -
General obligation debt	300,000	-	100,000	200,000	100,000
Customer advances for construction	-	7,520	-	7,520	-
Unamortized debt premium	<u>3,776</u>	<u>-</u>	<u>2,071</u>	<u>1,705</u>	<u>-</u>
Totals	<u>\$ 438,776</u>	<u>\$ 7,520</u>	<u>\$ 237,071</u>	<u>\$ 209,225</u>	<u>\$ 100,000</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

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

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	<u>1/1/18</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 265,000	\$ -	\$ 130,000	\$ 135,000	\$ 135,000
General obligation debt	400,000	-	100,000	300,000	100,000
Unamortized debt premium	<u>6,602</u>	<u>-</u>	<u>2,826</u>	<u>3,776</u>	<u>-</u>
Totals	<u>\$ 671,602</u>	<u>\$ -</u>	<u>\$ 232,826</u>	<u>\$ 438,776</u>	<u>\$ 235,000</u>

Long-Term Obligations Summary - Water Utility

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,315,000	\$ -	\$ 150,000	\$ 1,165,000	\$ 155,000
Advance from municipality	27,000	-	27,000	-	-
Customer deposits	12,528	325	-	12,853	-
Unamortized premium	<u>13,265</u>	<u>-</u>	<u>2,807</u>	<u>10,458</u>	<u>-</u>
Totals	<u>\$ 1,367,793</u>	<u>\$ 325</u>	<u>\$ 179,807</u>	<u>\$ 1,188,311</u>	<u>\$ 155,000</u>

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	<u>1/1/18</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,465,000	\$ -	\$ 150,000	\$ 1,315,000	\$ 150,000
Advance from municipality	53,000	-	26,000	27,000	27,000
Customer deposits	12,290	238	-	12,528	-
Unamortized premium	<u>16,349</u>	<u>-</u>	<u>3,084</u>	<u>13,265</u>	<u>-</u>
Totals	<u>\$ 1,546,639</u>	<u>\$ 238</u>	<u>\$ 179,084</u>	<u>\$ 1,367,793</u>	<u>\$ 177,000</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Sewer Utility

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 14,137,060	\$ 2,746,667	\$ 678,871	\$ 16,204,856	\$ 789,484
Totals	<u>\$ 14,137,060</u>	<u>\$ 2,746,667</u>	<u>\$ 678,871</u>	<u>\$ 16,204,856</u>	<u>\$ 789,484</u>

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	<u>1/1/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 5,136,393	\$ 9,368,594	\$ 367,927	\$ 14,137,060	\$ 647,852
Totals	<u>\$ 5,136,393</u>	<u>\$ 9,368,594</u>	<u>\$ 367,927</u>	<u>\$ 14,137,060</u>	<u>\$ 647,852</u>

In addition to the liabilities above, information on the net pension liability (asset) for electric, water, and sewer utilities is provided in Note 9.

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, 2019:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
<i>League of Wisconsin Municipalities Mutual Insurance</i>		
General Liability	\$ 3,000,000	1/1/2020
Personal and Advertising Injury and Law Enforcement	3,000,000	1/1/2020
Premises medical payments	10,000	1/1/2020
Workers Compensation	2,000,000	1/1/2020
Public Officials Errors and Omissions	3,000,000	1/1/2020
Damage to Premises Rented to You	250,000	1/1/2020

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers and Billed Volumes - Electric

The utility has the following number of customers and billed volumes for 2019 and 2018:

	Customers		Sales (000 kWh)	
	2019	2018	2019	2018
Residential	3,397	3,366	28,238	29,170
General	473	485	8,868	9,899
Small power	48	46	13,216	12,371
Large power	6	6	4,200	4,059
Street and highway lighting	109	108	606	585
Yard lights	59	59	43	43
Totals	<u>4,092</u>	<u>4,070</u>	<u>55,171</u>	<u>56,127</u>

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2019 and 2018:

	Customers		Sales (000 gals)	
	2019	2018	2019	2018
Residential	2,705	2,661	110,728	113,018
Multifamily residential	31	30	7,189	6,767
Commercial	179	177	18,157	17,969
Industrial	903	899	4,164	5,430
Public authority	38	40	3,805	4,272
Totals	<u>3,856</u>	<u>3,807</u>	<u>144,043</u>	<u>147,456</u>

Utility Budget

The 2019 and 2018 utility budgets were prepared and approved as required by the bond resolutions.

