

**VILLAGE OF MARSHALL  
WATER AND SEWER  
DEPARTMENT**

An Enterprise Fund of the  
Village of Marshall, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2013 and 2012

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

An Enterprise Fund of the Village of Marshall, Wisconsin

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As of and for the Years Ended December 31, 2013 and 2012

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**INDEPENDENT AUDITORS' REPORT**

To the Village Board  
Village of Marshall Water and Sewer Department  
Marshall, Wisconsin

**Report on the Financial Statements**

We have audited the accompanying financial statements of Village of Marshall Water and Sewer Department, an enterprise fund of the Village of Marshall, Wisconsin, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. The December 31, 2013 audit was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 over financial reporting relevant to the Village of Marshall Water and Sewer Department's 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 Village of Marshall Water and Sewer Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

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

To the Village Board  
Village of Marshall Water and Sewer Department

***Emphasis of Matters***

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

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

***Other Matters***

*Required Supplementary Information*

Village of Marshall Water and Sewer Department 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 opinion on the financial statements is not affected by this missing information.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we will also issue a report on our consideration of the overall Village of Marshall's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including those systems applicable to Village of Marshall Water and Sewer Department. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village of Marshall's internal control over financial reporting and compliance.

*Baker Tilly Vinchow Krause, LLP*

Madison, Wisconsin  
March 6, 2014

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## STATEMENTS OF NET POSITION As of December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 654,661	\$ 695,475
Interest receivable	3,333	9,872
Restricted Assets		
Redemption account	354,601	336,508
Customer accounts receivable	106,601	109,739
Other accounts receivable	-	1,128
Due from municipality	15,719	15,646
Current portion of advance	<u>200,441</u>	<u>128,411</u>
Total Current Assets	<u>1,335,356</u>	<u>1,296,779</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Other Assets		
Capital projects sinking fund	355,005	355,005
Preliminary survey and investigation	4,687	4,687
Unamortized debt issuance costs	-	21,610
Advances to other funds	964,519	612,483
Property held for future use	290,488	290,488
Capital Assets		
Plant in service		
Water	6,569,878	6,584,594
Sewer	<u>11,085,373</u>	<u>11,061,157</u>
Total Plant in Service	<u>17,655,251</u>	<u>17,645,751</u>
Accumulated depreciation		
Water	(1,426,880)	(1,274,225)
Sewer	<u>(4,543,516)</u>	<u>(4,246,847)</u>
Total Accumulated Depreciation	<u>(5,970,396)</u>	<u>(5,521,072)</u>
Total Noncurrent Assets	<u>14,034,867</u>	<u>14,144,265</u>
Total Assets	<u>15,370,223</u>	<u>15,441,044</u>

		<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	10,319	\$ 21,619
Accrued taxes		28,862	20,962
Accrued interest		5,751	6,473
Current portion of general obligation debt		65,000	60,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		578,563	546,741
Accrued interest		<u>18,060</u>	<u>19,514</u>
Total Current Liabilities		<u>706,555</u>	<u>675,309</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		400,000	465,000
Revenue bonds		2,878,056	3,019,120
Accrued sick leave		<u>6,445</u>	<u>6,593</u>
Total Noncurrent Liabilities		<u>3,284,501</u>	<u>3,490,713</u>
Total Liabilities		<u>3,991,056</u>	<u>4,166,022</u>
<b>NET POSITION</b>			
Net investment in capital assets		8,928,196	8,796,322
Restricted for:			
Debt service		502,569	483,022
Equipment replacement		569,285	569,285
Unrestricted		<u>1,379,117</u>	<u>1,426,393</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 11,379,167</u></u>	<u><u>\$ 11,275,022</u></u>

See accompanying notes to the financial statements.

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

	2013	2012
<b>OPERATING REVENUES</b>		
Water		
Sales of water	\$ 485,199	\$ 497,728
Other	<u>21,113</u>	<u>20,405</u>
Total Water	<u>506,312</u>	<u>518,133</u>
Sewer		
Treatment charges	718,761	719,726
Other	<u>6,313</u>	<u>6,724</u>
Total Sewer	<u>725,074</u>	<u>726,450</u>
Total Operating Revenues	<u>1,231,386</u>	<u>1,244,583</u>
<b>OPERATING EXPENSES</b>		
Water		
Operation and maintenance	216,985	193,018
Depreciation	<u>149,821</u>	<u>130,590</u>
Total Water	<u>366,806</u>	<u>323,608</u>
Sewer		
Operation and maintenance	337,303	321,059
Depreciation	<u>329,976</u>	<u>330,219</u>
Total Sewer	<u>667,279</u>	<u>651,278</u>
Total Operating Expenses	<u>1,034,085</u>	<u>974,886</u>
<b>OPERATING INCOME</b>		
Water	139,506	194,525
Sewer	<u>57,795</u>	<u>75,172</u>
Total Operating Income	<u>197,301</u>	<u>269,697</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	2,474	22,400
Investment income on advance to TIF	37,045	43,282
Interest expense	(130,449)	(143,979)
Interest charged to construction	-	11,142
Debt issuance costs	<u>(27,610)</u>	<u>(4,022)</u>
Total Nonoperating Revenues (Expenses)	<u>(118,540)</u>	<u>(71,177)</u>
Income Before Contributions and Transfers	78,761	198,520
<b>CAPITAL CONTRIBUTIONS</b>	118,596	2,000
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	51,480	-
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(144,692)</u>	<u>(117,830)</u>
<b>CHANGE IN NET POSITION</b>	104,145	82,690
NET POSITION - Beginning of Year	<u>11,275,022</u>	<u>11,192,332</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 11,379,167</u></u>	<u><u>\$ 11,275,022</u></u>

