

**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, 2015 and 2014

# 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, 2015 and 2014

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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, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express 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. 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 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.

To the Village Board  
Village of Marshall Water and Sewer Department

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

### ***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, 2015 and 2014 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, Village of Marshall Water and Sewer Department has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change is shown in the current year. Our opinion is 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.

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.

To the Village Board  
Village of Marshall Water and Sewer Department

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion 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 Vinchow Krause, LLP*

Madison, Wisconsin  
March 8, 2016

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 597,828	\$ 658,005
Interest receivable	5,075	3,384
Restricted Assets		
Redemption account	371,387	363,738
Customer accounts receivable	122,615	100,507
Other accounts receivable	269	231
Due from municipality	24,537	28,381
Current portion of advance	214,597	207,392
Total Current Assets	1,336,308	1,361,638
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Net pension asset	33,140	-
Other Assets		
Capital projects sinking fund	382,293	369,985
Advances to other funds	542,529	757,127
Property held for future use	290,488	290,488
Capital Assets		
Plant in service		
Water	7,116,855	6,604,399
Sewer	12,039,996	11,146,980
Total Plant in Service	19,156,851	17,751,379
Accumulated depreciation		
Water	(1,745,548)	(1,583,791)
Sewer	(5,181,056)	(4,854,799)
Total Accumulated Depreciation	(6,926,604)	(6,438,590)
Total Noncurrent Assets	14,214,010	13,465,702
Total Assets	15,550,318	14,827,340
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	33,352	-

<b>LIABILITIES</b>		<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 9,520	\$ 14,312
Accrued taxes		139,972	165,718
Accrued interest		1,680	2,935
Accrued vacation leave		6,324	11,438
Current portion of general obligation debt		65,000	65,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		617,890	598,009
Accrued interest		11,960	15,065
Total Current Liabilities		<u>852,346</u>	<u>872,477</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		280,000	345,000
Revenue bonds		1,662,157	2,280,047
Accrued sick leave		320	2,896
Total Noncurrent Liabilities		<u>1,942,477</u>	<u>2,627,943</u>
Total Liabilities		<u>2,794,823</u>	<u>3,500,420</u>
<b>NET POSITION</b>			
Net investment in capital assets		10,362,326	8,989,252
Restricted for:			
Debt service		525,455	514,701
Equipment replacement		569,285	569,285
Pension Asset		33,140	-
Unrestricted		<u>1,298,641</u>	<u>1,253,682</u>
<b>TOTAL NET POSITION</b>		<u>\$ 12,788,847</u>	<u>\$ 11,326,920</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, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Water		
Sales of water	\$ 483,178	\$ 481,922
Other	<u>21,530</u>	<u>23,844</u>
Total Water	<u>504,708</u>	<u>505,766</u>
Sewer		
Treatment charges	688,849	695,273
Other	<u>6,004</u>	<u>8,739</u>
Total Sewer	<u>694,853</u>	<u>704,012</u>
Total Operating Revenues	<u>1,199,561</u>	<u>1,209,778</u>
<b>OPERATING EXPENSES</b>		
Water		
Operation and maintenance	213,016	209,628
Depreciation	<u>155,267</u>	<u>151,360</u>
Total Water	<u>368,283</u>	<u>360,988</u>
Sewer		
Operation and maintenance	344,525	387,560
Depreciation	<u>337,739</u>	<u>331,384</u>
Total Sewer	<u>682,264</u>	<u>718,944</u>
Total Operating Expenses	<u>1,050,547</u>	<u>1,079,932</u>
<b>OPERATING INCOME (LOSS)</b>		
Water	136,425	144,778
Sewer	<u>12,589</u>	<u>(14,932)</u>
Total Operating Income (Loss)	<u>149,014</u>	<u>129,846</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	24,251	7,908
Investment income on advance to TIF	45,805	55,486
Gain on sale of land	-	1,762
Interest expense	(84,067)	(109,594)
Debt issuance costs	<u>-</u>	<u>(9,799)</u>
Total Nonoperating Revenues (Expenses)	<u>(14,011)</u>	<u>(54,237)</u>
Income Before Contributions and Transfers	135,003	75,609
<b>CAPITAL CONTRIBUTIONS</b>	4,000	6,000
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	1,395,514	5,000
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(139,972)</u>	<u>(138,856)</u>
<b>CHANGE IN NET POSITION</b>	1,394,545	(52,247)
NET POSITION - Beginning of Year	<u>11,326,920</u>	<u>11,379,167</u>
Cumulative effect of a change in accounting principle	67,382	-
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,788,847</u>	<u>\$ 11,326,920</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, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,181,260	\$ 1,202,979
Paid to suppliers for goods and services	(369,142)	(366,309)
Paid to employees for operating payroll	(199,991)	(214,312)
Net Cash Flows From Operating Activities	612,127	622,358
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(165,718)	(2,000)
Received on long term advance to TIF	253,197	255,927
Net Cash Flows From Noncapital Financing Activities	87,479	253,927
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(14,951)	(118,914)
Received from the sale of capital assets	-	10,000
Capital contributions received	4,000	11,000
Debt retired	(663,009)	(1,043,563)
Interest paid	(88,427)	(115,405)
Proceeds from debt issue	-	410,000
Debt issuance costs	-	(9,799)
Net Cash Flows From Capital and Related Financing Activities	(762,387)	(856,681)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments sold and matured	64,936	-
Investment income	22,561	4,974
Net Cash Flows From Investing Activities	87,497	4,974
<b>Net Change in Cash and Cash Equivalents</b>	24,716	24,578
CASH AND CASH EQUIVALENTS - Beginning of Year	1,428,772	1,404,194
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,453,488	\$ 1,428,772
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Change in market value of investments	\$ -	\$ 2,883
Municipal financed additions to utility plant	\$ 1,395,514	\$ -