The debt coverage requirement was met for all utilities at December 31, 2019 and 2018.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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>2019</u>	<u>2018</u>
Plant in service	\$ 15,465,519	\$ 15,119,171
Accumulated depreciation	<u>(9,107,919)</u>	<u>(8,768,882)</u>
Sub-Totals	<u>6,357,600</u>	<u>6,350,289</u>
Less: Capital related debt		
Current portion of capital related long-term debt	100,000	235,000
Long-term portion of capital related long-term debt	100,000	200,000
Unamortized debt premium	1,705	3,776
Unamortized loss on advance refunding	<u>(701)</u>	<u>(1,553)</u>
Sub-Totals	<u>201,004</u>	<u>437,223</u>
Total Net Investment in Capital Assets	<u>\$ 6,156,596</u>	<u>\$ 5,913,066</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 8 - NET POSITION (cont.)

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

	2019	2018
Plant in service	\$ 14,604,090	\$ 14,514,959
Accumulated depreciation	<u>(5,685,823)</u>	<u>(5,334,975)</u>
Sub-Totals	<u>8,918,267</u>	<u>9,179,984</u>
Less: Capital related debt		
Current portion of capital related long-term debt	155,000	150,000
Long-term portion of capital related long-term debt	1,010,000	1,165,000
Unamortized debt premium	<u>10,458</u>	<u>13,265</u>
Sub-Totals	<u>1,175,458</u>	<u>1,328,265</u>
Add: Unspent debt proceeds		
Reserve from borrowing	<u>162,161</u>	<u>158,053</u>
Total Net Investment in Capital Assets	<u>\$ 7,904,970</u>	<u>\$ 8,009,772</u>

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

	2019	2018
Construction work in progress	\$ -	\$ 16,505,176
Plant in service	37,157,392	18,460,871
Accumulated depreciation	<u>(8,277,874)</u>	<u>(8,120,923)</u>
Sub-Totals	<u>28,879,518</u>	<u>26,845,124</u>
Less: Capital related debt		
Current portion of capital related long-term debt	789,484	647,852
Long-term portion of capital related long-term debt	15,415,372	13,489,208
Construction payables	<u>148,263</u>	<u>607,548</u>
Sub-Totals	<u>16,353,119</u>	<u>14,744,608</u>
Total Net Investment in Capital Assets	<u>\$ 12,526,399</u>	<u>\$ 12,100,516</u>

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

General Information About the Pension Plan

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) 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.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2009	(2.1)%	(42)%
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0
2018	2.4	17.0

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

The WRS recognized \$67,218 and \$63,083 in contributions from the utilities during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2019 and December 31, 2018 are:

	2019		2018	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.7%	6.7%	6.8%	6.8%
Protective with Social Security	6.7%	10.7%	6.8%	10.6%
Protective without Social Security	6.7%	14.9%	6.8%	14.9%

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

At December 31, 2019, the utilities reported a liability (asset) of \$226,040 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Village of Mount Horeb's proportion was 0.02291%, which was a decrease of 0.00000356% from its proportion measured as of December 31, 2017.

At December 31, 2018, the utilities reported a liability (asset) of \$(190,669) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the Village of Mount Horeb's proportion was 0.02292%, which was an increase of 0.000253% from its proportion measured as of December 31, 2016.