See accompanying notes to the financial statements.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,235,579	\$ 1,283,579
Paid to suppliers for goods and services	(340,718)	(299,289)
Paid to employees for operating payroll	(214,158)	(216,070)
Net Cash Flows From Operating Activities	680,703	768,220
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(136,792)	(96,868)
Advance to TIF	(552,477)	-
Received on long term advance to TIF	165,456	168,032
Net Cash Flows From Noncapital Financing Activities	(523,813)	71,164
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(12,356)	(411,769)
Received from the sale of capital assets	13,003	-
Capital contributions received	118,596	2,000
Debt retired	(606,741)	(588,463)
Interest paid	(132,625)	(147,442)
Proceeds from debt issue	437,499	-
Debt issuance costs	(6,000)	-
Net Cash Flows From Capital and Related Financing Activities	(188,624)	(1,145,674)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(200,000)	(390,457)
Investments sold and matured	200,000	700,000
Investment income	13,627	15,626
Net Cash Flows From Investing Activities	13,627	325,169
<b>Net Change in Cash and Cash Equivalents</b>	(18,107)	18,879
CASH AND CASH EQUIVALENTS - Beginning of Year	1,422,301	1,403,422
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,404,194	\$ 1,422,301
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Municipality financed additions to utility plant	\$ 51,480	\$ -
Change in market value of investments	\$ (4,614)	\$ -
Write-off of debt issuance costs	\$ 21,610	\$ -
Interest charged to construction	\$ -	\$ 11,142

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 197,301	\$ 269,697
Noncash items in operating income		
Depreciation	479,797	460,809
Changes in assets and liabilities		
Customer accounts receivable	3,138	20,466
Other accounts receivable	1,128	(544)
Due from other funds	(73)	19,074
Accounts payable	(440)	26
Accrued sick leave	(148)	(1,308)
	<u>680,703</u>	<u>768,220</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 680,703</u>	<u>\$ 768,220</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 654,661	\$ 695,475
Redemption account	354,601	336,508
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Capital project sinking account	<u>355,005</u>	<u>355,005</u>
Total Cash and Investments	2,099,580	2,122,301
Less: Noncash equivalents	<u>(695,386)</u>	<u>(700,000)</u>
	<u>\$ 1,404,194</u>	<u>\$ 1,422,301</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,404,194</u>	<u>\$ 1,422,301</u>

See accompanying notes to the financial statements.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of Village of Marshall Water and Sewer Department (utility) 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 utility are described below.

### ***REPORTING ENTITY***

The utility is a separate enterprise fund of the Village of Marshall (municipality). The utility is managed by a village board. The utility provides water and sewer service to properties within the municipality.

The water utility operates 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 village board.

### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

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

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

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

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

### ***ASSETS, LIABILITIES AND NET POSITION***

#### ***Deposits and Investments***

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

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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### *ASSETS, LIABILITIES AND NET POSITION* (cont.)

#### *Deposits and Investments* (cont.)

Investment of utility funds is restricted by state statutes. Investments are limited to:

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

The utility has adopted an investment policy. That policy follows the state statute for allowable investments. The policy does not specifically address the risks disclosed in GASB No. 40.

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

#### *Receivables/Payables*

Transactions between the utility 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 utility and other funds of the municipality are reported as due to/from other funds.

The utility has the right under Wisconsin statutes to place delinquent water and sewer bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

#### *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 Projects Sinking Fund*

The utility has set up a capital project sinking fund which is used to accumulate unrestricted payments received from TIF. The intent is the funds will be used for future capital projects and/or debt service.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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### *ASSETS, LIABILITIES AND NET POSITION (cont.)*

#### *Preliminary Survey and Investigation*

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

#### *Property Held for Future Use*

The water utility acquired property for future use of a water tower and the sewer utility maintains property for future use following the retirement of the old wastewater treatment plant.

