

**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, 2016 and 2015

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, 2016 and 2015, 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.

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, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Village Board
Village of Marshall Water and Sewer Department

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Village of Marshall Water and Sewer Department enterprise fund and do not purport to, and do not, present fairly the financial position of the Village of Marshall, Wisconsin, as of December 31, 2016 and 2015 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

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.

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 Veitch Krause, LLP

Madison, Wisconsin
March 22, 2017

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION
As of December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and investments	\$ 364,581	\$ 597,828
Interest receivable	5,075	5,075
Restricted Assets		
Redemption account	378,386	371,387
Customer accounts receivable	134,479	122,615
Other accounts receivable	-	269
Due from municipality	7,490	24,537
Due from TIF district	15	-
Current portion of advance	<u>222,065</u>	<u>214,597</u>
Total Current Assets	<u>1,112,091</u>	<u>1,336,308</u>
NONCURRENT ASSETS		
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	391,851	382,293
Advances to other funds	320,464	542,529
Property held for future use	290,488	290,488
Capital Assets		
Plant in service		
Water	7,148,488	7,116,855
Sewer	<u>12,040,706</u>	<u>12,039,996</u>
Total Plant in Service	<u>19,189,194</u>	<u>19,156,851</u>
Accumulated depreciation		
Water	(1,910,948)	(1,745,548)
Sewer	<u>(5,516,939)</u>	<u>(5,181,056)</u>
Total Accumulated Depreciation	<u>(7,427,887)</u>	<u>(6,926,604)</u>
Total Noncurrent Assets	<u>13,499,423</u>	<u>14,214,010</u>
 Total Assets	 <u>14,611,514</u>	 <u>15,550,318</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>112,995</u>	<u>33,352</u>

LIABILITIES		<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES			
Accounts payable		\$ 9,720	\$ 9,520
Accrued taxes		-	139,972
Accrued interest		1,342	1,680
Accrued vacation leave		8,815	6,324
Current portion of general obligation debt		70,000	65,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		633,219	617,890
Accrued interest		8,741	11,960
Total Current Liabilities		<u>731,837</u>	<u>852,346</u>
NONCURRENT LIABILITIES			
General obligation debt		210,000	280,000
Revenue bonds		1,028,938	1,662,157
Accrued sick leave		833	320
Net pension liability		<u>19,760</u>	<u>-</u>
Total Noncurrent Liabilities		<u>1,259,531</u>	<u>1,942,477</u>
Total Liabilities		<u>1,991,368</u>	<u>2,794,823</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>41,585</u>	<u>-</u>
NET POSITION			
Net investment in capital assets		10,361,679	10,362,326
Restricted for:			
Debt service		535,673	525,455
Equipment replacement		569,285	569,285
Pension asset		-	33,140
Unrestricted		<u>1,224,919</u>	<u>1,298,641</u>
TOTAL NET POSITION		<u><u>\$ 12,691,556</u></u>	<u><u>\$ 12,788,847</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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Water		
Sales of water	\$ 529,156	\$ 483,178
Other	<u>25,023</u>	<u>21,530</u>
Total Water	<u>554,179</u>	<u>504,708</u>
Sewer		
Treatment charges	776,725	688,849
Other	<u>5,531</u>	<u>6,004</u>
Total Sewer	<u>782,256</u>	<u>694,853</u>
Total Operating Revenues	<u>1,336,435</u>	<u>1,199,561</u>
OPERATING EXPENSES		
Water		
Operation and maintenance	468,001	213,016
Depreciation	<u>159,426</u>	<u>155,267</u>
Total Water	<u>627,427</u>	<u>368,283</u>
Sewer		
Operation and maintenance	341,522	344,525
Depreciation	<u>342,771</u>	<u>337,739</u>
Total Sewer	<u>684,293</u>	<u>682,264</u>
Total Operating Expenses	<u>1,311,720</u>	<u>1,050,547</u>
OPERATING INCOME (LOSS)		
Water	(73,248)	136,425
Sewer	<u>97,963</u>	<u>12,589</u>
Total Operating Income (Loss)	<u>24,715</u>	<u>149,014</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	13,822	24,251
Investment income on advance to TIF	35,792	45,805
Interest expense	<u>(64,794)</u>	<u>(84,067)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,180)</u>	<u>(14,011)</u>
Income Before Contributions and Transfers	9,535	135,003
CAPITAL CONTRIBUTIONS	38,776	4,000
CAPITAL CONTRIBUTIONS - MUNICIPAL	-	1,395,514
TRANSFERS - TAX EQUIVALENT	<u>(145,602)</u>	<u>(139,972)</u>
CHANGE IN NET POSITION	(97,291)	1,394,545
NET POSITION - Beginning of Year	12,788,847	11,326,920
Cumulative effect of a change in accounting principle	<u>-</u>	<u>67,382</u>
NET POSITION - END OF YEAR	<u>\$ 12,691,556</u>	<u>\$ 12,788,847</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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,341,872	\$ 1,181,260
Paid to suppliers for goods and services	(593,745)	(369,142)
Paid to employees for operating payroll	(197,732)	(199,991)
Net Cash Flows From Operating Activities	550,395	612,127
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(285,574)	(165,718)
Received on long term advance to TIF	250,389	253,197
Net Cash Flows From Noncapital Financing Activities	(35,185)	87,479
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,481)	(14,951)
Capital contributions received	12,000	4,000
Debt retired	(682,890)	(663,009)
Interest paid	(68,351)	(88,427)
Net Cash Flows From Capital and Related Financing Activities	(745,722)	(762,387)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments sold and matured	133,333	64,936
Investment income	13,822	22,561
Net Cash Flows From Investing Activities	147,155	87,497
Net Change in Cash and Cash Equivalents	(83,357)	24,716
CASH AND CASH EQUIVALENTS - Beginning of Year	1,453,488	1,428,772
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,370,131	\$ 1,453,488
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 26,776	\$ -
Municipal financed additions to utility plant	\$ -	\$ 1,395,514

