

# **COLUMBUS WATER AND LIGHT**

An Enterprise Fund of the  
City of Columbus, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

# COLUMBUS WATER AND LIGHT

An Enterprise Fund of the City of Columbus, Wisconsin

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As of and for the Years Ended December 31, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

To the Utility Commission  
Columbus Water and Light  
Columbus, Wisconsin

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Columbus Water and Light, an enterprise fund of the City of Columbus, Wisconsin, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Water and Light as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utility Commission  
Columbus Water and Light

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Columbus Water and Light enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Columbus, Wisconsin, as of December 31, 2016 and 2015 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statistical information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion or provide any assurance on it.

*Baker Tilly Veitchau Krause, LLP*

Madison, Wisconsin  
June 2, 2017

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# COLUMBUS WATER AND LIGHT

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2016 and 2015

The management of Columbus Water and Light (utility) offers all persons interested in the financial position of the utility this narrative overview and analysis of the utility's financial performance during the year ending December 31, 2016 and 2015. You are invited to read this narrative in conjunction with the utility's financial statements.

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### FINANCIAL HIGHLIGHTS

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- > The utility's total net position increased by \$367,000 from the prior year. This was due to positive results from operating activities.
- > The electric utility's operating expenses increased \$171,000 in 2016. Purchased power increased \$59,000 or 1.0% while maintenance of distribution plant increased \$74,000 or 33% due to increased electric maintenance projects in 2016.
- > The water utility's operating expenses decreased \$40,000 during 2016 due to a reservoir maintenance project which occurred in 2015.
- > Operating revenues, generated mostly by ratepayers, remained consistent decreasing only \$9,100.

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### OVERVIEW OF THE FINANCIAL STATEMENTS/USING THIS REPORT

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The utility commission is a seven member commission comprised of five local citizens, one city council representatives, and the mayor. The Commission governs the utility, a separate enterprise fund of the City of Columbus. The utility provides water service and fire protection to the City of Columbus and electric service to the City of Columbus and parts of the Towns of Columbus and Elba.

The water utility operates/maintains three wells, two water treatment plants (total rated capacity of 2.5 million gallons per day), both of which contain an iron filter and zeolite softeners, two ground level reservoirs (total capacity of 540,000 gallons), six booster pumps, one elevated tower (250,000 gallon capacity), 33+ miles of water main, 2,195 water services and 309 hydrants.

The electric utility operates/maintains four substations, 42+ miles of pole line, 19+ miles of underground distribution, 792 transformers, 2,767 services and 636 streetlights.

The water utility rates changed effective December 1, 2012. These rates were designed to achieve a 5% rate of return on utility plant assets, of which the water utility achieved in and 2016. The 2015 rate of return was slightly lower due to non-routine maintenance. In 2016, the water utility also incurred payment-in-lieu-of-taxes to the City of Columbus in the amount of \$197,000.

The electric utility rates changed effective November 1, 2012. These rates were designed to reach a 6% rate of return of which the utility achieved in both 2016 and 2015. In 2016, the electric utility also incurred payment-in-lieu-of-taxes to the City of Columbus in the amount of \$228,000.

# COLUMBUS WATER AND LIGHT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2016 and 2015

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## OVERVIEW OF THE FINANCIAL STATEMENTS/USING THIS REPORT (cont.)

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The utility is a member of WPPI Energy, a power company owned by 51 municipalities that operate electric utilities. These community-owned utilities purchase all of their electric requirements from WPPI Energy and supply power to homes and businesses throughout Wisconsin, Iowa and Michigan.

As a member of WPPI Energy, the utility/city is part-owner in a 105 megawatt (MW) base-load coal-fired generating plant in Minnesota, (2) 86 MW gas-fired combustion turbines located near Fond du Lac, a 52 MW gas-fired combustion turbine in Kaukauna, and a portion of the Elm Road Generating Station. In addition to these generators, WPPI Energy has numerous contracts for power purchases to serve the members.

### **Other**

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The utility is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the utility.

- > The Statements of Net Position includes all of the utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.
- > The Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the utility's financial health.
- > The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

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## UTILITY FINANCIAL ANALYSIS

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An analysis of the utility's financial position begins with a review of the Statements of Net Position, and the Statements of Revenues, Expenses and Changes in Net Position report information. These two statements report the utility's net position and changes therein. The utility's net position – 'the difference between assets plus deferred outflows less liabilities plus deferred inflows' is key to measuring the financial health of the utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position can also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

## COLUMBUS WATER AND LIGHT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2016 and 2015

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### UTILITY FINANCIAL ANALYSIS (cont.)

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A summary of the utility's Statements of Net Position is presented below in Table 1.

**Table 1**  
**Condensed Statements of Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 6,700,000	\$ 3,644,000	\$ 3,819,000
Capital Assets	<u>14,573,000</u>	<u>13,447,000</u>	<u>13,491,000</u>
Total Assets	<u>21,273,000</u>	<u>17,091,000</u>	<u>17,310,000</u>
Deferred Outflows of Resources	<u>407,000</u>	<u>114,000</u>	<u>-</u>
Long-term Debt Outstanding	5,517,000	1,815,000	2,769,000
Other Liabilities	<u>1,575,000</u>	<u>1,321,000</u>	<u>1,297,000</u>
Total Liabilities	<u>7,092,000</u>	<u>3,136,000</u>	<u>4,066,000</u>
Deferred Inflows of Resources	<u>152,000</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	11,979,000	11,776,000	11,269,000
Restricted	917,000	805,000	715,000
Unrestricted	<u>1,540,000</u>	<u>1,488,000</u>	<u>1,260,000</u>
Total Net Position	<u>\$ 14,436,000</u>	<u>\$ 14,069,000</u>	<u>\$ 13,244,000</u>

For 2016 Current and Other Assets increased by \$3,057,000 due to an increase in financing activities and construction funds on hand. Total capital assets, which are discussed more in the Capital Assets section, increased by \$1,126,000 in 2016 as a result of an increase capital additions in 2016 in excess of the increase in accumulated depreciation.

For 2015 Current and Other Assets decreased by \$175,000 due to a decrease in restricted and designated cash due to the utility using restricted cash on hand in a current refunding of debt, financing utility additions with the depreciation account and the utility began to incur project costs for the James Street reconstruction project scheduled in 2017. Total capital assets, which are discussed more in the Capital Assets section, decreased by \$44,000 in 2015 as a result of fewer capital additions in 2015 and an increase in accumulated depreciation.



## COLUMBUS WATER AND LIGHT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2016 and 2015

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### UTILITY FINANCIAL ANALYSIS (cont.)

