

**CITY OF MARINETTE  
WATER AND WASTEWATER UTILITIES  
Enterprise Funds of the  
City of Marinette, Wisconsin**

**Financial Statements**

**December 31, 2017**

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**  
**Enterprise Funds of the City of Marinette, Wisconsin**

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December 31, 2017

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**INDEPENDENT AUDITORS' REPORT**

## Independent Auditors' Report

To the Utility Commission  
Marinette Water and Wastewater Utilities  
City of Marinette, Wisconsin

We have audited the accompanying financial statements of City of Marinette Water and Wastewater Utilities (Utilities), enterprise funds of the City of Marinette, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Utilities basic 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 2017 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 2017 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 auditor's 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 entity'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 entity'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 City of Marinette Water and Wastewater Utilities, enterprise funds of the City of Marinette, Wisconsin, as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utility Commission  
Marinette Water and Wastewater Utilities

***Enterprise Funds of the City of Marinette, Wisconsin***

As discussed in Note 1, the financial statements present only the enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Marinette, Wisconsin, as of December 31, 2017, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Management has omitted the management's discussion and analysis and the schedules of proportionate share of the net pension liability and employer contributions – Wisconsin Retirement System that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

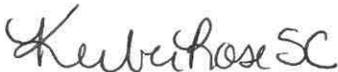
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Marinette Water and Wastewater Utilities' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information on pages 16 through 22 has been subjected to 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The rate of return schedule is also the responsibility of management. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Report on Summarized Financial Information*

The summarized financial information for the year ended December 31, 2016 is presented for the purpose of additional analysis. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the December 31, 2016 financial statements.



**KerberRose SC**  
**Certified Public Accountants**  
August 3, 2018

## FINANCIAL STATEMENTS

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Combining Statement of Net Position

As of December 31, 2017

With summarized financial information as of December 31, 2016

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 668,111	\$ 1,188,103	\$ 1,856,214	\$ 1,599,703
Accounts Receivable	581,823	221,890	803,713	751,976
Inventories and Prepaid Expenses	43,572	-	43,572	40,312
Other Current Assets	2,340	-	2,340	2,340
<b>Total Current Assets</b>	<u>1,295,846</u>	<u>1,409,993</u>	<u>2,705,839</u>	<u>2,394,331</u>
<b>NON-CURRENT ASSETS</b>				
Special Assessments	17,401	-	17,401	20,154
Restricted Cash and Investments	1,978,149	3,991,000	5,969,149	5,521,676
Capital Assets:				
Land and Land Rights	619,406	20,100	639,506	639,506
Construction in Progress	24,337	-	24,337	
Improvements Other than Buildings	25,675,231	19,070,667	44,745,898	44,301,033
Structures and Improvements	11,707,820	6,198,533	17,906,353	17,906,353
Machinery and Equipment	9,545,306	8,580,947	18,126,253	18,096,112
Less: Accumulated Depreciation	(11,409,636)	(20,198,433)	(31,608,069)	(29,616,880)
<b>Total Noncurrent Assets</b>	<u>38,158,014</u>	<u>17,662,814</u>	<u>55,820,828</u>	<u>56,867,954</u>
<b>Total Assets</b>	<u>39,453,860</u>	<u>19,072,807</u>	<u>58,526,667</u>	<u>59,262,285</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	65,807	-	65,807	87,742
Deferred Outflows Related to Pension	214,749	121,634	336,383	425,802
<b>Total Deferred Outflows of Resources</b>	<u>280,556</u>	<u>121,634</u>	<u>402,190</u>	<u>513,544</u>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	61,566	38,579	100,145	24,460
Accrued and Other Current Liabilities	640	235	875	-
Accrued Interest Payable	68,727	2,004	70,731	76,131
Accrued Compensated Absences	73,097	47,899	120,996	134,771
Current Portion of Long-Term Obligations	1,247,138	68,332	1,315,470	1,281,378
<b>Total Current Liabilities</b>	<u>1,451,168</u>	<u>157,049</u>	<u>1,608,217</u>	<u>1,516,740</u>
<b>NON-CURRENT LIABILITIES</b>				
Net Pension Liability	28,437	13,478	41,915	75,996
Long-Term Obligations	13,292,226	445,301	13,737,527	15,052,996
<b>Total Noncurrent Liabilities</b>	<u>13,320,663</u>	<u>458,779</u>	<u>13,779,442</u>	<u>15,128,992</u>
<b>Total Liabilities</b>	<u>14,771,831</u>	<u>615,828</u>	<u>15,387,659</u>	<u>16,645,732</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pension	103,768	57,487	161,255	159,933
<b>NET POSITION</b>				
Net Investment in Capital Assets	21,623,100	13,158,181	34,781,281	34,991,750
Restricted for:				
Debt Service	1,978,149	-	1,978,149	1,809,512
Plant Replacement	-	3,991,000	3,991,000	3,712,164
Pension Benefits	82,544	50,669	133,213	189,873
Unrestricted	1,175,024	1,321,276	2,496,300	2,266,865
<b>TOTAL NET POSITION</b>	<u>\$ 24,858,817</u>	<u>\$ 18,521,126</u>	<u>\$ 43,379,943</u>	<u>\$ 42,970,164</u>

See Accompanying Notes

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**  
Combining Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2017  
With summarized financial information for the year ended December 31, 2016