#### *Capital Assets*

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

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

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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

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### *ASSETS, LIABILITIES AND NET POSITION (cont.)*

#### ***Vacation and Sick Leave***

Under terms of employment, employees are granted vacation and sick leave in varying amounts. Employees are not allowed to accumulate unused vacation pay beyond their service anniversary date, unless the employee has prior written approval by the Village Board. In order to be eligible to receive village sponsored retirement benefits an employee must be able to satisfy the rule of 76 (seventy-six) and must have a minimum of 5 (five) years of service with the village. The rule of 76 allocates 1 point for each full year of age and 1 point for each full year of service with the village. When employees satisfy the rule of 76, they are eligible to receive \$50 per each 8 hours of accrued sick leave upon retirement. No payment is made when they leave employment for other reasons or do not satisfy the rule of 76.

#### ***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.

### ***REVENUES AND EXPENSES***

The utility distinguishes 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 utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### ***Charges for Services***

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

Current water rates were approved by the PSCW effective April 11, 2012.

Current rates were approved by the village board effective February 11, 2012.

#### ***Capital Contributions***

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

#### ***Connection Fees***

The utility has received sewer connection fees which must be used in accordance with local ordinances. The intent is the funds will be used for future expansions of the treatment plant or to pay debt service for the existing treatment plant.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2013 and 2012

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

#### **REVENUES AND EXPENSES (cont.)**

##### **Taxes**

Taxes included in the financial statements include PSCW remainder assessment and social security taxes. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded by the utility.

#### **EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

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

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

	Carrying Value as of		Risks
	December 31,		
	<u>2013</u>	<u>2012</u>	
Checking and savings	\$ 66,966	\$ 15,905	Custodial credit
Certificates of deposit	500,000	700,000	Custodial credit
Money market	1,337,028	1,820,762	Custodial credit
U.S. Securities	195,386	-	Credit, custodial credit, concentration of credit, and interest rate
Petty cash	<u>200</u>	<u>200</u>	N/A
Totals	<u>\$ 2,099,580</u>	<u>\$ 2,536,867</u>	

The above table does not include the utilities share of the pooled cash of (\$414,566) at December 31, 2012.

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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013 and 2012

### **NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)**

The utility 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 utility alone. Therefore, coverage for the utility may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit.

In addition, the utility and other funds of the village have collateral or depository insurance agreements in the amount of \$2,030,463 and \$2,284,514 at December 31, 2013 and 2012 respectively.

#### ***Custodial Credit Risk***

#### **Deposits**

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

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

	2013		2012	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank				
Non-interest bearing	\$ 67,862	\$ 66,966	\$ 18,421	\$ 15,905
Interest bearing	721,504	721,504	1,213,133	1,213,133
First Business Bank	610,147	610,147	807,629	807,629
TD Ameritrade	5,377	5,377	-	-
Union Bank of Blair	500,000	500,000	500,000	500,000
Totals	\$ 1,904,890	\$ 1,903,994	\$ 2,539,183	\$ 2,536,667

#### **Investments**

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

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

**NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)**

***Custodial Credit Risk*** (cont.)

**Investments** (cont.)

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

	2013	
	Bank Balance	Carrying Value
Federal Home Loan	\$ 195,386	\$ 195,386

***Credit Risk***

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

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

Investment Type	Standard & Poors	Moody's Investors Services
U.S. Securities	AA+	AAA

***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.

The utility maintains certain investments commingled with the municipality. The concentration of credit risk pertaining specifically to the utility's resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on this risk.

***Interest Rate Risk***

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

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

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1 year	1-5 years	Greater than 10 years
U.S. Securities	\$ 195,386	\$ -	\$ 195,386	\$ -

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

**NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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

Due To	Due From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Municipality	\$ 15,719	Operating expenses	\$ 15,646	Operating expenses
Utility	TIF District	612,483	Sewer Debt	740,894	Sewer Debt
Utility	TIF District	552,477	Water Debt	-	

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

To	From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Utility	\$ 144,692	Payment in lieu of taxes	\$ 117,830	Payment in lieu of taxes

**NOTE 4 - RESTRICTED ASSETS**

***Restricted Accounts***

Certain proceeds of the utility's 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.