For the years ended December 31, 2019 and 2018, the utilities recognized pension expense of \$150,002 and \$82,529, respectively.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2019, 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	\$ 86,452	\$ 149,273	\$ 33,768	\$ 59,143	\$ 60,385	\$ 104,179
Changes in assumption	19,169	-	6,670	-	12,729	-
Net differences between project and actual earnings on pension plan	153,669	-	61,883	-	104,307	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	462	1,537	197	517	333	939
Employer contributions subsequent to the measurement date	<u>33,527</u>	<u>-</u>	<u>13,752</u>	<u>-</u>	<u>21,518</u>	<u>-</u>
Total	<u>\$ 293,279</u>	<u>\$ 150,810</u>	<u>\$ 116,270</u>	<u>\$ 59,660</u>	<u>\$ 199,272</u>	<u>\$ 105,118</u>

At December 31, 2018, 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	\$ 116,120	\$ 56,508	\$ 46,425	\$ 19,569	\$ 81,725	\$ 37,454
Changes in assumption	18,785	-	6,506	-	12,453	-
Net differences between project and actual earnings on pension plan	-	121,008	-	55,298	-	93,267
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,615	-	977	-	1,715
Employer contributions subsequent to the measurement date	<u>31,293</u>	<u>-</u>	<u>13,350</u>	<u>-</u>	<u>22,509</u>	<u>-</u>
Total	<u>\$ 166,198</u>	<u>\$ 180,131</u>	<u>\$ 66,281</u>	<u>\$ 75,844</u>	<u>\$ 116,687</u>	<u>\$ 132,436</u>

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

Year Ended December 31	Electric Utility	Water Utility	Sewer Utility
2020	\$ 38,773	\$ 15,319	\$ 25,963
2021	9,811	3,876	6,569
2022	17,377	6,865	11,635
2023	42,981	16,798	28,469
2024	-	-	-
Thereafter	-	-	-
Total	\$ 108,942	\$ 42,858	\$ 72,636

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

	2019	2018
Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases		
Inflation	3.0%	3.2%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments *	1.9%	2.1%

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

Actuarial assumptions used in the December 31, 2017 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2015 – 2017. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Actuarial assumptions used in the December 31, 2016 actuarial valuation is based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2019 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.45
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.47
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2018 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

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

Single discount rate. A single discount rate of 7.00% and 7.20% was used to measure the total pension liability as of December 31, 2019 and December 31, 2018, respectively. As of December 31, 2019, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. As of December 31, 2018, the 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 3.31%. Because of the unique structure of WRS, the 7.00% (7.20% for 2018) expected rate of return implies that a dividend of approximately 1.9% (2.1% for 2018) will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

The sensitivity analysis as of December 31, 2019 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Electric Utility's proportionate share of the net position liability (asset)	\$ 421,133	\$ 105,336	\$ (128,379)
Water utility's proportionate share of the net position liability (asset)	194,369	44,937	(59,252)
Sewer Utility's proportionate share of the net position liability (asset)	291,553	75,767	(88,878)

The sensitivity analysis as of December 31, 2018 follows:

	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)	\$ 228,855	\$ (90,428)	\$ (329,615)
Water Utility's proportionate share of the net position liability (asset)	88,021	(36,167)	(126,775)
Sewer Utility's proportionate share of the net position liability (asset)	158,438	(64,074)	(228,195)

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Long-Term Contracts - WPPI Energy

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

MOUNT HOREB UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI Energy (cont.)

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

Forty-nine members, representing approximately 98% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining two members have long-term contracts through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$324 million as of December 31, 2019.

Claims and Judgments

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

Open Contracts

The utilities have open contracts for approximately \$16,405,183 for a wastewater treatment plant improvement project. As of December 31, 2019, approximately \$16,226,727 has been expended.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT HOREB UTILITIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset) (Village)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/19	0.02291230%	\$ 226,040	\$ 1,002,269	26.83%	96.45%
12/31/18	0.02291586%	(190,669)	970,191	-19.65%	102.93%
12/31/17	0.02266274%	61,296	997,939	6.14%	99.12%
12/31/16	0.02263951%	107,448	973,676	11.04%	98.20%
12/31/15	0.02196354%	(162,124)	962,015	-16.85%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/19	\$ 68,797	\$ 68,797	\$ -	\$ 1,050,325	6.55%
12/31/18	67,152	67,152	-	1,002,269	6.70%
12/31/17	65,973	65,973	-	970,191	6.80%
12/31/16	65,864	65,864	-	997,939	6.60%
12/31/15	66,210	66,210	-	973,676	6.80%

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

MOUNT HOREB UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019

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

Changes of assumptions.