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 4,774,684	\$ 1,953,205	\$ 6,727,889	\$ 6,762,653
Other	104,462	34,376	138,838	98,945
<b>Total Operating Revenues</b>	<u>4,879,146</u>	<u>1,987,581</u>	<u>6,866,727</u>	<u>6,861,598</u>
<b>OPERATING EXPENSES</b>				
Source of Supply	78,670	-	78,670	68,792
Pumping	188,479	-	188,479	172,814
Water Treatment	466,446	-	466,446	463,078
Collection	-	234,378	234,378	216,460
Treatment and Disposal System	-	611,273	611,273	457,514
Transmission and Distribution	493,621	-	493,621	600,696
Customer Accounts	182,305	-	182,305	105,444
Administrative and General	360,993	500,286	861,279	918,787
<b>Total Operation and Maintenance</b>	<u>1,770,514</u>	<u>1,345,937</u>	<u>3,116,451</u>	<u>3,003,585</u>
Depreciation	1,240,176	876,989	2,117,165	2,106,822
Taxes	48,655	-	48,655	49,770
<b>Total Operating Expenses</b>	<u>3,059,345</u>	<u>2,222,926</u>	<u>5,282,271</u>	<u>5,160,177</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,819,801</u>	<u>(235,345)</u>	<u>1,584,456</u>	<u>1,701,421</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	28,727	49,358	78,085	41,466
Miscellaneous Revenues	4,831	-	4,831	512
Interest and Fiscal Charges	(438,868)	(12,676)	(451,544)	(492,369)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(405,310)</u>	<u>36,682</u>	<u>(368,628)</u>	<u>(450,391)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>1,414,491</u>	<u>(198,663)</u>	<u>1,215,828</u>	<u>1,251,030</u>
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	1,255,006
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(797,257)</u>	<u>(8,792)</u>	<u>(806,049)</u>	<u>(754,773)</u>
<b>CHANGE IN NET POSITION</b>	<u>617,234</u>	<u>(207,455)</u>	<u>409,779</u>	<u>1,751,263</u>
<b>NET POSITION - BEGINNING</b>	<u>24,241,583</u>	<u>18,728,581</u>	<u>42,970,164</u>	<u>41,218,901</u>
<b>NET POSITION - ENDING</b>	<u>\$ 24,858,817</u>	<u>\$ 18,521,126</u>	<u>\$ 43,379,943</u>	<u>\$ 42,970,164</u>

See Accompanying Notes

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2017  
With summarized financial information for the year ended December 31, 2016

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from User Charges	\$ 4,829,600	\$ 1,985,390	\$ 6,814,990	\$ 6,850,995
Other Receipts	27,526	-	27,526	27,276
Cash Payments to Municipality	-	-	-	(101,635)
Cash Payments to Suppliers	(1,235,081)	(1,024,066)	(2,259,147)	(2,341,510)
Cash Payments to Employees and for Benefits	(512,044)	(305,256)	(817,300)	(747,050)
<b>Net Cash Flows From Operating Activities</b>	<u>3,110,001</u>	<u>656,068</u>	<u>3,766,069</u>	<u>3,688,076</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to Municipality	(797,257)	(8,792)	(806,049)	(754,773)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Income	28,727	49,358	78,085	41,466
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(511,129)	(114,190)	(625,319)	(2,208,608)
Capital Contributions	-	-	-	1,255,006
Special Assessment Collections from Customers	7,584	-	7,584	14,441
Principal Payments on Long-Term Debt	(1,204,598)	(66,754)	(1,271,352)	(1,227,882)
Interest Payments on Long-term Debt	(432,097)	(12,937)	(445,034)	(490,326)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(2,140,240)</u>	<u>(193,881)</u>	<u>(2,334,121)</u>	<u>(2,657,369)</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	201,231	502,753	703,984	317,400
<b>CASH - BEGINNING</b>	<u>2,445,029</u>	<u>4,676,350</u>	<u>7,121,379</u>	<u>6,803,979</u>
<b>CASH - ENDING</b>	<u>\$ 2,646,260</u>	<u>\$ 5,179,103</u>	<u>\$ 7,825,363</u>	<u>\$ 7,121,379</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,819,801	\$ (235,345)	\$ 1,584,456	\$ 1,701,421
Adjustments to Reconcile Operating Income (Loss) to Net Cash				
Flows From Operating Activities:				
Depreciation	1,240,176	876,989	2,117,165	2,106,822
Meter Depreciation Charged to Sewer	27,526	(27,526)	-	-
(Increase) Decrease in Operating Assets and Deferred				
Outflows of Resources:				
Accounts Receivable	(49,546)	(2,191)	(51,737)	(10,603)
Inventories and Prepaid Expense	(3,260)	-	(3,260)	(4,160)
Net Pension Asset	-	-	-	126,583
Deferred Outflows Related to Pension	54,130	35,289	89,419	(291,407)
(Decrease) Increase in Operating Liabilities:				
Accounts Payable	50,211	25,474	75,685	(61,537)
Accrued and Other Liabilities	640	235	875	(37,199)
Due to Other Funds	-	-	-	(101,635)
Net Pension Liability	(19,552)	(14,529)	(34,081)	75,996
Compensated Absences	(12,901)	(874)	(13,775)	23,862
Deferred Inflows Related to Pension	2,776	(1,454)	1,322	159,933
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 3,110,001</u>	<u>\$ 656,068</u>	<u>\$ 3,766,069</u>	<u>\$ 3,688,076</u>
<b>RECONCILIATION OF CASH PER STATEMENT OF NET POSITION TO STATEMENTS OF CASH FLOWS</b>				
Cash	\$ 668,111	\$ 1,188,103	\$ 1,856,214	\$ 1,599,703
Restricted Cash	1,978,149	3,991,000	5,969,149	5,521,676
<b>TOTAL CASH PER STATEMENTS OF CASH FLOWS</b>	<u>\$ 2,646,260</u>	<u>\$ 5,179,103</u>	<u>\$ 7,825,363</u>	<u>\$ 7,121,379</u>

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

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## Note 1 - Summary of Significant Accounting Policies

### Introduction

This summary of significant accounting policies of the City of Marinette Water and Wastewater Utilities (Utilities) is presented to assist in understanding the Utilities' financial statements. The financial statements and notes are representations of the Utilities' management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

### Nature of Business

The City of Marinette Water and Wastewater Utilities are separate enterprise funds of the City of Marinette. The City of Marinette Water and Wastewater Utilities (Utilities) and the Marinette Water and Wastewater Commission (Commission) were created by the City of Marinette (Municipality) ordinances in 1937. In 1989, the Commission was replaced by the Marinette Water and Wastewater Utilities Board which operated until 1996 at which time the Commission was re-established. The Commission provides nonpartisan management for the Utilities pursuant to Chapter 66 of the Wisconsin Statutes and consists of seven members (2 council and 5 citizen) appointed by the mayor for three year, noncurrent terms. The Utilities provide water and sewer services to properties within the city.