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**Table 2**  
**Condensed Statements of Revenues,**  
**Expenses and Changes in Net Position**

	2016	2015	2014
Operating Revenues	\$ 8,899,000	\$ 8,908,000	\$ 8,647,000
Non-Operating Revenues	23,000	27,000	35,000
<b>Total Revenues</b>	<b>8,922,000</b>	<b>8,935,000</b>	<b>8,682,000</b>
Depreciation Expense	605,000	589,000	582,000
Other Operating Expenses	7,332,000	7,216,000	7,087,000
Non-Operating Expenses	228,000	102,000	125,000
<b>Total Expenses</b>	<b>8,165,000</b>	<b>7,907,000</b>	<b>7,794,000</b>
Income Before Capital Contributions and Transfers	757,000	1,028,000	888,000
Capital Contributions	52,000	15,000	63,000
Transfers (PILOT and appropriations)	(442,000)	(445,000)	(454,000)
<b>Changes in Net Position</b>	<b>367,000</b>	<b>598,000</b>	<b>497,000</b>
<b>Beginning Net Position</b>	<b>14,069,000</b>	<b>13,244,000</b>	<b>12,747,000</b>
Cumulative effect of a change in accounting principle	-	227,000	-
<b>Ending Net Position</b>	<b>\$ 14,436,000</b>	<b>\$ 14,069,000</b>	<b>\$ 13,244,000</b>

As previously noted, the Statements of Net Position shows the change in financial position. The specific nature or source of these changes then becomes more evident in the Statements of Revenues, Expenses and Changes in Net Position as shown above in Table 2. The increase in net position represents positive results from operating activities.

The cumulative effect of a change in accounting principal is a result of the utility implementing GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting to the utility's cost-sharing multiple employer pension plan. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employer.

## COLUMBUS WATER AND LIGHT

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2016 and 2015

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#### UTILITY FINANCIAL ANALYSIS (cont.)

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During 2016, operating revenues, generated mostly by ratepayers, decreased \$9,000, or -0.1% which was primarily due to decreased kWh sold, specifically to industrial customers.

During 2015, operating revenues, generated mostly by ratepayers, increased \$261,000, or 3.0% which was primarily due to increased kWh sold, specifically to industrial customers.

**Table 3**  
**Condensed Statements of Cash Flows**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash Flows From			
Operating activities	\$ 1,586,000	\$ 1,868,000	\$ 1,524,000
Noncapital financing activities	(449,000)	(459,000)	(462,000)
Capital and related financing activities	1,899,000	(1,744,000)	(999,000)
Investing activities	<u>(2,733,000)</u>	<u>417,000</u>	<u>15,000</u>
Net Change in Cash and Cash Equivalents	304,000	82,000	78,000
Cash and cash equivalents – beginning of year	<u>1,795,000</u>	<u>1,713,000</u>	<u>1,635,000</u>
Cash and Cash Equivalents – End of Year	<u>\$ 2,099,000</u>	<u>\$ 1,795,000</u>	<u>\$ 1,713,000</u>

In 2016 the utility saw cash inflows greater than cash outflows as a result of positive inflows from operating activities, as well as from capital and related financing activities. This was a result of new debt issued during 2016.

In 2015 the utility saw cash inflows greater than cash outflows as a result of positive inflows from operating activities. This was a result of higher operating revenues earned during 2015. Also, the utility sold non cash equivalents to decrease outstanding debt.

## COLUMBUS WATER AND LIGHT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2016 and 2015

### UTILITY FINANCIAL ANALYSIS (cont.)

**Table 4**  
**Capital Assets – Electric**

	2016	2015	2014
<i>Capital Assets – Electric</i>			
Distribution	\$ 11,010,000	\$ 10,670,000	\$ 10,221,000
General	1,933,000	1,935,000	1,901,000
Total Capital Assets – Electric	12,943,000	12,605,000	12,122,000
Less: Accumulated Depreciation	(6,372,000)	(6,396,000)	(6,049,000)
Net Capital Assets – Electric	\$ 6,571,000	\$ 6,209,000	\$ 6,073,000

During 2016 the electric utility's most significant project was the AML meter conversion.

During 2015 the electric utility's most significant project was for an overhead distribution line upgrade.

**Table 5**  
**Capital Assets – Water**

	2016	2015	2014
<i>Capital Assets – Water</i>			
Source of supply	\$ 122,000	\$ 122,000	\$ 122,000
Pumping	280,000	280,000	280,000
Water treatment	1,174,000	1,174,000	1,173,000
Transmission and distribution	9,422,000	8,486,000	8,416,000
General	968,000	964,000	961,000
Total Capital Assets – Water	11,966,000	11,026,000	10,952,000
Less: Accumulated Depreciation	(3,964,000)	(3,789,000)	(3,565,000)
Net Capital Assets – Water	\$ 8,002,000	\$ 7,237,000	\$ 7,387,000

During 2016, the water utility completed several street projects to replace transmission and distribution assets.

During 2015, the water utility completed its watermain addition related to the Highland Ridge development and water main looping.

Further details on capital assets are included in Note 5.

# **COLUMBUS WATER AND LIGHT**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2016 and 2015

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## **LONG-TERM DEBT**

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Details of the existing debt are included in Note 6 in the financial statements.

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## **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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A consultant updated the utility's Water System Study in 2004. The report was favorable, noting the utility has adequate water capacity to meet the projected growth of Columbus for fifteen years. The CWL Commission is considering the need of updating its 15 year plan in order to help plan and assess the current and future needs of both utilities. The utility continues to upgrade water mains, as needed, in conjunction with the city's street maintenance program and to serve developments in the city.

The Electric System Study was also updated in 2004. The report recommended that the utility construct another substation to assure reliability for customers, which has since been added.

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## **CONTACTING UTILITY'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide our customers, investors and creditors with a general overview of the utility's finances. If you have questions about this report, or need additional financial information, contact Columbus Water and Light Department at 950 Maple Avenue, P.O. Box 228, Columbus, Wisconsin 53925-0228 or 920 623 5912.

## COLUMBUS WATER AND LIGHT

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

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 967,343	\$ 1,005,258
Interest receivable	1,400	1,400
Restricted Assets		
Redemption account	454,185	311,280
Customer accounts receivable	925,928	841,069
Other accounts receivable	17,717	11,791
Materials and supplies	338,011	356,039
Prepayments	-	1,202
Internally designated fund	-	92,101
Total Current Assets	<u>2,704,584</u>	<u>2,620,140</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	384,367	144,000
Depreciation account	324,581	283,970
Construction account	2,695,178	-
Energy efficiency program	158,570	102,319
Net pension asset	-	111,879
Other Assets		
Investment in American Transmission Company	263,946	249,583
Preliminary survey and investigation	169,189	132,520
Capital Assets		
Plant in service		
Electric	12,943,527	12,605,284
Water	<u>11,966,013</u>	<u>11,026,342</u>
Total Plant in Service	<u>24,909,540</u>	<u>23,631,626</u>
Accumulated depreciation		
Electric	(6,372,763)	(6,395,622)
Water	<u>(3,964,036)</u>	<u>(3,789,012)</u>
Total Accumulated Depreciation	<u>(10,336,799)</u>	<u>(10,184,634)</u>
Total Noncurrent Assets	<u>18,568,572</u>	<u>14,471,263</u>
Total Assets	<u>21,273,156</u>	<u>17,091,403</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>407,065</u>	<u>113,766</u>

		<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	637,747	\$ 629,861
Due to municipality		467,464	471,511
Due to sewer utility		99,266	99,656
Customer deposits		8,324	9,045
Accrued vacation leave		23,047	21,149
Commitment to community		15,185	10,055
Other credits		1,273	2,692
Current portion of notes payable		29,735	3,563
Current portion of general obligation debt		165,000	65,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		370,000	385,000
Accrued interest		<u>20,123</u>	<u>4,924</u>
Total Current Liabilities		<u>1,837,164</u>	<u>1,702,456</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		115,000	280,000
Revenue bonds		4,600,000	1,055,000
Unamortized debt premium		157,090	-
Accrued sick leave		72,959	72,438
Note payable		236,598	26,422
Net pension liability		<u>72,453</u>	<u>-</u>
Total Noncurrent Liabilities		<u>5,254,100</u>	<u>1,433,860</u>
Total Liabilities		<u>7,091,264</u>	<u>3,136,316</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension		<u>152,477</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets		11,978,863	11,776,007
Restricted for:			
Debt service		434,062	306,356
Depreciation		324,581	283,970
Energy efficiency programs		158,570	102,319
Net pension asset		-	111,879
Unrestricted		<u>1,540,404</u>	<u>1,488,322</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 14,436,480</u></u>	<u><u>\$ 14,068,853</u></u>

See accompanying notes to the financial statements.