	2015 - 2018	2019
Long-term expected rate of	7.2%	7.0%
Discount rate	7.2%	7.0%
Salary increases		
Inflation	3.2%	3.0%
Seniority/Merit	0.2% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	2.10%	1.90%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

S U P P L E M E N T A L I N F O R M A T I O N

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY PLANT
As of and for the Year Ended December 31, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
DISTRIBUTION				
Land and land rights	\$ 51,998	\$ -	\$ -	\$ 51,998
Structures and improvements	50,868	-	-	50,868
Station equipment	1,125,638	21,571	-	1,147,209
Poles, towers and fixtures	859,221	23,728	2,600	880,349
Overhead conductors and devices	1,521,590	2,768	-	1,524,358
Underground conduit	1,497,741	20,417	3,399	1,514,759
Underground conductors and devices	2,971,440	67,978	3,759	3,035,659
Line transformers	1,904,297	107,726	25,722	1,986,301
Services	1,226,049	37,772	1,753	1,262,068
Meters	437,969	9,687	16,180	431,476
Installation on customers' premises	9,830	-	-	9,830
Street lighting and signal systems	727,281	43,569	10,850	760,000
Total Distribution	<u>12,383,922</u>	<u>335,216</u>	<u>64,263</u>	<u>12,654,875</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	99,890	-	-	99,890
Transportation equipment	645,234	221,197	145,802	720,629
Tools, shop and garage equipment	108,056	-	-	108,056
Laboratory equipment	17,033	-	-	17,033
Power-operated equipment	201,740	-	-	201,740
Communication equipment	40,914	-	-	40,914
Miscellaneous equipment	4,805	-	-	4,805
Total General	<u>2,735,249</u>	<u>221,197</u>	<u>145,802</u>	<u>2,810,644</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$ 15,119,171</u>	<u>\$ 556,413</u>	<u>\$ 210,065</u>	<u>\$ 15,465,519</u>

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of Electricity		
Residential	\$ 3,975,440	\$ 4,313,029
Small commercial and industrial	1,131,675	1,107,248
Large commercial and industrial	428,440	385,177
Public street and highway lighting	133,211	136,371
Sales for resale	51,090	56,432
Interdepartmental	235,927	227,170
Total Sales of Electricity	5,955,783	6,225,427
Other Operating Revenues		
Forfeited discounts	10,884	15,640
Miscellaneous service revenues	3,795	5,390
Rent from electric property	3,840	18,102
Other	27,123	43,113
Total Operating Revenues	6,001,425	6,307,672
 OPERATING EXPENSES		
Operation and Maintenance		
Other Power Supply		
Purchased power	4,372,491	4,542,626
Other	11,717	14,909
Total Other Power Supply	4,384,208	4,557,535
Distribution		
Line and station labor	102,010	67,870
Line and station supplies	44,851	66,359
Meter	5,141	3,818
Customer installation	-	3,068
Miscellaneous	(381)	-
Maintenance		
Structures and equipment	16,937	14,630
Lines	56,998	49,259
Line transformers	20,224	-
Street lighting and signal system	21,851	13,914
Meters	4,967	9,957
Total Distribution	272,598	228,875
Customer Accounts		
Meter reading	1,266	989
Accounting and collecting	81,812	76,784
Total Customer Accounts	83,078	77,773

MOUNT HOREB ELECTRIC UTILITY

ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 88,296	\$ 83,540
Office Supplies	14,937	11,623
Outside services employed	60,822	64,109
Property insurance	7,100	7,097
Injuries and damages	20,177	19,459
Employee pensions and benefits	252,862	209,262
Miscellaneous	47,576	41,574
Transportation	58,165	51,512
Maintenance	1,526	1,454
Total Administrative and General	551,461	489,630
Taxes	78,103	73,825
Total Operation and Maintenance	5,369,448	5,427,638
Depreciation	458,542	476,742
Total Operating Expenses	5,827,990	5,904,380
 OPERATING INCOME	 \$ 173,435	 \$ 403,292

