

# **COLUMBUS SEWER UTILITY**

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 SEWER UTILITY

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 City Council  
Columbus Sewer Utility  
Columbus, Wisconsin

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

We have audited the accompanying financial statements of Columbus Sewer Utility, 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 the Columbus Sewer Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Columbus Sewer Utility'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 the Columbus Sewer Utility 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 City Council  
Columbus Sewer Utility

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Columbus Sewer Utility 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.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
August 2, 2017

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# COLUMBUS SEWER UTILITY

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

The management of the Columbus Sewer Utility (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 years 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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- > Total assets decreased by \$239,000 from the prior year primarily due to a \$642,000 decrease in the main replacement account for construction projects, partially offset by an increase in plant in service, an increase in accumulated depreciation, and a \$272,000 increase in cash and investments. Capital asset activity is discussed later in this analysis. In 2015, total assets decreased by \$381,000 from the prior year primarily due to a \$325,000 decrease in net utility plant, due to depreciation expense, a \$71,000 decrease in cash and investments, and a \$23,000 decrease in advance to TIF 3.
- > Operating revenues were consistent with prior year, decreasing less than \$1,000. In 2015, operating revenues increased by \$54,000, primarily because of an increase in wholesale revenues.
- > Operation and maintenance expenses in 2016 decreased by \$38,000, primarily due to maintenance of the sewer lining in the sewer collection system which did not reoccur in the current year, offset by an increase in outside services employed and salary allocations. In 2015, operation and maintenance expenses in 2015 increased by \$97,000, primarily due to maintenance of the sewer lining in the sewer collection system.

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

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The Columbus Sewer Utility is an enterprise fund of the City of Columbus and is managed by the City Council. The purpose of the utility is to provide sewer service to properties located within the municipality and the Town of Elba Sanitary District and the Village of Fall River. The utility served 2,184, 2,157, and 2,144 customers in 2016, 2015, and 2014, respectively.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The utility 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, liabilities, and deferred inflows 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.

See accompanying independent Auditor's Report.

## COLUMBUS SEWER UTILITY

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

### UTILITY FINANCIAL ANALYSIS

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 and liabilities is key to measuring the financial health of the utility. Over time, increases or decreases in the net position 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.

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

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

	2016	2015	2014	Percentage Change '16 v '15
Current and other assets	\$ 3,312,000	\$ 3,643,000	\$ 3,698,000	-9%
Capital Assets (Net)	9,800,000	9,708,000	10,033,000	1
<b>Total Assets</b>	<b>13,112,000</b>	<b>13,351,000</b>	<b>13,731,000</b>	<b>(2)</b>
Deferred Outflows of Resources	154,000	42,000	-	267
Long-term Debt Outstanding	3,111,000	3,341,000	3,793,000	(7)
Other liabilities	162,000	126,000	105,000	29
<b>Total Liabilities</b>	<b>3,273,000</b>	<b>3,467,000</b>	<b>3,898,000</b>	<b>(6)</b>
Deferred Inflows of Resources	59,000	-	-	100
Net investment in capital assets	6,689,000	6,367,000	6,240,000	5
Restricted	546,000	563,000	653,000	(3)
Unrestricted	2,699,000	2,996,000	2,940,000	(10)
<b>Total Net Position</b>	<b>\$ 9,934,000</b>	<b>\$ 9,926,000</b>	<b>\$ 9,833,000</b>	<b>0%</b>

During 2016, the decrease in total assets was driven mainly by a decrease in the main replacement account, driven by increased capital spending. In 2015, the decrease in total assets was driven mainly by a decrease in capital assets.

As previously noted, the Statements of Net Position show the change in financial position of net 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 in Table 2-A .

