

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, 2014 and 2013

COLUMBUS SEWER UTILITY

An Enterprise Fund of the City of Columbus, Wisconsin

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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 the Columbus Sewer Utility, an enterprise fund of the City of Columbus, Wisconsin, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Columbus Sewer Utility as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2014 and 2013 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 utility plant and operating revenues and expenses schedules as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental utility plant and operating revenues and expenses schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
May 7, 2015

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

COLUMBUS SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2014 and 2013

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, 2014 and 2013. You are invited to read this narrative in conjunction with the utility's financial statements.

FINANCIAL HIGHLIGHTS

- > Total assets decreased by \$157,000 from the prior year primarily due to a \$301,000 decrease in net utility plant offset by a \$167,000 increase in cash and investments and a \$23,000 decrease in advance to TIF 3. Capital asset activity is discussed later in this analysis. In 2013, total assets had decreased by \$129,000 from 2012 primarily due to a \$337,000 decrease in cash and investments offset by a \$261,000 increase in net utility plant and a \$23,000 decrease in advance to TIF 3.
- > Operating revenues decreased by \$14,000, primarily because of a decrease in Elba revenues due to a rate decrease effective January 1, 2014. In 2013, operating revenues had increased from 2012 by \$9,000 mostly due to increased revenues from Fall Rivers, offset by a decrease in treatment charges due to a decrease in usage.
- > Operation and maintenance expenses in 2014 decreased by \$6,000, primarily due to less maintenance of the sewer collection system. In 2013, operating expenses increased by \$40,000 from 2012, due to lining repair work performed.

OVERVIEW OF THE FINANCIAL STATEMENTS/USING THIS REPORT

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 2,144, 2,139, and 2,137 customers in 2014, 2013, and 2012, 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 and liabilities 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.

COLUMBUS SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2014 and 2013

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

	2014	2013	2012	Percentage Change '14 v '13
Current and other assets	\$ 3,698,000	\$ 3,554,000	\$ 3,945,000	4%
Capital Assets (Net)	<u>10,033,000</u>	<u>10,334,000</u>	<u>10,072,000</u>	<u>(3)</u>
Total Assets	<u>13,731,000</u>	<u>13,888,000</u>	<u>14,017,000</u>	<u>(1)</u>
Long-term Debt Outstanding	3,793,000	4,010,000	4,224,000	(5)
Other liabilities	<u>105,000</u>	<u>94,000</u>	<u>115,000</u>	<u>12</u>
Total Liabilities	<u>3,898,000</u>	<u>4,104,000</u>	<u>4,339,000</u>	<u>(5)</u>
Net investment in capital assets	6,240,000	6,324,000	5,859,000	(1)
Restricted	653,000	380,000	636,000	72
Unrestricted	<u>2,940,000</u>	<u>3,080,000</u>	<u>3,183,000</u>	<u>(5)</u>
Total Net Position	<u>\$ 9,833,000</u>	<u>\$ 9,784,000</u>	<u>\$ 9,678,000</u>	<u>1%</u>

During 2014, the decrease in total assets was driven by a decrease in capital assets. This was primarily due to an additional year of depreciation. In 2013, the decrease in total assets was driven by a decrease in current assets primarily due to a decrease in unrestricted cash and investments.

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, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

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

	2014	2013	2012	Percentage Change '14 v '13
Operating revenues	\$ 1,358,000	\$ 1,372,000	\$ 1,363,000	(1)%
Nonoperating revenues	21,000	17,000	16,000	24
Total Revenues	1,379,000	1,389,000	1,379,000	(1)
Depreciation expense	554,000	548,000	525,000	1
Operation & maintenance	725,000	731,000	715,000	(1)
Nonoperating expenses	109,000	123,000	128,000	(11)
Total Expenses	1,388,000	1,402,000	1,368,000	(1)
Income (Loss) Before Capital Contributions	(9,000)	(13,000)	11,000	31
Capital contributions	58,000	119,000	1,525,000	(51)
Change in net position	49,000	106,000	1,536,000	(54)
Beginning Net Position	9,784,000	9,678,000	8,142,000	1
Net Position End of Year	\$ 9,833,000	\$ 9,784,000	\$ 9,678,000	1%

The increase in net position for 2014 is primarily due to a decrease in non-operating expenses due to the prior year amortization of debt issuance costs. The increase in net position in 2013 is primarily due to capital contributions for the Commerce Center and Focus on Energy money received from the aeration project which were partially offset by a loss before contributions, transfers and amortization. This loss is mostly due to an increase in operation and maintenance expenses for the year.