# COLUMBUS WATER AND LIGHT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Electric		
Sales of electricity	\$ 7,516,655	\$ 7,538,479
Other	85,864	82,694
Total Electric	7,602,519	7,621,173
Water		
Sales of water	1,285,419	1,277,760
Other	11,001	9,149
Total Water	1,296,420	1,286,909
Total Operating Revenues	8,898,939	8,908,082
<b>OPERATING EXPENSES</b>		
Electric		
Purchased power	5,949,604	5,890,762
Operation and maintenance	738,010	636,127
Depreciation	382,040	371,542
Total Electric	7,069,654	6,898,431
Water		
Operation and maintenance	643,478	688,677
Depreciation	223,369	217,804
Total Water	866,847	906,481
Total Operating Expenses	7,936,501	7,804,912
<b>OPERATING INCOME</b>		
Electric	532,865	722,742
Water	429,573	380,428
Total Operating Income	962,438	1,103,170
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	23,085	21,951
Miscellaneous expense	(1,265)	(1,242)
Rebate from Build America Bonds subsidy	-	4,859
Interest expense	(74,925)	(63,392)
Debt issuance costs	(116,259)	(37,310)
Amortization of bond premium	5,530	-
Loss on early retirement of assets	(41,814)	-
Total Nonoperating Revenues (Expenses)	(205,648)	(75,134)
Income Before Contributions and Transfers	756,790	1,028,036
<b>CAPITAL CONTRIBUTIONS</b>	52,408	15,008
<b>TRANSFER IN (OUT)</b>	(17,461)	(13,393)
<b>TRANSFERS - TAX EQUIVALENT</b>	(424,110)	(431,612)
<b>CHANGE IN NET POSITION</b>	367,627	598,039
NET POSITION - Beginning of Year	14,068,853	13,244,355
Cumulative effect of a change in accounting principle	-	226,459
<b>NET POSITION - END OF YEAR</b>	\$ 14,436,480	\$ 14,068,853

See accompanying notes to the financial statements.

# COLUMBUS WATER AND LIGHT

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 8,711,196	\$ 8,886,599
Received from municipality for services	103,950	105,033
Paid to suppliers for goods and services	(6,526,733)	(6,474,862)
Paid to employees for operating payroll	(702,089)	(648,777)
Net Cash Flows From Operating Activities	1,586,324	1,867,993
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(431,612)	(445,728)
Transfers to other funds	(17,461)	(13,393)
Net Cash Flows From Noncapital Financing Activities	(449,073)	(459,121)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,842,696)	(725,123)
Received from the sale of capital assets	18,258	21,360
Capital contributions received	35,778	16,729
Build America Bonds interest subsidy	-	4,859
Proceeds from note issued	261,721	-
Premium on debt issue	162,620	-
Notes paid	(25,373)	(3,563)
Debt retired	(450,000)	(2,386,345)
Interest paid	(59,726)	(71,109)
Proceeds from debt issue	3,915,000	1,436,345
Debt issuance costs	(116,259)	(37,310)
Net Cash Flows From Capital and Related Financing Activities	1,899,323	(1,744,157)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(2,885,434)	(144,000)
Investments sold and matured	144,000	546,152
Investment in ATC	(11,326)	(3,236)
Investment income	20,048	18,553
Net Cash Flows From Investing Activities	(2,732,712)	417,469
<b>Net Change in Cash and Cash Equivalents</b>	303,862	82,184
CASH AND CASH EQUIVALENTS - Beginning of Year	1,794,928	1,712,744
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,098,790	\$ 1,794,928
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	\$ 16,630	\$ 1,500
Amortization of bond premium	\$ 5,530	\$ -
Dividends reinvested in American Transmission Company	\$ 3,037	\$ 3,398
Bond proceeds used in refunding of debt	\$ -	\$ 3,655



	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 962,438	\$ 1,103,170
Nonoperating revenue (expense)	(1,265)	(1,242)
Noncash items in operating income		
Depreciation	605,409	589,346
Depreciation charged to clearing and other utilities	31,428	37,824
Changes in assets, deferred outflows and liabilities		
Customer accounts receivable	(84,859)	73,914
Other accounts receivable	(5,926)	1,370
Materials and supplies	18,028	(4,323)
Prepayments	1,202	24,250
Pension related deferrals and liabilities	43,510	814
Due to municipality	3,455	18,726
Accounts payable	7,885	17,420
Due to sewer utility	(390)	15,496
Accrued vacation and sick leave	2,419	(8,375)
Other current liabilities	(1,419)	(159)
Commitment to community	5,130	(238)
Customer deposits	(721)	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 1,586,324</u></b>	<b><u>\$ 1,867,993</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 967,343	\$ 1,005,258
Redemption account	454,185	311,280
Reserve account	384,367	144,000
Depreciation account	324,581	283,970
Construction account	2,695,178	-
Energy efficiency programs	158,570	102,319
Internally designated fund	-	92,101
Total Cash and Investments	<u>4,984,224</u>	<u>1,938,928</u>
Less: Noncash equivalents	<u>(2,885,434)</u>	<u>(144,000)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,098,790</u></b>	<b><u>\$ 1,794,928</u></b>

See accompanying notes to the financial statements.

# COLUMBUS WATER AND LIGHT

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

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

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The financial statements of Columbus Water and Light (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 Columbus (municipality). The utility is managed by the utility commission. The utility provides water and electric service to properties within the municipality. The electric utility also provides services to customers in the towns of Columbus and Elba.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The accounting records of the utility are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW.

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

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

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

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

### ***ASSETS, 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.

# COLUMBUS WATER AND LIGHT

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

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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.)*

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

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

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

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

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

#### *Receivables/Payables*

Transactions between the utility and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utility and other funds of the municipality are reported as due to/from other funds.

The utility has the right under Wisconsin statutes to place delinquent electric and water bills on the tax roll for collection. 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.

# COLUMBUS WATER AND LIGHT

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

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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.)*

#### ***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 less 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 investment is valued at net asset value per share which is equal to the original cost plus additional contributions and reinvested dividends and approximates fair value.