## COLUMBUS SEWER UTILITY

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-A**  
**Condensed Statements of Revenues,**  
**Expenses and Changes in Net Position**

	2016	2015	2014	Percentage Change '16 v '15
Operating revenues	\$ 1,411,000	\$ 1,412,000	\$ 1,358,000	0%
Nonoperating revenues	16,000	29,000	21,000	(45)
Total Revenues	1,427,000	1,441,000	1,379,000	(1)
Depreciation expense	564,000	557,000	554,000	1
Operation & maintenance	784,000	822,000	725,000	(5)
Nonoperating expenses	90,000	98,000	109,000	(8)
Total Expenses	1,438,000	1,477,000	1,388,000	(3)
Income (Loss) Before Capital Contributions	(11,000)	(36,000)	(9,000)	(69)
Capital contributions	19,000	47,000	58,000	(60)
Change in net position	8,000	11,000	49,000	(27)
Cumulative effect of a change in accounting principle	-	82,000	-	(100)
Beginning Net Position	9,926,000	9,833,000	9,784,000	1
Net Position End of Year	\$ 9,934,000	\$ 9,926,000	\$ 9,833,000	0%

The increase in net position for 2016 is due to a decrease in operating expenses as discussed on page 3. The increase in net position for 2015 is primarily due to a cumulative effect of a change in accounting principle that existed because of the implementation of a new accounting standard related to pensions (see Note 9 and 12).



## COLUMBUS SEWER UTILITY

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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Condensed Statements of Cash Flows are presented in Table 3-A.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Percentage Change '16 v '15</u>
Cash Flows From:				
Operating activities	\$ 652,000	\$ 572,000	\$ 682,000	14%
Noncapital financing activities	24,000	24,000	23,000	0
Capital and related financing activities	(1,020,000)	(806,000)	(553,000)	27
Investing activities	<u>621,000</u>	<u>766,000</u>	<u>(1,403,000)</u>	<u>(19)</u>
Net Change in Cash and Cash Equivalents	277,000	555,000	(1,251,000)	(50)
Cash and Cash Equivalents - Beginning of Year	<u>2,123,000</u>	<u>1,568,000</u>	<u>2,819,000</u>	<u>35</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,400,000</u>	<u>\$ 2,123,000</u>	<u>\$ 1,568,000</u>	<u>13%</u>

During 2016, cash flow related to investing increased due to investments sold exceeding the amount of investments purchased. In 2015, cash flow related to investing increased due to the sale of investments and no purchasing activity.

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### CAPITAL ASSETS

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During 2016, capital assets increased \$565,000 primarily due to spending on street projects. Net capital assets decreased by \$92,000 due to an additional year of depreciation. In 2015, capital assets increased \$181,000 primarily due to the Clarifier rehab project. Net capital assets increased by \$93,000 due street project spending offset by an additional year of depreciation.

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### LONG-TERM DEBT

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During 2016 and 2015, the utility retired \$165,000 and \$161,000 of outstanding revenue bonds. The utility also retired \$65,000 and \$290,000 of general obligation debt in 2016 and 2015. The 2008 and 2010 G.O. bonds were paid off with cash on hand in 2015. Repayment schedules are included in Note 7.

# **COLUMBUS SEWER UTILITY**

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

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

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The current sewer rates were approved by the city council with an effective date of October 19, 2010. The rate charged to Elba Sanitary District was reviewed and decreased effective January 1, 2014.

In 2010, the utility signed an agreement with the Village of Fall River to allow the utility to provide wholesale wastewater treatment to the Village. The Village connected to the utility in early 2012. The current rates charged to the Village of Fall River increased in August 1, 2016.

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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 the Columbus Sewer Utility at the Columbus City Hall via phone 920 623 5900 or mail 105 N. Dickason Blvd., Columbus, WI 53925.

# COLUMBUS SEWER UTILITY

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

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	<i>ASSETS</i>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>			
Cash and investments		\$ 1,467,292	\$ 1,195,151
Main replacement account		465,007	1,107,177
Pump replacement account		113,789	113,450
Connection charge account		206,735	186,247
Interest receivable		1,075	4,566
Restricted Assets			
Redemption account		150,127	120,820
Other accounts receivable		27,246	23,260
Due from water utility		99,266	99,656
Due from TIF district		<u>24,696</u>	<u>24,212</u>
Total Current Assets		<u>2,555,233</u>	<u>2,874,539</u>
<b>NONCURRENT ASSETS</b>			
Restricted Assets			
Replacement account		406,973	411,831
Net pension asset		-	40,684
Other Assets			
Preliminary survey and investigation		190,147	131,586
Long-term receivable from TIF		158,901	183,596
Capital Assets			
Plant in service		20,969,301	20,403,953
Accumulated depreciation		<u>(11,168,949)</u>	<u>(10,696,207)</u>
Total Noncurrent Assets		<u>10,556,373</u>	<u>10,475,443</u>
Total Assets		<u>13,111,606</u>	<u>13,349,982</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension		<u>154,288</u>	<u>42,313</u>