***Replacement Account***

As a condition of receiving state and federal funds for wastewater plant construction, the utility has established an account for replacement of certain mechanical equipment. The utility uses the alternative method of funding, which does not require an annual deposit.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

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**NOTE 4 - RESTRICTED ASSETS (cont.)**

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***Restricted Net Position***

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

	<u>2013</u>	<u>2012</u>
Restricted Assets		
Redemption account	\$ 354,601	\$ 336,508
Reserve account	166,028	166,028
Replacement account	<u>569,285</u>	<u>569,285</u>
Total Restricted Assets	<u>1,089,914</u>	<u>1,071,821</u>
 Current Liabilities Payable From Restricted Assets	 <u>(18,060)</u>	 <u>(19,514)</u>
 Total Restricted Net Position as Calculated	 <u>\$ 1,071,854</u>	 <u>\$ 1,052,307</u>

The purpose of the restricted net position is as follows:

	<u>2013</u>	<u>2012</u>
Debt Service	\$ 502,569	\$ 483,022
Equipment Replacement	<u>569,285</u>	<u>569,285</u>
	<u>\$ 1,071,854</u>	<u>\$ 1,052,307</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 - ADVANCES TO OTHER FUNDS**

***Advance to Tax Incremental Financing (TIF) District***

As part of the construction costs for the wastewater treatment plant and related collection system improvements, the utility borrowed funds for the TIF portion of the projects. The total amount advanced to the TIF district equaled \$2,198,081. The scheduled repayment to the utility includes a principal amount plus 5% interest. Additional principal payments are allowed and will be kept in a segregated account for future debt payments.

In 2010, the TIF issued debt to finance a portion of the water utility well project. In 2012, the utility received a safe drinking water loan with principal forgiveness for the project, which the utility advanced to the TIF to refund their outstanding debt. The scheduled repayment to the utility includes a principal amount plus 4.5% interest. These payments will be maintained in a separate cash account to ensure it is segregated and will be used to pay future debt service on the safe drinking water loan. Any amounts in excess of the debt service will be used for future projects.

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/2013</u>
5/01/1999	Tax Incremental Financing - Sewer Project	5/01/2018	5.0%	\$ 2,198,081	\$ 612,483
5/10/2013	Tax Incremental Financing - Water Well Project	3/15/2020	4.5	552,477	552,477

Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 200,441	\$ 55,485	\$ 255,926
2015	207,392	45,805	253,197
2016	214,597	35,792	250,389
2017	222,065	25,434	247,499
2018	141,422	14,721	156,143
2019 - 2020	<u>179,043</u>	<u>7,202</u>	<u>186,245</u>
Totals	<u>\$ 1,164,960</u>	<u>\$ 184,439</u>	<u>\$ 1,349,399</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

***Water Utility***

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

	<u>Balance 1/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/13</u>
Capital assets, not being depreciated				
Land and land rights	\$ 83,637	\$ -	\$ -	\$ 83,637
Capital assets being depreciated				
Source of supply	253,698	-	-	253,698
Pumping	925,527	(5,026)	-	920,501
Water treatment	3,809	-	-	3,809
Transmission and distribution	5,163,822	-	125	5,163,697
General	<u>154,101</u>	<u>773</u>	<u>10,338</u>	<u>144,536</u>
Total Capital Assets Being Depreciated	<u>6,500,957</u>	<u>(4,253)</u>	<u>10,463</u>	<u>6,486,241</u>
Total Capital Assets	<u>6,584,594</u>	<u>(4,253)</u>	<u>10,463</u>	<u>6,569,878</u>
Less: Accumulated depreciation	<u>(1,274,225)</u>	<u>(163,118)</u>	<u>10,463</u>	<u>(1,426,880)</u>
Net Capital Assets	<u>\$ 5,310,369</u>			<u>\$ 5,142,998</u>

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

	<u>Balance 1/1/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/12</u>
Capital assets, not being depreciated				
Land and land rights	\$ 36,137	\$ 47,500	\$ -	\$ 83,637
Capital assets being depreciated				
Source of supply	25,637	228,061	-	253,698
Pumping	132,421	793,106	-	925,527
Water treatment	3,809	-	-	3,809
Transmission and distribution	4,927,661	238,561	2,400	5,163,822
General	<u>129,096</u>	<u>26,505</u>	<u>1,500</u>	<u>154,101</u>
Total Capital Assets Being Depreciated	<u>5,218,624</u>	<u>1,286,233</u>	<u>3,900</u>	<u>6,500,957</u>
Total Capital Assets	<u>5,254,761</u>	<u>1,333,733</u>	<u>3,900</u>	<u>6,584,594</u>
Less: Accumulated depreciation	<u>(1,140,731)</u>	<u>(137,394)</u>	<u>3,900</u>	<u>(1,274,225)</u>
Construction in progress	<u>928,592</u>	<u>378,038</u>	<u>1,306,630</u>	<u>-</u>
Net Capital Assets	<u>\$ 5,042,622</u>			<u>\$ 5,310,369</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)**