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 149,014	\$ 129,846
Noncash items in operating income		
Depreciation	493,006	482,744
Changes in assets and liabilities		
Customer accounts receivable	(22,108)	6,094
Other accounts receivable	(38)	(231)
Due from other funds	3,844	(12,662)
Pension related deferrals and assets	890	-
Preliminary survey and investigation	-	4,687
Accounts payable	(4,791)	3,991
Accrued sick leave and vacation	<u>(7,690)</u>	<u>7,889</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 612,127</u></b>	<b><u>\$ 622,358</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 597,828	\$ 658,005
Redemption account	371,387	363,738
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Capital project sinking account	<u>382,293</u>	<u>369,985</u>
Total Cash and Investments	2,086,821	2,127,041
Less: Noncash equivalents	<u>(633,333)</u>	<u>(698,269)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 1,453,488</u></b>	<b><u>\$ 1,428,772</u></b>

See accompanying notes to the financial statements.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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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 the 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.

GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utility's cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. The utility adopted these statements effective January 1, 2015. The cumulative impact of implementation is shown in Note 13.

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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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### *ASSETS, LIABILITIES AND NET POSITION*

#### *Deposits and Investments*

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

Investment of 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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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

#### ***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.

#### ***Property Held for Future Use***

The water utility acquired property for future use as the site for 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

#### ***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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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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. 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. 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.

### ***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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

### REVENUES AND EXPENSES (cont.)

#### 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 services for the existing treatment plant.

#### Taxes

Taxes included in the financial statements include PSCW reminder 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

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

## NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2015	2014	
Checking and savings	\$ 10,340	\$ 46,819	Custodial credit
Certificates of deposit	500,000	500,000	Custodial credit
Money market	1,442,948	1,381,753	Custodial credit
U.S. Securities	133,333	198,269	Credit, custodial credit, concentration of credit, and interest rate
Petty Cash	<u>200</u>	<u>200</u>	N/A
Totals	<u>\$ 2,086,821</u>	<u>\$ 2,127,041</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) 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.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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

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.