The water utility encompasses all water supply, treatment and distribution within the municipality. The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW).

The wastewater utility provides wastewater collection and treatment services to properties within the municipality. The Commission is responsible for establishing rates and service rules for its wastewater services.

### Measurement Focus and Basis Accounting

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 recorded when earned and expenses are recorded when a 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.

### Cash

For purposes of the statement of cash flows, cash deposits and highly liquid investments having original maturities of three months or less at the time of purchase are considered to be cash equivalents.

### Accounts Receivable

Accounts receivable are recorded at their gross amount with uncollectible amounts being recognized under the direct write-off method. The Utilities have the right under Wisconsin statutes to place delinquent water and sewer bills on the tax roll for collection. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

## Note 1 - Summary of Significant Accounting Policies (Continued)

### Inventories

Inventories are recorded at lower of cost or market utilizing the average cost method and charged to construction or expense when used.

### Capital Assets

Capital assets of the Utilities are recorded at cost or estimated fair value at the time of contribution to the Utilities. Major outlays for Utility plants 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 using the straight-line method over the following useful lives:

Assets	Years Business-Type Activities
Improvements Other than Buildings	25 – 100
Structures and Improvements	25 – 50
Machinery and Equipment	3 – 10

### Compensated Absences

Under terms of employment, employees accumulate earned but unused vacation, sick leave, and other benefits at various rates depending on classification and length of service. Terminated employees are paid for their unused balance based on their current salary rates. All vacation and sick leave is accrued when incurred in the financial statements.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Utilities have two items at December 31, 2017 that qualify for reporting in this category. Accordingly, deferred charge on refunding and deferred outflows related to pension are reported in the statements of net position.

In addition to liabilities, the statement of net position reports a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Utilities have one item at December 31, 2017 that qualify for reporting in this category. Accordingly, deferred inflows related to pension is reported in the statements of net position.

### Long-Term Obligations

Long-term debt and other long-term obligations are reported as Utility liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

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## Note 1 - Summary of Significant Accounting Policies (Continued)

### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the statements of net position.

### Interfund Transactions

Interfund transactions include transfers to the municipality for payment in lieu of taxes.

### Revenues and Expenses

The Utilities distinguish 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 Utilities' principal ongoing operations. The principal operating revenues of the Utilities' funds are charges to customers for services. The principal operating expenses are depreciation on capital assets and purchase of electricity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## Note 2 - Cash

The Utilities are authorized to invest their funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- 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 or by the University of Wisconsin Hospitals and Clinics.
- 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.

At December 31, 2017, the Utilities' deposits had a carrying amount of \$7,825,363.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts.

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements  
December 31, 2017

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## Note 2 - Cash (Continued)

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2017, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted.

As of December 31, 2017, the Utilities' deposits with financial institutions are pooled with other City deposits. Federal depository insurance limits are not separately determined for Utilities.

## Note 3 - Restricted Assets

Restricted assets on December 31, 2017, consisted of cash of \$5,969,149 held for the following purposes:

The bond redemption account is used to segregate resources accumulated for debt service payments over the next 12 months.

The bond reserve account is used to report resources set aside to make up potential future deficiencies in the redemption account.

The replacement account is to be used to provide funds for significant wastewater treatment mechanical equipment replacement.

The balances as of December 31, 2017 are as follows:

Water Utility Fund	
Bond Redemption	\$ 1,406,078
Bond Reserve	572,071
Total	<u>1,978,149</u>
Wastewater Utility Fund	
Plant Replacement	<u>3,991,000</u>
Total Restricted	<u>\$ 5,969,149</u>

**MARINETTE WATER AND WASTEWATER UTILITIES**

Notes to Financial Statements  
December 31, 2017

**Note 4 - Changes In Capital Assets**

***Water Utility***

A summary of changes in water capital assets for 2017 follows:

	<u>Balance 1/1/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/17</u>
Capital Assets not being Depreciated:				
Land and Land Rights	\$ 619,406	\$ -	\$ -	\$ 619,406
Construction in Progress	-	24,337	-	24,337
<b>Total Capital Assets Not Being Depreciated</b>	<u>619,406</u>	<u>24,337</u>	<u>-</u>	<u>643,743</u>
Capital Assets Being Depreciated:				
Improvements Other than Buildings	25,344,556	456,651	125,976	25,675,231
Structures and Improvements	11,707,820	-	-	11,707,820
Machinery and Equipment	9,515,165	30,141	-	9,545,306
Total Capital Assets Being Depreciated	<u>46,567,541</u>	<u>511,129</u>	<u>125,976</u>	<u>46,928,357</u>
Total Capital Assets	<u>47,186,947</u>	<u>535,466</u>	<u>125,976</u>	<u>47,572,100</u>
Less Accumulated Depreciation	<u>(10,267,910)</u>	<u>(1,267,702)</u>	<u>(125,976)</u>	<u>(11,409,636)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 36,919,037</u>	<u>\$ (732,236)</u>	<u>\$ -</u>	<u>\$ 36,186,801</u>