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 24,715	\$ 149,014
Noncash items in operating income		
Depreciation	502,197	493,006
Changes in assets and liabilities		
Customer accounts receivable	(11,864)	(22,108)
Other accounts receivable	269	(38)
Due from other funds	17,032	3,844
Pension related deferrals and assets	14,842	890
Accounts payable	200	(4,791)
Accrued sick leave and vacation	<u>3,004</u>	<u>(7,690)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 550,395</u>	<u>\$ 612,127</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 364,581	\$ 597,828
Redemption account	378,386	371,387
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Capital project sinking account	<u>391,851</u>	<u>382,293</u>
Total Cash and Investments	1,870,131	2,086,821
Less: Noncash equivalents	<u>(500,000)</u>	<u>(633,333)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,370,131</u>	<u>\$ 1,453,488</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, 2016 and 2015

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.

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. The statement addresses accounting and financial reporting issues to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

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, 2016 and 2015

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 methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

Transactions between the 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, 2016 and 2015

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

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 estimate acquisition 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, 2016 and 2015

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

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 June 22, 2016.

Current sewer rates were approved by the village board effective March 23, 2016.

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, 2016 and 2015

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. 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. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements*, and Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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
	2016	2015	
Checking and savings	\$ 6,028	\$ 10,340	Custodial credit
Certificates of deposit	500,000	500,000	Custodial credit
Money market	1,363,903	1,442,948	Custodial credit
U.S. Securities	-	133,333	Credit, custodial credit, concentration of credit, and interest rate
Petty Cash	<u>200</u>	<u>200</u>	N/A
Totals	<u>\$ 1,870,131</u>	<u>\$ 2,086,821</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, 2016 and 2015

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

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

At December 31, 2015, the utility had investments in U.S. Securities of \$133,333 that were valued using a matrix pricing model (Level 2 input).

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.

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchant	\$ -	\$ -	\$ -	\$ -
Non-interest bearing	14,250	6,028	18,528	10,340
Interest bearing	649,690	649,690	891,184	723,700
TD Ameritrade	196,417	196,417	103,750	103,750
First Business Bank	517,796	517,796	615,498	615,498
Union Bank of Blair	500,000	500,000	500,000	500,000
Totals	\$ 1,878,153	\$ 1,869,931	\$ 2,128,960	\$ 1,953,288

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, 2016 and 2015

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.