<b>LIABILITIES</b>		<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 55,310	\$ 46,325
Accrued wages		13,632	8,884
Accrued interest		7,002	7,667
Accrued vacation leave		5,373	11,191
Current portion of general obligation debt		65,000	65,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		169,453	165,403
Accrued interest		<u>11,392</u>	<u>10,727</u>
Total Current Liabilities		<u>327,162</u>	<u>315,197</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		620,000	685,000
Revenue bonds		2,256,403	2,425,834
Accrued sick leave		41,483	40,795
Net pension liability		<u>27,996</u>	<u>-</u>
Total Noncurrent Liabilities		<u>2,945,882</u>	<u>3,151,629</u>
Total Liabilities		<u>3,273,044</u>	<u>3,466,826</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension		<u>58,916</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets		6,689,496	6,366,509
Restricted for:			
Debt service		138,735	110,093
Equipment replacement		406,973	411,831
Pension		-	40,684
Unrestricted		<u>2,698,730</u>	<u>2,996,352</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 9,933,934</u></u>	<u><u>\$ 9,925,469</u></u>

See accompanying notes to the financial statements.

## COLUMBUS SEWER UTILITY

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

	2016	2015
<b>OPERATING REVENUES</b>		
Treatment charges	\$ 1,361,693	\$ 1,378,517
Other	<u>49,063</u>	<u>33,153</u>
Total Operating Revenues	<u>1,410,756</u>	<u>1,411,670</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	783,702	821,778
Depreciation	<u>563,466</u>	<u>556,996</u>
Total Operating Expenses	<u>1,347,168</u>	<u>1,378,774</u>
<b>OPERATING INCOME</b>	<u>63,588</u>	<u>32,896</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	15,858	24,915
Interest subsidy revenue	-	2,641
Interest expense	<u>(89,981)</u>	<u>(97,773)</u>
Total Nonoperating Revenues (Expenses)	<u>(74,123)</u>	<u>(70,217)</u>
Loss Before Contributions	(10,535)	(37,321)
<b>CAPITAL CONTRIBUTIONS</b>	-	6,860
<b>CAPITAL CONTRIBUTIONS - CONNECTION FEES</b>	<u>19,000</u>	<u>40,500</u>
<b>CHANGE IN NET POSITION</b>	8,465	10,039
NET POSITION - Beginning of Year	9,925,469	9,833,081
Cumulative effect of a change in accounting principle	<u>-</u>	<u>82,349</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,933,934</u>	<u>\$ 9,925,469</u>

See accompanying notes to the financial statements.

## COLUMBUS SEWER UTILITY

### 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	\$ 1,407,160	\$ 1,393,707
Paid to suppliers for goods and services	(523,113)	(593,071)
Paid to employees for operating payroll	(231,914)	(229,072)
Net Cash Flows From Operating Activities	652,133	571,564
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayments of advances from other funds including principal	24,212	23,737
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(719,085)	(294,123)
Capital contributions received	19,000	40,500
Debt retired	(230,381)	(451,460)
Interest paid	(89,981)	(100,902)
Net Cash Flows From Capital and Related Financing Activities	(1,020,447)	(805,985)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(409,940)	-
Investments sold and matured	1,011,500	738,500
Investment income	19,349	27,383
Net Cash Flows From Investing Activities	620,909	765,883
<b>Net Change in Cash and Cash Equivalents</b>	276,807	555,199
CASH AND CASH EQUIVALENTS - Beginning of Year	2,123,176	1,567,977
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,399,983	\$ 2,123,176
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	\$ -	\$ 6,860

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 63,588	\$ 32,896
Nonoperating revenue (expense)	-	2,641
Noncash items in operating income		
Depreciation	563,466	556,996
Changes in assets and liabilities		
Other accounts receivable	(3,986)	(5,108)
Due from water utility	390	(15,496)
Pension related deferrals and liabilities	15,621	(648)
Accounts payable	13,436	(1,714)
Accrued wages	4,748	(1,544)
Accrued vacation and sick leave	<u>(5,130)</u>	<u>3,541</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 652,133</u></b>	<b><u>\$ 571,564</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 1,467,292	\$ 1,195,151
Redemption account	150,127	120,820
Replacement account	406,973	411,831
Main replacement account	465,007	1,107,177
Pump replacement account	113,789	113,450
Connection charge account	<u>206,735</u>	<u>186,247</u>
Total Cash and Investments	2,809,923	3,134,676
Less: Noncash equivalents	<u>(409,940)</u>	<u>(1,011,500)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,399,983</u></b>	<b><u>\$ 2,123,176</u></b>

See accompanying notes to the financial statements.