MOUNT HOREB ELECTRIC UTILITY

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2019 and 2018

	Electric	
	2019	2018
Utility Financed Plant in Service		
Beginning of year	\$ 12,720,480	\$ 12,393,570
End of year	<u>13,026,087</u>	<u>12,720,480</u>
Average	<u>12,873,284</u>	<u>12,557,025</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(7,302,777)	(6,866,169)
End of year	<u>(7,562,379)</u>	<u>(7,302,777)</u>
Average	<u>(7,432,578)</u>	<u>(7,084,473)</u>
Materials and Supplies		
Beginning of year	132,599	120,083
End of year	<u>123,105</u>	<u>132,599</u>
Average	<u>127,852</u>	<u>126,341</u>
Regulatory Liability		
Beginning of year	(127,857)	(153,429)
End of year	<u>(102,285)</u>	<u>(127,857)</u>
Average	<u>(115,071)</u>	<u>(140,643)</u>
AVERAGE NET RATE BASE	<u>\$ 5,453,487</u>	<u>\$ 5,458,250</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 89,404</u>	<u>\$ 288,620</u>
RATE OF RETURN (PERCENT)	<u>1.64</u>	<u>5.29</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>7.00</u>	<u>7.00</u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.

MOUNT HOREB WATER UTILITY

WATER UTILITY PLANT
As of and for the Year Ended December 31, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
SOURCE OF SUPPLY				
Land and land rights	\$ 31,550	\$ -	\$ -	\$ 31,550
Wells and springs	<u>583,486</u>	<u>-</u>	<u>-</u>	<u>583,486</u>
Total Source of Supply	<u>615,036</u>	<u>-</u>	<u>-</u>	<u>615,036</u>
PUMPING				
Structures and improvements	1,126,563	-	-	1,126,563
Other power production equipment	105,000	-	-	105,000
Electric pumping equipment	590,810	-	-	590,810
Diesel pumping equipment	35,147	-	-	35,147
Other pumping equipment	<u>3,375</u>	<u>-</u>	<u>-</u>	<u>3,375</u>
Total Pumping	<u>1,860,895</u>	<u>-</u>	<u>-</u>	<u>1,860,895</u>
WATER TREATMENT				
Water treatment equipment	<u>29,959</u>	<u>-</u>	<u>-</u>	<u>29,959</u>
TRANSMISSION AND DISTRIBUTION				
Land and land rights	31,400	-	-	31,400
Distribution reservoirs and standpipes	1,286,035	-	-	1,286,035
Transmission and distribution mains	6,372,713	5,050	145	6,377,618
Services	1,546,413	19,825	3,100	1,563,138
Meters	979,885	84,250	29,898	1,034,237
Hydrants	867,700	14,421	1,500	880,621
Other transmission and distribution plant	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>1,066</u>
Total Transmission and Distribution	<u>11,085,212</u>	<u>123,546</u>	<u>34,643</u>	<u>11,174,115</u>
GENERAL				
Structures and improvements	358,816	-	-	358,816
Office furniture and equipment	22,675	-	-	22,675
Computer equipment	51,219	1,571	1,343	51,447
Transportation equipment	75,558	-	-	75,558
Stores equipment	2,135	-	-	2,135
Tools, shop and garage equipment	58,680	-	-	58,680
Laboratory equipment	1,932	-	-	1,932
Power-operated equipment	53,891	-	-	53,891
Communication equipment	39,421	-	-	39,421
SCADA equipment	251,080	-	-	251,080
Miscellaneous equipment	<u>8,450</u>	<u>-</u>	<u>-</u>	<u>8,450</u>
Total General	<u>923,857</u>	<u>1,571</u>	<u>1,343</u>	<u>924,085</u>
TOTAL WATER UTILITY PLANT	<u>\$ 14,514,959</u>	<u>\$ 125,117</u>	<u>\$ 35,986</u>	<u>\$14,604,090</u>