***Wastewater Utility***

A summary of changes in wastewater capital assets for 2017 follows:

	<u>Balance 1/1/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/17</u>
Capital Assets not being Depreciated:				
Land	\$ 20,100	\$ -	\$ -	\$ 20,100
Capital Assets Being Depreciated:				
Improvements Other than Buildings	18,956,477	114,190	-	19,070,667
Structures and Improvements	6,198,533	-	-	6,198,533
Machinery and Equipment	8,580,947	-	-	8,580,947
Total Capital Assets Being Depreciated	<u>33,735,957</u>	<u>114,190</u>	<u>-</u>	<u>33,850,147</u>
Total Capital Assets	<u>33,756,057</u>	<u>114,190</u>	<u>-</u>	<u>33,870,247</u>
Less Accumulated Depreciation	<u>(19,348,970)</u>	<u>(849,463)</u>	<u>-</u>	<u>(20,198,433)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 14,407,087</u>	<u>\$ (735,273)</u>	<u>\$ -</u>	<u>\$ 13,671,814</u>

Depreciation expense may be different than the accumulated depreciation increases because of joint metering, salvage, cost of removal or costs associated with the disposal of assets.

**MARINETTE WATER AND WASTEWATER UTILITIES**

Notes to Financial Statements  
December 31, 2017

**Note 5 - Interfund Transfers**

Interfund transfers for the year ended December 31, 2017 were as follows:

	<u>Municipality</u>	<u>Purpose</u>
Transfer From:		
Water Utility	\$ <u>797,257</u>	Property Tax Equivalent
Wastewater Utility	\$ <u>8,792</u>	Property Tax Equivalent

**Note 6 - Long-Term Debt**

The following is a summary of changes in long-term obligations:

	<u>Balance</u>				<u>Balance</u>	<u>Due Within</u>
	<u>1/1/17</u>	<u>Increase</u>	<u>Decrease</u>		<u>12/31/17</u>	<u>One Year</u>
<b>Water Utility</b>						
Safe Drinking Water Loans	\$ 10,396,491	\$ -	\$ 844,599		\$ 9,551,892	\$ 867,113
Revenue Bonds	5,255,000	-	360,000		4,895,000	370,000
Adjustments For						
Premium on Debt	102,496	-	10,025		92,471	10,025
Net Pension Liability	47,989	54,798	74,350		28,437	-
Total	\$ <u>15,801,976</u>	\$ <u>54,798</u>	\$ <u>1,288,974</u>		\$ <u>14,567,800</u>	\$ <u>1,247,138</u>

<b>Wastewater Utility</b>						
Clean Water Fund Loan	\$ 580,387	\$ -	\$ 66,754		\$ 513,633	\$ 68,332
Net Pension Liability	28,007	20,712	35,241		13,478	-
Total	\$ <u>608,394</u>	\$ <u>20,712</u>	\$ <u>101,995</u>		\$ <u>527,111</u>	\$ <u>68,332</u>

	<u>Date of</u>	<u>Final</u>	<u>Interest</u>	<u>Original</u>	<u>Balance</u>
	<u>Issuance</u>	<u>Maturity</u>	<u>Rate</u>	<u>Indebtedness</u>	<u>12/31/17</u>
<b>Water Utilities</b>					
Safe Drinking Water Loan	12/23/09	05/01/29	2.668%	\$ 10,871,073	\$ 7,888,489
Safe Drinking Water Loan	02/13/03	05/01/22	2.75%	3,875,190	1,223,545
Safe Drinking Water Loan	04/28/04	05/01/23	2.365%	1,151,786	439,858
Revenue Bonds	01/07/14	05/01/27	3.00-4.00%	2,850,000	2,625,000
Revenue Bonds	08/26/15	05/01/24	2.25-3.125%	2,830,000	2,270,000
					\$ <u>14,446,892</u>
<b>Wastewater Utility</b>					
Clean Water Fund Loan	03/09/05	05/01/24	2.365%	\$ 1,151,786	\$ 513,633

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

## Note 6 - Long-Term Debt (Continued)

### Water Utility

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,237,113	\$ 400,545	\$ 1,637,658
2019	1,270,229	368,140	1,638,369
2020	1,303,961	334,787	1,638,748
2021	1,338,327	299,989	1,638,316
2022	1,378,342	262,905	1,641,247
2023-2027	6,425,220	696,330	7,121,550
2028-2031	1,493,700	40,114	1,533,814
	<u>\$ 14,446,892</u>	<u>\$ 2,402,810</u>	<u>\$ 16,849,702</u>

### Wastewater Utility

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 68,332	\$ 11,339	\$ 79,671
2019	69,948	9,704	79,652
2020	71,603	8,030	79,633
2021	73,296	6,317	79,613
2022	75,030	4,563	79,593
2023-2024	155,424	3,697	159,121
	<u>\$ 513,633</u>	<u>\$ 43,650</u>	<u>\$ 557,283</u>

### Utility Revenues Pledged

The Utility has pledged future revenue derived from the Water and Sewer Utilities, net of specified operating expenses, to repay the Clean Water Fund, Safe Drinking Water Loans, and Revenue Bonds. Proceeds from the debt provided financing for the construction or acquisition of capital assets used within the utilities.

The Clean Water Fund Loan is payable from Sewerage System net revenues and payable through 2024. The total principal and interest remaining to be paid on the loan is \$557,283. Principal and interest paid for the current year and total Sewerage System net revenues were \$79,691 and \$678,326, respectively. The Sewerage System met the Clean Water Fund Loan revenue requirements in 2017.

The Safe Drinking Water Loans and Revenue Bonds are payable from Water System net revenues and are payable through 2029 and 2027. The total principal and interest remaining to be paid on the loans is \$16,849,702. Principal and interest paid for the current year and total water system net revenues were \$1,636,696 and \$1,839,386, respectively. The Water System met the Safe Drinking Water Loans and Revenue Bonds revenue requirements in 2017.