***Sewer Utility***

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

	<u>Balance 1/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/13</u>
Capital assets, not being depreciated				
Land and land rights	\$ 215,728	\$ -	\$ -	\$ 215,728
Capital assets being depreciated				
Collecting system	3,941,598	48,980	15,170	3,975,408
Collecting system pumping	218,989	-	-	218,989
Treatment and disposal	6,355,966	-	5,005	6,350,961
General	<u>328,876</u>	<u>5,749</u>	<u>10,338</u>	<u>324,287</u>
Total Capital Assets Being Depreciated	<u>10,845,429</u>	<u>54,729</u>	<u>30,513</u>	<u>10,869,645</u>
Total Capital Assets	<u>11,061,157</u>	<u>54,729</u>	<u>30,513</u>	<u>11,085,373</u>
Less: Accumulated depreciation	<u>(4,246,847)</u>	<u>(329,682)</u>	<u>33,013</u>	<u>(4,543,516)</u>
Net Capital Assets	<u>\$ 6,814,310</u>			<u>\$ 6,541,857</u>

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

	<u>Balance 1/1/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/12</u>
Capital assets, not being depreciated				
Land and land rights	\$ 215,728	\$ -	\$ -	\$ 215,728
Capital assets being depreciated				
Collecting system	3,941,598	-	-	3,941,598
Collecting system pumping	218,989	-	-	218,989
Treatment and disposal	6,353,902	2,064	-	6,355,966
General	<u>323,994</u>	<u>6,382</u>	<u>1,500</u>	<u>328,876</u>
Total Capital Assets Being Depreciated	<u>10,838,483</u>	<u>8,446</u>	<u>1,500</u>	<u>10,845,429</u>
Total Capital Assets	<u>11,054,211</u>	<u>8,446</u>	<u>1,500</u>	<u>11,061,157</u>
Less: Accumulated depreciation	<u>(3,924,932)</u>	<u>(323,415)</u>	<u>1,500</u>	<u>(4,246,847)</u>
Net Capital Assets	<u>\$ 7,129,279</u>			<u>\$ 6,814,310</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

**NOTE 7 - LONG-TERM OBLIGATIONS**

***Revenue Bonds - Water***

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/13</u>
12/27/07	Water system improvements	11/1/22	3.55-4.10%	\$ 1,265,000	\$ 995,000
5/8/13	Well #3	5/1/33	1.93	437,499	437,499

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 113,141	\$ 47,162	\$ 160,303
2015	118,490	43,295	161,785
2016	123,846	39,185	163,031
2017	124,209	34,829	159,038
2018	129,579	30,414	159,993
2019 - 2023	583,693	77,344	661,037
2024 - 2028	114,066	17,649	131,715
2029 - 2033	<u>125,475</u>	<u>6,131</u>	<u>131,606</u>
Totals	<u>\$ 1,432,499</u>	<u>\$ 296,009</u>	<u>\$ 1,728,508</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 2013 and 2012 were \$141,430 and \$135,623, respectively. Total customer net revenues as defined for the same periods were \$290,564 and \$336,315. Annual principal and interest payments are expected to require 30% of net revenues on average.

***Revenue Bonds - Sewer***

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/13</u>
8/27/97	Wastewater treatment plant improvements	5/1/17	3.096%	\$ 6,351,233	\$ 1,662,580
11/24/98	Wastewater collection system improvements	5/1/18	2.640	1,155,695	361,540

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

**Revenue Bonds - Sewer (cont.)**

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 465,422	\$ 53,970	\$ 519,392
2015	479,519	39,659	519,178
2016	494,044	24,913	518,957
2017	509,010	9,720	518,730
2018	<u>76,125</u>	<u>1,005</u>	<u>77,130</u>
Totals	<u>\$ 2,024,120</u>	<u>\$ 129,267</u>	<u>\$ 2,153,387</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 2013 and 2012 were \$519,600 and \$519,801, respectively. Total customer net revenues as defined for the same periods were \$554,464 and \$586,623. Annual principal and interest payments are expected to require 78% of net revenues on average.

**General Obligation Debt**

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/13</u>
12/27/07	To finance new sewer projects	3/1/17	3.40-3.75%	\$ 760,000	\$ 465,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 65,000	\$ 16,078	\$ 81,078
2015	65,000	13,714	78,714
2016	70,000	11,233	81,233
2017	<u>265,000</u>	<u>4,969</u>	<u>269,969</u>
Totals	<u>\$ 465,000</u>	<u>\$ 45,994</u>	<u>\$ 510,994</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

***Long-Term Obligations Summary***

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

	<u>1/1/13</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 3,565,861	\$ 437,499	\$ 546,741	\$ 3,456,619	\$ 578,563
General obligation debt	525,000	-	60,000	465,000	65,000
Accrued sick leave	<u>6,593</u>	<u>8,685</u>	<u>8,833</u>	<u>6,445</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 4,097,454</u></b>	<b><u>\$ 446,184</u></b>	<b><u>\$ 615,574</u></b>	<b><u>\$ 3,928,064</u></b>	<b><u>\$ 643,563</u></b>

