

# **SUN PRAIRIE UTILITIES**

Enterprise and Fiduciary Funds of the  
City of Sun Prairie, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2015 and 2014

# SUN PRAIRIE UTILITIES

Enterprise and Fiduciary Funds of the City of Sun Prairie, Wisconsin

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Enterprise and Fiduciary Funds of the City of Sun Prairie, Wisconsin

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**INDEPENDENT AUDITORS' REPORT**

To the Utility Commission  
Sun Prairie Utilities  
Sun Prairie, Wisconsin

***Report on the Financial Statements***

We have audited the accompanying financial statements of Sun Prairie Utilities, an enterprise fund of the City of Sun Prairie, Wisconsin, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sun Prairie Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sun Prairie Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Prairie Utilities as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utility Commission  
Sun Prairie Utilities

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Sun Prairie Utilities enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Sun Prairie, Wisconsin, as of December 31, 2015 and 2014 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in the Note 1, Sun Prairie Utilities adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change is shown in the current year. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

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

*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 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
May 12, 2016

## **ENTERPRISE FUND**

## SUN PRAIRIE UTILITIES

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

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 5,278,589	\$ 4,397,815
Interest receivable	7,548	8,092
Restricted Assets		
Redemption account	782,370	761,648
Customer accounts receivable	1,586,880	1,602,579
Unbilled revenues	858,305	953,564
Other accounts receivable	281,996	483,766
Due from municipality	48,507	79,580
Materials and supplies	1,039,273	1,117,229
Prepayments	<u>15,971</u>	<u>11,721</u>
Total Current Assets	<u>9,899,439</u>	<u>9,415,994</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	777,418	824,367
Construction account	301,207	1,491,898
Other Assets		
Investment in American Transmission Company, LLC	8,261,486	7,943,042
Investment in RESCO	5,000	5,000
Preliminary survey and investigation	-	103,847
Property held for future use	16,854	16,854
Non-utility property	132,651	132,651
Less accumulated depreciation - non-utility property	<u>(80,000)</u>	<u>(80,000)</u>
Net Non-Utility Property	52,651	52,651
Capital Assets		
Plant in service		
Electric	43,478,119	38,045,889
Water	42,715,960	40,816,443
Telecommunications	<u>2,119,405</u>	<u>2,501,447</u>
Total Plant in Service	<u>88,313,484</u>	<u>81,363,779</u>
Accumulated depreciation		
Electric	(17,152,590)	(16,122,681)
Water	(9,646,137)	(8,880,105)
Telecommunications	<u>(708,236)</u>	<u>(1,216,640)</u>
Total Accumulated Depreciation	<u>(27,506,963)</u>	<u>(26,219,426)</u>
Construction work in progress		
Electric	1,268,467	4,173,351
Water	130	102
Telecommunications	<u>543,857</u>	<u>13,709</u>
Total Construction Work in Progress	<u>1,812,454</u>	<u>4,187,162</u>
Total Noncurrent Assets	<u>72,033,591</u>	<u>69,769,174</u>
Total Assets	<u>81,933,030</u>	<u>79,185,168</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	18,128	30,396
Deferred outflows related to pension	<u>236,659</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>254,787</u>	<u>30,396</u>

<b>LIABILITIES</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,218,465	\$ 2,727,126
Due to municipality	1,049,118	-
Due to stormwater utility	-	8,169
Due to wastewater utility	16,757	18,087
Customer deposits	3,982	5,162
Accrued wages	27,385	100,433
Accrued taxes	1,734,503	1,618,839
Accrued interest	2,685	-
Sales tax payable	-	25
Accrued pension	37,935	39,708
Accrued liabilities	67,233	42,694
Commitment to community/DSM program	136,363	109,515
Other accrued liabilities	3,321	5,679
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	935,000	920,000
Accrued interest	78,751	86,159
Total Current Liabilities	<u>6,311,498</u>	<u>5,681,596</u>
<b>NONCURRENT LIABILITIES</b>		
General obligation debt	624,000	-
Revenue bonds	8,390,000	9,325,000
Unamortized debt premium	149,047	167,944
Compensated absences	411,138	418,107
Other accrued liabilities	-	5,730
Net pension liability	232,485	-
Total Noncurrent Liabilities	<u>9,806,670</u>	<u>9,916,781</u>
 Total Liabilities	 <u>16,118,168</u>	 <u>15,598,377</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	<u>50,219</u>	<u>-</u>
 <b>NET POSITION</b>		
Net investment in capital assets	53,617,681	51,265,232
Restricted for:		
Debt service	703,619	675,489
Unrestricted	<u>11,698,130</u>	<u>11,676,466</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 66,019,430</u>	 <u>\$ 63,617,187</u>

See accompanying notes to the financial statements.



# SUN PRAIRIE UTILITIES

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Electric		
Sales of electricity	\$ 26,443,278	\$ 25,920,249
Other	<u>298,056</u>	<u>325,038</u>
Total Electric	<u>26,741,334</u>	<u>26,245,287</u>
Water		
Sales of water	2,930,913	2,844,068
Other	<u>328,497</u>	<u>291,389</u>
Total Water	<u>3,259,410</u>	<u>3,135,457</u>
Telecommunications		
Communication charges	482,688	434,586
Other	<u>29,348</u>	<u>15,628</u>
Total Telecommunications	<u>512,036</u>	<u>450,214</u>
Total Operating Revenues	<u>30,512,780</u>	<u>29,830,958</u>
 <b>OPERATING EXPENSES</b>		
Electric		
Operation and maintenance	23,654,205	23,597,641
Depreciation	<u>1,382,615</u>	<u>1,306,994</u>
Total Electric	<u>25,036,820</u>	<u>24,904,635</u>
Water		
Operation and maintenance	1,372,081	1,445,708
Depreciation	<u>842,577</u>	<u>803,179</u>
Total Water	<u>2,214,658</u>	<u>2,248,887</u>
Telecommunications		
Operation and maintenance	251,620	345,402
Depreciation	<u>108,956</u>	<u>94,751</u>
Total Telecommunications	<u>360,576</u>	<u>440,153</u>
Total Operating Expenses	<u>27,612,054</u>	<u>27,593,675</u>
 <b>OPERATING INCOME</b>		
Electric	1,704,514	1,340,652
Water	1,044,752	886,570
Telecommunications	<u>151,460</u>	<u>10,061</u>
Total Operating Income	<u>2,900,726</u>	<u>2,237,283</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	637,891	771,724
Miscellaneous revenues	64,145	60,845
Interest expense	(237,145)	(160,436)
Issuance cost and amortization of premium and loss on refunding	<u>630</u>	<u>(71,054)</u>
Total Nonoperating Revenues (Expenses)	<u>465,521</u>	<u>601,079</u>
 Income Before Contributions and Transfers	 3,366,247	 2,838,362
 <b>CAPITAL CONTRIBUTIONS</b>	 902,466	 1,206,013
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	4,943	152,167
<b>TRANSFER IN (OUT)</b>	<u>(1,716,270)</u>	<u>(1,618,839)</u>
 <b>CHANGE IN NET POSITION</b>	 2,557,386	 2,577,703
 NET POSITION - Beginning of Year	 63,617,187	 61,039,484
 Cumulative effect of a change in accounting principle	 <u>(155,143)</u>	 <u>-</u>
 <b>NET POSITION - END OF YEAR</b>	 <u>\$ 66,019,430</u>	 <u>\$ 63,617,187</u>

See accompanying notes to the financial statements.

# SUN PRAIRIE UTILITIES

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 30,491,720	\$ 29,461,146
Received from municipality for services	348,248	325,038
Paid to suppliers for goods and services	(24,026,156)	(23,906,288)
Paid to employees for operating payroll	<u>(1,256,594)</u>	<u>(1,251,247)</u>
Net Cash Flows From Operating Activities	<u>5,557,218</u>	<u>4,628,649</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	<u>(1,600,606)</u>	<u>(1,657,239)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(4,225,689)	(5,570,431)
Capital contributions received	248,496	173,378
Premium net of debt issue costs	(6,000)	23,895
Debt retired	(920,000)	(935,000)
Interest paid	(325,970)	(266,853)
Proceeds from debt issue	<u>624,000</u>	<u>3,200,000</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(4,605,163)</u>	<u>(3,375,011)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(777,418)	(824,367)
Investments sold and matured	824,367	635,759
Investment in ATC	(106,004)	(265,014)
Investment income	<u>418,411</u>	<u>515,898</u>
Net Cash Flows From Investing Activities	<u>359,356</u>	<u>62,276</u>
<b>Net Change in Cash and Cash Equivalents</b>	(289,195)	(341,325)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>6,651,361</u>	<u>6,992,686</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 6,362,166</u></u>	<u><u>\$ 6,651,361</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest charged to construction	<u>\$ 91,686</u>	<u>\$ 132,387</u>
Dividends reinvested in ATC	<u>\$ 212,440</u>	<u>\$ 253,019</u>
Capital contributions invoiced but not paid	<u>\$ 71,846</u>	<u>\$ 228,834</u>
Amount payable to municipality for capital additions	<u>\$ 1,049,118</u>	<u>\$ -</u>
Capital contributions	<u>\$ 815,901</u>	<u>\$ 1,103,440</u>

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 2,900,726	\$ 2,237,283
Nonoperating revenue (expense)	64,145	60,845
Noncash items in operating income		
Depreciation	2,334,148	2,204,924
Depreciation charged to clearing and other utilities	171,152	192,911
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	110,958	(76,026)
Other accounts receivable	44,782	11,428
Due (to) from other funds	43,781	2,012
Materials and supplies	77,954	(264,204)
Prepayments	(4,250)	1,208
Pension related deferrals and liabilities	(109,099)	-
Accounts payable	(37,619)	106,802
Accrued vacation and sick leave	(10,393)	-
Other current liabilities	(27,887)	152,697
Customer deposits	(1,180)	(1,231)
	<u>                    </u>	<u>                    </u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 5,557,218</u></b>	<b><u>\$ 4,628,649</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 5,278,589	\$ 4,397,815
Redemption account	782,370	761,648
Reserve account	777,418	824,367
Construction account	301,207	1,491,898
Total Cash and Investments	<u>7,139,584</u>	<u>7,475,728</u>
Less: Noncash equivalents	<u>(777,418)</u>	<u>(824,367)</u>
	<u>                    </u>	<u>                    </u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 6,362,166</u></b>	<b><u>\$ 6,651,361</u></b>

See accompanying notes to the financial statements.