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements  
December 31, 2017

## Note 7 - Net Position

Net position is classified 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 improvements of those assets.

Restricted – This component of net position consists of constraints placed on assets 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 provision or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does 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 Utilities' policy to use restricted resources first, then unrestricted resources as they are needed.

Net position of the Utilities at December 31, 2017 include the following:

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Net Investment in Capital Assets			
Net Capital Assets	\$ 36,162,463	\$ 13,671,814	\$ 49,834,277
Less: Related Long-Term Debt Outstanding	(14,539,363)	(513,633)	(15,052,996)
Net Investment in Capital Assets	<u>21,623,100</u>	<u>13,158,181</u>	<u>34,781,281</u>
Restricted			
Debt Service	1,978,149	-	1,978,149
Plant Replacement	-	3,991,000	3,991,000
Pension Benefits	82,544	50,669	133,213
Total Restricted	<u>2,060,693</u>	<u>4,041,669</u>	<u>6,102,362</u>
Unrestricted	<u>1,175,024</u>	<u>1,321,276</u>	<u>2,496,300</u>
Total Net Position	<u>\$ 24,858,817</u>	<u>\$ 18,521,126</u>	<u>\$ 43,379,943</u>

## Note 8 - Defined Benefit Pension Plan

### Summary of Significant Accounting Policies

**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.

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

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## Note 8 - Defined Benefit Pension Plan (Continued)

### *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 prior to July 1, 2011, and 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, and 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.

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.

**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:

**MARINETTE WATER AND WASTEWATER UTILITIES**

Notes to Financial Statements  
December 31, 2017

**Note 8 - Defined Benefit Pension Plan (Continued)**

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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
2016	0.5	(5)

**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.

During the reporting period, the WRS recognized \$44,722 in contributions from the Utilities.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

Pension amounts have been allocated to the utilities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the utilities relative to the total contributions made by the municipality. The allocations were as follows: Governmental Activities – 90.72%, Water – 5.386%, and Wastewater – 3.42%.

At December 31, 2017, the Water and Wastewater Utilities reported a liability of \$28,436 and \$13,478 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities proportion of the net pension liability was based on the Utilities share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the municipalities proportion was 0.04985542%, which was a decrease of 0.00054058% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the Utility recognized pension expense of \$109,591. This consisted of \$74,350 from Water Utility, and \$35,241 from Wastewater Utility.

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements  
December 31, 2017

## Note 8 - Defined Benefit Pension Plan (Continued)

At December 31, 2017, the Utilities' reported deferred outflows and inflows of resources related to pensions from the following sources:

### Water Utility

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 9,182	\$ 75,731
Changes in assumptions	25,177	-
Net differences between projected and actual earnings on pension plan investments	143,607	28,037
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,054	-
Employer contributions subsequent to the measurement date	33,729	-
<b>Total</b>	<b>\$ 214,749</b>	<b>103,768</b>

### Wastewater Utility

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 5,359	\$ 44,198
Changes in assumptions	14,694	-
Net differences between projected and actual earnings on pension plan investments	83,812	13,289
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,782	-
Employer contributions subsequent to the measurement date	15,987	-
<b>Total</b>	<b>\$ 121,634</b>	<b>\$ 57,487</b>

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements  
December 31, 2017

## Note 8 - Defined Benefit Pension Plan (Continued)

The \$49,674 (\$33,729 Water Utility, \$15,987 Wastewater Utility) reported as 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 in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense/income in subsequent years as follows:

### Water Utility

Year ending December 31,	Deferred Outflow of Resources	Deferred Inflows of Resources
2018	\$ 63,045	\$ 31,414
2019	63,045	31,414
2020	52,671	31,414
2021	2,206	9,526
2022	53	-

### Wastewater Utility

Year ending December 31,	Deferred Outflow of Resources	Deferred Inflows of Resources
2018	\$ 36,794	\$ 17,403
2019	36,794	17,403
2020	30,740	17,403
2021	1,288	5,278
2022	31	-

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
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.

## MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

### Note 8 - Defined Benefit Pension Plan (Continued)

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the asset calculated from the December 31, 2015 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	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50.0%	45.0%	8.3%	5.4%
Fixed Income	24.5	37.0	4.2	1.4
Inflation Sensitive Assets	15.5	20.0	4.3	1.5
Real Estate	8.0	7.0	6.5	3.6
Private Equity/Debt	8.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.6	3.7
Total Core Fund	110.0%	120.0%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0	30.0	8.5	5.6
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

*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 3.78%. 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 (asset).

# MARINETTE WATER AND WASTEWATER UTILITIES

Notes to Financial Statements

December 31, 2017

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## Note 8 - Defined Benefit Pension Plan (Continued)

*Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City'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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase To Discount Rate (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 1,104,033	\$ 83,921	(\$ 701,611)

*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>

## Note 9 - Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Utilities purchase commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past year.

## Note 10 - Commitments And Contingencies

From time to time, the Utilities are party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Utilities financial position or results of operations.

## Note 11 - Basis For Utility Existing Rates

### Water

Current water rates were approved by the PSCW effective date of April 21, 2015.

### Wastewater

Current wastewater rates were approved by the Utility commission effective date of February 1, 2016.