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

	<u>1/1/12</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 4,094,324	\$ -	\$ 528,463	\$ 3,565,861	\$ 546,741
General obligation debt	585,000	-	60,000	525,000	60,000
Accrued sick leave	<u>7,901</u>	<u>8,515</u>	<u>9,823</u>	<u>6,593</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 4,687,225</u></b>	<b><u>\$ 8,515</u></b>	<b><u>\$ 598,286</u></b>	<b><u>\$ 4,097,454</u></b>	<b><u>\$ 606,741</u></b>

***Bond Covenant Disclosures***

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

***Insurance***

The utility is 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.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

***Bond Covenant Disclosures*** (cont.)

***Insurance*** (cont.)

The utility is covered under the following insurance policies at December 31, 2013:

Type	Coverage
<i>Community Insurance Corporation</i>	
General Liability	\$ 3,000,000
Automobile	3,000,000
Workers Compensation	100,000
<i>Fidelity &amp; Deposit Companies</i>	
Employee Theft	\$ 100,000
P.S. Bond	30,000
<i>Hartford Steam &amp; Boiler</i>	
Boiler and Machinery	\$ 50,000,000

***Debt Coverage - Sewer***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met as follows:

	2013	2012
Operating revenues	\$ 506,312	\$ 518,133
Investment income	1,237	11,200
Less: Operation and maintenance expenses	(216,985)	(193,018)
Net Defined Earnings	\$ 290,564	\$ 336,315
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 163,031	\$ 137,383
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 203,789	\$ 171,729
Actual Debt Coverage	1.78	2.45

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

***Bond Covenant Disclosures (cont.)***

***Debt Coverage - Sewer***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.10 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was not met in 2013 as follows:

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 725,074	\$ 726,450
Investment income	1,237	11,200
Connection fees	-	2,000
TIF principal and interest	165,456	168,032
Less: Operation and maintenance expenses	<u>(337,303)</u>	<u>(321,059)</u>
 Net Defined Earnings	 <u>\$ 554,464</u>	 <u>\$ 586,623</u>
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 519,392	\$ 519,600
Coverage factor	<u>1.10</u>	<u>1.10</u>
 Minimum Required Earnings	 <u>\$ 571,331</u>	 <u>\$ 571,560</u>
 Actual Debt Coverage	 <u>1.07</u>	 <u>1.13</u>

***Number of Customers and Billed Volumes - Water***

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

	<u>Customers</u>		<u>Sales (000 gals)</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Residential	1,025	1,021	44,842	48,165
Commercial	83	82	29,111	36,788
Industrial	6	6	349	384
Public authority	<u>14</u>	<u>15</u>	<u>1,873</u>	<u>2,043</u>
 Totals	 <u>1,128</u>	 <u>1,124</u>	 <u>76,175</u>	 <u>87,380</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2013 and 2012

**NOTE 7 - LONG-TERM OBLIGATIONS (cont.)**

***Bond Covenant Disclosures (cont.)***

***Number of Customers and Billed Volumes - Sewer***

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

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	1,025	1,021	44,443	47,416
Commercial	83	82	35,562	33,929
Industrial	6	6	206	230
Public authority	14	15	1,850	1,987
Totals	<u>1,128</u>	<u>1,124</u>	<u>82,061</u>	<u>83,562</u>

**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 utility's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

**NOTE 8 - NET POSITION (cont.)**

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

	<u>2013</u>	<u>2012</u>
Plant in service	\$ 17,655,251	\$ 17,645,751
Accumulated depreciation	<u>(5,970,396)</u>	<u>(5,521,072)</u>
Sub-Totals	<u>11,684,855</u>	<u>12,124,679</u>
Less: Capital related debt		
Current portion of capital related long-term debt	643,563	606,741
Long-term portion of capital related long-term debt	3,278,056	3,484,120
Unamortized debt issuance costs funded with borrowing	-	(21,610)
Advance to TIF - non-current portion	(964,519)	(612,483)
Advance to TIF - current portion	<u>(200,441)</u>	<u>(128,411)</u>
Sub-Totals	<u>2,756,659</u>	<u>3,328,357</u>
 Total Net Investment in Capital Assets	 <u>\$ 8,928,196</u>	 <u>\$ 8,796,322</u>

**NOTE 9 - EMPLOYEES RETIREMENT SYSTEM**

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

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

	<u>Employees</u>	<u>Employer</u>
2013 General category	6.65%	6.65%
2012 General category	5.9%	5.9%

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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## NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

	Year Ended December 31		
	2013	2012	2011
Total Covered Employee Payroll	\$ 217,144	\$ 201,244	\$ 184,776
Total Required Contributions	\$ 28,880	\$ 23,747	\$ 20,325
Total Required Contributions	13.3%	11.8%	11.0%

Details of the plan are disclosed in the basic financial statements of the Village of Marshall.