COLUMBUS SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2014 and 2013

UTILITY FINANCIAL ANALYSIS (cont.)

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

Table 3-A
Condensed Statements of Cash Flows

	2014	2013	2012	Percentage Change '14 v '13
Cash Flows From:				
Operating activities	\$ 682,000	\$ 627,000	\$ 454,000	9%
Noncapital financing activities	23,000	23,000	10,000	0
Capital and related financing activities	(553,000)	(1,003,000)	1,032,000	45
Investing activities	(1,403,000)	(130,000)	209,000	(979)
Net Change in Cash and Cash Equivalents	(1,251,000)	(483,000)	1,705,000	(159)
Cash and Cash Equivalents - Beginning of Year	2,819,000	3,302,000	1,597,000	(15)
Cash and Cash Equivalents - End of Year	\$ 1,568,000	\$ 2,819,000	\$ 3,302,000	(44)%

During 2014, cash flow related to investing decreased with the purchase of new investments to finance the James St project. In 2013, the cash flow related to financing decreased 197% primarily due a decrease in contributed capital.

CAPITAL ASSETS

During 2014, capital assets increased \$161,000 due to the Clarifier Pipe Project and Control Panel upgrade. Net capital assets decreased by \$301,000 due to an additional year of depreciation. In 2013, total capital assets increased \$662,000 due to the Gateway project, HVAC upgrades at the treatment plant, the Aeration project, the Commerce Center Project, and the purchase of a new camera for monitoring. Net capital assets increased \$261,000 due to current year plant additions offset by an additional year of depreciation.

LONG-TERM DEBT

During 2014 and 2013, the utility retired \$158,000 and \$154,000 of outstanding revenue bonds. The utility also retired \$60,000 of general obligation debt in 2014 and 2013. Repayment schedules are included in Note 6.

COLUMBUS SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2014 and 2013

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

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.

CONTACTING UTILITY'S FINANCIAL MANAGEMENT

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, 2014 and 2013

	<i>ASSETS</i>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and investments		\$ 1,267,269	\$ 1,589,581
Main replacement account		1,149,295	897,950
Pump replacement account		83,159	167,844
Connection charge account		153,884	103,575
Interest receivable		7,034	131
Restricted Assets			
Redemption account		195,675	119,466
Other accounts receivable		18,152	22,778
Due from water utility		84,160	95,195
Prepayments		-	10,940
Current portion of advance		<u>23,737</u>	<u>23,271</u>
Total Current Assets		<u>2,982,365</u>	<u>3,030,731</u>
NONCURRENT ASSETS			
Restricted Assets			
Replacement account		468,695	272,393
Other Assets			
Preliminary survey and investigation		39,213	19,158
Advance to TIF 3		207,808	231,546
Capital Assets			
Plant in service		20,222,697	20,061,549
Accumulated depreciation		<u>(10,190,120)</u>	<u>(9,727,590)</u>
Total Noncurrent Assets		<u>10,748,293</u>	<u>10,857,056</u>
Total Assets		<u>13,730,658</u>	<u>13,887,787</u>

