

**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, 2014 and 2013

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

An Enterprise Fund of the Village of Marshall, Wisconsin

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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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013 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.

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion 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.

Baker Tilly Vichow Krause, LLP

Madison, Wisconsin
February 26, 2015

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION As of December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and investments	\$ 658,005	\$ 654,661
Interest receivable	3,384	3,333
Restricted Assets		
Redemption account	363,738	354,601
Customer accounts receivable	100,507	106,601
Other accounts receivable	231	-
Due from municipality	28,381	15,719
Current portion of advance	<u>207,392</u>	<u>200,441</u>
Total Current Assets	<u>1,361,638</u>	<u>1,335,356</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Other Assets		
Capital projects sinking fund	369,985	355,005
Preliminary survey and investigation	-	4,687
Advances to other funds	757,127	964,519
Property held for future use	290,488	290,488
Capital Assets		
Plant in service		
Water	6,604,399	6,569,878
Sewer	<u>11,146,980</u>	<u>11,085,373</u>
Total Plant in Service	<u>17,751,379</u>	<u>17,655,251</u>
Accumulated depreciation		
Water	(1,583,791)	(1,426,880)
Sewer	<u>(4,854,799)</u>	<u>(4,543,516)</u>
Total Accumulated Depreciation	<u>(6,438,590)</u>	<u>(5,970,396)</u>
Total Noncurrent Assets	<u>13,465,702</u>	<u>14,034,867</u>
Total Assets	<u>14,827,340</u>	<u>15,370,223</u>

LIABILITIES		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES			
Accounts payable		\$ 14,312	\$ 10,319
Accrued taxes		165,718	28,862
Accrued interest		2,935	5,751
Accrued vacation leave		11,438	-
Current portion of general obligation debt		65,000	65,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		598,009	578,563
Accrued interest		<u>15,065</u>	<u>18,060</u>
Total Current Liabilities		<u>872,477</u>	<u>706,555</u>
NONCURRENT LIABILITIES			
General obligation debt		345,000	400,000
Revenue bonds		2,280,047	2,878,056
Accrued sick leave		<u>2,896</u>	<u>6,445</u>
Total Noncurrent Liabilities		<u>2,627,943</u>	<u>3,284,501</u>
Total Liabilities		<u>3,500,420</u>	<u>3,991,056</u>
NET POSITION			
Net investment in capital assets		8,989,252	8,928,196
Restricted for:			
Debt service		514,701	502,569
Equipment replacement		569,285	569,285
Unrestricted		<u>1,253,682</u>	<u>1,379,117</u>
TOTAL NET POSITION		<u><u>\$ 11,326,920</u></u>	<u><u>\$ 11,379,167</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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Water		
Sales of water	\$ 481,922	\$ 485,199
Other	<u>23,844</u>	<u>21,113</u>
Total Water	<u>505,766</u>	<u>506,312</u>
Sewer		
Treatment charges	695,273	718,761
Other	<u>8,739</u>	<u>6,313</u>
Total Sewer	<u>704,012</u>	<u>725,074</u>
Total Operating Revenues	<u>1,209,778</u>	<u>1,231,386</u>
OPERATING EXPENSES		
Water		
Operation and maintenance	209,628	216,985
Depreciation	<u>151,360</u>	<u>149,821</u>
Total Water	<u>360,988</u>	<u>366,806</u>
Sewer		
Operation and maintenance	387,560	337,303
Depreciation	<u>331,384</u>	<u>329,976</u>
Total Sewer	<u>718,944</u>	<u>667,279</u>
Total Operating Expenses	<u>1,079,932</u>	<u>1,034,085</u>
OPERATING INCOME (LOSS)		
Water	144,778	139,506
Sewer	<u>(14,932)</u>	<u>57,795</u>
Total Operating Income (Loss)	<u>129,846</u>	<u>197,301</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,908	2,474
Investment income on advance to TIF	55,486	37,045
Gain on sale of land	1,762	-
Interest expense	(109,594)	(130,449)
Debt issuance costs	<u>(9,799)</u>	<u>(27,610)</u>
Total Nonoperating Revenues (Expenses)	<u>(54,237)</u>	<u>(118,540)</u>
Income Before Contributions and Transfers	75,609	78,761
CAPITAL CONTRIBUTIONS	6,000	118,596
CAPITAL CONTRIBUTIONS - MUNICIPAL	5,000	51,480
TRANSFERS - TAX EQUIVALENT	<u>(138,856)</u>	<u>(144,692)</u>
CHANGE IN NET POSITION	(52,247)	104,145
NET POSITION - Beginning of Year	<u>11,379,167</u>	<u>11,275,022</u>
NET POSITION - END OF YEAR	<u><u>\$ 11,326,920</u></u>	<u><u>\$ 11,379,167</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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,202,979	\$ 1,235,579
Paid to suppliers for goods and services	(366,309)	(340,718)
Paid to employees for operating payroll	(214,312)	(214,158)
Net Cash Flows From Operating Activities	622,358	680,703
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(2,000)	(136,792)
Advance to TIF	-	(552,477)
Received on long term advance to TIF	255,927	165,456
Net Cash Flows From Noncapital Financing Activities	253,927	(523,813)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(118,914)	(12,356)
Received from the sale of capital assets	10,000	13,003
Capital contributions received	11,000	118,596
Debt retired	(1,043,563)	(606,741)
Interest paid	(115,405)	(132,625)
Proceeds from debt issue	410,000	437,499
Debt issuance costs	(9,799)	(6,000)
Net Cash Flows From Capital and Related Financing Activities	(856,681)	(188,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(200,000)
Investments sold and matured	-	200,000
Investment income	4,974	13,627
Net Cash Flows From Investing Activities	4,974	13,627
Net Change in Cash and Cash Equivalents	24,578	(18,107)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,404,194	1,422,301
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,428,772	\$ 1,404,194
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Municipality financed additions to utility plant	\$ -	\$ 51,480
Change in market value of investments	\$ 2,883	\$ (4,614)
Write-off of debt issuance costs	\$ -	\$ 21,610