# COLUMBUS SEWER UTILITY

## 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 Sewer Utility (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 city council. The utility provides sewer service to properties within the municipality. The utility also provides sewer service to the Town of Elba Sanitary District and the Village of Fall River.

The sewer utility operates under rules and rates established by the city council.

#### ***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 SEWER UTILITY

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. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

#### *Receivables/Payables*

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

The utility has the right under Wisconsin statutes to place delinquent sewer bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

#### *Restricted Assets*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

# COLUMBUS SEWER UTILITY

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.)*

#### ***Main and Pump Replacement Accounts***

The council has established designated cash accounts for the replacement of sewer mains and lift station pumps which are shown as replacement accounts on the Statements of Net Position.

The council has elected to internally designate the main replacement account 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 has \$465,007 and \$1,107,177 designated as of December 31, 2016 and 2015, respectively. This amount is shown in the Current Assets section of the Statements of Net Position.

#### ***Connection Charge Account***

This account represents fees collected for hook-up to the sewer system for the payment of debt service. It is available for any utility purposes.

#### ***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.

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

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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>
Sewer Plant	
Collecting system	10 - 100
Collecting system pumping	15 - 20
Treatment and disposal	15 - 40
General	7 - 20

#### ***Pensions***

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

# COLUMBUS SEWER UTILITY

## 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.)***

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

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.

##### ***Advance to TIF 3***

Prior to 2010, TIF 3 had not paid anything to the Sewer Utility for the West Side Interceptor. In 2010, TIF 3 paid \$100,000 with interest and still owed \$207,808 at the beginning of 2016. This was recorded as an advance from the Sewer in TIF 3 in 2010. There is now a repayment schedule for the remainder of the advance. In 2016, the Sewer Utility received \$28,368, of this \$24,212 was principal and \$4,156 was interest. See additional details and the repayment schedule in Note 5.

##### ***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.

##### ***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.

# COLUMBUS SEWER UTILITY

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

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

Current rates were approved by the city council with an effective date of October 19, 2010. The city council also revised the rate charged to the Town of Elba, with an effective date of January 1, 2014. The city council revised the Fall River rates in accordance with their agreement effective August 1, 2016.

#### **Capital Contributions**

Cash and capital assets are contributed to the utility from customers, the municipality, or external parties. The value of property contributed to the utility is reported as revenue on the statements of revenues, expenses, and changes in net position.

#### **Connection Fee**

The sewer utility charges new customers a connection fee to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses, and changes in net position.

#### **Taxes**

Municipal utilities are exempt from income taxes.

### **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.

# COLUMBUS SEWER UTILITY

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

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

	Carrying Value as of December 31,		Risks
	2016	2015	
Checking and savings	\$ 825,689	\$ 555,048	Custodial credit risk
Certificates of deposits	409,940	1,137,190	Custodial credit risk
Money market	1,547,766	1,416,020	Custodial credit risk
LGIP	26,528	26,418	Credit risk
Totals	\$ 2,809,923	\$ 3,134,676	

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

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

The utility may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utility alone. Therefore, coverage for the utility may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

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.

#### ***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.

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

## COLUMBUS SEWER UTILITY

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

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

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

#### Investments (cont.)

The utility maintains deposits with the same institutions as the municipality. The following is a summary of the these balances disclosed by bank.