MOUNT HOREB WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales of Water		
Metered		
Residential	\$ 584,223	\$ 587,951
Multifamily residential	29,433	27,639
Commercial	79,098	77,240
Public authorities	21,037	21,956
Irrigation	74,920	84,404
Service to other systems	2,782	2,314
Total Metered Sales	791,493	801,504
Private fire protection	14,684	14,589
Public fire protection	322,984	318,330
Total Sales of Water	1,129,161	1,134,423
Other Operating Revenues		
Forfeited discounts	2,714	3,342
Miscellaneous service revenue	54,163	60,084
Total Operating Revenues	1,186,038	1,197,849
OPERATING EXPENSES		
Operation and Maintenance		
Pumping		
Operation labor	31,466	26,639
Fuel or power purchased for pumping	92,472	94,643
Operation supplies	37,084	10,245
Total Pumping	161,022	131,527
Water Treatment		
Chemicals	17,690	16,213
Operation supplies	1,209	468
Total Water Treatment	18,899	16,681
Transmission and Distribution		
Operation supplies	9,109	13,663
Maintenance		
Distribution reservoirs and standpipes	85,815	32,398
Mains	73,008	99,904
Services	34,782	45,532
Meters	6,479	9,772
Hydrants	13,915	7,684
Total Transmission and Distribution	223,108	208,953
Customer Accounts		
Meter reading labor	2,531	2,280
Accounting and collecting labor	46,863	45,345
Total Customer Accounts	49,394	47,625

MOUNT HOREB WATER UTILITY

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 35,699	\$ 34,433
Office supplies	14,108	10,583
Outside services employed	33,140	29,067
Property insurance	6,141	5,694
Injuries and damages	7,718	6,947
Employee pensions and benefits	92,860	71,147
Miscellaneous	14,146	12,948
Transportation	8,517	17,399
Maintenance	1,145	1,090
Total Administrative and General	<u>213,474</u>	<u>189,308</u>
Taxes	<u>8,862</u>	<u>8,038</u>
Total Operation and Maintenance	674,759	602,132
Depreciation	<u>349,068</u>	<u>346,328</u>
Total Operating Expenses	<u>1,023,827</u>	<u>948,460</u>
 OPERATING INCOME	 <u>\$ 162,211</u>	 <u>\$ 249,389</u>

MOUNT HOREB WATER UTILITY

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2019 and 2018

	Water	
	2019	2018
Utility Financed Plant in Service		
Beginning of year	\$ 6,783,373	\$ 6,592,813
End of year	<u>6,869,596</u>	<u>6,783,373</u>
Average	<u>6,826,485</u>	<u>6,688,093</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(2,978,840)	(2,808,163)
End of year	<u>(3,171,819)</u>	<u>(2,978,840)</u>
Average	<u>(3,075,330)</u>	<u>(2,893,502)</u>
Materials and Supplies		
Beginning of year	14,337	13,764
End of year	<u>15,677</u>	<u>14,337</u>
Average	<u>15,007</u>	<u>14,051</u>
Regulatory Liability		
Beginning of year	(110,562)	(132,674)
End of year	<u>(88,477)</u>	<u>(110,562)</u>
Average	<u>(99,520)</u>	<u>(121,618)</u>
AVERAGE NET RATE BASE	<u>\$ 3,666,642</u>	<u>\$ 3,687,024</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 99,991</u>	<u>\$ 173,480</u>
RATE OF RETURN (PERCENT)	<u>2.73</u>	<u>4.71</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>5.25</u>	<u>5.25</u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.