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 129,846	\$ 197,301
Noncash items in operating income		
Depreciation	482,744	479,797
Changes in assets and liabilities		
Customer accounts receivable	6,094	3,138
Other accounts receivable	(231)	1,128
Due from other funds	(12,662)	(73)
Preliminary survey and investigation	4,687	-
Accounts payable	3,991	(440)
Accrued sick leave and vacation	7,889	(148)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 622,358</u>	<u>\$ 680,703</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 658,005	\$ 654,661
Redemption account	363,738	354,601
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Capital project sinking account	369,985	355,005
Total Cash and Investments	2,127,041	2,099,580
Less: Noncash equivalents	(698,269)	(695,386)
CASH AND CASH EQUIVALENTS	<u>\$ 1,428,772</u>	<u>\$ 1,404,194</u>

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, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, 2014 and 2013

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

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, 2014 and 2013

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to utility plant construction. In 2014, the utility decided not to go ahead with the project and the costs were expensed.

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

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.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

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 sewer 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 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.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2014 and 2013

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB 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*. When they become effective, application of these standards may restate portions of these financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of		Risks
	December 31,		
	2014	2013	
Checking and savings	\$ 46,819	\$ 66,966	Custodial credit
Certificates of deposit	500,000	500,000	Custodial credit
Money market	1,381,753	1,337,028	Custodial credit
U.S. Securities	198,269	195,386	Credit, custodial credit, concentration of credit, and interest rate
Petty Cash	200	200	N/A
Totals	\$ 2,127,041	\$ 2,099,580	

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

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

The 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 \$2,034,723 and \$2,030,463 at December 31, 2014 and 2013, respectively.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

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.

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank				
Non-interest bearing	\$ 79,583	\$ 46,819	\$ 67,862	\$ 66,966
Interest bearing	769,018	769,018	721,504	721,504
First Business Bank	612,735	612,735	610,147	610,147
TD Ameritrade	-	-	5,377	5,377
Union Bank of Blair	500,000	500,000	500,000	500,000
Totals	<u>\$ 1,961,336</u>	<u>\$ 1,928,572</u>	<u>\$ 1,904,890</u>	<u>\$ 1,903,994</u>

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.

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.