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Federal Home Loan	\$ -	\$ -	\$ 133,333	\$ 133,333

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, the utility's investments were rated as follows:

Investment Type	Standard & Poors	Fitch Ratings
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, 2015, 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	\$ 133,333	\$ -	\$ 133,333	\$ -

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Investment Policy

No formal investment policy has been adopted by the utility.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2016 and 2015:

Due To	Due From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Municipality	\$ 7,490	Operating expense	\$ 24,537	Operating expense
Municipality	Utility	-	Tax equivalent	139,972	Tax equivalent
Utility	TIF District	204,187	Sewer debt	344,243	Sewer debt
Utility	TIF District	338,342	Water debt	412,883	Water debt
Utility	TIF District	15	Operating expense	-	

The following is a schedule of transfer balances for the years ending December 31, 2016 and 2015:

To	From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Utility	\$ 145,602	Payment in lieu of taxes	\$ 139,972	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.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 4 - RESTRICTED ASSETS (cont.)

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.

Net Pension Asset

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

Restricted Net Position

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

	<u>2016</u>	<u>2015</u>
Restricted Assets		
Redemption account	\$ 378,386	\$ 371,387
Reserve account	166,028	166,028
Replacement account	569,285	569,285
Net pension asset	-	33,140
Total Restricted Assets	<u>1,113,699</u>	<u>1,139,840</u>
 Current Liabilities Payable From Restricted Assets	 <u>(8,741)</u>	 <u>(11,960)</u>
 Total Restricted Net Position as Calculated	 <u>\$ 1,104,958</u>	 <u>\$ 1,127,880</u>

The purpose of the restricted net position is as follows:

	<u>2016</u>	<u>2015</u>
Debt service	\$ 535,673	\$ 514,701
Equipment replacement	569,285	569,285
Pension asset	-	33,140
 Totals	 <u>\$ 1,104,958</u>	 <u>\$ 1,117,126</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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 12/31/2016
5/01/1999	Tax Incremental Financing-Sewer Project	5/1/2018	5.0%	\$ 2,198,081	\$ 204,187
5/10/2013	Tax Incremental Financing-Water Project	3/15/2020	4.5	552,477	338,342

Repayment requirements to maturity follow:

Year Ending December 31	Principal	Interest	Total
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>\$ 542,529</u>	<u>\$ 47,357</u>	<u>\$ 589,886</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS

Water Utility

A summary of changes in water capital assets for 2016 follows:

	<u>Balance 1/1/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/16</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	5,694,759	31,837	914	5,725,682
General	<u>160,450</u>	<u>710</u>	<u>-</u>	<u>161,160</u>
Total Capital Assets Being Depreciated	<u>7,033,217</u>	<u>32,547</u>	<u>914</u>	<u>7,064,850</u>
Total Capital Assets	<u>7,116,855</u>	<u>32,547</u>	<u>914</u>	<u>7,148,488</u>
Less: Accumulated depreciation	<u>(1,745,548)</u>	<u>(166,314)</u>	<u>914</u>	<u>(1,910,948)</u>
Net Capital Assets	<u>\$ 5,371,307</u>			<u>\$ 5,237,540</u>

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>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

A summary of changes in sewer capital assets for 2016 follows:

	<u>Balance 1/1/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/16</u>
Capital assets, not being depreciated				
Land and land rights	\$ 207,490	\$ -	\$ -	\$ 207,490
Capital assets being depreciated				
Collecting system	4,886,338	-	-	4,886,338
Collecting system pumping	245,662	-	-	245,662
Treatment and disposal	6,360,305	-	-	6,360,305
General	<u>340,201</u>	<u>710</u>	-	<u>340,911</u>
Total Capital Assets Being Depreciated	<u>11,832,506</u>	<u>710</u>	-	<u>11,833,216</u>
Total Capital Assets	<u>12,039,996</u>	<u>710</u>	-	<u>12,040,706</u>
Less: Accumulated depreciation	<u>(5,181,056)</u>	<u>(335,883)</u>	-	<u>(5,516,939)</u>
Net Capital Assets	<u>\$ 6,858,940</u>			<u>\$ 6,523,767</u>