## **FIDUCIARY FUND**

# SUN PRAIRIE UTILITIES

## STATEMENTS OF FIDUCIARY NET POSITION FIDUCIARY FUND

As of December 31, 2015 and 2014

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		Pension Trust Fund	
		2015	2014
<b>ASSETS</b>			
<b>NONCURRENT ASSETS</b>			
Restricted Assets			
Mutual Funds		\$ 2,817,086	\$ 3,367,140
Total Assets		<u>\$ 2,817,086</u>	<u>\$ 3,367,140</u>
<b>LIABILITIES</b>			
Total Liabilities		\$ -	\$ -
<b>NET POSITION</b>			
Held in trust for pension benefits		<u>\$ 2,817,086</u>	<u>\$ 3,367,140</u>

See accompanying notes to the financial statements.

## SUN PRAIRIE UTILITIES

### STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

For the Years Ended December 31, 2015 and 2014

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	Pension Trust Fund	
	2015	2014
<b>ADDITIONS</b>		
Employer contributions	\$ 285,586	\$ 281,155
Investment income (loss)	(115,100)	117,384
Total Additions	<u>170,486</u>	<u>398,539</u>
<b>DEDUCTIONS</b>		
Benefits and refunds	694,422	45,496
Investment management fees	26,118	24,766
Total Deductions	<u>720,540</u>	<u>70,262</u>
<b>Net Increase (Decrease) in Net Position</b>	(550,054)	328,277
NET POSITION - Beginning of Year	<u>3,367,140</u>	<u>3,038,863</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,817,086</u>	<u>\$ 3,367,140</u>

See accompanying notes to the financial statements.

# SUN PRAIRIE UTILITIES

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

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of Sun Prairie Utilities (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 City of Sun Prairie (municipality). The utility is managed by a utility commission. The utility provides electric, water and telecommunications service to properties within the municipality. The electric utility also provides service to properties in the Towns of Bristol and Sun Prairie. The water utility provides service to one property in the Town of Burke. A fiduciary fund has been established for the employee pension trust fund.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The telecommunications utility operates under rules and rates established by the utility commission.

### ***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 of both the enterprise and fiduciary funds 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 June 2012, the GASB issued Statement No. 67 - *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This statement establishes accounting and financial reporting standards for the activities of pension plans that are administered through trusts and meet certain criteria. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain requirements. The utility implemented this standard effective January 1, 2014.

GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utility's single-employer public employee defined benefit retirement plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. The utility adopted these statements effective January 1, 2015. The cumulative impact of implementation is shown in Note 14.

# SUN PRAIRIE UTILITIES

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

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

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### *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont.)*

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

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

#### *Deposits and Investments*

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

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.

Investments of the fiduciary fund are limited to investing in assets as a prudent investor would, by considering purposes, terms, distribution requirements, and other circumstances of the trust.

The utility has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on 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.



# SUN PRAIRIE UTILITIES

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

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

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

#### ***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 electric and water bills on the tax roll for collection. The Telecommunications utility records an allowance for doubtful accounts based on historical experience and management's evaluations of receivables at the end of each year. As of December 31, 2015 and 2014 collections were not an issue. As such, no allowance for uncollectible customer accounts is considered necessary.

#### ***Materials and Supplies***

Materials and supplies are generally used for construction, operation, and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

#### ***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.

#### ***Investment in American Transmission Company (ATC)***

The electric utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility owns slightly more than 1/2 of 1% of ATC.

The investment earns dividends quarterly, some of which is paid in cash and some of which is required to be reinvested. From time to time, the utility has the option to contribute additional funds to maintain their proportionate share of ownership. The asset is valued at original cost plus additional contributions and reinvested dividends.

#### ***Preliminary Survey and Investigation***

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

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

The electric utility has property held for future use with a balance of \$16,854 at December 31, 2015 and 2014. This amount is for land to be used for a possible future substation which is owned by the utility but not currently used during the course of operations.

# SUN PRAIRIE UTILITIES

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

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

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

#### ***Nonutility Property***

Electric nonutility property consists of a house and the land with a balance (net of depreciation) of \$52,561 at both December 31, 2015 and 2014.

#### ***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. Total interest capitalized in 2015 and 2014 was \$91,686 and \$132,367, respectively. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Years</u>
Electric Plant	
Distribution	20-40
General plant	5-30
Water Plant	
Source of supply	27-45
Pumping	18-26
Water treatment	14-26
Transmission and distribution	16-77
General	10-15
Telecommunications Plant	
Improvements other than buildings	5-20

#### ***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 Sun Prairie Utilities Employees' Pension Plan (plan) and additions to/deductions from plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

#### ***Deferred Outflow of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

# SUN PRAIRIE UTILITIES

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

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

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

#### ***Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Employees are eligible to receive sick leave payout upon retirement after 15 years of service. Sick leave liability is accrued based on their years of service and the likelihood that they will reach the required 15 years of service in order to be vested. Vested vacation is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utility.

#### ***Commitment to Community/DSM Program***

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2005 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. Net collections and expenditures/remittances associated with the program are recorded as a current liability on the statements of net position, though the utility is no longer acting as an agent administering the program.

The Demand Side Management (DSM) program recovers a fixed amount of energy conservation costs in electric rates. The variance between that fixed amount and actual expenditures is deferred from year to year.

#### ***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 straight-line or 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 statements 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 accrues revenues beyond billing dates through December 31.

# SUN PRAIRIE UTILITIES

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

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

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

#### *Charges for Services* (cont.)

Current electric rates were approved by the PSCW on December 5, 2013 effective as of January 6, 2014.

Current water rates were approved by the PSCW on May 1, 2014 and effective as of July 3, 2014.

Current telecommunications rates were approved by the utility commission effective June 2010.

#### *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.

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

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

#### *COMPARATIVE DATA*

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

# SUN PRAIRIE UTILITIES

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

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

	Carrying Value as of December 31,		Risks
	2015	2014	
Checking and savings	\$ 5,972,394	\$ 5,071,005	Custodial credit
Certificates of deposits	777,418	824,367	Custodial credit
LGIP	381,552	1,572,136	Credit
Mutual funds - Pension plan	2,817,086	3,367,140	Credit, interest rate
Insurance reserve	7,520	7,520	None
Petty cash	700	700	None
Totals	\$ 9,956,670	\$ 10,842,868	

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.

In addition, the utility has collateral or depository insurance agreements in the amount of \$6,335,001 and \$5,572,873 at December 31, 2015 and 2014, respectively.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015 and 2014, the fair value of the LGIP's assets were substantially equal to the utility's share.

The Pension Plan mutual fund investments are held at SEI Private Trust Company and consist of 48% of equity funds and 52% of bond funds at December 31, 2015 and 50% of equity funds and 50% of bond funds at December 31, 2014.

#### ***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.

# SUN PRAIRIE UTILITIES

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

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

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

#### Deposits (cont.)

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

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Bank of Sun Prairie *	\$ 6,007,123	\$ 5,331,684	\$ 5,135,153	\$ 5,009,787
BMO Harris Bank	<u>782,370</u>	<u>782,370</u>	<u>249,827</u>	<u>249,827</u>
Totals	<u>\$ 6,789,493</u>	<u>\$ 6,114,054</u>	<u>\$ 5,384,980</u>	<u>\$ 5,259,614</u>

\*2015 and 2014 totals exclude CDAR's.

### *Credit Risk*

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

As of December 31 2015 and 2014, the utility's investments in mutual funds were not rated.

The utility also held investments in the Local Government Investment Pool which is an external pool that is not rated.

The utility's investment policy addresses this risk. That policy states that investments are to be limited to the safest types of securities, with pre-qualified financial institutions and diversified.

### *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 and 2014, the utility's investments in mutual funds had no maturity or call date.

## SUN PRAIRIE UTILITIES

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

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

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

Due To	Due From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Electric	Telecommunications **	\$ 1,618,501	Operating	\$ 1,470,042	Operating
Electric	Municipality	48,507	Operating	77,301	Operating
Water	Telecommunications **	200,039	Operating	181,691	Operating
Water	Municipality	-		2,279	Operating
Stormwater	Water	-		8,169	Accounts receivable
Wastewater	Water	16,757	Accounts receivable	18,087	Accounts receivable
Municipality	Water	1,049,118	Capital project chargebacks	-	

\*\* Amounts due from telecommunications to electric and water are eliminated in the Statements of Net Position as the utilities are all combined into one enterprise fund.