#### ***Internally Designated Fund***

The utility commission elected to internally designate cash for the James Street reconstruction project that is expected to begin in 2017. These funds are not legally restricted and could be used for other purposes if the need arose. The utility had \$92,101 designated as of December 31 2015, which was used in 2016. This amount is shown in the current assets section of the statements of net position.

#### ***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.

#### ***Anticipated Future Special Assessments***

At December 31, 2016 there were \$42,149 of anticipated future assessments which are not reported as receivables because collection is subject to certain events occurring in the future. The special assessments become receivable upon sale of lots or expiration of agreed upon terms with the developer.

#### ***Capital Assets***

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

# COLUMBUS WATER AND LIGHT

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

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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.)*

#### **Capital Assets** (cont.)

Capital assets of the utility are recorded at cost or the estimated acquisition value at the time of contribution to the utility. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Years</u>
Electric Plant	
Distribution	23 - 34
General	5 - 40
Water Plant	
Source of supply	34
Pumping	23 - 31
Water treatment	30 - 31
Transmission and distribution	18 - 77
General	4 - 34

#### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

#### **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.

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

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utility.

# COLUMBUS WATER AND LIGHT

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

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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.)*

#### ***Commitment to Community***

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. In 2016, the utility joined the state program which administers the commitment to community program state wide.

#### ***Long-Term Obligations***

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

#### ***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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

The utility distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Current electric rates were approved by the PSCW on October 24, 2012 and placed into effect by the utility on November 1, 2012. The rates are designed to provide a 6.00% rate on rate base.

Current water rates were approved by the PSCW on November 19, 2012 and placed into effect by the utility on December 1, 2012. The rates are designed to provide a 5.00% return on rate base.

#### ***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.

# COLUMBUS WATER AND LIGHT

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

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

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

GASB has approved GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements*, and Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. When they become effective, application of these standards may restate portions of these financial statements.

### ***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.

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

	Carrying Value as of		Risks
	December 31,		
	2016	2015	
Checking and savings	\$ 1,319,724	\$ 1,107,277	Custodial credit risk
Certificates of deposit	2,885,434	144,000	Custodial credit risk
LGIP	778,766	687,351	Credit risk
Cash on hand	300	300	
Totals	\$ 4,984,224	\$ 1,938,928	

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.

In addition, the utility and other funds of the city have collateral or depository insurance agreements in the amount of \$1,423,674 and \$625,518 at December 31, 2016 and 2015 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, 2016 and 2015, the fair value of the LGIP's assets were substantially equal to the utility's share.

# COLUMBUS WATER AND LIGHT

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

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

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### *Custodial Credit Risk*

#### **Deposits**

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

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

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers and Merchants Union Bank	<u>\$ 4,220,705</u>	<u>\$ 4,205,158</u>	<u>\$ 1,258,005</u>	<u>\$ 1,251,277</u>

The utility's and city's investment policy states that all deposits and investments should be collateralized in full and the collateral should be held by the city or an independent third party custodian.

### *Credit Risk*

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

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

The utility's investment policy does not address this risk.

### *Fair Value Measurement*

The investment in ATC is measured at the net asset value (NAV) per share of ownership. As of December 31, 2016 and 2015 the fair value of the investment was \$263,946 and \$249,583, respectively. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility elected to receive an investment in ATC at its inception rather than directly sell its transmission facilities. The utility owns less than 1/2 of 1 percent of ATC. The utility has no unfunded commitment at year end. The investment in ATC can only be redeemed by ATC or another existing member.



## COLUMBUS WATER AND LIGHT

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

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

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

Due To	Due From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
Water and light	Municipality	\$ 8,881	Delinquent receivables on tax roll	\$ 10,482	Delinquent receivables on tax roll
Municipality	Water and light	476,345	Insurance, wages and PILOT	481,993	Insurance, wages and PILOT
Sewer	Water and light	99,266	Sewer billings, capital additions and joint costs of water meters	99,656	Sewer billings, capital additions and joint costs of water meters

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

To	From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water and light	\$ 17,461	Donated Services	\$ 13,393	Donated Services
Municipality	Water and light	424,110	PILOT	431,612	PILOT

### NOTE 4 - RESTRICTED ASSETS

#### *Restricted Accounts*

Certain proceeds of the utility's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Construction - Used to report debt proceeds restricted for use in construction.

#### *Net Pension Asset*

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

# COLUMBUS WATER AND LIGHT

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

## NOTE 4 - RESTRICTED ASSETS (cont.)

### *Energy Efficiency Program*

In conjunction with the electric utility's last rate case in 2012, the utility participates in its own energy efficiency program funded by rate payers. Money collected is restricted for use specific to energy efficiency programs maintained by the utility.

### *Restricted Net Position*

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

	2016	2015
Restricted Assets		
Redemption account	\$ 454,185	\$ 311,280
Reserve account	384,367	144,000
Depreciation account	324,581	283,970
Construction account	2,695,178	-
Energy efficiency program	158,570	102,319
Net pension asset	-	111,879
Total Restricted Assets	4,016,881	953,448
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(384,367)	(144,000)
Construction account	(2,695,178)	-
Total Restricted Assets Not Funded by Revenues	(3,079,545)	(144,000)
Current Liabilities Payable From Restricted Assets	(20,123)	(4,924)
Total Restricted Net Position as Calculated	\$ 917,213	\$ 804,524

The purpose of the restricted net position is as follows:

	2016	2015
Debt service	\$ 434,062	\$ 306,356
Equipment replacement	324,581	283,970
Energy efficiency program	158,570	102,319
Net pension asset	-	111,879
Totals	\$ 917,213	\$ 804,524

## COLUMBUS WATER AND LIGHT

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

### NOTE 5 - CHANGES IN CAPITAL ASSETS

#### *Electric Utility*

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

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 157,335	\$ -	\$ -	\$ 157,335
Capital assets being depreciated				
Distribution	10,524,640	773,980	433,794	10,864,826
General	1,923,309	38,839	40,782	1,921,366
Total Capital Assets Being Depreciated	12,447,949	812,819	474,576	12,786,192
Total Capital Assets	12,605,284	812,819	474,576	12,943,527
Less: Accumulated depreciation				
Distribution	(5,259,670)	(403,690)	446,833	(5,216,527)
General	(1,135,952)	(61,066)	40,782	(1,156,236)
Total Accumulated Depreciation	(6,395,622)	(464,756)	487,615	(6,372,763)
Net Capital Assets	\$ 6,209,662			\$ 6,570,764

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				
Land and land rights	\$ 154,335	\$ 3,000	\$ -	\$ 157,335
Capital assets being depreciated				
Distribution	10,078,297	509,412	63,069	10,524,640
General	1,889,119	42,680	8,490	1,923,309
Total Capital Assets Being Depreciated	11,967,416	552,092	71,559	12,447,949
Total Capital Assets	12,121,751	555,092	71,559	12,605,284
Less: Accumulated depreciation				
Distribution	(4,965,362)	(360,466)	66,158	(5,259,670)
General	(1,084,030)	(60,412)	8,490	(1,135,952)
Total Accumulated Depreciation	(6,049,392)	(420,878)	74,648	(6,395,622)
Net Capital Assets	\$ 6,072,359			\$ 6,209,662