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>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>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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 12/31/16</u>
8/27/97	Wastewater treatment plant improvements	5/1/17	3.096%	\$ 6,351,233	\$ 434,844
11/24/98	Wastewater collection system improvements	5/1/18	2.640	1,155,695	150,291

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 509,010	\$ 9,720	\$ 518,730
2018	<u>76,125</u>	<u>1,005</u>	<u>77,130</u>
Totals	<u>\$ 585,135</u>	<u>\$ 10,725</u>	<u>\$ 595,860</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 2016 and 2015 were \$518,956 and \$519,178, respectively. Total customer net revenues as defined for the same periods were \$617,941 and \$526,528. Annual principal and interest payments are expected to require 48% 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 12/31/16</u>
12/27/07	Water system improvements	11/1/22	3.55-4.10%	\$ 1,265,000	\$ 695,000
5/8/13	Well #3	5/1/33	1.93	437,499	382,022

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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>
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	140,731	15,617	156,348
2022-2026	234,798	27,083	261,881
2027-2031	120,780	10,870	131,650
2032-2033	<u>51,630</u>	<u>999</u>	<u>52,629</u>
Totals	<u>\$ 1,077,022</u>	<u>\$ 166,367</u>	<u>\$ 1,243,389</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 2016 and 2015 were \$163,031 and \$160,303, respectively. Total customer net revenues as defined for the same periods were \$185,182 and \$396,939. Annual principal and interest payments are expected to require 39% 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 12/31/16</u>
7/2/14	To refund the 2007 general obligation debt	3/1/20	2.40%	\$ 410,000	\$ 280,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 280,000</u>	<u>\$ 9,048</u>	<u>\$ 289,048</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	<u>1/1/16</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 2,280,047	\$ -	\$ 617,890	\$ 1,662,157	\$ 633,219
General obligation debt	345,000	-	65,000	280,000	70,000
Accrued sick leave	320	7,271	6,758	833	-
Net pension liability	<u>-</u>	<u>19,760</u>	<u>-</u>	<u>19,760</u>	<u>-</u>
Totals	<u>\$ 2,625,367</u>	<u>\$ 27,031</u>	<u>\$ 689,648</u>	<u>\$ 1,962,750</u>	<u>\$ 703,219</u>

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

	<u>1/1/15</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15</u> Balance	<u>Due Within</u> <u>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>
Totals	<u>\$ 3,290,952</u>	<u>\$ 7,039</u>	<u>\$ 672,624</u>	<u>\$ 2,625,367</u>	<u>\$ 682,890</u>

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, 2016 and 2015

NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utility is covered under the following insurance policies at December 31, 2016:

<u>Type</u>	<u>Coverage</u>
<i>League of Wisconsin Municipalities Mutual Insurance</i>	
General Liability	\$ 4,000,000
Automobile	4,000,000
Workers Compensation	2,000,000
<i>Fidelity & Deposit Companies</i>	
Employee Theft	\$ 100,000
P.S. Bond	30,000
<i>Liberty Mutual</i>	
Boiler and Machinery	\$100,000,000

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 not met in 2016 as follows:

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 554,179	\$ 504,708
Investment income	6,911	12,125
TIF principal and interest	92,093	93,122
Less: Operation and maintenance expenses	<u>(468,001)</u>	<u>(213,016)</u>
Net Defined Earnings	<u>\$ 185,182</u>	<u>\$ 396,939</u>
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 161,152	\$ 163,031
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum Required Earnings	<u>\$ 201,440</u>	<u>\$ 203,789</u>
Actual Debt Coverage	<u>1.15</u>	<u>2.43</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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 was met in 2016 as follows:

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 782,256	\$ 694,853
Investment income	6,911	12,125
Connection fees	12,000	4,000
TIF principal and interest	158,296	160,075
Less: Operation and maintenance expenses	<u>(341,522)</u>	<u>(344,525)</u>
 Net Defined Earnings	 <u>\$ 617,941</u>	 <u>\$ 526,528</u>
 Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 518,730	\$ 518,957
Coverage factor	<u>1.10</u>	<u>1.10</u>
 Minimum Required Earnings	 <u>\$ 570,603</u>	 <u>\$ 570,853</u>
 Actual Debt Coverage	 <u>1.19</u>	 <u>1.01</u>