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**SUPPLEMENTARY INFORMATION**

## WATER UTILITY

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Water Utility Fund

Statements of Net Position

As of December 31, 2017 and 2016

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 668,111	\$ 635,517
Accounts Receivable	581,823	532,277
Inventories and Prepaid Expenses	43,572	40,312
Other Current Assets	2,340	2,340
<b>Total Current Assets</b>	<u>1,295,846</u>	<u>1,210,446</u>
Noncurrent Assets		
Special Assessments	17,401	20,154
Restricted Cash	1,978,149	1,809,512
Capital Assets:		
Land and Land Rights	619,406	619,406
Construction in Progress	24,337	-
Improvements Other than Buildings	25,675,231	25,344,556
Structures and Improvements	11,707,820	11,707,820
Machinery and Equipment	9,545,306	9,515,165
Less: Accumulated Depreciation	(11,409,636)	(10,267,910)
<b>Total Noncurrent Assets</b>	<u>38,158,014</u>	<u>38,748,703</u>
<b>TOTAL ASSETS</b>	<u>39,453,860</u>	<u>39,959,149</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Refunding	65,807	87,742
Deferred Outflows Related to Pension	214,749	268,879
<b>Total Deferred Outflows of Resources</b>	<u>280,556</u>	<u>356,621</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	61,566	11,355
Accrued and Other Current Liabilities	640	-
Accrued Interest Payable	68,727	73,866
Accrued Compensated Absences	73,097	85,998
Current Portion of Long-Term Obligations	1,247,138	1,214,624
<b>Total Current Liabilities</b>	<u>1,451,168</u>	<u>1,385,843</u>
Noncurrent Liabilities		
Net Pension Liability	28,437	47,989
Long-Term Obligations	13,292,226	14,539,363
<b>Total Noncurrent Liabilities</b>	<u>13,320,663</u>	<u>14,587,352</u>
<b>TOTAL LIABILITIES</b>	<u>14,771,831</u>	<u>15,973,195</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pension	103,768	100,992
<b>NET POSITION</b>		
Net Investment in Capital Assets	21,623,100	21,165,050
Restricted for:		
Debt Service	1,978,149	1,809,512
Pension Benefits	82,544	119,898
Unrestricted	1,175,024	1,147,123
<b>TOTAL NET POSITION</b>	<u>\$ 24,858,817</u>	<u>\$ 24,241,583</u>

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Water Utility Fund

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2017 and 2016

<b>OPERATING REVENUES</b>	<b>2017</b>	<b>2016</b>
Charges for Services:		
Unmetered Sales	\$ 3,093	\$ 25,719
Metered:		
Residential	1,458,618	1,492,227
Commercial	627,257	599,303
Industrial	1,323,923	1,368,681
Public Authorities	172,532	194,424
Multifamily	13,500	13,156
<b>Total Metered Sales</b>	<b>3,595,830</b>	<b>3,667,791</b>
Private Fire Protection	63,237	65,208
Public Fire Protection	1,112,524	1,100,879
<b>Total Charges for Services</b>	<b>4,774,684</b>	<b>4,859,597</b>
Other Operating Revenues:		
Forfeited Discounts	17,833	19,648
Other	86,629	57,422
<b>Total Other Operating Revenues</b>	<b>104,462</b>	<b>77,070</b>
<b>Total Operating Revenues</b>	<b>4,879,146</b>	<b>4,936,667</b>
<b>OPERATING EXPENSES</b>		
Source of Supply:		
Operation Labor and Expenses	65,085	34,708
Miscellaneous Expenses	2,278	6,009
Maintenance of Structures and Improvements	11,307	28,075
<b>Total Source of Supply</b>	<b>78,670</b>	<b>68,792</b>
Pumping:		
Power Purchased for Pumping	124,922	117,410
Pumping Labor and Expenses	23,574	22,350
Miscellaneous Expenses	26,411	24,723
Maintenance of Structures and Improvements	4,718	5,938
Maintenance of Pumping Equipment	8,854	2,393
<b>Total Pumping</b>	<b>188,479</b>	<b>172,814</b>
Water Treatment:		
Chemicals	159,291	143,890
Operation Labor and Expenses	240,904	227,479
Miscellaneous Expenses	25,745	24,404
Maintenance of Structures and Improvements	8,202	10,677
Maintenance of Water Treatment Equipment	32,304	56,628
<b>Total Water Treatment</b>	<b>466,446</b>	<b>463,078</b>
Transmission and Distribution:		
Storage Facilities Expenses	14,768	14,562
Transmission and Distribution Lines Expenses	105,574	61,974
Meter Expenses	4,533	3,683
Customer Installation Expenses	54,581	53,846
Miscellaneous Expenses	22,717	18,938
Maintenance of Distribution Reservoirs and Standpipes	128,489	280,494
Maintenance of Transmission and Distribution Mains	75,608	75,587
Maintenance of Services	74,803	55,996
Maintenance of Meters	3,144	6,134
Maintenance of Hydrants	9,404	29,482
<b>Total Transmission and Distribution</b>	<b>493,621</b>	<b>600,696</b>

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**  
Water Utility Fund  
Statements of Revenues, Expenses and Changes in Net Position - Continued  
For the Year Ended December 31, 2017 and 2016

<b>OPERATING EXPENSES</b>	<b>2017</b>	<b>2016</b>
Customer Accounts:		
Meter Reading Expenses	\$ 7,903	\$ 10,629
Customer Records and Collection Expenses	166,743	77,688
Uncollectible accounts	918	873
Miscellaneous Customer Accounts Expenses	6,741	16,254
<b>Total Customer Accounts</b>	<u>182,305</u>	<u>105,444</u>
Administrative and General:		
Administrative and General Salaries	46,838	60,501
Office Supplies and Expenses	12,877	12,743
Outside Services Employed	27,566	28,273
Property Insurance	24,897	24,746
Employee Pensions and Benefits	229,267	247,690
Miscellaneous General Expenses	18,421	19,033
Maintenance of General Plant	1,127	9,811
<b>Total Administrative and General</b>	<u>360,993</u>	<u>402,797</u>
Other Operation and Maintenance:		
Taxes	48,655	49,770
<b>Total Operation and Maintenance</b>	<u>1,819,169</u>	<u>1,863,391</u>
Other Operating Expenses		
Depreciation	1,240,176	1,235,489
<b>Total Operating Expenses</b>	<u>3,059,345</u>	<u>3,098,880</u>
<b>OPERATING INCOME</b>	<u>1,819,801</u>	<u>1,837,787</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	28,727	15,176
Miscellaneous Revenues	4,831	512
Interest and Fiscal Charges	(438,868)	(478,126)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(405,310)</u>	<u>(462,438)</u>
<b>CAPITAL CONTRIBUTIONS</b>	-	815,280
<b>TRANSFER - TAX EQUIVALENT</b>	<u>(797,257)</u>	<u>(746,343)</u>
<b>CHANGE IN NET POSITION</b>	617,234	1,444,286
<b>NET POSITION - BEGINNING</b>	<u>24,241,583</u>	<u>22,797,297</u>
<b>NET POSITION - ENDING</b>	<u>\$ 24,858,817</u>	<u>\$ 24,241,583</u>