LIABILITIES		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES			
Accounts payable		\$ 24,484	\$ 26,999
Due to municipality		-	10,940
Accrued wages		10,428	9,537
Accrued interest		10,126	10,844
Accrued vacation leave		9,663	-
Current portion of general obligation debt		65,000	60,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		161,449	157,589
Accrued interest		<u>11,397</u>	<u>12,087</u>
Total Current Liabilities		<u>292,547</u>	<u>287,996</u>
NONCURRENT LIABILITIES			
General obligation debt		975,000	1,040,000
Revenue bonds		2,591,248	2,752,697
Accrued sick leave		<u>38,782</u>	<u>23,424</u>
Total Noncurrent Liabilities		<u>3,605,030</u>	<u>3,816,121</u>
Total Liabilities		<u>3,897,577</u>	<u>4,104,117</u>
 NET POSITION			
Net investment in capital assets		6,239,880	6,323,673
Restricted for:			
Debt Service		184,278	107,379
Equipment Replacement		468,695	272,393
Unrestricted		<u>2,940,228</u>	<u>3,080,225</u>
TOTAL NET POSITION		<u>\$ 9,833,081</u>	<u>\$ 9,783,670</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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Treatment charges	\$ 1,205,036	\$ 1,205,134
Sales to the Town of Elba	12,255	31,300
Sales to the Village of Fall River	115,297	113,025
Other	25,567	22,645
Total Operating Revenues	1,358,155	1,372,104
OPERATING EXPENSES		
Operation and maintenance	724,630	730,988
Depreciation	554,432	548,190
Total Operating Expenses	1,279,062	1,279,178
OPERATING INCOME	79,093	92,926
NONOPERATING REVENUES (EXPENSES)		
Investment income	19,754	14,651
Interest subsidy revenue	2,036	2,277
Interest expense	(109,472)	(112,731)
Debt issuance costs	-	(10,969)
Total Nonoperating Revenues (Expenses)	(87,682)	(106,772)
Loss Before Contributions	(8,589)	(13,846)
CAPITAL CONTRIBUTIONS	-	104,124
CAPITAL CONTRIBUTIONS - CONNECTION FEES	58,000	15,000
CHANGE IN NET POSITION	49,411	105,278
NET POSITION - Beginning of Year	9,783,670	9,678,392
NET POSITION - END OF YEAR	\$ 9,833,081	\$ 9,783,670

See accompanying notes to the financial statements.

COLUMBUS SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,373,816	\$ 1,375,723
Paid to suppliers for goods and services	(467,121)	(552,290)
Paid to employees for operating payroll	(225,166)	(196,755)
Net Cash Flows From Operating Activities	681,529	626,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments of advances to other funds including principal	23,272	22,815
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(282,051)	(721,935)
Capital contributions received	58,000	46,753
Debt retired	(217,589)	(213,831)
Interest paid	(110,880)	(116,459)
Net Cash Flows From Capital and Related Financing Activities	(552,520)	(1,005,472)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,750,000)	(332,079)
Investments sold and matured	332,079	185,818
Investment income	14,887	18,538
Net Cash Flows From Investing Activities	(1,403,034)	(127,723)
Net Change in Cash and Cash Equivalents	(1,250,753)	(483,702)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,818,730	3,302,432
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,567,977	\$ 2,818,730
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ -	\$ 72,371

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 79,093	\$ 92,926
Noncash items in operating income		
Depreciation	554,432	548,190
Depreciation charged to clearing and other utilities	-	31
Changes in assets and liabilities		
Other accounts receivable	4,626	(1,911)
Due from water utility	11,035	5,530
Prepayments	10,940	(10,066)
Accounts payable	6,431	(7,344)
Due to municipality	(10,940)	10,940
Accrued wages	891	2,871
Accrued vacation and sick leave	25,021	(14,489)
	<u>25,021</u>	<u>(14,489)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 681,529</u>	<u>\$ 626,678</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,267,269	\$ 1,589,581
Redemption account	195,675	119,466
Replacement account	468,695	272,393
Main replacement account	1,149,295	897,950
Pump replacement account	83,159	167,844
Connection charge account	153,884	103,575
Total Cash and Investments	3,317,977	3,150,809
Less: Noncash equivalents	(1,750,000)	(332,079)
CASH AND CASH EQUIVALENTS	<u>\$ 1,567,977</u>	<u>\$ 2,818,730</u>

See accompanying notes to the financial statements.

COLUMBUS SEWER UTILITY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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, LIABILITIES AND NET POSITION

Deposits and Investments

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

COLUMBUS SEWER UTILITY

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

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Deposits and Investments (cont.)

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

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

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

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, 2014 and 2013

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

Main and Pump Replacement Accounts

The council has established replacement accounts for sewer mains and lift station pumps.

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 \$1,149,295 and \$897,950 designated as of December 31, 2014 and 2013, 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 \$1,000 and an estimated useful life in excess of one year.