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2016 and 2015:

	<u>Customers</u>		<u>Sales (000 gals)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Residential	1,027	1,025	42,951	43,615
Multifamily residential	21	-	22,292	21,092
Commercial	65	65	4,445	4,696
Industrial	8	6	363	376
Public Authority	<u>16</u>	<u>14</u>	<u>1,457</u>	<u>1,918</u>
 Totals	 <u>1,137</u>	 <u>1,110</u>	 <u>71,508</u>	 <u>71,697</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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 2016 and 2015:

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	1,027	1,025	42,693	43,294
Multifamily residential	21	19	30,968	26,164
Commercial	63	65	4,003	4,268
Industrial	7	6	203	210
Public authority	16	14	1,449	1,856
Totals	<u>1,134</u>	<u>1,129</u>	<u>79,316</u>	<u>75,792</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. 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 and the utility met the required debt coverage.

Under the terms of the water utility revenue bond resolution, revenues must exceed 1.25 times the highest annual debt service of the bonds. The debt coverage requirement was not met in 2016. During the year, the utility incurred \$208,600 for a water tower painting. Had the utility not had this expense, it would have met debt coverage.

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."

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - NET POSITION (cont.)

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.

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

	2016	2015
Plant in service	\$ 19,189,194	\$ 19,156,851
Accumulated depreciation	<u>(7,427,887)</u>	<u>(6,926,604)</u>
Sub-Totals	<u>11,761,307</u>	<u>12,230,247</u>
Less: Capital related debt		
Current portion of capital related long-term debt	703,219	682,890
Long-term portion of capital related long-term debt	1,238,938	1,942,157
Advance to TIF - noncurrent portion	(320,464)	(542,529)
Advance to TIF - current portion	<u>(222,065)</u>	<u>(214,597)</u>
Sub-Totals	<u>1,399,628</u>	<u>1,867,921</u>
Total Net Investment in Capital Assets, Net of Related Debt	<u>\$ 10,361,679</u>	<u>\$ 10,362,326</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.

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.

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

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

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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
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
2015	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.

The WRS recognized \$11,792 and \$12,803 in contributions from the utility during the current and prior reporting periods, respectively.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Contribution rates as of December 31, 2016 are:

	2016		2015	
	Employee	Employer	Employee	Employer
General (including teachers	6.6%	6.6%	6.8%	6.8%
Executives & Elected Officials	6.6%	6.6%	7.7%	7.7%
Protective with Social Security	6.6%	9.4%	6.8%	9.5%
Protective without Social Security	6.6%	13.2%	6.8%	13.1%

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

At December 31, 2016, the utility reported a liability (asset) of \$19,760 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the Village of Marshall's proportion was 0.008427010%, which was a decrease of 0.000001575% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, and 2015 the utility recognized pension expense of \$26,471 and \$12,682.

At December 31, 2016, 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	\$ 3,729	\$ 41,585
Changes in assumption	82,195	-
Net differences between project and actual earnings on pension plan	13,825	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,233	-
Employer contributions subsequent to the measurement date	12,013	-
Total	\$ 112,995	\$ 41,585

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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	\$ -

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 subsequent year ended December 31, 2017. \$12,013 is reported for the water and sewer 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:

Year Ended December 31	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 25,774	\$ 10,064
2017	25,774	10,064
2018	25,774	10,064
2019	23,196	10,064
2020	464	1,329
Thereafter	-	-
Total	\$ 100,982	\$ 41,585

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
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	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
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, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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:

<u>Core Fund Asset Class</u>	<u>Long-term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	4.7%	23.0%
International Equities	5.6	22.0
Fixed Income	1.6	37.0
Inflation Sensitive Assets	1.4	20.0
Real Estate	3.6	7.0
Private Equity/Debt	6.5	7.0
Multi-Asset	<u>3.8</u>	<u>4.0</u>
Total Core Fund	<u>4.5%</u>	<u>120.0%</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Variable Fund Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities	4.7%	70.0%
International Equities	<u>5.6</u>	<u>30.0</u>
Total Variable Fund	<u>5.0%</u>	<u>100.0%</u>

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.