## COLUMBUS WATER AND LIGHT

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

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

#### *Water Utility*

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

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 15,418	\$ -	\$ -	\$ 15,418
Capital assets being depreciated				
Source of supply	122,133	-	-	122,133
Pumping	278,252	-	-	278,252
Water treatment	1,171,347	-	-	1,171,347
Transmission and distribution	8,478,405	991,349	55,768	9,413,986
General	960,787	6,692	2,602	964,877
Total Capital Assets Being Depreciated	11,010,924	998,041	58,370	11,950,595
Total Capital Assets	11,026,342	998,041	58,370	11,966,013
Less: Accumulated depreciation				
Source of supply	(89,261)	(3,542)	-	(92,803)
Pumping	(246,686)	(11,137)	-	(257,823)
Water treatment	(929,254)	(38,176)	-	(967,430)
Transmission and distribution	(1,822,462)	(160,081)	56,333	(1,926,210)
General	(701,349)	(21,023)	2,602	(719,770)
Total Accumulated Depreciation	(3,789,012)	(233,959)	58,935	(3,964,036)
Net Capital Assets	\$ 7,237,330			\$ 8,001,977

## COLUMBUS WATER AND LIGHT

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

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

#### *Water Utility* (cont.)

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				
Land and land rights	\$ 15,418	\$ -	\$ -	\$ 15,418
Capital assets being depreciated				
Source of supply	122,133	-	-	122,133
Pumping	278,252	-	-	278,252
Water treatment	1,171,217	130	-	1,171,347
Transmission and distribution	8,406,906	74,089	2,590	8,478,405
General	957,608	3,771	592	960,787
Total Capital Assets Being Depreciated	10,936,116	77,990	3,182	11,010,924
Total Capital Assets	10,951,534	77,990	3,182	11,026,342
Less: Accumulated depreciation				
Source of supply	(85,719)	(3,542)	-	(89,261)
Pumping	(235,549)	(11,137)	-	(246,686)
Water treatment	(891,081)	(38,173)	-	(929,254)
Transmission and distribution	(1,673,648)	(151,419)	2,605	(1,822,462)
General	(678,560)	(23,381)	592	(701,349)
Total Accumulated Depreciation	(3,564,557)	(227,652)	3,197	(3,789,012)
Construction in progress	32,012	24,184	56,196	-
Net Capital Assets	\$ 7,418,989			\$ 7,237,330

### NOTE 6 - LONG-TERM OBLIGATIONS

#### *Revenue Bonds*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/16
3/25/2015	Refinance 2005 Revenue Bonds	5/1/2019	0.70 - 1.40%	\$ 1,440,000	\$ 1,055,000
6/8/2016	2016 Revenue Bonds	5/1/2036	2.00 - 3.00	3,915,000	3,915,000

## COLUMBUS WATER AND LIGHT

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

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

#### *Revenue Bonds* (cont.)

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 370,000	\$ 106,531	\$ 476,531
2018	350,000	102,853	452,853
2019	465,000	97,195	562,195
2020	275,000	90,800	365,800
2021	280,000	85,250	365,250
2022 - 2026	1,445,000	340,400	1,785,400
2027 - 2031	825,000	207,375	1,032,375
2032 - 2036	<u>960,000</u>	<u>73,650</u>	<u>1,033,650</u>
Totals	<u>\$ 4,970,000</u>	<u>\$ 1,104,054</u>	<u>\$ 6,074,054</u>

All utility revenues net of specified operating expenses net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2016 and 2015 were \$436,586 and \$947,117, respectively. Total customer net revenues as defined for the same periods were \$1,589,667 and \$1,718,084. Annual principal and interest payments are expected to require 19% of net revenues on average.

#### *General Obligation Debt*

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/16</u>
4/1/2007	Utility Construction	4/1/2026	4.00%	\$ 200,000	\$ 110,000
3/25/2015	Refinance 2010 GO Bonds	3/1/2025	1.50 - 3.00	225,000	170,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,000	\$ 6,913	\$ 171,913
2018	60,000	1,700	61,700
2019	<u>55,000</u>	<u>550</u>	<u>55,550</u>
Totals	<u>\$ 280,000</u>	<u>\$ 9,163</u>	<u>\$ 289,163</u>

## COLUMBUS WATER AND LIGHT

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

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

#### *Other Long-Term Debt*

Other long-term debt issued by the utility is as follows:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/16
5/30/2014	AMI Metering	5/28/2024	- %	\$ 35,626	\$ 26,423
1/28/2016	AMI Metering	1/28/2026	-	261,721	239,910

Other long-term debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2017	\$ 29,735	\$ -	\$ 29,735
2018	29,735	-	29,735
2019	29,735	-	29,735
2020	29,735	-	29,735
2021	29,735	-	29,735
2022 - 2026	<u>117,658</u>	-	<u>117,658</u>
Totals	<u>\$ 266,333</u>	<u>\$ -</u>	<u>\$ 266,333</u>

#### *Long-Term Obligations Summary*

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

	1/1/16 Balance	Additions	Reductions	12/31/16 Balance	Due Within One Year
Revenue bonds	\$ 1,440,000	\$ 3,915,000	\$ 385,000	\$ 4,970,000	\$ 370,000
General obligation debt	345,000	-	65,000	280,000	165,000
Note payable	29,985	261,721	25,373	266,333	29,735
Accrued sick leave	72,438	28,617	28,096	72,959	-
Net pension liability	-	72,453	-	72,453	-
Unamortized premium	-	<u>162,620</u>	<u>5,530</u>	<u>157,090</u>	-
Totals	<u>\$ 1,887,423</u>	<u>\$ 4,440,411</u>	<u>\$ 508,999</u>	<u>\$ 5,818,835</u>	<u>\$ 564,735</u>

## COLUMBUS WATER AND LIGHT

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

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

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

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	\$ 2,240,000	\$ 1,440,000	\$ 2,240,000	\$ 1,440,000	\$ 385,000
General obligation debt	495,000	225,000	375,000	345,000	65,000
Note payable	33,548	-	3,563	29,985	3,563
Accrued sick leave	73,055	25,907	26,524	72,438	-
<b>Totals</b>	<b><u>\$ 2,841,603</u></b>	<b><u>\$ 1,690,907</u></b>	<b><u>\$ 2,645,087</u></b>	<b><u>\$ 1,887,423</u></b>	<b><u>\$ 453,563</u></b>

#### *Current Refunding*

On March 25, 2015, bonds in the amount of \$1,440,000 were issued with an average interest rate of 1.34% to refund \$2,240,000 of outstanding 2005 bonds with an average interest rate of 4.36%. The net proceeds were used to prepay a portion of the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$1,998,225 from 2016 through 2019. The cash flow requirements on the new bonds are \$1,480,648 from 2016 through 2019. The current refunding resulted in an economic gain of \$98,851.

On March 25, 2015, 2015B bonds in the amount of \$225,000 were issued with an average interest rate of 1.8% to refund \$225,000 of outstanding 2010 bonds with an average interest rate of 3.30%. The net proceeds were used to prepay a portion of the outstanding debt service requirements on the old bonds. Also, the utility used cash on hand of \$80,000 to prepay the balance of the 2008A bonds.