A repayment schedule for the amount due from telecommunications to water and electric has not been established. Beginning in 2008, interest is added to the balance. Interest is calculated based on the average annual outstanding balance using the average interest earned on LGIP investments.

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

To	From	2015		2014	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Electric	\$ 859,250	Payment in lieu of taxes	\$ 779,493	Payment in lieu of taxes
Municipality	Water	806,226	Payment in lieu of taxes	788,603	Payment in lieu of taxes
Municipality	Telecommunications	50,794	Payment in lieu of taxes	50,743	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.
- Construction - Used to report debt proceeds restricted for use in construction.

## SUN PRAIRIE UTILITIES

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

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

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#### *Restricted Net Position*

The following calculation supports the amount of restricted net position:

	<u>2015</u>	<u>2014</u>
Restricted Assets		
Redemption account	\$ 782,370	\$ 761,648
Reserve account	777,418	824,367
Construction account	<u>301,207</u>	<u>1,491,898</u>
Total Restricted Assets	<u>1,860,995</u>	<u>3,077,913</u>
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(777,418)	(824,367)
Construction account	<u>(301,207)</u>	<u>(1,491,898)</u>
Total Restricted Assets Not Funded by Revenues	<u>(1,078,625)</u>	<u>(2,316,265)</u>
Current Liabilities Payable From Restricted Assets	<u>(78,751)</u>	<u>(86,159)</u>
Total Restricted Net Position as Calculated	<u>\$ 703,619</u>	<u>\$ 675,489</u>



## SUN PRAIRIE UTILITIES

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

### NOTE 5 - CHANGES IN CAPITAL ASSETS

#### *Electric Utility*

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

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 105,318	\$ 511,390	\$ -	\$ 616,708
Capital assets being depreciated/amortized				
Distribution	33,315,637	5,256,995	388,392	38,184,240
General plant	4,624,934	130,450	78,213	4,677,171
Total Capital Assets Being Depreciated/Amortization	37,940,571	5,387,445	466,605	42,861,411
Total Capital Assets	38,045,889	5,898,835	466,605	43,478,119
Less: Accumulated depreciation/amortization				
Distribution	(12,847,130)	(1,272,002)	411,807	(13,707,325)
General plant	(3,275,551)	(247,929)	78,215	(3,445,265)
Total Accumulated Depreciation/Amortization	(16,122,681)	(1,519,931)	490,022	(17,152,590)
Construction in progress	4,173,351	2,941,850	5,846,734	1,268,467
Net Capital Assets	\$ 26,096,559			\$ 27,593,996

## SUN PRAIRIE UTILITIES

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

### NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

***Electric Utility*** (cont.)

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

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 105,318	\$ -	\$ -	\$ 105,318
Capital assets being depreciated/amortized				
Distribution	32,453,607	1,241,196	379,166	33,315,637
General plant	<u>4,529,865</u>	<u>114,897</u>	<u>19,828</u>	<u>4,624,934</u>
Total Capital Assets Being Depreciated/Amortized	<u>36,983,472</u>	<u>1,356,093</u>	<u>398,994</u>	<u>37,940,571</u>
Total Capital Assets	<u>37,088,790</u>	<u>1,356,093</u>	<u>398,994</u>	<u>38,045,889</u>
Less: Accumulated depreciation/amortization				
Distribution	(12,006,217)	(1,293,383)	452,470	(12,847,130)
General plant	<u>(3,022,807)</u>	<u>(272,572)</u>	<u>19,828</u>	<u>(3,275,551)</u>
Total Accumulated Depreciation/Amortization	<u>(15,029,024)</u>	<u>(1,565,955)</u>	<u>472,298</u>	<u>(16,122,681)</u>
Construction in progress	<u>101,063</u>	<u>5,428,381</u>	<u>1,356,093</u>	<u>4,173,351</u>
Net Capital Assets	<u>\$ 22,160,829</u>			<u>\$ 26,096,559</u>

## SUN PRAIRIE UTILITIES

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

### NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Water Utility*

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

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 65,087	\$ -	\$ -	\$ 65,087
Capital assets being depreciated/amortized				
Source of supply	692,703	-	-	692,703
Pumping	1,694,166	15,766	4,069	1,705,863
Water treatment	33,918	4,354	3,064	35,208
Transmission and distribution	37,566,525	1,964,795	74,795	39,456,525
General	764,044	825	4,295	760,574
Total Capital Assets Being Depreciated/Amortized	40,751,356	1,985,740	86,223	42,650,873
Total Capital Assets	40,816,443	1,985,740	86,223	42,715,960
Less: Accumulated depreciation/amortization				
Source of supply	(358,425)	(25,526)	-	(383,951)
Pumping	(813,762)	(73,806)	4,070	(883,498)
Water treatment	(11,991)	(2,419)	3,062	(11,348)
Transmission and distribution	(7,322,905)	(709,139)	107,280	(7,924,764)
General	(373,022)	(73,849)	4,295	(442,576)
Total Accumulated Depreciation/Amortization	(8,880,105)	(884,739)	118,707	(9,646,137)
Construction in progress	102	1,169,867	1,169,839	130
Net Capital Assets	\$ 31,936,440			\$ 33,069,953

## SUN PRAIRIE UTILITIES

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

### NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

**Water Utility** (cont.)

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

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 65,087	\$ -	\$ -	\$ 65,087
Capital assets being depreciated/amortized				
Source of supply	692,703	-	-	692,703
Pumping	1,620,926	73,240	-	1,694,166
Water treatment	32,499	1,419	-	33,918
Transmission and distribution	35,252,746	2,463,430	149,651	37,566,525
General	764,190	2,900	3,046	764,044
Total Capital Assets Being Depreciated/Amortized	38,363,064	2,540,989	152,697	40,751,356
Total Capital Assets	38,428,151	2,540,989	152,697	40,816,443
Less: Accumulated depreciation/amortization				
Source of supply	(332,898)	(25,527)	-	(358,425)
Pumping	(743,869)	(71,436)	1,543	(813,762)
Water treatment	(9,667)	(2,324)	-	(11,991)
Transmission and distribution	(6,822,415)	(675,943)	175,453	(7,322,905)
General	(302,098)	(73,969)	3,045	(373,022)
Total Accumulated Depreciation/Amortization	(8,210,947)	(849,199)	180,041	(8,880,105)
Construction in progress	73,659	2,467,432	2,540,989	102
Net Capital Assets	\$ 30,290,863			\$ 31,936,440

## SUN PRAIRIE UTILITIES

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

### NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Telecommunications Utility*

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

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets being depreciated/amortized				
General	\$ 2,501,447	\$ 235,317	\$ 617,359	\$ 2,119,405
Total Capital Assets Being Depreciated/Amortized	2,501,447	235,317	617,359	2,119,405
Less: Accumulated depreciation/amortization	(1,216,640)	(108,957)	617,361	(708,236)
Construction in progress	13,709	769,269	239,121	543,857
Net Capital Assets	\$ 1,298,516			\$ 1,955,026

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

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets being depreciated/amortized				
General	\$ 2,302,640	\$ 236,733	\$ 37,926	\$ 2,501,447
Total Capital Assets Being Depreciated/Amortized	2,302,640	236,733	37,926	2,501,447
Less: Accumulated depreciation/amortization	(1,159,991)	(94,752)	38,103	(1,216,640)
Construction in progress	14,110	236,332	236,733	13,709
Net Capital Assets	\$ 1,156,759			\$ 1,298,516

## SUN PRAIRIE UTILITIES

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

### NOTE 6 - LONG-TERM OBLIGATIONS

#### **Revenue Bonds**

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
11/6/2008	2008 Revenue Bonds	4/1/2023	4.38-5.13	\$ 3,600,000	\$ 2,325,000
11/15/2012	2012A Revenue Bonds	4/1/2032	1.5-3.20	2,800,000	2,565,000
11/15/2012	2012B Refunding Bonds	4/1/2018	0.85-1.65	2,155,000	1,335,000
6/16/2014	2014 Revenue Bonds	4/1/2034	3.25-4.30	3,200,000	3,100,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ 935,000	\$ 300,026	\$ 1,235,026
2017	950,000	274,777	1,224,777
2018	945,000	247,828	1,192,828
2019	570,000	222,145	792,145
2020	590,000	199,184	789,184
2021-2025	2,545,000	668,752	3,213,752
2026-2030	1,700,000	348,996	2,048,996
2031-2034	1,090,000	73,953	1,163,953
Totals	<u>\$ 9,325,000</u>	<u>\$ 2,335,661</u>	<u>\$ 11,660,661</u>

All electric and water revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2015 and 2014 were \$1,245,970 and \$1,201,853, respectively. Total customer net revenues as defined for the same periods were \$5,676,331 and \$5,169,964. Annual principal and interest payments are expected to require 11% of net revenues on average.