The sensitivity analysis as of December 31, 2016 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water and Sewer Utility's proportionate share of the net position liability (asset)	\$ 138,597	\$ 19,760	\$ (73,054)

The sensitivity analysis as of December 31, 2015 follows:

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

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://elf.wi.gov/Publications/cafr.htm>.

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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 10% and 9% of operating revenues in 2016 and 2015, respectively.

Sewer Utility

The utility has one significant customer who was responsible for 25% and 20% of operating revenues in 2016 and 2015.

NOTE 12 - SUBSEQUENT EVENTS

Rate Adjustment

The board has approved a two step sewer rate adjustment effective in early 2016 and 2017.

NOTE 13 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The utility adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position at December 31, 2015 as follows:

Net pension liability (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
For the Year Ended December 31, 2016

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

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
12/31/16	0.84270100%	\$ 19,760	\$ 152,025	13.00%	98.20%
12/31/15	0.85845000%	(33,140)	182,889	-18.12%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/16	\$ 12,013	\$ 12,013	\$ -	\$ 182,015	6.60%
12/31/15	12,666	12,666	-	152,025	8.33%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2016

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

Changes of assumptions. 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, 2016

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
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	3,550,973	21,747	-	3,572,720
Services	968,406	3,230	-	971,636
Meters	247,954	5,060	914	252,100
Hydrants	<u>464,704</u>	<u>1,800</u>	-	<u>466,504</u>
Total Transmission and Distribution	<u>5,694,759</u>	<u>31,837</u>	<u>914</u>	<u>5,725,682</u>
GENERAL				
Office furniture and equipment	3,053	710	-	3,763
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>710</u>	-	<u>161,160</u>
TOTAL WATER UTILITY PLANT	<u><u>\$ 7,116,855</u></u>	<u><u>\$ 32,547</u></u>	<u><u>\$ 914</u></u>	<u><u>\$ 7,148,488</u></u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

SEWER UTILITY PLANT
As of and for the Year Ended December 31, 2016

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
COLLECTING SYSTEM				
Land and land rights	\$ 3,737	\$ -	\$ -	\$ 3,737
Service connections	862,393	-	-	862,393
Collecting mains	3,776,508	-	-	3,776,508
Interceptor mains	128,481	-	-	128,481
Force mains	<u>118,956</u>	-	-	<u>118,956</u>
Total Collecting System	<u>4,890,075</u>	-	-	<u>4,890,075</u>
COLLECTING SYSTEM PUMPING				
Electric pumping equipment	<u>245,662</u>	-	-	<u>245,662</u>
TREATMENT AND DISPOSAL				
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	1,553,987	-	-	1,553,987
Chlorination equipment	180,298	-	-	180,298
Sludge treatment and disposal equipment	1,723,164	-	-	1,723,164
Plant site piping	961,187	-	-	961,187
Outfall sewer pipes	183,873	-	-	183,873
Other treatment and disposal equipment	<u>74,867</u>	-	-	<u>74,867</u>
Total Treatment and Disposal	<u>6,564,058</u>	-	-	<u>6,564,058</u>
GENERAL				
Office furniture and equipment	15,594	710	-	16,304
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	<u>8,016</u>	-	-	<u>8,016</u>
Total General	<u>340,201</u>	<u>710</u>	-	<u>340,911</u>
TOTAL SEWER UTILITY PLANT	<u>\$12,039,996</u>	<u>\$ 710</u>	<u>\$ -</u>	<u>\$12,040,706</u>

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 939	\$ 2,098
Metered		
Residential	246,238	221,670
Multifamily residential	74,941	56,859
Commercial	21,623	19,233
Industrial	1,908	1,651
Public authorities	8,060	7,974
Total Metered Sales	352,770	307,387
Private fire protection	1,152	876
Public fire protection	174,295	172,817
Total Sales of Water	529,156	483,178
Other Operating Revenues		
Forfeited discounts	2,070	2,757
Rents from water property	15,102	16,017
Other	7,851	2,756
Total Operating Revenues	554,179	504,708
OPERATING EXPENSES		
Operation and Maintenance		
Source of Supply		
Operation labor	-	56,202
Pumping		
Operation labor	3,327	-
Fuel or power purchased for pumping	18,128	20,988
Operation supplies	1,326	491
Maintenance	36,253	220
Total Pumping	59,034	21,699
Water Treatment		
Operation labor	31,292	-
Chemicals	6,834	7,594
Operation supplies	3,124	2,598
Maintenance	836	577
Total Water Treatment	42,086	10,769
Transmission and Distribution		
Operation labor	18,680	-
Operation supplies	1,357	314
Maintenance		
Distribution reservoirs and standpipes	208,594	-
Mains	17,159	3,596
Services	3,727	18,213
Meters	3,406	2,988
Total Transmission and Distribution	252,923	25,111
Customer Accounts		
Meter reading labor	2,379	-
Accounting and collecting labor	11,397	10,359
Supplies	7,276	7,377
Total Customer Accounts	21,052	17,736