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Water Utility Fund

Statements of Cash Flows

For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from User Charges	\$ 4,829,600	\$ 4,970,022
Other Receipts	27,526	27,276
Cash Payments to Suppliers	(1,235,081)	(1,393,200)
Cash Payments to Employees	(512,044)	(427,295)
<b>Net Cash Flows from Operating Activities</b>	<u>3,110,001</u>	<u>3,176,803</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to Municipality	<u>(797,257)</u>	<u>(746,343)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	<u>28,727</u>	<u>15,176</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(511,129)	(1,321,786)
Capital Contributions	-	815,280
Special Assessment Collections from Customers	7,584	14,441
Principal Payments on Long-Term Debt	(1,204,598)	(1,162,671)
Interest Payments on Long-Term Debt	(432,097)	(475,829)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(2,140,240)</u>	<u>(2,130,565)</u>
<b>NET CHANGE IN CASH</b>	201,231	315,071
<b>CASH - BEGINNING</b>	<u>2,445,029</u>	<u>2,129,958</u>
<b>CASH - ENDING</b>	<u>\$ 2,646,260</u>	<u>\$ 2,445,029</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 1,819,801	\$ 1,837,787
Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation	1,240,176	1,235,489
Meter Depreciation Charged to Sewer	27,526	27,276
(Increase) Decrease in Operating Assets and Deferred Outflows of Resources:		
Accounts Receivable	(49,546)	33,355
Inventories and Prepaid Items	(3,260)	(4,160)
Net Pension Asset	-	84,813
Deferred Outflows Related to Pension	54,130	(178,212)
(Decrease) Increase in Operating Liabilities and Deferred Inflows of Resources:		
Accounts Payable	50,211	(28,885)
Accrued and Other Liabilities	640	(22,127)
Net Pension Liability	(19,552)	47,989
Compensated Absences	(12,901)	42,486
Deferred Inflows Related to Pension	2,776	100,992
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 3,110,001</u>	<u>\$ 3,176,803</u>
<b>RECONCILIATION OF CASH PER STATEMENTS OF NET POSITION TO STATEMENT OF CASH FLOWS</b>		
Cash	\$ 668,111	\$ 635,517
Restricted Cash	1,978,149	1,809,512
<b>TOTAL CASH PER STATEMENT OF CASH FLOWS</b>	<u>\$ 2,646,260</u>	<u>\$ 2,445,029</u>

## WASTEWATER UTILITY

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Wastewater Utility Fund

Statements of Net Position

As of December 31, 2017 and 2016

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current Assets		
Cash	\$ 1,188,103	\$ 964,186
Accounts Receivable	221,890	219,699
<b>Total Current Assets</b>	<u>1,409,993</u>	<u>1,183,885</u>
Noncurrent Assets		
Restricted Cash	3,991,000	3,712,164
Capital Assets:		
Land and Land Rights	20,100	20,100
Improvements Other than Buildings	19,070,667	18,956,477
Structures and Improvements	6,198,533	6,198,533
Machinery and Equipment	8,580,947	8,580,947
Less: Accumulated Depreciation	(20,198,433)	(19,348,970)
<b>Total Noncurrent Assets</b>	<u>17,662,814</u>	<u>18,119,251</u>
<b>TOTAL ASSETS</b>	<u>19,072,807</u>	<u>19,303,136</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pension	<u>121,634</u>	<u>156,923</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	38,579	13,105
Accrued and Other Current Liabilities	235	-
Accrued Interest Payable	2,004	2,265
Accrued Compensated Absences	47,899	48,773
Current Portion of Long-Term Obligations	68,332	66,754
<b>Total Current Liabilities</b>	<u>157,049</u>	<u>130,897</u>
Noncurrent Liabilities		
Net Pension Liability	13,478	28,007
Long-Term Obligations	445,301	513,633
<b>Total Noncurrent Liabilities</b>	<u>458,779</u>	<u>541,640</u>
<b>TOTAL LIABILITIES</b>	<u>615,828</u>	<u>672,537</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pension	<u>57,487</u>	<u>58,941</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	13,158,181	13,826,700
Restricted for:		
Plant Replacement	3,991,000	3,712,164
Pension Benefits	50,669	69,975
Unrestricted	1,321,276	1,119,742
<b>TOTAL NET POSITION</b>	<u>\$ 18,521,126</u>	<u>\$ 18,728,581</u>