#### **General Obligation Debt - Telecommunications**

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
11/3/2015	2015 G.O. Debt	11/1/2025	2.625%	\$ 624,000	\$ 624,000

## SUN PRAIRIE UTILITIES

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

### NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

#### *General Obligation Debt - Telecommunications* (cont.)

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2016	\$ -	\$ 16,562	\$ 16,562
2017	32,846	16,608	49,454
2018	32,846	15,733	48,579
2019	32,846	14,859	47,705
2020	32,846	14,023	46,869
2021-2025	<u>492,616</u>	<u>56,841</u>	<u>549,457</u>
Totals	<u>\$ 624,000</u>	<u>\$ 134,626</u>	<u>\$ 758,626</u>

#### *Long-Term Obligations Summary*

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

	1/1/15 Balance	Additions	Reductions	12/31/15 Balance	Due Within One Year
Revenue bonds	\$ 10,245,000	\$ -	\$ 920,000	\$ 9,325,000	\$ 935,000
General obligation debt	-	624,000	-	624,000	-
Compensated absences	418,107	121,418	128,387	411,138	-
Unamortized debt premium	167,944	-	18,897	149,047	-
Other accrued liabilities	11,409	-	8,088	3,321	3,321
Net Pension Liability	<u>-</u>	<u>232,485</u>	<u>-</u>	<u>232,485</u>	<u>-</u>
Totals	<u>\$ 10,842,460</u>	<u>\$ 977,903</u>	<u>\$ 1,075,372</u>	<u>\$ 10,744,991</u>	<u>\$ 938,321</u>

## SUN PRAIRIE UTILITIES

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

### **NOTE 6 - LONG-TERM OBLIGATIONS** (cont.)

#### ***Long-Term Obligations Summary*** (cont.)

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

	<u>1/1/14</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 7,980,000	\$ 3,200,000	\$ 935,000	\$ 10,245,000	\$ 920,000
Compensated absences	325,674	100,553	8,120	418,107	-
Unamortized debt premium	87,599	94,302	13,957	167,944	-
Other accrued liabilities	<u>8,212</u>	<u>3,197</u>	<u>-</u>	<u>11,409</u>	<u>5,679</u>
Totals	<u>\$ 8,401,485</u>	<u>\$ 3,398,052</u>	<u>\$ 957,077</u>	<u>\$ 10,842,460</u>	<u>\$ 925,679</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.



## SUN PRAIRIE UTILITIES

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

### NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

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

##### *Debt Coverage*

Under terms of the resolutions providing for the issue of revenue bonds, electric and water revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.1 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2015 and 2014 as follows:

	2015	2014
Operating revenues	\$ 30,000,744	\$ 29,380,744
Investment income	637,728	771,724
Miscellaneous nonoperating income	64,145	60,845
Less: Operation and maintenance expenses	(25,026,286)	(25,043,349)
Net Defined Earnings	\$ 5,676,331	\$ 5,169,964
Minimum Required Earnings per Resolution:		
Highest annual debt service	\$ 1,235,026	\$ 1,245,884
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 1,358,529	\$ 1,370,472
Actual Debt Coverage	4.60	4.15

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

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

	Customers		Sales (000 kWh)	
	2015	2014	2015	2014
Residential	13,016	13,121	99,884	101,748
Rural	16	16	123	144
General	1,436	1,416	27,874	27,544
Small power	141	135	34,363	32,354
Large power	43	40	64,189	62,916
Industrial	6	4	29,925	29,164
Street and highway lighting	1	1	2,063	2,065
Interdepartmental	1	1	1,810	1,815
Totals	14,660	14,734	260,231	257,750

# SUN PRAIRIE UTILITIES

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

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## NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

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

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

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

	Customers		Sales (000 gals)	
	2015	2014	2015	2014
Residential	9,579	9,365	486,875	487,937
Commercial	714	720	160,214	149,995
Industrial	17	17	32,152	36,626
Public authority	49	46	14,653	15,819
Multi-Family	291	182	83,353	84,883
Totals	<u>10,650</u>	<u>10,330</u>	<u>777,247</u>	<u>775,260</u>

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## NOTE 7 - NET POSITION

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GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

## SUN PRAIRIE UTILITIES

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

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### NOTE 7 - NET POSITION (cont.)

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The following calculation supports the electric, water and telecommunications net investment in capital assets:

	<u>2015</u>	<u>2014</u>
Total Construction Work in Progress	\$ 1,812,454	\$ 4,187,162
Plant in service	88,313,484	81,363,779
Accumulated depreciation	<u>(27,506,963)</u>	<u>(26,219,426)</u>
Sub-Totals	<u>62,618,975</u>	<u>59,331,515</u>
Less: Capital related debt		
Current portion of capital related long-term debt	935,000	920,000
Long-term portion of capital related long-term debt	9,014,000	9,325,000
Unamortized debt premium	149,047	167,944
Unamortized loss on advanced refunding	<u>(18,128)</u>	<u>(30,396)</u>
Sub-Totals	<u>10,079,919</u>	<u>10,382,548</u>
Add: Unspent debt proceeds		
Construction funds	301,207	1,491,898
Reserve from borrowing	<u>777,418</u>	<u>824,367</u>
Sub-Totals	<u>1,078,625</u>	<u>2,316,265</u>
 Total Net Investment in Capital Assets	 <u>\$ 53,617,681</u>	 <u>\$ 51,265,232</u>

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### NOTE 8 - SUN PRAIRIE UTILITIES EMPLOYEES' PENSION PLAN

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#### *Plan Description*

The Sun Prairie Utilities Employees' Pension Plan (Plan) is a fiduciary fund of the utility. The Plan is a single-employer public employee defined benefit retirement plan. The utility established the Plan to provide retirement benefits for employees of the utility. The Plan is governed by the utility commission which has the right at any time and from time to time to amend the Plan. The Plan does not issue a standalone financial report and is not included in the report of another entity. As of January 1, 2013, the Plan stopped allowing new entrants. Instead, the utility established a Defined Contribution Plan that new employees can join.

# SUN PRAIRIE UTILITIES

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

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## NOTE 8 - SUN PRAIRIE UTILITIES EMPLOYEES' PENSION PLAN (cont.)

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### *Funding Policy*

Employer contributions to the Plan are recognized on the accrual basis and are actuarially determined each year. The Plan does not permit employees to make contributions.

All fulltime employees hired prior to January 1, 2013 over the age of eighteen, and having one year of service, are eligible to participate in the Plan. The normal retirement date is the first day of the month coincident with or following age 65. Employees are eligible for benefits after age 55 with a minimum service of 15 years. Benefits vest fully after five years of service after age of 18 based on the plan year periods. Eligible employees are entitled to an annual retirement benefit in the form of single life annuity with 10 years certain in an amount equal to 1.5% of future service times average monthly compensation plus 1% per year of past service times average monthly compensation. The maximum total number of years of service is 47. The past service amount is calculated on the years prior to January 1, 1989. The IRC 415 maximum annual benefit is \$195,000 and benefits are limited to 100% of compensation. Compensation is defined as the highest consecutive three year average salary over all service years up to a maximum annual salary of \$245,000.

### *Annual Money-Weighted Rate of Return*

For the year ended December 31, 2015, the annual money-weighted rate of return on the plan's investments was -4.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Plan Membership*

Membership of the plan at December 31, 2015, the date of the latest actuarial valuation, consisted of:

Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	19
Actives - suspended accruals due to change to defined contribution plan	<u>4</u>
Total	<u><u>27</u></u>

## SUN PRAIRIE UTILITIES

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

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### NOTE 8 - SUN PRAIRIE UTILITIES EMPLOYEES' PENSION PLAN (cont.)

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#### *Net Pension Liability*

Components of the plan's net pension liability, the total pension liability less the fiduciary net position, were as follows at December 31:

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 3,049,571	\$ 3,522,283
Fiduciary net position	<u>2,817,086</u>	<u>3,367,140</u>
Net Pension Liability	<u>\$ 232,485</u>	<u>\$ 155,143</u>
Fiduciary Net Position as Percentage of Total Pension Liability	<u>92.4%</u>	<u>95.6%</u>

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

#### *Actuarial Assumptions*

The total pension liability is based on the results of the actuarial valuation as of December 31, 2015 and 2014 using the aggregate cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 2.5% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. Information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan. Mortality rates were based on the Applicable Mortality Table as defined in Rev. Rul. 200767.

#### *Discount Rate*

The discount rate used to measure the total pension liability for the Plan was 5%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that utility contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments 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.

## SUN PRAIRIE UTILITIES

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

### **NOTE 8 - SUN PRAIRIE UTILITIES EMPLOYEES' PENSION PLAN (cont.)**

#### ***Discount Rate Sensitivity***

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Plan calculated using the discount rate of 5% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

	1% Decrease (4%)	Current Discount Rate	1% Increase (6%)
Net pension liability (asset)	\$ 948,293	\$ 232,485	\$ (315,398)

#### ***Long Term Expected Rate of Return***

The long term expected rate of return was determined using a conservative approach. The expected median return for the following asset allocation strategy the Plan has been using is 6.34%. The actuarial expected rate of return is 5% in order to be more confident that there will not be a short fall of funding in future years.