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## NOTE 10 - COMMITMENTS AND CONTINGENCIES

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### *Claims and Judgments*

From time to time, the utility is 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 utility's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utility's financial position or results of operations.

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## NOTE 11 - SIGNIFICANT CUSTOMERS

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### *Water Utility*

The utility has one significant customer who was responsible for 10% and 12% of operating revenues in December 31, 2013 and 2012, respectively.

### *Sewer Utility*

The utility has one significant customer who was responsible for 23% and 22% of operating revenues in December 31, 2013 and 2012, respectively.

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## NOTE 12 - SUBSEQUENT EVENTS

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The utility evaluated subsequent events through March 6, 2014, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

**SUPPLEMENTAL INFORMATION**

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

WATER UTILITY PLANT  
As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Adjustments	Balance 12/31/13
<b>SOURCE OF SUPPLY</b>					
Land and land rights	\$ 83,638	\$ -	\$ -	\$ -	\$ 83,638
Wells and springs	<u>253,698</u>	-	-	-	<u>253,698</u>
Total Source of Supply	<u>337,336</u>	-	-	-	<u>337,336</u>
<b>PUMPING</b>					
Structures and improvements	751,804	-	-	(5,026)	746,778
Electric pumping equipment	159,957	-	-	-	159,957
Diesel pumping equipment	<u>13,766</u>	-	-	-	<u>13,766</u>
Total Pumping	<u>925,527</u>	-	-	<u>(5,026)</u>	<u>920,501</u>
<b>WATER TREATMENT</b>					
Water treatment equipment	<u>3,809</u>	-	-	-	<u>3,809</u>
<b>TRANSMISSION AND DISTRIBUTION</b>					
Distribution reservoirs and standpipes	462,722	-	-	-	462,722
Transmission and distribution mains	3,095,382	-	-	-	3,095,382
Services	935,816	-	-	-	935,816
Meters	247,153	-	125	-	247,028
Hydrants	<u>422,748</u>	-	-	-	<u>422,748</u>
Total Transmission and Distribution	<u>5,163,821</u>	-	<u>125</u>	-	<u>5,163,696</u>
<b>GENERAL</b>					
Office furniture and equipment	3,053	-	-	-	3,053
Computer equipment	12,747	-	-	-	12,747
Transportation equipment	65,645	-	10,338	-	55,307
Communication equipment	26,505	-	-	-	26,505
Miscellaneous equipment	<u>46,151</u>	<u>773</u>	-	-	<u>46,924</u>
Total General	<u>154,101</u>	<u>773</u>	<u>10,338</u>	-	<u>144,536</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u>\$ 6,584,594</u>	<u>\$ 773</u>	<u>\$ 10,463</u>	<u>\$ (5,026)</u>	<u>\$ 6,569,878</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

SEWER UTILITY PLANT  
As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>COLLECTING SYSTEM</b>				
Land and land rights	\$ 3,737	\$ -	\$ -	\$ 3,737
Service connections	862,393	-	-	862,393
Collecting mains	2,836,674	44,074	15,170	2,865,578
Interceptor mains	123,575	4,906	-	128,481
Force mains	118,956	-	-	118,956
Total Collecting System	<u>3,945,335</u>	<u>48,980</u>	<u>15,170</u>	<u>3,979,145</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Electric pumping equipment	<u>218,989</u>	-	-	<u>218,989</u>
<b>TREATMENT AND DISPOSAL</b>				
Land and land rights	211,991	-	-	211,991
Structures and improvements	973,635	-	-	973,635
Preliminary treatment equipment	704,851	-	-	704,851
Primary treatment equipment	4,443	-	-	4,443
Secondary treatment equipment	1,546,283	-	-	1,546,283
Chlorination equipment	180,298	-	-	180,298
Sludge treatment and disposal equipment	1,721,524	-	-	1,721,524
Plant site piping	961,187	-	-	961,187
Flow metering and monitoring equipment	5,005	-	5,005	-
Outfall sewer pipes	183,873	-	-	183,873
Other treatment and disposal equipment	74,867	-	-	74,867
Total Treatment and Disposal	<u>6,567,957</u>	<u>-</u>	<u>5,005</u>	<u>6,562,952</u>
<b>GENERAL</b>				
Office furniture and equipment	15,594	-	-	15,594
Computer equipment	88,907	-	-	88,907
Transportation equipment	117,251	-	10,338	106,913
Communication equipment	4,115	-	-	4,115
Other general equipment	100,742	-	-	100,742
Laboratory equipment	2,267	5,749	-	8,016
Total General	<u>328,876</u>	<u>5,749</u>	<u>10,338</u>	<u>324,287</u>
<b>TOTAL SEWER UTILITY PLANT</b>	<u>\$11,061,157</u>	<u>\$ 54,729</u>	<u>\$ 30,513</u>	<u>\$11,085,373</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