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Old National Bank/Anchor Bank	\$ 557,094	\$ 557,094	\$ 445,554	\$ 445,554
Farmers and Merchants Union Bank including CDARS	1,215,541	1,215,541	632,020	632,020
DMB Community Bank	1,010,760	1,010,760	2,030,684	2,030,684
Totals	\$ 2,783,395	\$ 2,783,395	\$ 3,108,258	\$ 3,108,258

The utility's investment policy addresses this risk. The utility and city have obtained collateral agreements as of December 31, 2016 and 2015 for \$7,530,598 and \$9,933,576. The collateral was held at Farmers and Merchants Union Bank and DMB Community Bank in 2016 and 2015.

#### **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.

### NOTE 3 - INTERFUND RECEIVABLES/PAYABLES

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
Sewer	Water	\$ 99,266	Utility billings	\$ 99,656	Utility billings

# COLUMBUS SEWER UTILITY

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

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## NOTE 4 - RESTRICTED ASSETS

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### *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.

### *Replacement Account*

As a condition of receiving state and federal funds for wastewater plant construction, the utility has established an account for replacement of certain mechanical equipment.

### *Net Pension Asset*

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

### *Restricted Net Position*

The following calculation supports the amount of restricted net position:

	<u>2016</u>	<u>2015</u>
Restricted Assets		
Redemption account	\$ 150,127	\$ 120,820
Replacement account	406,973	411,831
Net pension asset	<u>-</u>	<u>40,684</u>
Total Restricted Assets	<u>557,100</u>	<u>573,335</u>
Current Liabilities Payable From Restricted Assets	<u>(11,392)</u>	<u>(10,727)</u>
Total Restricted Net Position as Calculated	<u>\$ 545,708</u>	<u>\$ 562,608</u>

The purpose of the restricted net position is as follows:

	<u>2016</u>	<u>2015</u>
Debt service	\$ 138,735	\$ 110,093
Equipment replacement	406,973	411,831
Pension	<u>-</u>	<u>40,684</u>
Total Restricted Net Position	<u>\$ 545,708</u>	<u>\$ 562,608</u>

## COLUMBUS SEWER UTILITY

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

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

The sewer utility is advancing funds to TIF No. 3. The amounts advanced are determined by the deficiency of revenues over expenditures since the district's inception. Repayment schedules have been established and are presented below.

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2016
8/1/2011	West side interceptor	8/1/2023	2.00%	\$ 300,000	\$ 183,597

Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 24,696	\$ 3,672	\$ 28,368
2018	25,190	3,178	28,368
2019	25,694	2,674	28,368
2020	26,208	2,160	28,368
2021	26,732	1,636	28,368
2022-2023	<u>55,077</u>	<u>1,658</u>	<u>56,735</u>
Totals	<u>\$ 183,597</u>	<u>\$ 14,978</u>	<u>\$ 198,575</u>



## COLUMBUS SEWER UTILITY

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

### **NOTE 6 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 2,500	\$ -	\$ -	\$ 2,500
Capital assets being depreciated				
Collecting system	8,694,404	518,815	51,472	9,161,747
Collecting system pumping	633,725	-	-	633,725
Treatment and disposal	10,715,630	137,257	39,252	10,813,635
General	357,694	-	-	357,694
Total Capital Assets Being Depreciated	20,401,453	656,072	90,724	20,966,801
Total Capital Assets	20,403,953	656,072	90,724	20,969,301
Less: Accumulated depreciation				
Collecting system	(1,536,800)	(115,777)	51,472	(1,601,105)
Collecting system pumping	(604,196)	(29,529)	-	(633,725)
Treatment and disposal	(8,217,273)	(406,562)	39,252	(8,584,583)
General	(337,938)	(11,598)	-	(349,536)
Total Accumulated Depreciation	(10,696,207)	(563,466)	90,724	(11,168,949)
Net Capital Assets	\$ 9,707,746			\$ 9,800,352

## COLUMBUS SEWER UTILITY

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

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

A summary of changes in capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 2,500	\$ -	\$ -	\$ 2,500
Capital assets being depreciated				
Collecting system	8,687,544	6,860	-	8,694,404
Collecting system pumping	620,217	13,508	-	633,725
Treatment and disposal	10,566,916	180,906	32,192	10,715,630
General	345,520	36,305	24,131	357,694
Total Capital Assets Being Depreciated	20,220,197	237,579	56,323	20,401,453
Total Capital Assets	20,222,697	237,579	56,323	20,403,953
Less: Accumulated depreciation				
Collecting system	(1,423,973)	(112,827)	-	(1,536,800)
Collecting system pumping	(574,312)	(29,884)	-	(604,196)
Treatment and disposal	(7,847,782)	(401,683)	32,192	(8,217,273)
General	(344,053)	(18,016)	24,131	(337,938)
Total Accumulated Depreciation	(10,190,120)	(562,410)	56,323	(10,696,207)
Net Capital Assets	\$ 10,032,577			\$ 9,707,746