Asset Class	Target	Long-Term Expected Real Rate of Return
Equities	40-45%	7.5%
Bonds	40-45%	6.0%
Preferreds	0-10%	4.0%
Cash and Cash Equivalents	0-0%	.5%

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

The utility contributes to the Sun Prairie Utilities Employees' Pension Plan as described in Note 8. The utilities' total contributions during 2015 were \$285,586, equal to the annual required contribution.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the aggregate cost method. The 2015 contribution as calculated by the actuary was made as of December 31, 2015. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 2.5% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

# SUN PRAIRIE UTILITIES

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

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

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

At December 31, 2015, the utilities reported a pension liability of \$(232,485). The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The entry age actuarial cost method is used to calculate the total pension liability.

For the year ended December 21, 2015, the utilities recognized pension expense of \$176,487.

	2015
<b>Total pension liability</b>	
Service cost	\$ 112,240
Interest	165,812
Differences between expected and actual experience	(56,342)
Benefit payments, including refunds of member contributions	(694,422)
<b>Net change in total pension liability</b>	<b>(472,712)</b>
<b>Total pension liability - beginning</b>	<b>3,522,283</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 3,049,571</b>
<b>Plan fiduciary net position</b>	
Employer contributions	\$ 285,586
Net investment income (loss)	(115,100)
Benefit payments, including refunds of member contributions	(694,422)
Administration	(26,118)
<b>Net change in plan fiduciary net position</b>	<b>(550,054)</b>
<b>Plan fiduciary net position - beginning</b>	<b>3,367,140</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,817,086</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 232,485</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.38 %
<b>Covered-employee payroll</b>	\$ 1,488,604
<b>Net pension liability as a percentage of covered-employee payroll</b>	15.62 %

## SUN PRAIRIE UTILITIES

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

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

Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Individual aggregate
Annual pension contribution	Entry age normal
Actuarial accrued liability	Level percentage of payroll
Amortization method	1 year
Remaining amortization period	Market value
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	2.5%
Mortality	(1)

(1) Applicable Mortality Table as defined in Rev. Rul. 200767.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 50,219
Net differences between projected and actual earnings on pension plan	<u>236,659</u>	<u>-</u>
Total	<u>\$ 236,659</u>	<u>\$ 50,219</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 59,165	\$ (4,364)
2017	59,165	(4,364)
2018	59,165	(4,364)
2019	59,164	(4,364)
2020	-	(4,364)
Thereafter	<u>-</u>	<u>(28,399)</u>
Total	<u>\$ 236,659</u>	<u>\$ (50,219)</u>



## SUN PRAIRIE UTILITIES

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

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

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

Information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/14	\$ 281,155	100.0%	\$ -
12/31/13	303,119	193.6	(1,075)

#### **Funded Status and Funding Progress**

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2014	3,038,863	3,425,850	386,987	88.7	1,763,818	21.9
2013	2,092,779	3,397,963	1,305,184	61.6	1,686,294	77.4

#### **Defined Contribution Plan**

Beginning in January 1, 2014, in addition to the defined benefit pension plan, the utilities established the Sun Prairie Utilities Employees Retirement Plan which is a defined contribution plan. All employees hired on or after January 1, 2013 have the option of joining the Sun Prairie Utilities Employees Retirement Plan (Defined Contribution Plan) which is administered by Coe Administrators, LLC. In addition to employees starting on or after January 1, 2013, all existing employees had the option of leaving the defined benefit pension plan and joining the Defined Contribution Plan. Participants become fully vested in the Defined Contribution Plan after five years of employment. The employer contributions are currently 8.5% of employee compensation. Contributions of \$37,936 and \$39,708 for 2015 and 2014 compensation, respectively, were made in the subsequent year.

# SUN PRAIRIE UTILITIES

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

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## NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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The City of Sun Prairie's group health insurance plan provides coverage to active employees and retirees at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established by the City of Sun Prairie. The utility makes the same monthly health insurance contribution on behalf of the retiree it makes on behalf of the other active employees during that year.

The City of Sun Prairie's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Management has determined that the OPEB liability is immaterial and has decided not to record the liability in 2015 and 2014.

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## NOTE 11 - COMMITMENTS AND CONTINGENCIES

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### *Long-Term Contracts - WPPI Energy*

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

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

In 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037. In 2015, the Utility approved an additional eighteen year extension through December 31, 2055.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$437 million as of December 31, 2015.

# SUN PRAIRIE UTILITIES

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

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## NOTE 12 - RISK MANAGEMENT

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***Wisconsin Municipal Insurance Commission (WMIC)  
Cities and Villages Mutual Insurance Company (CVMIC)***

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment, and capitalization of the CVMIC, and has numerous municipalities as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the municipalities which make up the membership of the WMIC.

Details of the plan are disclosed in the basic financial statements of the City of Sun Prairie for the years ended December 31, 2015 and 2014.

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## NOTE 13 - SUBSEQUENT EVENTS

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

The utility applied for rate adjustments with the Public Service Commission of Wisconsin. New water rates are effective January 6, 2016. The electric rate application is still in process.

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## NOTE 14 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

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

***Sun Prairie Utilities***

Net pension liability January 1, 2015	\$ <u>155,143</u>
Cumulative Effect of a Change in Accounting Principle	\$ <u>155,143</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

## SUN PRAIRIE UTILITIES

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS PENSION TRUST FUND

For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 112,240	\$ 119,397
Interest	165,812	176,220
Differences between expected and actual experience	(56,342)	(153,688)
Benefit payments, including refunds of member contributions	(694,422)	(45,496)
<b>Net change in total pension liability</b>	(472,712)	96,433
<b>Total pension liability - beginning</b>	3,522,283	3,425,850
<b>Total pension liability - ending (a)</b>	\$ 3,049,571	\$ 3,522,283
<b>Plan fiduciary net position</b>		
Employer contributions	\$ 285,586	\$ 281,155
Net investment income (loss)	(115,100)	117,384
Benefit payments, including refunds of member contributions	(694,422)	(45,496)
Administration	(26,118)	(24,766)
<b>Net change in plan fiduciary net position</b>	(550,054)	328,277
<b>Plan fiduciary net position - beginning</b>	3,367,140	3,038,863
<b>Plan fiduciary net position - ending (b)</b>	\$ 2,817,086	\$ 3,367,140
<b>Net pension liability - ending (a) - (b)</b>	\$ 232,485	\$ 155,143
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.38%	95.60%
<b>Covered-employee payroll</b>	\$ 1,488,604	\$ 1,753,037
<b>Net pension liability as a percentage of covered-employee payroll</b>	15.62%	8.85%

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

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

## SUN PRAIRIE UTILITIES

### SCHEDULE OF EMPLOYER CONTRIBUTIONS PENSION TRUST FUND For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 285,586	\$ 281,155
Contributions in relation to the actuarially determined contribution	<u>285,586</u>	<u>281,155</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,488,604	\$ 1,753,037
Contributions as a percentage of covered-employee payroll	19.18%	16.04%

#### Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of December 31, 2015.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll
Remaining amortization period	1 year
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	2.50%
Investment rate of return	5.00%
Retirement age	See Note 8 in the Notes to Financial Statements
Mortality	Applicable Mortality Table as defined in Rev. Rul. 2007 67

**SUN PRAIRIE UTILITIES**

SCHEDULE OF INVESTMENT RETURNS  
PENSION TRUST FUND  
For the Years Ended December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-4.78%	2.85%

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



## **ELECTRIC UTILITY**

## SUN PRAIRIE UTILITIES

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

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
<b>DISTRIBUTION</b>				
Land and land rights	\$ 48,808	\$ 511,390	\$ -	\$ 560,198
Structures and improvements	695,874	1,977,008	-	2,672,882
Station equipment	3,703,284	1,509,002	210,640	5,001,646
Poles, towers and fixtures	911,796	34,782	1,166	945,412
Overhead conductors and devices	1,909,829	49,708	1,391	1,958,146
Underground conduit	452,027	100,860	-	552,887
Underground conductors and devices	13,682,894	1,110,773	108,638	14,685,029
Line transformers	4,132,833	134,070	15,201	4,251,702
Services	2,345,985	91,831	2,117	2,435,699
Meters	1,360,565	84,660	11,865	1,433,360
Installation on customers' premises	927,742	68,303	6,109	989,936
Street lighting and signal systems	3,192,808	95,998	31,265	3,257,541
Total Distribution	<u>33,364,445</u>	<u>5,768,385</u>	<u>388,392</u>	<u>38,744,438</u>
<b>GENERAL</b>				
Land and land rights	56,510	-	-	56,510
Structures and improvements	1,917,788	2,974	-	1,920,762
Office furniture and equipment	33,045	1,250	-	34,295
Computer equipment	662,955	7,423	-	670,378
Transportation equipment	1,207,981	44,472	78,213	1,174,240
Stores equipment	32,580	-	-	32,580
Tools, shop and garage equipment	93,542	6,339	-	99,881
Laboratory equipment	41,450	-	-	41,450
Power-operated equipment	423,774	67,992	-	491,766
Communication equipment	211,819	-	-	211,819
Total General	<u>4,681,444</u>	<u>130,450</u>	<u>78,213</u>	<u>4,733,681</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$38,045,889</u>	<u>\$ 5,898,835</u>	<u>\$ 466,605</u>	<u>\$43,478,119</u>