The cash flow requirements on the old bonds prior to the current refunding was \$251,073 from 2016 through 2019. The cash flow requirements of the new bonds are \$235,212 from 2016 through 2019. The current refunding resulted in an economic gain of \$60,982.

#### *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.



## COLUMBUS WATER AND LIGHT

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

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

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

#### *Insurance* (cont.)

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

Type	Coverage	Expiration
<i>Employers Mutual Casualty Company</i>		
Workers compensation	\$ 500,000	7/10/17
Commercial automobile	1,000,000 liability	7/10/17
Excess liability	300,000 uninsured	
Excess liability	300,000 underinsured	
Commercial umbrella	3,000,000 each loss & aggregate	7/10/17
Public officials	1,000,000 each loss & aggregate	7/10/17
General liability	2,000,000	7/10/17
Government crime	10,000	7/10/17
Property	\$ 51,996,025	7/10/17
Data compromise	50,000	7/10/17
<i>Auto- Owners Insurance Company</i>		
Commercial crime coverage		
	\$ 250,000	
Commercial crime coverage	250,000	

## COLUMBUS WATER AND LIGHT

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

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

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

##### *Debt Coverage*

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2016 and 2015 as follows:

	2016	2015
Operating revenues	\$ 8,898,939	\$ 8,908,082
Investment income	23,085	21,951
Miscellaneous nonoperating income	(1,265)	3,617
Less: Operation and maintenance expenses	(7,331,092)	(7,215,566)
 Net Defined Earnings	 \$ 1,589,667	 \$ 1,718,084
 Minimum Required Earnings per Resolution:		
Upcoming principal and interest	\$ 476,531	\$ 398,393
Coverage factor	1.25	1.25
 Minimum Required Earnings	 \$ 595,664	 \$ 497,991
 Actual Debt Coverage	 3.34	 4.31

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

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

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	1,940	1,935	69,705	69,490
Multifamily residential	33	32	8,357	8,680
Commercial	223	221	28,349	27,466
Industrial	8	13	3,253	3,575
Public authority	25	23	5,276	5,287
 Totals	 2,229	 2,224	 114,940	 114,498

# COLUMBUS WATER AND LIGHT

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

### NOTE 7 - NET POSITION

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

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

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

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

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

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

	2016	2015
Plant in service	\$ 24,909,540	\$ 23,631,626
Accumulated depreciation	<u>(10,336,799)</u>	<u>(10,184,634)</u>
Sub-Totals	<u>14,572,741</u>	<u>13,446,992</u>
Less: Capital related debt		
Current portion of capital related long-term debt	564,735	453,563
Long-term portion of capital related long-term debt	4,951,598	1,361,422
Unamortized debt premium	<u>157,090</u>	<u>-</u>
Sub-Totals	<u>5,673,423</u>	<u>1,814,985</u>
Add: Unspent debt proceeds		
Construction funds	2,695,178	-
Reserve from borrowing	<u>384,367</u>	<u>144,000</u>
Sub-Totals	<u>3,079,545</u>	<u>144,000</u>
Total Net Investment in Capital Assets	<u>\$ 11,978,863</u>	<u>\$ 11,776,007</u>

# COLUMBUS WATER AND LIGHT

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

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## NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

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The utility implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015.

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

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

## COLUMBUS WATER AND LIGHT

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

### NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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

The WRS recognized \$41,431 and \$44,049 in contributions from the utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31 are:

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

# COLUMBUS WATER AND LIGHT

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

## **NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

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

At December 31, 2016, the utility reported a liability (asset) of \$72,453 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utility's proportion of the net pension liability (asset) was based on the utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City of Columbus's proportion was .0189708%, which was a decrease of .0003834% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, and 2015 the utility recognized pension expense of \$86,052 and \$42,245.

At December 31, 2016, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,279	\$ 152,477
Changes in assumption	50,691	-
Net differences between project and actual earnings on pension plan	296,713	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,439	-
Employer contributions subsequent to the measurement date	43,943	-
Total	\$ 407,065	\$ 152,477

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,219	\$ -
Changes in assumption	-	-
Net differences between project and actual earnings on pension plan	54,177	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,939	-
Employer contributions subsequent to the measurement date	41,431	-
Total	\$ 113,766	\$ -

## COLUMBUS WATER AND LIGHT

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

### **NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the subsequent year ended December 31, 2017. \$43,943 is reported for the electric and water utilities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 94,275	\$ 36,899
2017	94,275	36,899
2018	94,275	36,899
2019	78,518	36,899
2020	1,779	4,881
Thereafter	-	-
Total	<u>\$ 363,122</u>	<u>\$ 152,477</u>

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

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Inflation	3.2%
Seniority / Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

## COLUMBUS WATER AND LIGHT

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

### NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

<u>Core Fund Asset Class</u>	<u>Long-term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	4.7%	23.0%
International Equities	5.6	22.0
Fixed Income	1.6	37.0
Inflation Sensitive Assets	1.4	20.0
Real Estate	3.6	7.0
Private Equity/Debt	6.5	7.0
Multi-Asset	<u>3.8</u>	<u>4.0</u>
Total Core Fund	<u>4.5%</u>	<u>120.0%</u>
<u>Variable Fund Asset Class</u>	<u>Long-term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	4.7%	70.0%
International Equities	<u>5.6</u>	<u>30.0</u>
Total Variable Fund	<u>5.0%</u>	<u>100.0%</u>

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



## COLUMBUS WATER AND LIGHT

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

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### NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

The sensitivity analysis as of December 31, 2016 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Utility's proportionate share of the net position liability (asset)	\$ 508,186	\$ 72,453	\$ (267,863)

The sensitivity analysis as of December 31, 2015 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
Utility's proportionate share of the net position liability (asset)	\$ 315,630	\$ (111,879)	\$ (449,509)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/Publications/cafr.htm>.

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### NOTE 9 - 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.

# COLUMBUS WATER AND LIGHT

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

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## NOTE 9 - COMMITMENTS AND CONTINGENCIES (cont.)

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### *Long-Term Contracts - WPPI Energy* (cont.)

In 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contracts. All but two of the remaining members ratified the same extension in 2016. The new contract expires at midnight on 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 \$411 million as of December 31, 2016.

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## NOTE 10 - SIGNIFICANT CUSTOMERS

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### *Electric Utility*

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

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## NOTE 11 - 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.

### *2007 General Obligation Bonds*

During 2017, the utility paid off the remaining balance of \$110,000 for the 2007 General Obligation Bonds.

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## NOTE 12 - 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 at December 31, 2015 as follows:

### *Electric Utility*

Net pension liability (asset) January 1, 2014	\$ 110,198
Deferred outflows January 1, 2014	<u>26,611</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 136,809</u>

### *Water Utility*

Net pension liability (asset) January 1, 2014	\$ 72,212
Deferred outflows January 1, 2014	<u>17,438</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 89,650</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

## COLUMBUS WATER AND LIGHT

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) Wisconsin Retirement System For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/15	0.01935420%	\$ (111,879)	\$ 566,911	19.73%	102.74%
12/31/16	0.01897080%	72,959	609,279	11.97%	98.20%

### SCHEDULE OF CONTRIBUTIONS Wisconsin Retirement System For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 41,431	\$ 41,431	\$ -	\$ 609,279	6.80%
12/31/16	43,943	43,943	-	665,803	6.60%

See independent auditors' report and accompanying notes to the required supplementary information.