### ***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.

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank				
Non-Interest Bearing	\$ 18,528	\$ 10,340	\$ 79,583	\$ 46,819
Interest bearing	891,184	723,700	769,018	769,018
First Business Bank	615,498	615,498	612,735	612,735
Union Bank of Blair	500,000	500,000	500,000	500,000
TD Ameritrade	103,750	103,750	-	-
Totals	\$ 2,128,960	\$ 1,953,288	\$ 1,961,336	\$ 1,928,572

#### **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 Years Ended December 31, 2015 and 2014

**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.

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Federal Home Loan	\$ 133,333	\$ 133,333	\$ 198,269	\$ 198,269

***Credit Risk***

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

As of December 31, 2015 and 2014, the 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.

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

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

***Interest Rate Risk***

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

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

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 year	1-5 years	Greater than 10 years
U.S. Securities	\$ 133,333	\$ -	\$ 133,333	\$ -

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

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 year	1-5 years	Greater than 10 years
U.S. Securities	\$ 198,269	\$ -	\$ 198,269	\$ -

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

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

Due To	Due From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Municipality	\$ 24,537	Operating expense	\$ 28,381	Operating expenses
Municipality	Utility	139,972	Tax equivalent	165,718	Tax equivalent
Utility	TIF District	344,243	Sewer debt	480,303	Sewer debt
Utility	TIF District	412,883	Water debt	484,216	Water debt

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

To	From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Utility	\$ 139,972	Payment in lieu of taxes	\$ 138,856	Payment in lieu of taxes

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

## 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.
- 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 utility has established an account for replacement of certain mechanical equipment. This utility uses the alternative method of funding, which does not require an annual deposit.

### *Restricted Net Position*

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

	2015	2014
Restricted Assets		
Redemption account	\$ 371,387	\$ 363,738
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Net pension asset	33,140	-
Total Restricted Assets	1,139,840	1,099,051
Current Liabilities Payable From Restricted Assets	(11,960)	(15,065)
Total Restricted Net Position as Calculated	\$ 1,127,880	\$ 1,083,986

The purpose of the restricted net position is as follows:

	2015	2014
Debt service	\$ 525,455	\$ 514,701
Equipment replacement	569,285	569,285
Pension Asset	33,140	-
Total Restricted Net Position	\$ 1,127,880	\$ 1,083,986

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

## **NOTE 5 - ADVANCES TO OTHER FUNDS**

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.

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2015
5/01/1999	Tax Incremental Financing-Sewer Project	5/1/2018	5.0%	\$ 2,198,081	\$ 344,243
5/10/2013	Tax Incremental Financing-Water Project	3/15/2020	4.5	552,477	412,883

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
2016	\$ 214,597	\$ 35,792	\$ 250,389
2017	222,065	25,434	247,499
2018	141,422	14,721	156,143
2019	87,606	5,516	93,122
2020	91,436	1,686	93,122
Totals	<u>\$ 757,126</u>	<u>\$ 83,149</u>	<u>\$ 840,275</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

***Water Utility***

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

	<u>Balance 1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
Capital assets, not being depreciated				
Land and land rights	\$ 83,638	\$ -	\$ -	\$ 83,638
Capital assets being depreciated				
Source of supply	253,698	-	-	253,698
Pumping	920,501	-	-	920,501
Water treatment	3,809	-	-	3,809
Transmission and distribution	5,182,303	512,776	320	5,694,759
General	<u>160,450</u>	<u>-</u>	<u>-</u>	<u>160,450</u>
Total Capital Assets Being Depreciated	<u>6,520,761</u>	<u>512,776</u>	<u>320</u>	<u>7,033,217</u>
Total Capital Assets	<u>6,604,399</u>	<u>512,776</u>	<u>320</u>	<u>7,116,855</u>
Less: Accumulated depreciation	<u>(1,583,791)</u>	<u>(162,077)</u>	<u>320</u>	<u>(1,745,548)</u>
Net Capital Assets	<u>\$ 5,020,608</u>			<u>\$ 5,371,307</u>