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Federal Home Loan	<u>\$ 198,269</u>	<u>\$ 198,269</u>	<u>\$ 195,386</u>	<u>\$ 195,386</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

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

As of December 31, 2014 and 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, 2014, 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	\$ 198,269	\$ -	\$ 198,269	\$ -

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 Years Ended December 31, 2014 and 2013

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2014 and 2013:

Due To	Due From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Municipality	\$ 28,381	Operating expenses	\$ 15,719	Operating expenses
Municipality	Utility	165,718	Tax equivalent	28,862	Tax equivalent
Utility	TIF District	480,303	Sewer debt	612,483	Sewer debt
Utility	TIF District	484,216	Water debt	552,477	Water debt

The following is a schedule of transfer balances for the years ending December 31, 2014 and 2013:

To	From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Utility	\$ 138,856	Payment in lieu of taxes	\$ 144,692	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. This 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, 2014 and 2013

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position

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

	<u>2014</u>	<u>2013</u>
Restricted Assets		
Redemption account	\$ 363,738	\$ 354,601
Reserve account	166,028	166,028
Replacement account	<u>569,285</u>	<u>569,285</u>
Total Restricted Assets	<u>1,099,051</u>	<u>1,089,914</u>
 Current Liabilities Payable From Restricted Assets	 <u>(15,065)</u>	 <u>(18,060)</u>
 Total Restricted Net Position as Calculated	 <u>\$ 1,083,986</u>	 <u>\$ 1,071,854</u>

The purpose of the restricted net position is as follows:

	<u>2014</u>	<u>2013</u>
Debt service	\$ 514,701	\$ 502,569
Equipment replacement	<u>569,285</u>	<u>569,285</u>
 Total Restricted Net Position	 <u>\$ 1,083,986</u>	 <u>\$ 1,071,854</u>

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.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 5 - ADVANCES TO OTHER FUNDS (cont.)

Advance to Tax Incremental Financing (TIF) District (cont.)

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/2014</u>
5/01/1999	Tax Incremental Financing-Sewer Project	5/1/2018	5.0%	\$ 2,198,081	\$ 480,303
5/10/2013	Tax Incremental Financing-Water Project	3/15/2020	4.5	552,477	484,216

Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	87,606	5,516	93,122
2020	<u>91,437</u>	<u>1,686</u>	<u>93,123</u>
Totals	<u>\$ 964,519</u>	<u>\$ 128,954</u>	<u>\$ 1,093,473</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 6 - CHANGES IN CAPITAL ASSETS

Water Utility

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>

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	\$ 83,638	\$ -	\$ -	\$ 83,638
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	5,163,821	-	125	5,163,696
General	<u>154,101</u>	<u>773</u>	<u>10,338</u>	<u>144,536</u>
Total Capital Assets Being Depreciated	<u>6,500,956</u>	<u>(4,253)</u>	<u>10,463</u>	<u>6,486,240</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>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

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>

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>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

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 12/31/14</u>
8/27/97	Wastewater treatment plant improvements	5/1/17	3.096%	\$ 6,351,233	\$ 1,265,748
11/24/98	Wastewater collection system improvements	5/1/18	2.640	1,155,695	292,950

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,558,698</u>	<u>\$ 75,297</u>	<u>\$ 1,633,995</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 2014 and 2013 were \$519,392 and \$519,600, respectively. Total customer net revenues as defined for the same periods were \$495,076 and \$554,464. Annual principal and interest payments are expected to require 83% 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 12/31/14</u>
12/27/07	Water system improvements	11/1/22	3.55-4.10%	\$ 1,265,000	\$ 900,000
5/8/13	Well #3	5/1/33	1.93	437,499	419,358

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

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>
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	134,955	25,743	160,698
2020-2024	470,690	56,001	526,691
2025-2029	116,261	15,432	131,693
2030-2033	<u>101,328</u>	<u>3,948</u>	<u>105,276</u>
Totals	<u>\$ 1,319,358</u>	<u>\$ 248,847</u>	<u>\$ 1,568,205</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 2014 and 2013 were \$160,303 and \$141,430, respectively. Total customer net revenues as defined for the same periods were \$394,080 and \$290,564. Annual principal and interest payments are expected to require 23% 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 12/31/14</u>
12/27/07	To finance new sewer projects	3/1/17	3.40-3.75%	\$ 760,000	\$ -
7/2/14	To refund the 2007 general obligation debt	3/1/20	2.40	410,000	410,000