	2013	2012
<b>OPERATING REVENUES</b>		
Sales of Water		
Unmetered	\$ 674	\$ 731
Metered		
Residential	222,444	222,827
Commercial	79,962	91,580
Industrial	1,569	1,615
Public authorities	8,044	7,973
Total Metered Sales	312,019	323,995
Private fire protection	600	700
Public fire protection	171,906	172,302
Total Sales of Water	485,199	497,728
Other Operating Revenues		
Forfeited discounts	2,151	2,429
Rents from water property	15,098	14,658
Other	3,864	3,318
Total Operating Revenues	506,312	518,133
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Operation labor	54,782	57,199
Pumping		
Fuel or power purchased for pumping	23,173	22,433
Operation supplies	110	221
Maintenance	40,157	95
Total Pumping	63,440	22,749
Water Treatment		
Chemicals	9,190	12,937
Operation supplies	3,617	2,718
Maintenance	(12)	65
Total Water Treatment	12,795	15,720
Transmission and Distribution		
Operation supplies	214	298
Maintenance		
Mains	-	10,223
Services	4,757	2,819
Meters	725	1,284
Total Transmission and Distribution	5,696	14,624
Customer Accounts		
Accounting and collecting labor	7,762	129
Supplies	6,954	1,815
Total Customer Accounts	14,716	1,944

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 16,254	\$ 22,042
Office supplies	3,848	9,412
Outside services employed	7,346	9,137
Property insurance	6,292	7,362
Injuries and damages	-	509
Employee pensions and benefits	17,300	15,994
Regulatory commission	533	3,268
Miscellaneous	6,360	5,780
Transportation	3,271	2,831
Maintenance	1,084	508
Total Administrative and General	<u>62,288</u>	<u>76,843</u>
Taxes	<u>3,268</u>	<u>3,939</u>
Total Operation and Maintenance	216,985	193,018
Depreciation	<u>149,821</u>	<u>130,590</u>
Total Operating Expenses	<u>366,806</u>	<u>323,608</u>
 OPERATING INCOME	 <u>\$ 139,506</u>	 <u>\$ 194,525</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 446,309	\$ 466,199
Commercial	250,881	231,100
Industrial	2,236	2,393
Public authorities	19,335	20,034
Total Sewer Revenues	718,761	719,726
Other Operating Revenues		
Forfeited discounts	2,715	3,278
Rent from sewer property	2,700	-
Miscellaneous	898	3,446
Total Operating Revenues	725,074	726,450
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	104,731	108,168
Power and fuel for pumping	61,524	51,736
Other chemicals	6,750	7,185
Other operating supplies	11,461	11,909
Joint metering costs	3,044	3,250
Transportation	3,271	2,831
Sludge hauling	11,366	9,965
Total Operation	202,147	195,044
Maintenance		
Collection system	9,762	18,368
Pumping equipment	5,738	1,050
Treatment and disposal plant equipment	4,049	2,729
General plant structures and equipment	12,717	6,909
Total Maintenance	32,266	29,056
Customer Accounts		
Accounting and collecting	12,718	11,680
Administrative and General		
Salaries	11,302	10,362
Office supplies	11,910	13,123
Outside services employed	10,285	6,446
Insurance	10,298	10,743
Employees pensions and benefits	23,821	22,367
Regulatory commission	3,915	4,283
Miscellaneous	5,735	5,485
Total Administrative and General	77,266	72,809
Taxes	12,906	12,470
Total Operation and Maintenance	337,303	321,059
Depreciation	329,976	330,219
Total Operating Expenses	667,279	651,278
 <b>OPERATING INCOME</b>	 <b>\$ 57,795</b>	 <b>\$ 75,172</b>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

### RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2013 and 2012

	Water	
	2013	2012
Utility Financed Plant in Service		
Beginning of year	\$ 4,701,635	\$ 3,371,802
End of year	<u>4,571,941</u>	<u>4,701,635</u>
Average	<u>4,636,788</u>	<u>4,036,719</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(803,190)	(703,065)
End of year	<u>(920,877)</u>	<u>(803,190)</u>
Average	<u>(862,034)</u>	<u>(753,128)</u>
Regulatory Liability		
Beginning of year	(105,819)	(115,439)
End of year	<u>(96,199)</u>	<u>(105,819)</u>
Average	<u>(101,009)</u>	<u>(110,629)</u>
AVERAGE NET RATE BASE	<u>\$ 3,673,745</u>	<u>\$ 3,172,962</u>
SALES OF WATER - REGULATORY BASIS	<u>\$ 29,782</u>	<u>\$ 110,064</u>
RATE OF RETURN (PERCENT)	<u>0.81</u>	<u>3.47</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>3.25</u>	<u>3.25</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.