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.)
For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 19,071	\$ 19,643
Office supplies	6,534	6,557
Outside services employed	14,941	22,064
Property insurance	11,478	7,453
Injuries and damages	-	2,111
Employee pensions and benefits	25,058	12,847
Regulatory commission	3,216	567
Miscellaneous	4,379	3,484
Transportation	2,721	1,798
Maintenance	1,000	1,000
Total Administrative and General	88,398	77,524
Taxes	4,508	3,975
Total Operation and Maintenance	468,001	213,016
Depreciation	159,426	155,267
Total Operating Expenses	627,427	368,283
OPERATING INCOME (LOSS)	\$ (73,248)	\$ 136,425

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 473,354	\$ 446,671
Multifamily residential	240,798	180,893
Commercial	41,478	39,350
Industrial	2,535	2,317
Public authorities	18,560	19,618
Total Sewer Revenues	776,725	688,849
Other Operating Revenues		
Forfeited discounts	2,606	3,485
Rent from sewer property	2,925	2,475
Miscellaneous	-	44
Total Operating Revenues	782,256	694,853
 OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	77,525	79,078
Power and fuel for pumping	53,511	56,998
Phosphorous removal chemicals	7,614	-
Other chemicals	3,114	11,278
Other operating supplies	18,725	14,201
Joint metering costs	2,248	3,445
Transportation	2,721	1,818
Sludge hauling	10,317	10,088
Total Operation	175,775	176,906
Maintenance		
Collection system	14,053	15,501
Pumping equipment	5,453	7,525
Treatment and disposal plant equipment	11,916	11,132
General plant structures and equipment	4,755	14,132
Total Maintenance	36,177	48,290
Customer Accounts		
Accounting and collecting	11,379	9,955
Administrative and General		
Salaries	19,067	19,870
Office supplies	13,558	13,988
Outside services employed	10,546	19,610
Insurance	16,834	13,579
Employees pensions and benefits	39,810	22,416
Regulatory commission	1,972	2,144
Miscellaneous	5,841	6,839
Total Administrative and General	107,628	98,446
Taxes	10,563	10,928
Total Operation and Maintenance	341,522	344,525
Depreciation	342,771	337,739
Total Operating Expenses	684,293	682,264
 OPERATING INCOME	\$ 97,963	\$ 12,589

VILLAGE OF MARSHALL WATER AND SEWER DEPARTMENT

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2016 and 2015

	Water	
	2016	2015
Utility Financed Plant in Service		
Beginning of year	\$ 5,118,918	\$ 4,606,462
End of year	<u>5,123,774</u>	<u>5,118,918</u>
Average	<u>5,121,346</u>	<u>4,862,690</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(1,166,413)	(1,041,222)
End of year	<u>(1,295,039)</u>	<u>(1,166,413)</u>
Average	<u>(1,230,726)</u>	<u>(1,103,818)</u>
Materials and Supplies		
Beginning of year	-	-
End of year	<u>-</u>	<u>-</u>
Average	<u>-</u>	<u>-</u>
Regulatory Liability		
Beginning of year	(76,959)	(86,579)
End of year	<u>(67,340)</u>	<u>(76,959)</u>
Average	<u>(72,150)</u>	<u>(81,769)</u>
AVERAGE NET RATE BASE	<u>\$ 3,818,470</u>	<u>\$ 3,677,103</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ (177,791)</u>	<u>\$ 32,702</u>
RATE OF RETURN (PERCENT)	<u>(4.66)</u>	<u>0.89</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.