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 65,000	\$ 5,473	\$ 70,473
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>\$ 410,000</u>	<u>\$ 18,774</u>	<u>\$ 428,774</u>

Long-Term Obligations Summary

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>
Totals	<u>\$ 3,928,064</u>	<u>\$ 423,424</u>	<u>\$ 1,060,536</u>	<u>\$ 3,290,952</u>	<u>\$ 663,009</u>

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

	<u>1/1/13 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13 Balance</u>	<u>Due Within 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>
Totals	<u>\$ 4,097,454</u>	<u>\$ 446,184</u>	<u>\$ 615,574</u>	<u>\$ 3,928,064</u>	<u>\$ 643,563</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Current Refunding

On July 2, 2014, bonds in the amount of \$1,820,000, \$410,000 of which related to the sewer utility, were issued by the village with an average interest rate of 2.4% to refund \$1,780,000 of outstanding general obligation bonds, \$400,000 of which related to the sewer utility, 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.

The utility is covered under the following insurance policies at December 31, 2014:

<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 & Deposit Companies</i>	
Employee Theft	\$ 100,000
P.S. Bond	30,000
<i>Hartford Steam & Boiler</i>	
Boiler and Machinery	\$ 50,000,000

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

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>2014</u>	<u>2013</u>
Operating revenues	\$ 505,766	\$ 506,312
Investment income	3,954	1,237
TIF principal and interest	93,123	-
Less: Operation and maintenance expenses	<u>(209,628)</u>	<u>(216,985)</u>
Net Defined Earnings	<u>\$ 393,215</u>	<u>\$ 290,564</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>2.41</u>	<u>1.78</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

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 and 2014 as follows:

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 704,012	\$ 725,074
Investment income	3,954	1,237
Connection fees	11,000	-
TIF principal and interest	162,804	165,456
Less: Operation and maintenance expenses	<u>(387,560)</u>	<u>(337,303)</u>
 Net Defined Earnings	 <u>\$ 494,210</u>	 <u>\$ 554,464</u>
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 519,178	\$ 519,392
Coverage factor	<u>1.10</u>	<u>1.10</u>
 Minimum Required Earnings	 <u>\$ 571,096</u>	 <u>\$ 571,331</u>
 Actual Debt Coverage	 <u>0.95</u>	 <u>1.07</u>

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2014 and 2013:

	<u>Customers</u>		<u>Sales (000 gals)</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Residential	1,025	1,025	44,988	44,842
Commercial	84	83	26,679	29,111
Industrial	6	6	276	349
Public authority	<u>14</u>	<u>14</u>	<u>1,952</u>	<u>1,873</u>
 Totals	 <u>1,129</u>	 <u>1,128</u>	 <u>73,895</u>	 <u>76,175</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

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 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	1,025	1,025	44,742	44,443
Commercial	84	83	31,854	35,562
Industrial	6	6	172	206
Public authority	14	14	1,873	1,850
Totals	<u>1,129</u>	<u>1,128</u>	<u>78,641</u>	<u>82,061</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 Years Ended December 31, 2014 and 2013

NOTE 8 - NET POSITION (cont.)

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

	2014	2013
Plant in service	\$ 17,751,379	\$ 17,655,251
Accumulated depreciation	<u>(6,438,590)</u>	<u>(5,970,396)</u>
Sub-Totals	<u>11,312,789</u>	<u>11,684,855</u>
Less: Capital related debt		
Current portion of capital related long-term debt	663,009	643,563
Long-term portion of capital related long-term debt	2,625,047	3,278,056
Advance to TIF - noncurrent portion	(757,127)	(964,519)
Advance to TIF - current portion	<u>(207,392)</u>	<u>(200,441)</u>
Sub-Totals	<u>2,323,537</u>	<u>2,756,659</u>
Total Net Investment in Capital Assets, Net of Related Debt	<u>\$ 8,989,252</u>	<u>\$ 8,928,196</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, 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 2014 and 2013 were:

	Employees	Employer
2014 General category	7.0%	7.0%
2013 General category	6.65%	6.65%

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

	Year Ended December 31		
	2014	2013	2012
Total Covered Employee Payroll	<u>\$ 182,889</u>	<u>\$ 217,144</u>	<u>\$ 201,244</u>
Total Required Contributions	<u>\$ 25,652</u>	<u>\$ 28,880</u>	<u>\$ 23,747</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>	<u>11.8%</u>

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

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2014 and 2013

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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.