## SUN PRAIRIE UTILITIES

### ELECTRIC UTILITY SCHEDULES OF NET POSITION As of December 31, 2015 and 2014

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 3,687,111	\$ 3,217,099
Interest receivable	7,548	8,092
Restricted Assets		
Redemption account	416,560	406,114
Customer accounts receivable	1,344,599	1,374,200
Unbilled revenues	750,496	847,989
Other accounts receivable	260,014	465,523
Due from municipality	48,507	77,301
Materials and supplies	870,982	1,053,051
Prepayments	<u>15,971</u>	<u>11,721</u>
Total Current Assets	<u>7,401,788</u>	<u>7,461,090</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	427,580	453,402
Construction account	171,689	1,491,898
Other Assets		
Investment in American Transmission Company, LLC	8,261,486	7,943,042
Investment in RESCO	5,000	5,000
Preliminary survey and investigation	-	103,847
Advances to other funds	1,618,501	1,470,042
Property held for future use	16,854	16,854
Non-utility property	132,651	132,651
Less accumulated depreciation - non-utility property	<u>(80,000)</u>	<u>(80,000)</u>
Net Non-Utility Property	52,651	52,651
Capital Assets		
Plant in service	43,478,119	38,045,889
Accumulated depreciation	(17,152,590)	(16,122,681)
Construction work in progress	<u>1,268,467</u>	<u>4,173,351</u>
Total Noncurrent Assets	<u>38,147,757</u>	<u>37,633,295</u>
Total Assets	<u>45,549,545</u>	<u>45,094,385</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	12,935	20,909
Deferred outflows related to pension	<u>149,095</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>162,030</u>	<u>20,909</u>

<b>LIABILITIES</b>		<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 2,218,467	\$ 2,727,126
Customer deposits		3,982	5,162
Accrued wages		27,385	100,433
Accrued taxes		868,029	779,493
Sales tax payable		-	25
Accrued pension		33,684	37,108
Commitment to community/DSM program		136,363	109,515
Other accrued liabilities		3,321	5,679
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		504,800	499,200
Accrued interest		<u>46,389</u>	<u>49,676</u>
Total Current Liabilities		<u>3,842,420</u>	<u>4,313,417</u>
<b>NONCURRENT LIABILITIES</b>			
Revenue bonds		5,292,700	5,797,500
Unamortized debt premium		103,267	114,684
Compensated absences		411,138	418,107
Other accrued liabilities		-	5,730
Net pension liability		<u>146,465</u>	-
Total Noncurrent Liabilities		<u>5,953,570</u>	<u>6,336,021</u>
 Total Liabilities		 <u>9,795,990</u>	 <u>10,649,438</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension		<u>31,637</u>	-
 <b>NET POSITION</b>			
Net investment in capital assets		22,305,433	21,651,384
Restricted for:			
Debt service		370,171	356,438
Unrestricted		<u>13,208,344</u>	<u>12,458,034</u>
 <b>TOTAL NET POSITION</b>		 <u><u>\$ 35,883,948</u></u>	 <u><u>\$ 34,465,856</u></u>

## SUN PRAIRIE UTILITIES

### ELECTRIC UTILITY REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Sales of Electricity		
Residential	\$ 11,288,490	\$ 11,377,168
Rural	13,995	15,727
Small commercial and industrial	6,420,456	6,078,642
Large commercial and industrial	8,164,060	7,893,486
Public street and highway lighting	348,248	359,018
Interdepartmental	208,029	196,208
Total Sales of Electricity	26,443,278	25,920,249
Other Operating Revenues		
Forfeited discounts	86,354	88,720
Miscellaneous service revenues	8,040	9,765
Rent from electric property	45,787	38,457
Interdepartmental rents	148,842	174,199
Other	9,033	13,897
Total Operating Revenues	26,741,334	26,245,287
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Other Power Supply		
Purchased power	21,818,886	21,692,926
Distribution		
Line and station supplies	32,892	33,667
Overhead line	72,052	73,972
Underground line	120,051	115,698
Street lighting and signal system	108,543	134,905
Meter	33,968	27,033
Miscellaneous	53,980	60,494
Rents	10,805	12,330
Maintenance		
Supervision and engineering	55,729	50,011
Overhead lines	177,250	203,848
Underground lines	123,016	114,329
Line transformers	441	12,369
Total Distribution	788,727	838,656
Customer Accounts		
Meter reading	47,127	44,916
Customer records and collection	277,440	265,300
DSM expenses	41,000	27,530
Total Customer Accounts	365,567	337,746
Sales		
Advertising	734	454

## SUN PRAIRIE UTILITIES

### ELECTRIC UTILITY REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 148,798	\$ 160,744
Office supplies	17,789	18,039
Outside services employed	24,747	29,264
Property insurance	4,415	4,452
Injuries and damages	14,303	17,833
Employee pensions and benefits	290,825	348,468
Regulatory commission	3,589	10
Miscellaneous	42,147	38,980
Rents	11,280	5,878
Maintenance	<u>15,878</u>	<u>8,645</u>
Total Administrative and General	<u>573,771</u>	<u>632,313</u>
Taxes	<u>106,520</u>	<u>95,546</u>
Total Operation and Maintenance	23,654,205	23,597,641
Depreciation	<u>1,382,615</u>	<u>1,306,994</u>
Total Operating Expenses	<u>25,036,820</u>	<u>24,904,635</u>
<b>OPERATING INCOME</b>	<u>1,704,514</u>	<u>1,340,652</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	631,796	766,884
Miscellaneous revenues	64,145	60,845
Interest expense	(95,827)	(49,997)
Amortization of premium, discount, and issuance costs	<u>3,443</u>	<u>(56,451)</u>
Total Nonoperating Revenues (Expenses)	<u>603,557</u>	<u>721,281</u>
Income Before Contributions and Transfers	2,308,071	2,061,933
<b>CAPITAL CONTRIBUTIONS</b>	62,068	214,001
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	4,943	1,638
<b>TRANSFER IN (OUT)</b>	<u>(859,250)</u>	<u>(779,493)</u>
<b>CHANGE IN NET POSITION</b>	1,515,832	1,498,079
NET POSITION - Beginning of Year	34,465,856	32,967,777
Cumulative effect of a change in accounting principle	<u>(97,740)</u>	-
<b>NET POSITION - END OF YEAR</b>	<u>\$ 35,883,948</u>	<u>\$ 34,465,856</u>

## SUN PRAIRIE UTILITIES

### ELECTRIC UTILITY SCHEDULES OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 26,682,676	\$ 25,873,266
Received from municipality for services	348,248	325,038
Paid to suppliers for goods and services	(22,820,319)	(22,868,005)
Paid to employees for operating payroll	(697,314)	(664,597)
Net Cash Flows From Operating Activities	3,513,291	2,665,702
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(770,714)	(793,608)
Interest income received on operating advance to telecommunications	4,854	1,668
Operating advances from other funds	(148,459)	(64,402)
Net Cash Flows From Noncapital Financing Activities	(914,319)	(856,342)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(3,310,106)	(3,978,951)
Capital contributions received	223,999	134,277
Debt retired	(499,200)	(522,300)
Interest paid	(188,280)	(133,240)
Proceeds from debt issue	-	2,464,000
Debt issuance costs	-	18,398
Net Cash Flows From Capital and Related Financing Activities	(3,773,587)	(2,017,816)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(427,580)	(453,402)
Investments sold and matured	453,402	356,025
Investment in ATC	(106,004)	(265,014)
Investment income	415,046	511,996
Net Cash Flows From Investing Activities	334,864	149,605
<b>Net Change in Cash and Cash Equivalents</b>	(839,751)	(58,851)
CASH AND CASH EQUIVALENTS - Beginning of Year	5,115,111	5,173,962
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,275,360	\$ 5,115,111
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Interest charged to construction	\$ 89,166	\$ 103,317
Dividends reinvested in ATC	\$ 212,440	\$ 253,019
Capital contributions invoiced but not paid	\$ 71,846	\$ 228,834

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 1,704,514	\$ 1,340,652
Nonoperating revenue (expense)	64,145	60,845
Noncash items in operating income		
Depreciation	1,382,615	1,306,994
Depreciation charged to clearing and other utilities	129,586	154,184
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	127,094	(75,605)
Other accounts receivable	48,521	11,428
Due to/from other funds	51,010	(20,205)
Materials and supplies	182,069	(360,020)
Prepayments	(4,250)	1,208
Pension related deferrals and liabilities	(68,733)	-
Accounts payable	(37,619)	106,802
Customer deposits	(1,180)	(1,231)
Other accrued liabilities	<u>(64,481)</u>	<u>140,650</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 3,513,291</u></b>	<b><u>\$ 2,665,702</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 3,687,111	\$ 3,217,099
Redemption account	416,560	406,114
Reserve account	427,580	453,402
Construction account	<u>171,689</u>	<u>1,491,898</u>
Total Cash and Investments	4,702,940	5,568,513
Less: Noncash equivalents	<u>(427,580)</u>	<u>(453,402)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 4,275,360</u></b>	<b><u>\$ 5,115,111</u></b>



## SUN PRAIRIE UTILITIES

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

	Electric	
	2015	2014
Utility Financed Plant in Service		
Beginning of year	\$ 31,370,035	\$ 30,536,386
End of year	<u>36,785,900</u>	<u>31,370,035</u>
Average	<u>34,077,968</u>	<u>30,953,211</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(13,895,786)	(12,950,615)
End of year	<u>(14,733,290)</u>	<u>(13,895,786)</u>
Average	<u>(14,314,538)</u>	<u>(13,423,201)</u>
Materials and Supplies		
Beginning of year	1,053,051	693,031
End of year	<u>870,982</u>	<u>1,053,051</u>
Average	<u>962,017</u>	<u>873,041</u>
Regulatory Liability		
Beginning of year	(296,195)	(329,106)
End of year	<u>(263,284)</u>	<u>(296,195)</u>
Average	<u>(279,740)</u>	<u>(312,651)</u>
AVERAGE NET RATE BASE	<u>\$ 20,445,707</u>	<u>\$ 18,090,400</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 1,024,781</u>	<u>\$ 802,389</u>
RATE OF RETURN (PERCENT)	<u>5.01</u>	<u>4.44</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>6.25</u>	<u>6.25</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.