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

	<u>Balance 1/1/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Capital assets, not being depreciated				
Land and land rights	\$ 83,638	\$ -	\$ -	\$ 83,638
Capital assets being depreciated				
Source of supply	253,698	-	-	253,698
Pumping	920,501	-	-	920,501
Water treatment	3,809	-	-	3,809
Transmission and distribution	5,163,696	19,857	1,250	5,182,303
General	<u>144,536</u>	<u>15,914</u>	<u>-</u>	<u>160,450</u>
Total Capital Assets Being Depreciated	<u>6,486,240</u>	<u>35,771</u>	<u>1,250</u>	<u>6,520,761</u>
Total Capital Assets	<u>6,569,878</u>	<u>35,771</u>	<u>1,250</u>	<u>6,604,399</u>
Less: Accumulated depreciation	<u>(1,426,880)</u>	<u>(158,161)</u>	<u>1,250</u>	<u>(1,583,791)</u>
Net Capital Assets	<u>\$ 5,142,998</u>			<u>\$ 5,020,608</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

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

***Sewer Utility***

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

	<u>Balance 1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
Capital assets, not being depreciated				
Land and land rights	\$ 207,490	\$ -	\$ -	\$ 207,490
Capital assets being depreciated				
Collecting system	4,002,666	883,672	-	4,886,338
Collecting system pumping	245,662	-	-	245,662
Treatment and disposal	6,350,961	14,017	4,673	6,360,305
General	<u>340,201</u>	<u>-</u>	<u>-</u>	<u>340,201</u>
Total Capital Assets Being Depreciated	<u>10,939,490</u>	<u>897,689</u>	<u>4,673</u>	<u>11,832,506</u>
Total Capital Assets	<u>11,146,980</u>	<u>897,689</u>	<u>4,673</u>	<u>12,039,996</u>
Less: Accumulated depreciation	<u>(4,854,799)</u>	<u>(330,930)</u>	<u>4,673</u>	<u>(5,181,056)</u>
Net Capital Assets	<u>\$ 6,292,181</u>			<u>\$ 6,858,940</u>

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

	<u>Balance 1/1/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Capital assets, not being depreciated				
Land and land rights	\$ 215,728	\$ -	\$ 8,238	\$ 207,490
Capital assets being depreciated				
Collecting system	3,975,408	27,258	-	4,002,666
Collecting system pumping	218,989	39,973	13,300	245,662
Treatment and disposal	6,350,961	-	-	6,350,961
General	<u>324,287</u>	<u>15,914</u>	<u>-</u>	<u>340,201</u>
Total Capital Assets Being Depreciated	<u>10,869,645</u>	<u>83,145</u>	<u>13,300</u>	<u>10,939,490</u>
Total Capital Assets	<u>11,085,373</u>	<u>83,145</u>	<u>21,538</u>	<u>11,146,980</u>
Less: Accumulated depreciation	<u>(4,543,516)</u>	<u>(332,821)</u>	<u>21,538</u>	<u>(4,854,799)</u>
Net Capital Assets	<u>\$ 6,541,857</u>			<u>\$ 6,292,181</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

**NOTE 7 - LONG-TERM OBLIGATIONS**

***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 12/31/15</u>
8/27/97	Wastewater treatment plant improvements	5/1/17	3.096%	\$ 6,351,233	\$ 856,629
11/24/98	Wastewater collection system improvements	5/1/18	2.640	1,155,695	222,550

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,079,179</u>	<u>\$ 35,638</u>	<u>\$ 1,114,817</u>

All utility revenues net of specified operating expenses net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$519,178 and \$519,392, respectively. Total customer net revenues as defined for the same periods were \$526,528 and \$495,210. Annual principal and interest payments are expected to require 71% of net revenues on average.

***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 12/31/15</u>
12/27/07	Water system improvements	11/1/22	3.55-4.10%	\$ 1,265,000	\$ 800,000
5/8/13	Well #3	5/1/33	1.93	437,499	400,868

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

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

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

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 123,846	\$ 39,185	\$ 163,031
2017	124,209	34,829	159,038
2018	129,579	30,414	159,993
2019	134,955	25,743	160,698
2020	140,340	20,812	161,152
2021-2025	352,724	39,162	391,886
2026-2030	118,499	13,173	131,672
2031-2033	<u>76,716</u>	<u>2,234</u>	<u>78,950</u>
Totals	<u>\$ 1,200,868</u>	<u>\$ 205,552</u>	<u>\$ 1,406,420</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$161,785 and \$160,303, respectively. Total customer net revenues as defined for the same periods were \$396,939 and \$393,215. Annual principal and interest payments are expected to require 20% 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 12/31/15</u>
7/2/14	To refund the 2007 general obligation debt	3/1/20	2.40%	\$ 410,000	\$ 345,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 65,000	\$ 4,253	\$ 69,253
2017	70,000	3,675	73,675
2018	70,000	2,870	72,870
2019	70,000	1,855	71,855
2020	<u>70,000</u>	<u>648</u>	<u>70,648</u>
Totals	<u>\$ 345,000</u>	<u>\$ 13,301</u>	<u>\$ 358,301</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