## COLUMBUS SEWER UTILITY

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

### NOTE 7 - LONG-TERM OBLIGATIONS

#### *Revenue Bonds*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/16
11/14/2007	Clean Water Fund Loan	5/1/2027	2.475	\$ 2,258,679	\$ 1,380,670
6/8/2011	Clean Water Fund Loan	5/1/2031	2.40	1,313,944	1,045,186

- (1) During 2007, the utility was authorized to issue \$2,808,679 of sewer system Clean Water Fund revenue and general obligation bonds. The amount presented in the sewer utility is revenue debt in the amount of \$2,258,679 with the remaining \$550,000 shown in the general fund for the purpose of upgrading the storm sewer. Please see the city financial statements for further details.

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2017	\$ 169,453	\$ 57,181	\$ 226,634
2018	173,603	52,980	226,583
2019	177,854	48,677	226,531
2020	182,210	44,267	226,477
2021	186,673	39,750	226,423
2022-2026	1,004,222	127,030	1,131,252
2027-2031	531,841	25,620	557,461
Totals	<u>\$ 2,425,856</u>	<u>\$ 395,505</u>	<u>\$ 2,821,361</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2016 and 2015 were \$226,685 and \$226,732, respectively. Total customer revenues as defined for the same periods were \$1,445,614 and \$1,477,085. Annual principal and interest payments are expected to require 13% of revenues on average.

#### *General Obligation Debt*

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/16
2/22/2007	Sewer system improvements	4/1/2026	4.00%	\$ 750,000	\$ 685,000

## COLUMBUS SEWER UTILITY

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

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

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

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 65,000	\$ 26,100	\$ 91,100
2018	65,000	23,500	88,500
2019	65,000	20,900	85,900
2020	65,000	18,300	83,300
2021	65,000	15,700	80,700
2022-2026	<u>360,000</u>	<u>38,000</u>	<u>398,000</u>
Totals	<u>\$ 685,000</u>	<u>\$ 142,500</u>	<u>\$ 827,500</u>

#### *Long-Term Obligations Summary*

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

	<u>1/1/16 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,591,237	\$ -	\$ 165,381	\$ 2,425,856	\$ 169,453
General obligation debt	750,000	-	65,000	685,000	65,000
Accrued vacation and sick leave	51,986	6,061	11,191	46,856	5,373
Net pension liability	-	<u>27,996</u>	-	<u>27,996</u>	-
Totals	<u>\$ 3,393,223</u>	<u>\$ 34,057</u>	<u>\$ 241,572</u>	<u>\$ 3,185,708</u>	<u>\$ 239,826</u>

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

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,752,697	\$ -	\$ 161,460	\$ 2,591,237	\$ 165,403
General obligation debt	1,040,000	-	290,000	750,000	65,000
Accrued vacation and sick leave	<u>48,445</u>	<u>13,204</u>	<u>9,663</u>	<u>51,986</u>	<u>11,191</u>
Totals	<u>\$ 3,841,142</u>	<u>\$ 13,204</u>	<u>\$ 461,123</u>	<u>\$ 3,393,223</u>	<u>\$ 241,594</u>

# COLUMBUS SEWER UTILITY

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

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

### ***Bond Covenant Disclosures***

The following information is provided in compliance with the resolution creating the revenue bonds:

#### ***Insurance***

The utility is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

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

## COLUMBUS SEWER UTILITY

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

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

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

##### *Debt Coverage*

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.10 times the 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	\$ 1,410,756	\$ 1,411,670
Investment income	15,858	24,915
Connection fees	19,000	40,500
Less: Operation and maintenance expenses	(783,702)	(821,778)
 Net Defined Earnings	 \$ 661,912	 \$ 655,307
 Minimum Required Earnings per Resolution:		
Current year debt service	\$ 226,685	\$ 226,732
Coverage factor	1.10	1.10
 Minimum Required Earnings	 \$ 249,354	 \$ 249,405
 Actual Debt Coverage	 2.92	 2.89