**WATER UTILITY**

## SUN PRAIRIE UTILITIES

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

	Balance 1/1/15	Additions	Retirements	Balance 12/31/15
<b>SOURCE OF SUPPLY</b>				
Land and land rights	\$ 38,656	\$ -	\$ -	\$ 38,656
Wells and springs	685,762	-	-	685,762
Supply mains	6,941	-	-	6,941
Total Source of Supply	<u>731,359</u>	<u>-</u>	<u>-</u>	<u>731,359</u>
<b>PUMPING</b>				
Structures and improvements	1,091,263	-	4,069	1,087,194
Electric pumping equipment	560,416	15,766	-	576,182
Diesel pumping equipment	21,423	-	-	21,423
Other pumping equipment	21,064	-	-	21,064
Total Pumping	<u>1,694,166</u>	<u>15,766</u>	<u>4,069</u>	<u>1,705,863</u>
<b>WATER TREATMENT</b>				
Water treatment equipment	<u>33,918</u>	<u>4,354</u>	<u>3,064</u>	<u>35,208</u>
<b>TRANSMISSION AND DISTRIBUTION</b>				
Land and land rights	26,431	-	-	26,431
Distribution reservoirs and standpipes	2,799,213	-	-	2,799,213
Transmission and distribution mains	25,042,702	1,308,881	30,115	26,321,468
Services	5,280,123	407,941	17,419	5,670,645
Meters	1,295,776	70,824	23,331	1,343,269
Hydrants	3,148,711	177,149	3,930	3,321,930
Total Transmission and Distribution	<u>37,592,956</u>	<u>1,964,795</u>	<u>74,795</u>	<u>39,482,956</u>
<b>GENERAL</b>				
Tools, shop and garage equipment	61,708	825	4,295	58,238
Laboratory equipment	4,038	-	-	4,038
SCADA equipment	698,298	-	-	698,298
Total General	<u>764,044</u>	<u>825</u>	<u>4,295</u>	<u>760,574</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u><u>\$40,816,443</u></u>	<u><u>\$ 1,985,740</u></u>	<u><u>\$ 86,223</u></u>	<u><u>\$42,715,960</u></u>

## SUN PRAIRIE UTILITIES

### WATER UTILITY SCHEDULES OF NET POSITION As of December 31, 2015 and 2014

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	<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>			
Cash and investments		\$ 1,591,478	\$ 1,180,716
Restricted Assets			
Redemption account		365,810	355,534
Customer accounts receivable		221,681	217,059
Unbilled revenues		101,590	101,003
Other accounts receivable		18,243	18,243
Due from municipality		-	2,279
Materials and supplies		<u>32,954</u>	<u>29,425</u>
Total Current Assets		<u>2,331,756</u>	<u>1,904,259</u>
<b>NONCURRENT ASSETS</b>			
Restricted Assets			
Reserve account		349,838	370,965
Other Assets			
Advances to other funds		200,039	181,691
Capital Assets			
Plant in service		42,715,960	40,816,443
Accumulated depreciation		(9,646,137)	(8,880,105)
Construction work in progress		<u>130</u>	<u>102</u>
Total Noncurrent Assets		<u>33,619,830</u>	<u>32,489,096</u>
Total Assets		<u>35,951,586</u>	<u>34,393,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on advance refunding		5,193	9,487
Deferred outflows related to pension		<u>75,731</u>	<u>-</u>
Total Deferred Outflows of Resources		<u>80,924</u>	<u>9,487</u>

<b>LIABILITIES</b>		<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>			
Due to municipality		\$ 1,049,118	\$ -
Due to stormwater utility		-	8,169
Due to wastewater utility		16,757	18,087
Accrued taxes		815,108	788,603
Accrued pension		3,068	2,456
Accrued liabilities		67,233	42,696
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		430,200	420,800
Accrued interest		<u>32,362</u>	<u>36,483</u>
Total Current Liabilities		<u>2,413,846</u>	<u>1,317,294</u>
<b>NONCURRENT LIABILITIES</b>			
Revenue bonds		3,097,300	3,527,500
Unamortized debt premium		45,779	53,260
Net pension liability		<u>74,395</u>	-
Total Noncurrent Liabilities		<u>3,217,474</u>	<u>3,580,760</u>
Total Liabilities		<u>5,631,320</u>	<u>4,898,054</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension		<u>16,071</u>	-
<b>NET POSITION</b>			
Net investment in capital assets		29,851,705	28,315,332
Restricted for:			
Debt service		333,448	319,051
Unrestricted		<u>199,966</u>	<u>870,405</u>
<b>TOTAL NET POSITION</b>		<u>\$ 30,385,119</u>	<u>\$ 29,504,788</u>

## SUN PRAIRIE UTILITIES

### WATER UTILITY REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Sales of Water		
Unmetered	\$ 4,914	\$ 6,351
Metered		
Residential	1,610,726	1,571,685
Multifamily residential	179,559	179,181
Commercial	346,307	320,904
Industrial	48,213	52,781
Public authorities	34,724	35,693
Interdepartmental	701	699
Total Metered Sales	2,220,230	2,160,943
Private fire protection	60,851	56,302
Public fire protection	644,918	620,472
Total Sales of Water	2,930,913	2,844,068
Other Operating Revenues		
Forfeited discounts	12,733	12,594
Rents from water property	279,027	242,866
Interdepartmental rents	9,000	9,000
Other	27,737	26,929
Total Operating Revenues	3,259,410	3,135,457
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Pumping		
Fuel or purchased power for pumping	165,174	147,161
Pumping labor and expenses	57,899	71,351
Miscellaneous	4,973	4,698
Maintenance		
Structures and improvements	7,851	7,401
Pumping equipment	25,691	6,579
Total Pumping	261,588	237,190
Water Treatment		
Chemicals	24,328	17,484
Operation labor	21,889	19,242
Total Water Treatment	46,217	36,726
Transmission and Distribution		
Operation supervision and engineering	41,452	72,738
Transmission and distribution lines	38,716	43,190
Meters	14,119	28,105
Miscellaneous	3,015	2,076
Maintenance		
Reservoirs and standpipes	1,721	7,010
Mains	153,275	132,070
Services	58,319	83,059
Hydrants	18,366	25,633
Total Transmission and Distribution	328,983	393,881

## SUN PRAIRIE UTILITIES

### WATER UTILITY REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Customer Accounts		
Meter reading	\$ 20,293	\$ 22,613
Accounting and collection	122,047	127,453
DSM expense	20,000	20,000
Total Customer Accounts	162,340	170,066
Sales	324	-
Administrative and General		
Salaries	132,272	126,926
Office supplies	14,178	15,081
Outside services employed	21,613	25,033
Property insurance	4,150	4,544
Injuries and damages	13,196	17,529
Employee pensions and benefits	171,369	199,867
Regulatory commission	3,651	104
Miscellaneous	15,668	10,809
Rents	151,888	168,018
Maintenance	14,247	8,837
Total Administrative and General	542,232	576,748
Taxes	30,397	31,097
Total Operation and Maintenance	1,372,081	1,445,708
Depreciation	842,577	803,179
Total Operating Expenses	2,214,658	2,248,887
<b>OPERATING INCOME</b>	1,044,752	886,570
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	5,932	4,840
Interest expense	(133,569)	(107,782)
Amortization of premium and issuance cost	3,187	(14,275)
Total Nonoperating Revenues (Expenses)	(124,450)	(117,217)
Income Before Contributions and Transfers	920,302	769,353
<b>CAPITAL CONTRIBUTIONS</b>	815,901	952,911
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	-	150,529
<b>TRANSFER IN (OUT)</b>	(806,226)	(788,603)
<b>CHANGE IN NET POSITION</b>	929,977	1,084,190
NET POSITION - Beginning of Year	29,504,788	28,420,598
Cumulative effect of a change in accounting principle	(49,646)	-
<b>NET POSITION - END OF YEAR</b>	\$ 30,385,119	\$ 29,504,788