NOTE 11 - SIGNIFICANT CUSTOMERS

Water Utility

The utility has one significant customer who was responsible for 9% and 10% of operating revenues in 2014 and 2013, respectively.

Sewer Utility

The utility has one significant customer who was responsible for 21% and 23% of operating revenues in 2014 and 2013, respectively.

NOTE 12 - SUBSEQUENT EVENTS

The utility evaluated subsequent events through February 26, 2015, 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, 2014

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
SOURCE OF SUPPLY				
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>
PUMPING				
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>
WATER TREATMENT				
Water treatment equipment	<u>3,809</u>	-	-	<u>3,809</u>
TRANSMISSION AND DISTRIBUTION				
Distribution reservoirs and standpipes	462,722	-	-	462,722
Transmission and distribution mains	3,095,382	-	-	3,095,382
Services	935,816	-	-	935,816
Meters	247,028	562	250	247,340
Hydrants	<u>422,748</u>	<u>19,295</u>	<u>1,000</u>	<u>441,043</u>
Total Transmission and Distribution	<u>5,163,696</u>	<u>19,857</u>	<u>1,250</u>	<u>5,182,303</u>
GENERAL				
Office furniture and equipment	3,053	-	-	3,053
Computer equipment	12,747	-	-	12,747
Transportation equipment	55,307	-	-	55,307
Communication equipment	26,505	15,914	-	42,419
Miscellaneous equipment	<u>46,924</u>	-	-	<u>46,924</u>
Total General	<u>144,536</u>	<u>15,914</u>	-	<u>160,450</u>
TOTAL WATER UTILITY PLANT	<u><u>\$ 6,569,878</u></u>	<u><u>\$ 35,771</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 6,604,399</u></u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

SEWER UTILITY PLANT
As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
COLLECTING SYSTEM				
Land and land rights	\$ 3,737	\$ -	\$ -	\$ 3,737
Service connections	862,393	-	-	862,393
Collecting mains	2,865,578	27,258	-	2,892,836
Interceptor mains	128,481	-	-	128,481
Force mains	118,956	-	-	118,956
Total Collecting System	<u>3,979,145</u>	<u>27,258</u>	<u>-</u>	<u>4,006,403</u>
COLLECTING SYSTEM PUMPING				
Electric pumping equipment	<u>218,989</u>	<u>39,973</u>	<u>13,300</u>	<u>245,662</u>
TREATMENT AND DISPOSAL				
Land and land rights	211,991	-	8,238	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	-	-	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
Outfall sewer pipes	183,873	-	-	183,873
Other treatment and disposal equipment	74,867	-	-	74,867
Total Treatment and Disposal	<u>6,562,952</u>	<u>-</u>	<u>8,238</u>	<u>6,554,714</u>
GENERAL				
Office furniture and equipment	15,594	-	-	15,594
Computer equipment	88,907	-	-	88,907
Transportation equipment	106,913	-	-	106,913
Communication equipment	4,115	15,914	-	20,029
Other general equipment	100,742	-	-	100,742
Laboratory equipment	8,016	-	-	8,016
Total General	<u>324,287</u>	<u>15,914</u>	<u>-</u>	<u>340,201</u>
TOTAL SEWER UTILITY PLANT	<u>\$11,085,373</u>	<u>\$ 83,145</u>	<u>\$ 21,538</u>	<u>\$11,146,980</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 1,815	\$ 674
Metered		
Residential	221,333	222,444
Commercial	76,190	79,962
Industrial	1,381	1,569
Public authorities	8,266	8,044
Total Metered Sales	307,170	312,019
Private fire protection	600	600
Public fire protection	172,337	171,906
Total Sales of Water	481,922	485,199
Other Operating Revenues		
Forfeited discounts	2,889	2,151
Rents from water property	15,550	15,098
Other	5,405	3,864
Total Operating Revenues	505,766	506,312
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Operation labor	59,948	54,782
Pumping		
Fuel or power purchased for pumping	23,342	23,173
Operation supplies	92	110
Maintenance	1,471	40,157
Total Pumping	24,905	63,440
Water Treatment		
Chemicals	7,911	9,190
Operation supplies	4,666	3,617
Maintenance	820	(12)
Total Water Treatment	13,397	12,795
Transmission and Distribution		
Operation supplies	38	214
Maintenance		
Mains	4,695	-
Services	6,261	4,757
Meters	1,403	725
Total Transmission and Distribution	12,397	5,696
Customer Accounts		
Accounting and collecting labor	14,396	7,762
Supplies	7,217	6,954
Total Customer Accounts	21,613	14,716