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

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

	Customers		Sales (00 ccf)	
	2016	2015	2016	2015
Residential	1,924	1,898	92,032	90,720
Commercial	230	229	43,954	44,343
Industrial	8	8	4,348	4,669
Public authority	20	20	3,014	3,281
Wholesale	2	2	79,681	103,297
 Totals	 2,184	 2,157	 223,029	 246,310

# COLUMBUS SEWER UTILITY

## NOTES TO FINANCIAL STATEMENTS

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

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### NOTE 8 - NET POSITION

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

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

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

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

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

The following calculation supports the net investment in capital assets:

	<u>2016</u>	<u>2015</u>
Plant in service	\$ 20,969,301	\$ 20,403,953
Accumulated depreciation	<u>(11,168,949)</u>	<u>(10,696,207)</u>
Subtotals	<u>9,800,352</u>	<u>9,707,746</u>
Less: Capital related debt		
Current portion of capital related long-term debt	234,453	230,403
Long-term portion of capital related long-term debt	<u>2,876,403</u>	<u>3,110,834</u>
Subtotals	<u>3,110,856</u>	<u>3,341,237</u>
Total Net Investment in Capital Assets, Net of Related Debt	<u>\$ 6,689,496</u>	<u>\$ 6,366,509</u>

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### NOTE 9 - 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.

## COLUMBUS SEWER UTILITY

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

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

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#### **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 SEWER UTILITY

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

### NOTE 9 - 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 \$16,009 and \$16,017 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 SEWER UTILITY

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

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

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

At December 31, 2016, the utility reported a liability (asset) of \$27,996 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 0.0189708%, which was a decrease of 0.0003834% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, and 2015 the utility recognized pension expense of \$30,704 and \$15,361.

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

	Sewer Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,736	\$ 58,916
Changes in assumption	19,587	-
Net differences between project and actual earnings on pension plan	113,043	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,328	-
Employer contributions subsequent to the measurement date	15,594	-
Total	\$ 154,288	\$ 58,916

## COLUMBUS SEWER UTILITY

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

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

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

	Sewer Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,898	\$ -
Changes in assumption	-	-
Net differences between project and actual earnings on pension plan	19,701	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	705	-
Employer contributions subsequent to the measurement date	16,009	-
Total	\$ 42,313	\$ -

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. At December 31, 2016 and 2015 the utility reported deferred outflows related to subsequent contributions of \$15,594 and \$16,009, respectively. 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>	Sewer Utility	
	Deferred Outflow of Resources	Deferred Inflows of Resources
2017	\$ 36,112	\$ 14,258
2018	36,112	14,258
2019	36,112	14,258
2020	30,024	14,258
2021	334	1,884
Total	\$ 138,694	\$ 58,916

## COLUMBUS SEWER UTILITY

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

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

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

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

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

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

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

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

# COLUMBUS SEWER UTILITY

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

The sensitivity analysis as of December 31, 2016 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City of Columbus Sewer Utility's proportionate share of the net position liability (asset)	\$ 196,364	\$ 27,996	\$ (103,503)

The sensitivity analysis as of December 31, 2015 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City of Columbus Sewer Utility's proportionate share of the net position liability (asset)	\$ 114,776	\$ (40,684)	\$ (163,459)

*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>.

# COLUMBUS SEWER UTILITY

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

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## NOTE 10 - COMMITMENTS AND CONTINGENCIES

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### *Open Contracts*

The utility has signed construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2016 has been accrued in these financial statements.

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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.

### *Debt issuance*

On March 7, 2017, the municipality, on behalf of the utility, issued \$1,935,000 of revenue debt to finance improvements to the sewer system, and \$620,000 of general obligation debt to refund the 2007 general obligation bonds. The revenue debt is payable over 20 years and bears a net interest rate between 1.40 and 4.00 percent. The general obligation debt is payable over 10 years and bears a net interest rate between 2.00 and 2.65 percent.

### *Construction Contracts*

The utility entered into an agreement with a contractor for collection system repairs in 2017 at a total cost of \$74,735.