## SUN PRAIRIE UTILITIES

### WATER UTILITY SCHEDULES OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 3,311,674	\$ 3,142,086
Paid to suppliers for goods and services	(901,192)	(847,318)
Paid to employees for operating payroll	(507,307)	(535,109)
Net Cash Flows From Operating Activities	1,903,175	1,759,659
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(779,721)	(812,146)
Interest income received on operating advance to telecommunications	2,731	938
Operating advances from other funds	(18,348)	(7,960)
Net Cash Flows From Noncapital Financing Activities	(795,338)	(819,168)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(152,637)	(1,354,972)
Premium net of debt issue costs	-	5,497
Debt retired	(420,800)	(388,650)
Interest paid	(137,690)	(133,511)
Proceeds from debt issue	-	736,000
Net Cash Flows From Capital and Related Financing Activities	(711,127)	(1,135,636)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(349,838)	(370,965)
Investments sold and matured	370,965	279,734
Investment income	3,201	3,902
Net Cash Flows From Investing Activities	24,328	(87,329)
<b>Net Change in Cash and Cash Equivalents</b>	421,038	(282,474)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,536,250	1,818,724
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,957,288	\$ 1,536,250
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest charged to construction	\$ -	\$ 29,070
Amount payable to municipality for capital additions	\$ 1,049,118	\$ -
Capital contributions	\$ 815,901	\$ 1,103,440



	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 1,044,752	\$ 886,570
Noncash items in operating income		
Depreciation	842,577	803,179
Depreciation charged to clearing and other utilities	41,566	38,727
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	(5,209)	3,999
Due to/from other funds	(7,229)	22,217
Materials and supplies	(3,531)	(6,938)
Pension related deferrals and liabilities	(34,911)	-
Other current liabilities	<u>25,160</u>	<u>11,905</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,903,175</u>	<u>\$ 1,759,659</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 1,591,478	\$ 1,180,716
Redemption account	365,810	355,534
Reserve account	<u>349,838</u>	<u>370,965</u>
Total Cash and Investments	2,307,126	1,907,215
Less: Noncash equivalents	<u>(349,838)</u>	<u>(370,965)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,957,288</u>	<u>\$ 1,536,250</u>

## SUN PRAIRIE UTILITIES

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

	Water	
	2015	2014
Utility Financed Plant in Service		
Beginning of year	\$ 19,157,721	\$ 17,799,567
End of year	<u>20,274,060</u>	<u>19,157,721</u>
Average	<u>19,715,891</u>	<u>18,478,644</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(4,815,880)	(4,422,502)
End of year	<u>(5,249,959)</u>	<u>(4,815,880)</u>
Average	<u>(5,032,920)</u>	<u>(4,619,191)</u>
Materials and Supplies		
Beginning of year	29,425	22,486
End of year	<u>32,954</u>	<u>29,425</u>
Average	<u>31,190</u>	<u>25,956</u>
Regulatory Liability		
Beginning of year	(455,561)	(506,179)
End of year	<u>(404,943)</u>	<u>(455,561)</u>
Average	<u>(430,252)</u>	<u>(480,870)</u>
AVERAGE NET RATE BASE	<u>\$ 14,283,909</u>	<u>\$ 13,404,539</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 568,290</u>	<u>\$ 447,052</u>
RATE OF RETURN (PERCENT)	<u>3.98</u>	<u>3.34</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>6.50</u>	<u>6.50</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.

## **TELECOMMUNICATIONS UTILITY**

## SUN PRAIRIE UTILITIES

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

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	Balance <u>1/1/15</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/15</u>
<b>GENERAL</b>				
Overhead conductors and devices	\$ 259,653	\$ -	\$ -	\$ 259,653
Underground conduit	277,162	20,013	-	297,175
Underground conductors and devices	205,360	86,580	-	291,940
Services	1,013,951	98,505	-	1,112,456
Communication equipment	178,816	30,219	50,854	158,181
Internet facilities	<u>566,505</u>	<u>-</u>	<u>566,505</u>	<u>-</u>
Total General	<u>2,501,447</u>	<u>235,317</u>	<u>617,359</u>	<u>2,119,405</u>
 TOTAL TELECOMMUNICATIONS UTILITY PLANT	 <u>\$ 2,501,447</u>	 <u>\$ 235,317</u>	 <u>\$ 617,359</u>	 <u>\$ 2,119,405</u>

## SUN PRAIRIE UTILITIES

### TELECOMMUNICATIONS UTILITY SCHEDULES OF NET POSITION As of December 31, 2015 and 2014

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Customer accounts receivable	\$ 20,600	\$ 11,320
Unbilled revenues	6,219	4,572
Other accounts receivable	3,739	-
Materials and supplies	<u>135,337</u>	<u>34,753</u>
Total Current Assets	<u>165,895</u>	<u>50,645</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Construction account	129,518	-
Capital Assets		
Plant in service	2,119,405	2,501,447
Accumulated depreciation	(708,236)	(1,216,640)
Construction work in progress	<u>543,857</u>	<u>13,709</u>
Total Noncurrent Assets	<u>2,084,544</u>	<u>1,298,516</u>
Total Assets	<u>2,250,439</u>	<u>1,349,161</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>11,833</u>	<u>-</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued taxes	51,366	50,743
Accrued interest	2,685	-
Accrued pension	<u>1,183</u>	<u>142</u>
Total Current Liabilities	<u>55,234</u>	<u>50,885</u>
<b>NONCURRENT LIABILITIES</b>		
General obligation debt	624,000	-
Advance from electric utility	1,618,501	1,470,042
Advance from water utility	200,039	181,691
Net pension liability	<u>11,624</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,454,164</u>	<u>1,651,733</u>
Total Liabilities	<u>2,509,398</u>	<u>1,702,618</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	<u>2,511</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,460,544	1,298,844
Unrestricted	<u>(1,710,181)</u>	<u>(1,652,301)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ (249,637)</u></u>	<u><u>\$ (353,457)</u></u>

## SUN PRAIRIE UTILITIES

### TELECOMMUNICATIONS UTILITY REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Telecommunications Revenues		
Internet	\$ 258,084	\$ 207,001
WAN	197,155	183,577
Wireless	19,785	36,327
Colation, routers and equipment	7,200	7,200
West hosting	464	481
Total Telecommunications Revenues	482,688	434,586
Other Operating Revenues		
Other	71	61
Internet penalties	957	615
Interdepartmental rents	28,320	14,952
Total Operating Revenues	512,036	450,214
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Distribution Expenses		
Overhead lines	2,184	1,009
Station expense	2,131	1,626
Underground service	6,750	4,413
Maintenance of underground lines	5,091	2,208
Miscellaneous	6,095	85,680
Maintenance of overhead lines	1,247	185
Internet expense	113,210	100,246
Wireless expense	7,200	7,200
Total Distribution Expenses	143,908	202,567
Customer Accounts		
Accounting and collecting	19,867	18,450
Uncollectible accounts	(82)	148
Total Customer Accounts	19,785	18,598
Administrative and General		
Salaries	40,598	45,544
Office supplies	2,632	2,680
Outside services employed	1,264	32,487
Insurance	1,164	1,351
Employees' pensions and benefits	3,882	10,984
Advertising	4,437	69
Miscellaneous	5,619	2,270
Rents	22,995	24,254
Maintenance of general plant	1,077	707
Total Administrative and General	83,668	120,346
Taxes	4,259	3,891
Total Operation and Maintenance	251,620	345,402
Depreciation	108,956	94,751
Total Operating Expenses	360,576	440,153
<b>OPERATING INCOME</b>	151,460	10,061

## SUN PRAIRIE UTILITIES

### TELECOMMUNICATIONS UTILITY REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$ 164	\$ -
Interest expense	(7,750)	(2,657)
Amortization of loss on refunding and issuance costs	(6,000)	(328)
Total Nonoperating Revenues (Expenses)	<u>(13,586)</u>	<u>(2,985)</u>
Income Before Contributions and Transfers	137,874	7,076
<b>CAPITAL CONTRIBUTIONS</b>	24,497	39,101
<b>TRANSFER IN (OUT)</b>	<u>(50,794)</u>	<u>(50,743)</u>
<b>CHANGE IN NET POSITION</b>	111,577	(4,566)
NET POSITION - Beginning of Year	(353,457)	(348,891)
Cumulative effect of a change in accounting principle	<u>(7,757)</u>	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (249,637)</u>	<u>\$ (353,457)</u>

## SUN PRAIRIE UTILITIES

### TELECOMMUNICATIONS UTILITY SCHEDULES OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 497,370	\$ 445,794
Paid to suppliers for goods and services	(304,645)	(190,965)
Paid to employees for operating payroll	(51,973)	(51,541)
Net Cash Flows From Operating Activities	140,752	203,288
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(50,171)	(51,485)
Operating advances from other funds	166,807	72,362
Interest paid on operating advances from other funds	(7,585)	(2,606)
Net Cash Flows From Noncapital Financing Activities	109,051	18,271
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(762,946)	(236,508)
Capital contributions received	24,497	39,101
Debt retired	-	(24,050)
Interest paid	-	(102)
Proceeds from debt issue	624,000	-
Debt issuance costs	(6,000)	-
Net Cash Flows From Capital and Related Financing Activities	(120,449)	(221,559)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	164	-
<b>Net Change in Cash and Cash Equivalents</b>	129,518	-
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 129,518	\$ -
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest Charged to Construction	\$ 2,520	\$ -



	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 151,460	\$ 10,061
Noncash items in operating income		
Depreciation	108,956	94,751
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	(10,927)	(4,420)
Other accounts receivable	(3,739)	-
Materials and supplies	(100,584)	102,754
Pension related deferrals and liabilities	(5,455)	-
Other current liabilities	<u>1,041</u>	<u>142</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 140,752</u>	<u>\$ 203,288</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Construction account	<u>\$ 129,518</u>	<u>\$ -</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 129,518</u>	<u>\$ -</u>