Capital assets of the utility are recorded at cost or the fair market value at the time of contribution to the utility. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, 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

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.

COLUMBUS SEWER UTILITY

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

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

ASSETS, LIABILITIES AND NET POSITION (cont.)

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 \$254,817 at the beginning of 2014. 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 2014, the Sewer Utility received \$28,368, of this \$23,272 was principal and \$5,096 was interest. See TIF 3 Compilation Report in the City of Columbus financial statements for further detail.

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.

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 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 approved the Fall River rates in accordance with their agreement dated June 1, 2010.

Capital Contributions

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

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.

COLUMBUS SEWER UTILITY

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

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. When they become effective, application of these standards may restate portions of these financial statements.

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 December 31,		Risks
	2014	2013	
Checking and savings	\$ 660,338	\$ 635,355	Custodial credit
Certificates of deposits	1,941,979	332,091	Custodial credit
Money market	689,277	2,157,003	Custodial credit
LGIP	26,383	26,360	Credit
Totals	\$ 3,317,977	\$ 3,150,809	

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, 2014 and 2013, the fair value of the LGIP's assets were substantially equal to the utility's share.

COLUMBUS SEWER UTILITY

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

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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

Investments

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

The utility maintains certain investments with the same counterparties as the municipality. The following is a summary of the these investment balances disclosed by type.

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Anchor Bank	\$ 401,503	\$ 401,503	\$ 1,205,302	\$ 1,205,302
Associated Bank	-	-	119,466	119,466
Farmers and Merchants Union Bank including CDARS	878,943	878,943	792,066	792,066
DMB Community Bank	<u>2,011,148</u>	<u>2,011,148</u>	<u>1,007,615</u>	<u>1,007,615</u>
Totals	<u>\$ 3,291,594</u>	<u>\$ 3,291,594</u>	<u>\$ 3,124,449</u>	<u>\$ 3,124,449</u>

The utility's investment policy addresses this risk. The utility and city have obtained collateral agreements as of December 31, 2014 and 2013 for \$9,775,507 and \$8,247,853. The collateral was held at Farmers and Merchants Union Bank and DMB Community Bank in 2014; and at Farmers and Merchants Union Bank, Anchor Bank, Associated Bank, and DMB Community Bank in 2013.

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.

Investment Policy

Credit Risk

The utility's investment policy addresses this risk. The utility qualifies institutions as established by state statutes. The utility has specifically identified LGIP as an authorized institution.

COLUMBUS SEWER UTILITY

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

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES

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

Due To	Due From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Sewer Municipality	Water Sewer	\$ 84,160	Utility billings	\$ 95,195	Utility billings
		-		10,940	Insurance

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.

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.

Restricted Net Position

The following calculation supports the amount of restricted net position:

	<u>2014</u>	<u>2013</u>
Restricted Assets		
Redemption account	\$ 195,675	\$ 119,466
Replacement account	<u>468,695</u>	<u>272,393</u>
Total Restricted Assets	<u>664,370</u>	<u>391,859</u>
Current Liabilities Payable From Restricted Assets	<u>(11,397)</u>	<u>(12,087)</u>
Total Restricted Net Position as Calculated	<u>\$ 652,973</u>	<u>\$ 379,772</u>

The purpose of the restricted net position is as follows:

	<u>2014</u>	<u>2013</u>
Debt service	\$ 184,278	\$ 107,379
Equipment replacement	<u>468,695</u>	<u>272,393</u>
Totals	<u>\$ 652,973</u>	<u>\$ 379,772</u>

COLUMBUS SEWER UTILITY

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

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 2,500	\$ -	\$ -	\$ 2,500
Capital assets being depreciated				
Collecting system	8,687,544	-	-	8,687,544
Collecting system pumping	574,790	70,893	25,466	620,217
Treatment and disposal	10,454,321	179,032	66,437	10,566,916
General	342,394	3,126	-	345,520
Total Capital Assets Being Depreciated	20,059,049	253,051	91,903	20,220,197
Total Capital Assets	20,061,549	253,051	91,903	20,222,697
Less: Accumulated depreciation				
Collecting system	(1,311,182)	(112,791)	-	(1,423,973)
Collecting system pumping	(571,365)	(28,413)	25,466	(574,312)
Treatment and disposal	(7,517,706)	(396,513)	66,437	(7,847,782)
General	(327,337)	(16,716)	-	(344,053)
Total Accumulated Depreciation	(9,727,590)	(554,433)	91,903	(10,190,120)
Net Capital Assets	\$ 10,333,959			\$ 10,032,577