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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:

### *Sewer Utility*

Net pension liability (asset) January 1, 2014	\$ 66,331
Deferred outflows January 1, 2014	<u>16,018</u>
Cumulative Effect of a Change in Accounting Principle	<u>\$ 82,349</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

## COLUMBUS SEWER UTILITY

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%	\$ (40,684)	\$ 206,179	19.73%	102.74%
12/31/16	0.01897080%	27,996	235,427	11.89%	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	\$ 16,009	\$ 16,009	\$ -	\$ 235,427	6.80%
12/31/16	16,231	16,231	-	245,924	6.60%

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



## COLUMBUS SEWER UTILITY

### 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 Sewer Utility 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 SEWER UTILITY

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

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
<b>COLLECTING SYSTEM</b>				
Collecting mains	\$ 7,470,208	\$ 505,940	\$ 51,472	\$ 7,924,676
Interceptor mains	936,226	-	-	936,226
Other collecting system equipment	287,970	12,875	-	300,845
Total Collecting System	<u>8,694,404</u>	<u>518,815</u>	<u>51,472</u>	<u>9,161,747</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Electric pumping equipment	604,435	-	-	604,435
Other power pumping equipment	14,414	-	-	14,414
Miscellaneous pumping equipment	14,876	-	-	14,876
Total Collecting System Pumping	<u>633,725</u>	<u>-</u>	<u>-</u>	<u>633,725</u>
<b>TREATMENT AND DISPOSAL</b>				
Land and land rights	2,500	-	-	2,500
Structures and improvements	3,866,970	-	-	3,866,970
Preliminary treatment equipment	1,811,020	-	-	1,811,020
Secondary treatment equipment	2,254,642	-	-	2,254,642
Advanced treatment equipment	681,604	-	-	681,604
Sludge treatment and disposal equipment	1,118,247	137,257	39,252	1,216,252
Plant site piping	395,151	-	-	395,151
Flow metering and monitoring equipment	244,632	-	-	244,632
Other treatment and disposal equipment	343,364	-	-	343,364
Total Treatment and Disposal	<u>10,718,130</u>	<u>137,257</u>	<u>39,252</u>	<u>10,816,135</u>
<b>GENERAL</b>				
Office furniture and equipment	18,218	-	-	18,218
Transportation equipment	77,320	-	-	77,320
Other general equipment	262,156	-	-	262,156
Total General	<u>357,694</u>	<u>-</u>	<u>-</u>	<u>357,694</u>
 TOTAL SEWER UTILITY PLANT	 <u>\$ 20,403,953</u>	 <u>\$ 656,072</u>	 <u>\$ 90,724</u>	 <u>\$ 20,969,301</u>

## COLUMBUS SEWER UTILITY

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

	2016	2015
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 852,564	\$ 848,228
Commercial	319,803	317,912
Industrial	35,738	28,451
Public authorities	24,504	26,686
Service to other systems	129,084	157,240
Total Sewer Revenues	1,361,693	1,378,517
Other Operating Revenues		
Miscellaneous	49,063	33,153
Total Operating Revenues	1,410,756	1,411,670
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	117,025	77,395
Power and fuel for pumping	8,725	9,577
Power and fuel for aeration equipment	73,059	83,696
Chlorine	31,011	25,175
Other operating supplies	18,356	16,742
Transportation	5,249	6,877
Sludge processing - salaries	16,014	8,812
Sludge processing - employee benefits	6,674	4,116
Repairs and maintenance	7,054	7,223
Chemicals	2,673	6,404
Total Operation	285,840	246,017
Maintenance		
Collection system	44,009	177,911
Pumping equipment	29,137	18,917
Treatment and disposal plant equipment	99,797	108,235
General plant structures and equipment	40,925	38,640
Total Maintenance	213,868	343,703
Customer Accounts		
Accounting and collecting	65,217	70,406
Administrative and General		
Salaries	82,474	78,675
Office supplies	2,187	1,949
Outside services employed	101,853	49,844
Insurance	19,971	19,000
Miscellaneous	2,292	2,184
Economic development contribution	10,000	10,000
Total Administrative and General	218,777	161,652
Total Operation and Maintenance	783,702	821,778
Depreciation	563,466	556,996
Total Operating Expenses	1,347,168	1,378,774
 OPERATING INCOME	 \$ 63,588	 \$ 32,896