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

***Long-Term Obligations Summary***

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

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,878,056	\$ -	\$ 598,009	\$ 2,280,047	\$ 617,890
General obligation debt	410,000	-	65,000	345,000	65,000
Accrued sick leave	<u>2,896</u>	<u>7,039</u>	<u>9,615</u>	<u>320</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 3,290,952</u></b>	<b><u>\$ 7,039</u></b>	<b><u>\$ 672,624</u></b>	<b><u>\$ 2,625,367</u></b>	<b><u>\$ 682,890</u></b>

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

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 3,456,619	\$ -	\$ 578,563	\$ 2,878,056	\$ 598,009
General obligation debt	465,000	410,000	465,000	410,000	65,000
Accrued sick leave	<u>6,445</u>	<u>13,424</u>	<u>16,973</u>	<u>2,896</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 3,928,064</u></b>	<b><u>\$ 423,424</u></b>	<b><u>\$ 1,060,536</u></b>	<b><u>\$ 3,290,952</u></b>	<b><u>\$ 663,009</u></b>

***Current Refunding***

On July 2, 2014, bonds in the amount of \$1,820,000 were issued with an average interest rate of 2.4% to refund \$1,780,000 of outstanding general obligation bonds with an average interest rate of 3.4-3.75%. The net proceeds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$1,931,136 from 2015 through 2017. The cash flow requirements on the new bonds are \$2,087,656 from 2015 through 2027. The current refunding resulted in an economic gain of \$11,022.

***Bond Covenant Disclosures***

The following information is provided in compliance with the resolution 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, 2015 and 2014

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

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

***Insurance*** (cont.)

The utility is covered under the following insurance policies at December 31, 2015:

<u>Type</u>	<u>Coverage</u>
<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 - Water***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 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:

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 504,708	\$ 505,766
Investment income	12,125	3,954
TIF principal and interest	93,122	93,123
Less: Operation and maintenance expenses	<u>(213,016)</u>	<u>(209,628)</u>
Net Defined Earnings	<u>\$ 396,939</u>	<u>\$ 393,215</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 163,031	\$ 163,031
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum Required Earnings	<u>\$ 203,789</u>	<u>\$ 203,789</u>
Actual Debt Coverage	<u>2.43</u>	<u>2.41</u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

**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 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 694,853	\$ 704,012
Investment income	12,125	3,954
Connection fees	4,000	11,000
TIF principal and interest	160,075	162,804
Less: Operation and maintenance expenses	<u>(344,525)</u>	<u>(387,560)</u>
 Net Defined Earnings	 <u>\$ 526,528</u>	 <u>\$ 494,210</u>
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 518,957	\$ 519,178
Coverage factor	<u>1.10</u>	<u>1.10</u>
 Minimum Required Earnings	 <u>\$ 570,853</u>	 <u>\$ 571,096</u>
 Actual Debt Coverage	 <u>1.01</u>	 <u>0.95</u>

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

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

	<u>Customers</u>		<u>Sales (000 gals)</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Residential	1,025	1,025	43,615	44,988
Multifamily residential	19	19	21,616	21,616
Commercial	65	65	4,696	5,063
Industrial	6	6	376	276
Wholesale	<u>14</u>	<u>14</u>	<u>1,918</u>	<u>1,952</u>
 Totals	 <u>1,129</u>	 <u>1,129</u>	 <u>72,221</u>	 <u>73,895</u>

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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

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

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

	Customers		Sales (000 gals)	
	2015	2014	2015	2014
Residential	1,025	1,025	43,294	44,742
Multifamily residential	19	19	26,164	27,563
Commercial	65	65	4,268	4,291
Industrial	6	6	210	172
Public authority	14	14	1,856	1,873
Totals	<u>1,129</u>	<u>1,129</u>	<u>75,792</u>	<u>78,641</u>

Under the terms of the sewer utility revenue bond resolution, revenues must exceed 1.10 times the highest annual debt service of the bonds. The debt coverage requirement was not met in 2015 or 2014. The utility reviewed sewer rates in 2015 to ensure debt coverage is met in the future and to meet the DNR biennial requirement. New sewer rates will be implemented in 2016.