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 11,649	\$ 16,254
Office supplies	7,471	3,848
Outside services employed	15,105	7,346
Property insurance	6,567	6,292
Employee pensions and benefits	21,593	17,300
Regulatory commission	1,751	533
Miscellaneous	5,347	6,360
Transportation	2,729	3,271
Maintenance	1,020	1,084
Total Administrative and General	<u>73,232</u>	<u>62,288</u>
Taxes	<u>4,136</u>	<u>3,268</u>
Total Operation and Maintenance	209,628	216,985
Depreciation	<u>151,360</u>	<u>149,821</u>
Total Operating Expenses	<u>360,988</u>	<u>366,806</u>
 OPERATING INCOME	 <u>\$ 144,778</u>	 <u>\$ 139,506</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 445,486	\$ 446,309
Commercial	228,062	250,881
Industrial	2,037	2,236
Public authorities	19,688	19,335
Total Sewer Revenues	695,273	718,761
Other Operating Revenues		
Forfeited discounts	3,709	2,715
Rent from sewer property	2,700	2,700
Miscellaneous	2,330	898
Total Operating Revenues	704,012	725,074
 OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	91,654	104,731
Power and fuel for pumping	69,156	61,524
Other chemicals	9,909	6,750
Other operating supplies	13,063	11,461
Joint metering costs	2,828	3,044
Transportation	2,729	3,271
Sludge hauling	14,165	11,366
Total Operation	203,504	202,147
Maintenance		
Collection system	23,855	9,762
Pumping equipment	9,867	5,738
Treatment and disposal plant equipment	11,540	4,049
General plant structures and equipment	16,528	12,717
Total Maintenance	61,790	32,266
Customer Accounts		
Accounting and collecting	20,397	12,718
Administrative and General		
Salaries	11,407	11,302
Office supplies	15,287	11,910
Outside services employed	16,065	10,285
Insurance	11,140	10,298
Employees pensions and benefits	25,508	23,821
Regulatory commission	3,834	3,915
Miscellaneous	6,668	5,735
Total Administrative and General	89,909	77,266
Taxes	11,960	12,906
Total Operation and Maintenance	387,560	337,303
Depreciation	331,384	329,976
Total Operating Expenses	718,944	667,279
 OPERATING INCOME (LOSS)	 \$ (14,932)	 \$ 57,795

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2014 and 2013

	Water	
	2014	2013
Utility Financed Plant in Service		
Beginning of year	\$ 4,571,941	\$ 4,701,635
End of year	<u>4,606,462</u>	<u>4,571,941</u>
Average	<u>4,589,202</u>	<u>4,636,788</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(902,877)	(803,190)
End of year	<u>(1,041,222)</u>	<u>(920,877)</u>
Average	<u>(972,050)</u>	<u>(862,034)</u>
Regulatory Liability		
Beginning of year	(96,199)	(105,819)
End of year	<u>(86,579)</u>	<u>(96,199)</u>
Average	<u>(91,389)</u>	<u>(101,009)</u>
 AVERAGE NET RATE BASE	 <u>\$ 3,525,763</u>	 <u>\$ 3,673,745</u>
 OPERATING INCOME - REGULATORY BASIS	 <u>\$ 42,488</u>	 <u>\$ 29,782</u>
 RATE OF RETURN (PERCENT)	 <u>1.21</u>	 <u>0.81</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.