## COLUMBUS WATER AND LIGHT

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

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#### ***WISCONSIN RETIREMENT SYSTEM***

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

Columbus Water and Light is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in Assumptions.* There were no changes in assumptions.

## **SUPPLEMENTAL INFORMATION**

## COLUMBUS WATER AND LIGHT

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

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
<b>DISTRIBUTION</b>				
Land and land rights	\$ 145,221	\$ -	\$ -	\$ 145,221
Structures and improvements	3,829	-	-	3,829
Station equipment	2,396,080	-	-	2,396,080
Poles, towers and fixtures	759,782	10,037	3,026	766,793
Overhead conductors and devices	865,080	9,815	21,277	853,618
Underground conduit	900,026	131,793	1,113	1,030,706
Underground conductors and devices	2,394,662	190,461	46,322	2,538,801
Line transformers	1,396,198	60,417	-	1,456,615
Services	582,120	48,616	-	630,736
Meters	429,495	317,751	353,844	393,402
Installation on customers' premises	128,566	-	-	128,566
Street lighting and signal systems	668,803	5,090	8,212	665,681
Total Distribution	<u>10,669,862</u>	<u>773,980</u>	<u>433,794</u>	<u>11,010,048</u>
<b>GENERAL</b>				
Land and land rights	12,114	-	-	12,114
Structures and improvements	1,004,906	-	-	1,004,906
Office furniture and equipment	39,153	-	-	39,153
Computer equipment	12,489	3,409	2,602	13,296
Transportation equipment	462,482	26,673	28,490	460,665
Tools, shop and garage equipment	34,406	4,307	9,690	29,023
Laboratory equipment	31,118	-	-	31,118
Power-operated equipment	148,541	3,209	-	151,750
Communication equipment	190,195	1,241	-	191,436
Miscellaneous equipment	18	-	-	18
Total General	<u>1,935,422</u>	<u>38,839</u>	<u>40,782</u>	<u>1,933,479</u>
TOTAL ELECTRIC UTILITY PLANT	<u>\$ 12,605,284</u>	<u>\$ 812,819</u>	<u>\$ 474,576</u>	<u>\$ 12,943,527</u>

## COLUMBUS WATER AND LIGHT

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

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
<b>SOURCE OF SUPPLY</b>				
Wells and springs	\$ 122,133	\$ -	\$ -	\$ 122,133
<b>PUMPING</b>				
Land and land rights	1,890	-	-	1,890
Structures and improvements	8,713	-	-	8,713
Other power production equipment	16,418	-	-	16,418
Electric pumping equipment	185,122	-	-	185,122
Other pumping equipment	68,000	-	-	68,000
Total Pumping	<u>280,143</u>	<u>-</u>	<u>-</u>	<u>280,143</u>
<b>WATER TREATMENT</b>				
Land and land rights	2,217	-	-	2,217
Structures and improvements	478,573	-	-	478,573
Water treatment equipment	692,774	-	-	692,774
Total Water Treatment	<u>1,173,564</u>	<u>-</u>	<u>-</u>	<u>1,173,564</u>
<b>TRANSMISSION AND DISTRIBUTION</b>				
Land and land rights	8,400	-	-	8,400
Distribution reservoirs and standpipes	464,072	-	-	464,072
Transmission and distribution mains	5,835,258	713,670	14,768	6,534,160
Services	1,152,989	172,920	23,140	1,302,769
Meters	342,410	21,315	7,360	356,365
Hydrants	683,676	83,444	10,500	756,620
Total Transmission and Distribution	<u>8,486,805</u>	<u>991,349</u>	<u>55,768</u>	<u>9,422,386</u>
<b>GENERAL</b>				
Land and land rights	2,911	-	-	2,911
Structures and improvements	595,851	-	-	595,851
Office furniture and equipment	18,819	-	-	18,819
Computer equipment	15,993	3,409	2,602	16,800
Transportation equipment	56,923	-	-	56,923
Tools, shop and garage equipment	24,353	-	-	24,353
Laboratory equipment	14,593	-	-	14,593
Power-operated equipment	51,150	2,975	-	54,125
Communication equipment	180,882	308	-	181,190
Miscellaneous equipment	2,222	-	-	2,222
Total General	<u>963,697</u>	<u>6,692</u>	<u>2,602</u>	<u>967,787</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u>\$ 11,026,342</u>	<u>\$ 998,041</u>	<u>\$ 58,370</u>	<u>\$11,966,013</u>



## COLUMBUS WATER AND LIGHT

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

	2016	2015
<b>OPERATING REVENUES</b>		
Sales of Electricity		
Residential	\$ 2,300,546	\$ 2,300,321
Small commercial and industrial	954,002	951,267
Small power	999,256	985,731
Large power	902,809	1,293,393
Industrial	2,246,148	1,893,559
Public street and highway lighting	103,950	105,033
Interdepartmental	9,944	9,175
Total Sales of Electricity	7,516,655	7,538,479
Other Operating Revenues		
Forfeited discounts	14,130	11,922
Rent from electric property	65,436	64,058
Other	6,298	6,714
Total Operating Revenues	7,602,519	7,621,173
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Other Power Supply		
Purchased power	5,949,604	5,890,762
Distribution		
Operation supervision and engineering	11,155	10,600
Line and station supplies	1,597	4,106
Overhead line	8,623	5,188
Underground line	17,916	35,576
Meter	41,107	28,186
Customer installations	427	448
Miscellaneous	134,348	102,434
Rents	209	209
Maintenance		
Station equipment	4,667	10,031
Overhead lines	50,629	9,677
Underground lines	20,303	12,331
Line transformers	367	291
Street lighting and signal system	2,442	2,199
Meters	3,852	2,566
Total Distribution	297,642	223,842
Customer Accounts		
Meter reading	13,960	19,286
Customer records and collection	71,295	69,164
Customer service and information	304	304
Total Customer Accounts	85,559	88,754
Sales		
Demonstrating and selling	(72)	1,900
Miscellaneous	32,823	29,097
Total Sales	32,751	30,997

## COLUMBUS WATER AND LIGHT

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

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	<u>2016</u>	<u>2015</u>
<b>OPERATING EXPENSES</b> (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 71,431	\$ 57,081
Office supplies	17,772	17,361
Outside services employed	23,776	18,016
Property insurance	19,695	18,864
Injuries and damages	5,919	6,300
Employee pensions and benefits	122,325	102,740
Regulatory commission	348	437
Miscellaneous	16,028	14,759
Transportation	(7,760)	5,461
Maintenance	<u>5,878</u>	<u>7,816</u>
Total Administrative and General	<u>275,412</u>	<u>248,835</u>
Taxes	<u>46,646</u>	<u>43,699</u>
Total Operation and Maintenance	6,687,614	6,526,889
Depreciation	<u>382,040</u>	<u>371,542</u>
Total Operating Expenses	<u>7,069,654</u>	<u>6,898,431</u>
 OPERATING INCOME	 <u>\$ 532,865</u>	 <u>\$ 722,742</u>