MOUNT HOREB SEWER UTILITY

SEWER UTILITY PLANT
As of and for the Year Ended December 31, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
COLLECTING SYSTEM				
Land and land rights	\$ 8,550	\$ -	\$ -	\$ 8,550
Service connections	251,949	-	-	251,949
Collecting mains	7,090,980	104,427	3,007	7,192,400
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>8,948,405</u>	<u>104,427</u>	<u>3,007</u>	<u>9,049,825</u>
COLLECTING SYSTEM PUMPING				
Land and land rights	46,844	-	-	46,844
Structures and improvements	536,768	2,375	-	539,143
Receiving wells	57,848	-	-	57,848
Electric pumping equipment	1,449,038	4,485	-	1,453,523
Miscellaneous pumping equipment	<u>85,916</u>	<u>-</u>	<u>-</u>	<u>85,916</u>
Total Collecting System Pumping	<u>2,176,414</u>	<u>6,860</u>	<u>-</u>	<u>2,183,274</u>
TREATMENT AND DISPOSAL				
Land and land rights	914,228	-	-	914,228
Structures and improvements	690,285	-	394,039	296,246
Preliminary treatment equipment	1,850,562	-	-	1,850,562
Primary treatment equipment	75,384	-	-	75,384
Secondary treatment equipment	902,842	-	7,919	894,923
Advanced treatment equipment	695,897	-	-	695,897
Chlorination equipment	59,788	-	-	59,788
Sludge treatment and disposal equipment	504,098	-	83,056	421,042
Plant site piping	243,228	-	68,480	174,748
Flow metering and monitoring equipment	35,675	-	-	35,675
Outfall sewer pipes	3,996	-	-	3,996
Other treatment and disposal equipment	<u>359,114</u>	<u>-</u>	<u>7,449</u>	<u>351,665</u>
Total Treatment and Disposal	<u>6,335,097</u>	<u>-</u>	<u>560,943</u>	<u>5,774,154</u>
GENERAL				
Structures and improvements	254,145	-	-	254,145
Office furniture and equipment	18,961	-	-	18,961
Computer equipment	70,001	-	-	70,001
Transportation equipment	429,380	-	-	429,380
Other general equipment	113,666	-	-	113,666
Laboratory equipment	<u>17,628</u>	<u>-</u>	<u>-</u>	<u>17,628</u>
Total General	<u>903,781</u>	<u>-</u>	<u>-</u>	<u>903,781</u>
COMPLETED CONSTRUCTION NOT CLASSIFIED	<u>97,174</u>	<u>19,149,184</u>	<u>-</u>	<u>19,246,358</u>
TOTAL SEWER UTILITY PLANT	<u><u>\$18,460,871</u></u>	<u><u>\$19,260,471</u></u>	<u><u>\$ 563,950</u></u>	<u><u>\$37,157,392</u></u>

MOUNT HOREB SEWER UTILITY

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 1,979,559	\$ 1,897,546
Commercial	360,935	327,177
Public authorities	57,953	54,712
Other	4,105	2,636
Total Sewer Revenues	2,402,552	2,282,071
Other Operating Revenues		
Forfeited discounts	6,285	7,244
Rent from sewer property	3,294	3,294
Miscellaneous	1,492	9,775
Total Operating Revenues	2,413,623	2,302,384
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	16,454	13,999
Power and fuel for pumping	113,889	125,372
Treatment charges	22,873	31,238
Phosphorous removal chemicals	3,234	19,204
Laboratory expenses	37,415	36,236
Other operating supplies	1,480	291
Joint metering costs	63,554	59,615
Transportation	5,914	7,288
Rents	9,060	9,060
Total Operation	273,873	302,303
Maintenance		
Collection system	120,475	103,734
Pumping equipment	42,554	43,924
Treatment and disposal plant equipment	88,280	87,515
General plant structures and equipment	56,490	58,997
Total Maintenance	307,799	294,170
Customer Accounts		
Accounting and collecting	52,966	50,500
Meter Reading	2,531	2,248
Total Customer Accounts	55,497	52,748
Administrative and General		
Salaries	24,453	22,887
Office supplies	17,455	15,781
Outside services employed	41,065	26,518
Insurance	22,699	22,003
Employees pensions and benefits	181,871	147,634
Regulatory commission	18,714	16,846
Miscellaneous	7,060	9,646
Total Administrative and General	313,317	261,315
Taxes	24,531	24,881
Total Operation and Maintenance	975,017	935,417
Depreciation	720,901	504,968
Total Operating Expenses	1,695,918	1,440,385
 OPERATING INCOME	 \$ 717,705	 \$ 861,999