COLUMBUS SEWER UTILITY

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

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 2,500	\$ -	\$ -	\$ 2,500
Capital assets being depreciated				
Collecting system	8,404,270	283,274	-	8,687,544
Collecting system pumping	574,790	-	-	574,790
Treatment and disposal	10,107,458	500,493	153,630	10,454,321
General	310,563	31,831	-	342,394
Total Capital Assets Being Depreciated	19,397,081	815,598	153,630	20,059,049
Total Capital Assets	19,399,581	815,598	153,630	20,061,549
Less: Accumulated depreciation				
Collecting system	(1,199,806)	(111,376)	-	(1,311,182)
Collecting system pumping	(544,090)	(27,275)	-	(571,365)
Treatment and disposal	(7,278,089)	(393,247)	153,630	(7,517,706)
General	(305,122)	(22,215)	-	(327,337)
Total Accumulated Depreciation	(9,327,107)	(554,113)	153,630	(9,727,590)
Net Capital Assets	\$ 10,072,474			\$ 10,333,959

NOTE 6 - LONG-TERM OBLIGATIONS

Revenue Bonds

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/14
11/14/2007	Clean Water Fund Loan	5/1/2027	2.475%	\$ 2,258,679	(1) \$ 1,594,183
6/8/2011	Clean Water Fund Loan	5/1/2031	2.40	1,313,944	1,158,514

(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.

COLUMBUS SEWER UTILITY

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

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>
2015	\$ 161,449	\$ 65,283	\$ 226,732
2016	165,403	61,281	226,684
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	191,245	35,122	226,367
2023	195,929	30,382	226,311
2024	200,727	25,526	226,253
2025	205,643	20,549	226,192
2026	210,679	15,450	226,129
2027	215,841	10,227	226,068
2028	76,212	6,669	82,881
2029	78,041	4,818	82,859
2030	79,914	2,923	82,837
2031	<u>81,821</u>	<u>982</u>	<u>82,803</u>
Totals	<u>\$ 2,752,697</u>	<u>\$ 522,067</u>	<u>\$ 3,274,764</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2014 and 2013 were \$226,752 and \$226,826, respectively. Total customer revenues as defined for the same periods were \$1,435,909 and \$1,401,755. 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:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/14</u>
2/22/2007	Sewer system improvements	4/1/2026	4.00%	\$ 750,000	\$ 750,000
4/1/2008	Sewer Projects	4/1/2018	2.70-3.70	285,000	140,000
2/24/2010	Sewer Projects	2/24/2019	1.45-4.55	240,000	150,000

COLUMBUS SEWER UTILITY

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

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 65,000	\$ 39,738	\$ 104,738
2016	130,000	36,218	166,218
2017	130,000	31,250	161,250
2018	130,000	26,151	156,151
2019	95,000	21,583	116,583
2020	65,000	18,300	83,300
2021	65,000	15,700	80,700
2022	65,000	13,100	78,100
2023	65,000	10,500	75,500
2024	70,000	7,800	77,800
2025	75,000	4,900	79,900
2026	<u>85,000</u>	<u>1,700</u>	<u>86,700</u>
Totals	<u>\$ 1,040,000</u>	<u>\$ 226,940</u>	<u>\$ 1,266,940</u>

The 2010 General Obligation debt was issued as Federally Taxable Build American Bonds (BABs). The BABs include an obligation from the U.S. Treasury to pay Columbus Sewer Utility 35% of the interest expense on these bonds. However due to the sequestration by Congress, the subsidy payments were reduced. The subsidy was reduced by 7.2% for federal fiscal year 2014 and reduced by 7.3% in federal fiscal year 2015. If the subsidy reduction stays in place, the utility will evaluate if it is advantageous to prepay the BABs with a new tax exempt debt issue.