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## NOTE 8 - NET POSITION

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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 Years Ended December 31, 2015 and 2014

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

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

	2015	2014
Plant in service	\$ 19,156,851	\$ 17,751,379
Accumulated depreciation	<u>(6,926,604)</u>	<u>(6,438,590)</u>
Sub-Totals	<u>12,230,247</u>	<u>11,312,789</u>
Less: Capital related debt		
Current portion of capital related long-term debt	682,890	663,009
Long-term portion of capital related long-term debt	1,942,157	2,625,047
Advance to TIF - noncurrent portion	(542,529)	(757,127)
Advance to TIF - current portion	<u>(214,597)</u>	<u>(207,392)</u>
Sub-Totals	<u>1,867,921</u>	<u>2,323,537</u>
Total Net Investment in Capital Assets, Net of Related Debt	<u>\$ 10,362,326</u>	<u>\$ 8,989,252</u>

### **NOTE 9 - EMPLOYEES RETIREMENT SYSTEM**

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

#### **General Information About the Pension Plan**

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

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

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

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

During the reporting period, the WRS recognized \$12,803 in contributions from the utility.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

Contribution rates as of December 31, 2015 are:

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

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

At December 31, 2015, the utility reported a liability (asset) of \$(33,140) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utility's proportion of the net pension liability (asset) was based on the utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Village of Marshall's proportion was 0.0085845%, which was a decrease of 0.00022369% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the utility recognized pension expense of \$12,682.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,804	\$ -
Changes in assumption	-	-
Net differences between project and actual earnings on pension plan	16,048	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	708	-
Employer contributions subsequent to the measurement date	11,792	-
Total	\$ 33,352	\$ -

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. \$11,792 is reported for the water and wastewater utilities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 5,269	\$ -
2017	5,269	-
2018	5,269	-
2019	5,269	-
2020	484	-
Thereafter	-	-
Total	\$ 21,560	\$ -

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

Actuarial valuation date	December 31, 2013
Measurement date of net pension liability (asset)	December 31, 2014
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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

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

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

*Sensitivity of the utility's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the utility's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the utility'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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water Utility's proportionate share of the net position (asset)	\$ 93,494	\$ (33,140)	\$ (133,151)

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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

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*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

### **Required Disclosures Under GASB No. 27**

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

	Year Ended December 31	
	2014	2013
Total Covered Employee Payroll	\$ 182,889	\$ 217,144
Total Required Contributions	\$ 25,652	\$ 28,880
Total Required Contributions	14.0%	13.3%

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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 9% of operating revenues in 2015 and 2014.

### **Sewer Utility**

The utility has one significant customer who was responsible for 20% and 21% of operating revenues in 2015 and 2014.

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## NOTE 12 - SUBSEQUENT EVENTS

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

### **Rate Adjustment**

The board has approved a two step sewer rate adjustment effective in early 2016 and 2017. The board has also approved an application to the PSCW to increase water rates.

# VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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## **NOTE 13 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE**

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

Net pension asset January 1, 2014	\$	54,579
Deferred outflows January 1, 2014		<u>12,803</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>67,382</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

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

	<u>2015</u>
Village of Marshall's proportion of the net pension liability (asset)	0.0085845%
Village of Marshall Water and Sewer Department's proportionate share of the net pension liability (asset)	\$ (33,140)
Village of Marshall Water and Sewer Department's covered employee payroll	\$ 152,025
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

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

SCHEDULE OF CONTRIBUTIONS  
 Wisconsin Retirement System  
 Last 10 Fiscal Years\*

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

	<u>2015</u>
Contractually required contributions	\$ 12,666
Contributions in relation to the contractually required contributions	12,666
Contributions deficiency (excess)	-
Village of Marshall Water and Sewer Department's covered-employee payroll	152,025
Contributions as a percentage of covered-employee payroll	8.3%

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

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

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

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

**SUPPLEMENTAL INFORMATION**

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
<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	746,778	-	-	746,778
Electric pumping equipment	159,957	-	-	159,957
Diesel pumping equipment	<u>13,766</u>	-	-	<u>13,766</u>
Total Pumping	<u>920,501</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	455,591	-	3,550,973
Services	935,816	32,590	-	968,406
Meters	247,340	934	320	247,954
Hydrants	<u>441,043</u>	<u>23,661</u>	-	<u>464,704</u>
Total Transmission and Distribution	<u>5,182,303</u>	<u>512,776</u>	<u>320</u>	<u>5,694,759</u>
<b>GENERAL</b>				
Office furniture and equipment	3,053	-	-	3,053
Computer equipment	12,747	-	-	12,747
Transportation equipment	55,307	-	-	55,307
Communication equipment	42,419	-	-	42,419
Miscellaneous equipment	<u>46,924</u>	-	-	<u>46,924</u>
Total General	<u>160,450</u>	-	-	<u>160,450</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u><u>\$ 6,604,399</u></u>	<u><u>\$ 512,776</u></u>	<u><u>\$ 320</u></u>	<u><u>\$ 7,116,855</u></u>

**VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT**

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

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
<b>COLLECTING SYSTEM</b>				
Land and land rights	\$ 3,737	\$ -	\$ -	\$ 3,737
Service connections	862,393	-	-	862,393
Collecting mains	2,892,836	883,672	-	3,776,508
Interceptor mains	128,481	-	-	128,481
Force mains	118,956	-	-	118,956
Total Collecting System	<u>4,006,403</u>	<u>883,672</u>	<u>-</u>	<u>4,890,075</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Electric pumping equipment	<u>245,662</u>	<u>-</u>	<u>-</u>	<u>245,662</u>
<b>TREATMENT AND DISPOSAL</b>				
Land and land rights	203,753	-	-	203,753
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	11,557	3,853	1,553,987
Chlorination equipment	180,298	-	-	180,298
Sludge treatment and disposal equipment	1,721,524	2,460	820	1,723,164
Plant site piping	961,187	-	-	961,187
Outfall sewer pipes	183,873	-	-	183,873
Other treatment and disposal equipment	74,867	-	-	74,867
Total Treatment and Disposal	<u>6,554,714</u>	<u>14,017</u>	<u>4,673</u>	<u>6,564,058</u>
<b>GENERAL</b>				
Office furniture and equipment	15,594	-	-	15,594
Computer equipment	88,907	-	-	88,907
Transportation equipment	106,913	-	-	106,913
Communication equipment	20,029	-	-	20,029
Other general equipment	100,742	-	-	100,742
Laboratory equipment	8,016	-	-	8,016
Total General	<u>340,201</u>	<u>-</u>	<u>-</u>	<u>340,201</u>
<b>TOTAL SEWER UTILITY PLANT</b>	<u>\$11,146,980</u>	<u>\$ 897,689</u>	<u>\$ 4,673</u>	<u>\$12,039,996</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

	2015	2014
<b>OPERATING REVENUES</b>		
Sales of Water		
Unmetered	\$ 2,098	\$ 1,815
Metered		
Residential	221,670	221,333
Multifamily residential	56,859	56,603
Commercial	19,233	19,587
Industrial	1,651	1,381
Public authorities	7,974	8,266
Total Metered Sales	307,387	307,170
Private fire protection	876	600
Public fire protection	172,817	172,337
Total Sales of Water	483,178	481,922
Other Operating Revenues		
Forfeited discounts	2,757	2,889
Rents from water property	16,017	15,550
Other	2,756	5,405
Total Operating Revenues	504,708	505,766
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Operation labor	56,202	59,948
Pumping		
Fuel or power purchased for pumping	20,988	23,342
Operation supplies	491	92
Maintenance	220	1,471
Total Pumping	21,699	24,905
Water Treatment		
Chemicals	7,594	7,911
Operation supplies	2,598	4,666
Maintenance	577	820
Total Water Treatment	10,769	13,397
Transmission and Distribution		
Operation supplies	314	38
Maintenance		
Mains	3,596	4,695
Services	18,213	6,261
Meters	2,988	1,403
Total Transmission and Distribution	25,111	12,397
Customer Accounts		
Accounting and collecting labor	10,359	14,396
Supplies	7,377	7,217
Total Customer Accounts	17,736	21,613