## COLUMBUS WATER AND LIGHT

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

	2016	2015
<b>OPERATING REVENUES</b>		
Sales of Water		
Metered		
Residential	\$ 636,272	\$ 632,374
Multifamily residential	46,179	49,686
Commercial	175,412	172,590
Industrial	17,767	19,009
Public authorities	32,280	29,373
Total Metered Sales	907,910	903,032
Private fire protection	32,702	33,781
Public fire protection	344,807	340,947
Total Sales of Water	1,285,419	1,277,760
Other Operating Revenues		
Forfeited discounts	6,372	7,189
Other	4,629	1,960
Total Operating Revenues	1,296,420	1,286,909
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Maintenance		
Wells and springs	-	2,750
Pumping		
Power production labor	550	527
Fuel or purchased power for pumping	34,598	37,535
Maintenance		
Pumping equipment	3,865	12,035
Total Pumping	39,013	50,097
Water Treatment		
Chemicals	53,888	51,857
Operation labor	56,464	63,776
Maintenance		
Structures and improvements	3,821	745
Water treatment equipment	32,779	13,364
Total Water Treatment	146,952	129,742

## COLUMBUS WATER AND LIGHT

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

	2016	2015
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 11,130	\$ 10,600
Storage facilities	4,027	1,900
Transmission and distribution lines	17,296	10,231
Meters	2,175	1,767
Customer installations	1,843	2,109
Miscellaneous	40,273	34,064
Rents	209	228
Maintenance		
Reservoirs and standpipes	18,970	138,760
Mains	24,179	12,462
Services	16,426	17,375
Meters	5,017	2,702
Hydrants	5,419	3,741
Total Transmission and Distribution	146,964	235,939
Customer Accounts		
Meter reading	3,725	7,428
Accounting and collecting labor	44,232	35,805
Total Customer Accounts	47,957	43,233
Sales	93	376
Administrative and General		
Salaries	69,490	54,794
Office supplies	16,146	16,184
Outside services employed	31,063	26,270
Property insurance	15,382	12,576
Injuries and damages	3,946	4,200
Employee pensions and benefits	98,956	84,224
Regulatory commission	-	253
Miscellaneous	6,601	6,940
Maintenance	4,697	7,762
Total Administrative and General	246,281	213,203
Taxes	16,218	13,337
Total Operation and Maintenance	643,478	688,677
Depreciation	223,369	217,804
Total Operating Expenses	866,847	906,481
OPERATING INCOME	\$ 429,573	\$ 380,428

## COLUMBUS WATER AND LIGHT

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

	Electric		Water	
	2016	2015	2016	2015
Utility Financed Plant in Service				
Beginning of year	\$ 11,505,570	\$ 11,035,542	\$ 8,490,316	\$ 8,417,008
End of year	<u>11,823,463</u>	<u>11,505,570</u>	<u>9,397,701</u>	<u>8,490,316</u>
Average	<u>11,664,517</u>	<u>11,270,556</u>	<u>8,944,009</u>	<u>8,453,662</u>
Utility Financed Accumulated				
Depreciation				
Beginning of year	(5,970,306)	(5,662,189)	(3,297,502)	(3,115,440)
End of year	<u>(5,908,773)</u>	<u>(5,970,306)</u>	<u>(3,429,741)</u>	<u>(3,297,502)</u>
Average	<u>(5,939,540)</u>	<u>(5,816,248)</u>	<u>(3,363,622)</u>	<u>(3,206,471)</u>
Materials and Supplies				
Beginning of year	318,401	314,830	37,638	36,886
End of year	<u>304,878</u>	<u>318,401</u>	<u>33,134</u>	<u>37,638</u>
Average	<u>311,640</u>	<u>316,616</u>	<u>35,386</u>	<u>37,262</u>
Regulatory Liability				
Beginning of year	(53,756)	(60,476)	(37,624)	(41,922)
End of year	<u>(47,036)</u>	<u>(53,756)</u>	<u>(32,606)</u>	<u>(37,264)</u>
Average	<u>(50,396)</u>	<u>(57,116)</u>	<u>(35,115)</u>	<u>(39,593)</u>
 AVERAGE NET RATE BASE	 <u>\$ 5,986,221</u>	 <u>\$ 5,713,808</u>	 <u>\$ 5,580,658</u>	 <u>\$ 5,244,860</u>
 OPERATING INCOME - REGULATORY BASIS	 <u>\$ 367,743</u>	 <u>\$ 531,564</u>	 <u>\$ 295,154</u>	 <u>\$ 220,916</u>
 RATE OF RETURN (PERCENT)	 <u>6.14</u>	 <u>9.30</u>	 <u>5.29</u>	 <u>4.21</u>
 AUTHORIZED RATE OF RETURN (PERCENT)	 <u>6.00</u>	 <u>6.00</u>	 <u>5.00</u>	 <u>5.00</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.

## COLUMBUS WATER AND LIGHT

### FIVE YEAR SUMMARY OF ELECTRIC OPERATIONS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 7,602,519	\$ 7,621,173	\$ 7,363,567	\$ 7,029,829	\$ 7,007,929
Less: Purchased power expenses	5,949,604	5,890,762	5,776,680	5,435,058	5,395,144
All other operating expenses	<u>1,120,050</u>	<u>1,007,669</u>	<u>1,047,312</u>	<u>1,033,910</u>	<u>1,044,584</u>
 OPERATING INCOME	 <u>\$ 532,865</u>	 <u>\$ 722,742</u>	 <u>\$ 539,575</u>	 <u>\$ 560,861</u>	 <u>\$ 568,201</u>
 <b>STATISTICS</b>					
	kWh (000 Omitted)				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Purchases	<u>77,997</u>	<u>73,989</u>	<u>72,383</u>	<u>69,445</u>	<u>67,903</u>
Sales					
Residential	18,575	17,898	18,160	18,097	18,258
Commercial	8,090	7,754	8,645	8,686	8,832
Small power	10,128	9,632	8,297	8,233	7,620
Large power	9,203	13,021	13,998	12,505	12,714
Industrial power	28,838	22,486	20,402	18,687	18,117
Public street and highway lighting	227	227	223	221	215
Interdepartmental	<u>86</u>	<u>76</u>	<u>80</u>	<u>89</u>	<u>83</u>
Total	<u>75,147</u>	<u>71,094</u>	<u>69,805</u>	<u>66,518</u>	<u>65,839</u>
 Line Loss	 <u>2,850</u>	 <u>2,895</u>	 <u>2,578</u>	 <u>2,927</u>	 <u>2,064</u>
 Percent Line Loss	 <u>3.65%</u>	 <u>3.91%</u>	 <u>3.56%</u>	 <u>4.21%</u>	 <u>3.04%</u>
 Average Power Cost Per mWh Purchased	 <u>\$ 76.28</u>	 <u>\$ 79.62</u>	 <u>\$ 79.81</u>	 <u>\$ 78.26</u>	 <u>\$ 79.45</u>
 Average Revenue per mWh Sold	 <u>\$ 101.17</u>	 <u>\$ 107.20</u>	 <u>\$ 105.49</u>	 <u>\$ 105.68</u>	 <u>\$ 106.44</u>