Long-Term Obligations Summary

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

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 2,910,286	\$ -	\$ 157,589	\$ 2,752,697	\$ 161,449
General obligation debt	1,100,000	-	60,000	1,040,000	65,000
Accrued vacation and sick leave	<u>23,424</u>	<u>42,255</u>	<u>17,234</u>	<u>48,445</u>	<u>9,663</u>
Totals	<u>\$ 4,033,710</u>	<u>\$ 42,255</u>	<u>\$ 234,823</u>	<u>\$ 3,841,142</u>	<u>\$ 236,112</u>

COLUMBUS SEWER UTILITY

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

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary (cont.)

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

	1/1/13 Balance	Additions	Reductions	12/31/13 Balance	Due Within One Year
Revenue bonds	\$ 3,064,117	\$ -	\$ 153,831	\$ 2,910,286	\$ 157,589
General obligation debt	1,160,000	-	60,000	1,100,000	60,000
Accrued sick leave	37,913	13,176	27,665	23,424	-
Totals	\$ 4,262,030	\$ 13,176	\$ 241,496	\$ 4,033,710	\$ 217,589

Bond Covenant Disclosures

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

Insurance

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

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

Type	Coverage	Expiration
<i>Employers Mutual Casualty Company</i>		
Workers compensation	\$ 500,000	7/10/15
Commercial automobile	1,000,000 liability	7/10/15
Excess Liability	300,000 uninsured	7/10/15
Excess Liability	300,000 under insured	7/10/15
Commercial umbrella	3,000,000 each loss & aggregate	7/10/15
Public officials	1,000,000 each loss & aggregate	7/10/15
General liability	2,000,000	7/10/15
Government crime	10,000	7/10/15
Property	46,261,790 aggregate	7/10/15
<i>Auto-Owners Insurance Company</i>		
Commercial Crime Coverage	\$ 250,000 Blanket employee dishonesty	10/3/15
Commercial Crime Coverage	250,000 Forgery or Alteration	10/3/15

COLUMBUS SEWER UTILITY

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

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 1.10 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 2014 and 2013 as follows:

	2014	2013
Operating revenues	\$ 1,358,155	\$ 1,372,104
Investment income	19,754	14,651
Connection fees	58,000	15,000
Less: Operation and maintenance expenses	(724,630)	(730,988)
Net Defined Earnings	\$ 711,279	\$ 670,767
Minimum Required Earnings per Resolution:		
Current year debt service	\$ 226,752	\$ 226,826
Coverage factor	1.10	1.10
Minimum Required Earnings	\$ 249,427	\$ 249,509
Actual Debt Coverage	3.14	2.96

Number of Customers and Billed Volumes - Sewer

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

	Customers		Sales (00 ccf)	
	2014	2013	2014	2013
Residential	1,889	1,888	95,595	92,138
Commercial	224	221	43,327	42,857
Industrial	8	8	5,243	5,112
Public authority	21	20	3,384	3,046
Wholesale	2	2	85,934	84,101
Totals	2,144	2,139	233,483	227,254

COLUMBUS SEWER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2014 and 2013

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 net investment in capital assets:

	<u>2014</u>	<u>2013</u>
Plant in service	20,222,697	20,061,549
Accumulated depreciation	<u>(10,190,120)</u>	<u>(9,727,590)</u>
Sub-Totals	<u>10,032,577</u>	<u>10,333,959</u>
Less: Capital related debt		
Current portion of capital related long-term debt	226,449	217,589
Long-term portion of capital related long-term debt	<u>3,566,248</u>	<u>3,792,697</u>
Sub-Totals	<u>3,792,697</u>	<u>4,010,286</u>
Total Net Investment in Capital Assets	<u>\$ 6,239,880</u>	<u>\$ 6,323,673</u>

COLUMBUS SEWER UTILITY

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

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 and 2013 were:

	<u>Employees</u>	<u>Employer</u>
2014 General category	7.00%	7.00%
2013 General category	6.65%	6.65%

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

	<u>Year Ended December 31</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Covered Employee Payroll	<u>\$ 225,166</u>	<u>\$ 196,755</u>	<u>\$ 190,386</u>
Total Required Contributions	<u>\$ 15,762</u>	<u>\$ 13,084</u>	<u>\$ 11,233</u>
Total Required Contributions	<u>7.00</u>	<u>6.65</u>	<u>5.9</u>

Details of the plan are disclosed in the basic financial statements of the City of Columbus.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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, 2014 has been accrued in these financial statements.