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

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	<u>2015</u>	<u>2014</u>
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 19,643	\$ 11,649
Office supplies	6,557	7,471
Outside services employed	22,064	15,105
Property insurance	7,453	6,567
Injuries and damages	2,111	-
Employee pensions and benefits	12,847	21,593
Regulatory commission	567	1,751
Miscellaneous	3,484	5,347
Transportation	1,798	2,729
Maintenance	1,000	1,020
Total Administrative and General	<u>77,524</u>	<u>73,232</u>
Taxes	<u>3,975</u>	<u>4,136</u>
Total Operation and Maintenance	<u>213,016</u>	<u>209,628</u>
Depreciation	<u>155,267</u>	<u>151,360</u>
Total Operating Expenses	<u>368,283</u>	<u>360,988</u>
 OPERATING INCOME	 <u>\$ 136,425</u>	 <u>\$ 144,778</u>

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

	2015	2014
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 446,671	\$ 445,486
Multifamily residential	180,893	189,854
Commercial	39,350	38,208
Industrial	2,317	2,037
Public authorities	19,618	19,688
Total Sewer Revenues	688,849	695,273
Other Operating Revenues		
Forfeited discounts	3,485	3,709
Rent from sewer property	2,475	2,700
Miscellaneous	44	2,330
Total Operating Revenues	694,853	704,012
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	79,078	91,654
Power and fuel for pumping	56,998	69,156
Other chemicals	11,278	9,909
Other operating supplies	14,201	13,063
Joint metering costs	3,445	2,828
Transportation	1,818	2,729
Sludge hauling	10,088	14,165
Total Operation	176,906	203,504
Maintenance		
Collection system	15,501	23,855
Pumping equipment	7,525	9,867
Treatment and disposal plant equipment	11,132	11,540
General plant structures and equipment	14,132	16,528
Total Maintenance	48,290	61,790
Customer Accounts		
Accounting and collecting	9,955	20,397
Administrative and General		
Salaries	19,870	11,407
Office supplies	13,988	15,287
Outside services employed	19,610	16,065
Insurance	13,579	11,140
Employees pensions and benefits	22,416	25,508
Regulatory commission	2,144	3,834
Miscellaneous	6,839	6,668
Total Administrative and General	98,446	89,909
Taxes	10,928	11,960
Total Operation and Maintenance	344,525	387,560
Depreciation	337,739	331,384
Total Operating Expenses	682,264	718,944
 OPERATING INCOME (LOSS)	 \$ 12,589	 \$ (14,932)

## VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

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

	Water	
	2015	2014
Utility Financed Plant in Service		
Beginning of year	\$ 4,606,462	\$ 4,571,941
End of year	5,118,918	4,606,462
Average	4,862,690	4,589,202
Utility Financed Accumulated Depreciation		
Beginning of year	(1,041,222)	(902,877)
End of year	(1,166,413)	(1,041,222)
Average	(1,103,818)	(972,050)
Materials and Supplies		
Beginning of year	-	-
End of year	-	-
Average	-	-
Regulatory Liability		
Beginning of year	(86,579)	(96,199)
End of year	(76,959)	(86,579)
Average	(81,769)	(91,389)
AVERAGE NET RATE BASE	\$ 3,677,103	\$ 3,525,763
OPERATING INCOME - REGULATORY BASIS	\$ 32,702	\$ 42,488
RATE OF RETURN (PERCENT)	0.89	1.21
AUTHORIZED RATE OF RETURN (PERCENT)	3.25	3.25

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.