NOTE 10 - SUBSEQUENT EVENTS

The utility evaluated subsequent events through May 7, 2015, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

COLUMBUS SEWER UTILITY

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

NOTE 10 - SUBSEQUENT EVENTS (cont.)

Debt issuance

On March 3, 2015, the city issued \$3,870,000 of general obligation promissory notes. The notes provided funds for city projects and to pay off the 2008 and 2010 notes, including the sewer share. The sewer utility share of outstanding 2008 and 2010 bonds were paid off from funds on hand.

SUPPLEMENTAL INFORMATION

COLUMBUS SEWER UTILITY

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

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
COLLECTING SYSTEM				
Collecting mains	\$ 7,463,348	\$ -	\$ -	\$ 7,463,348
Interceptor mains	936,226	-	-	936,226
Other collecting system equipment	<u>287,970</u>	-	-	<u>287,970</u>
Total Collecting System	<u>8,687,544</u>	-	-	<u>8,687,544</u>
COLLECTING SYSTEM PUMPING				
Electric pumping equipment	545,500	70,893	25,466	590,927
Other power pumping equipment	14,414	-	-	14,414
Miscellaneous pumping equipment	<u>14,876</u>	-	-	<u>14,876</u>
Total Collecting System Pumping	<u>574,790</u>	<u>70,893</u>	<u>25,466</u>	<u>620,217</u>
TREATMENT AND DISPOSAL				
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	864,346	179,032	66,437	976,941
Plant site piping	387,743	-	-	387,743
Flow metering and monitoring equipment	244,632	-	-	244,632
Other treatment and disposal equipment	<u>343,364</u>	-	-	<u>343,364</u>
Total Treatment and Disposal	<u>10,456,821</u>	<u>179,032</u>	<u>66,437</u>	<u>10,569,416</u>
GENERAL				
Office furniture and equipment	18,218	-	-	18,218
Transportation equipment	68,022	3,126	-	71,148
Other general equipment	<u>256,154</u>	-	-	<u>256,154</u>
Total General	<u>342,394</u>	<u>3,126</u>	-	<u>345,520</u>
 TOTAL SEWER UTILITY PLANT	 <u>\$20,061,549</u>	 <u>\$ 253,051</u>	 <u>\$ 91,903</u>	 <u>\$20,222,697</u>

COLUMBUS SEWER UTILITY

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

	2014	2013
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 838,247	\$ 852,173
Commercial	309,435	298,047
Industrial	31,181	30,267
Public authorities	26,173	24,647
Sales to the Town of Elba	12,255	31,300
Sales to the Village of Fall River	115,297	113,025
Total Sewer Revenues	1,332,588	1,349,459
Other Operating Revenues		
Miscellaneous	25,567	22,645
Total Operating Revenues	1,358,155	1,372,104
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	77,571	60,308
Power and fuel for pumping	13,942	11,212
Power and fuel for aeration equipment	76,490	85,481
Chlorine	25,209	22,227
Other operating supplies	39,043	18,631
Transportation	6,088	5,780
Sludge processing - salaries	9,463	8,000
Sludge processing - employee benefits	3,563	3,421
Repairs and maintenance	2,495	13,638
Chemicals	4,976	4,455
Total Operation	258,840	233,153
Maintenance		
Collection system	39,020	114,267
Pumping equipment	21,860	15,533
Treatment and disposal plant equipment	122,069	99,876
General plant structures and equipment	28,525	25,301
Total Maintenance	211,474	254,977
Customer Accounts		
Accounting and collecting	72,075	53,096
Administrative and General		
Salaries	92,479	52,239
Office supplies	1,785	1,440
Outside services employed	56,102	90,593
Insurance	21,880	25,000
Miscellaneous	1,662	1,490
Economic development contribution	8,333	19,000
Total Administrative and General	182,241	189,762
Total Operation and Maintenance	724,630	730,988
Depreciation	554,432	548,190
Total Operating Expenses	1,279,062	1,279,178
 OPERATING INCOME	 \$ 79,093	 \$ 92,926