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Wastewater Utility Fund

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2017 and 2016

<b>OPERATING REVENUES</b>	<u>2017</u>	<u>2016</u>
Sewer Revenues:		
Metered:		
Residential	\$ 982,697	\$ 984,481
Commercial	381,047	367,676
Industrial	411,588	364,764
Public Authorities	177,873	186,135
<b>Total Metered Sales</b>	<u>1,953,205</u>	<u>1,903,056</u>
Other Operating Revenues:		
Forfeited Discounts	8,296	8,107
Miscellaneous	26,080	13,768
<b>Total Other Operating Revenues</b>	<u>34,376</u>	<u>21,875</u>
<b>Total Operating Revenues</b>	<u>1,987,581</u>	<u>1,924,931</u>
<b>OPERATING EXPENSES</b>		
Maintenance of Buildings and Grounds	49,031	45,467
Maintenance of Treatment Equipment	29,903	26,017
Collection System Operations	187,056	135,165
Lift Stations	47,322	81,294
Treatment Plant Operations	425,044	310,998
General and Administrative	500,286	515,990
Sludge Management	107,295	75,033
Depreciation	876,989	871,333
<b>Total Operating Expenses</b>	<u>2,222,926</u>	<u>2,061,297</u>
<b>OPERATING LOSS</b>	<u>(235,345)</u>	<u>(136,366)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	49,358	26,290
Interest and Fiscal Charges	(12,676)	(14,243)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>36,682</u>	<u>12,047</u>
<b>CAPITAL CONTRIBUTIONS</b>	-	439,726
<b>TRANSFER - TAX EQUIVALENT</b>	<u>(8,792)</u>	<u>(8,430)</u>
<b>CHANGE IN NET POSITION</b>	(207,455)	306,977
<b>NET POSITION - BEGINNING</b>	<u>18,728,581</u>	<u>18,421,604</u>
<b>NET POSITION - ENDING</b>	<u>\$ 18,521,126</u>	<u>\$ 18,728,581</u>

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Wastewater Utility Fund

Statements of Cash Flows

For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from User Charges	\$ 1,985,390	\$ 1,880,973
Cash Payments to Municipality	-	(101,635)
Cash Payments to Suppliers	(1,024,066)	(948,310)
Cash Payments to Employees and for Benefits	(305,256)	(319,755)
<b>Net Cash Flows From Operating Activities</b>	<u>656,068</u>	<u>511,273</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to Municipality	<u>(8,792)</u>	<u>(8,430)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>49,358</u>	<u>26,290</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(114,190)	(886,822)
Capital Contributions	-	439,726
Principal Payments on Long-Term Debt	(66,754)	(65,211)
Interest Payments on Long-Term Debt	(12,937)	(14,497)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(193,881)</u>	<u>(526,804)</u>
<b>NET CHANGE IN CASH</b>	502,753	2,329
<b>CASH - BEGINNING</b>	<u>4,676,350</u>	<u>4,674,021</u>
<b>CASH - ENDING</b>	<u>\$ 5,179,103</u>	<u>\$ 4,676,350</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (235,345)	\$ (136,366)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Depreciation	876,989	871,333
Meter Depreciation Charged to Sewer	(27,526)	(27,276)
Increase (Decrease) in Operating Assets and Deferred Outflows of Resources:		
Accounts Receivable	(2,191)	(43,958)
Net Pension Asset	-	41,770
Deferred Outflow Related to Pension	35,289	(113,195)
Increase (Decrease) in Operating Liabilities and Deferred Inflows of Resources:		
Accounts Payable	25,474	(32,652)
Accrued and Other Liabilities	235	(15,072)
Due to Other Funds	-	(101,635)
Net Pension Liability	(14,529)	28,007
Compensated Absences	(874)	(18,624)
Deferred Inflow Related to Pension	(1,454)	58,941
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 656,068</u>	<u>\$ 511,273</u>
<b>RECONCILIATIONS OF CASH PER STATEMENTS OF NET POSITION TO STATEMENTS OF CASH FLOWS</b>		
Cash	\$ 1,188,103	\$ 964,186
Restricted Cash	3,991,000	3,712,164
<b>TOTAL CASH PER STATEMENT OF CASH FLOWS</b>	<u>\$ 5,179,103</u>	<u>\$ 4,676,350</u>

**CITY OF MARINETTE WATER AND WASTEWATER UTILITIES**

Schedules of Rates of Return

For the Years Ended December 31, 2017 and 2016

	<u>2017</u> <u>Water</u>	<u>2016</u> <u>Water</u>	<u>2017</u> <u>Wastewater</u>	<u>2016</u> <u>Wastewater</u>
<b>UTILITY PLANT</b>				
Beginning	\$ 34,013,614	\$ 33,566,814	\$ 33,756,057	\$ 32,903,866
Ending	<u>34,194,023</u>	<u>34,013,614</u>	<u>33,870,247</u>	<u>33,756,057</u>
Average	<u>34,103,819</u>	<u>33,790,214</u>	<u>33,813,152</u>	<u>33,329,962</u>
<b>ACCUMULATED DEPRECIATION</b>				
Beginning	(7,815,437)	(6,962,799)	(19,348,970)	(18,539,544)
Ending	<u>(8,601,103)</u>	<u>(7,815,437)</u>	<u>(20,198,433)</u>	<u>(19,348,970)</u>
Average	<u>(8,208,270)</u>	<u>(7,389,118)</u>	<u>(19,773,702)</u>	<u>(18,944,257)</u>
<b>MATERIALS AND SUPPLIES INVENTORY</b>				
Beginning	40,311	35,565	-	-
Ending	<u>43,421</u>	<u>40,311</u>	<u>-</u>	<u>-</u>
Average	<u>41,866</u>	<u>37,938</u>	<u>-</u>	<u>-</u>
<b>AMORTIZATION OF REGULATORY LIABILITY</b>				
Beginning	(88,674)	(101,344)	-	-
Ending	<u>(82,340)</u>	<u>(88,674)</u>	<u>-</u>	<u>-</u>
Average	<u>(85,507)</u>	<u>(95,009)</u>	<u>-</u>	<u>-</u>
<b>AVERAGE NET RATE BASE</b>	<u>\$ 25,851,908</u>	<u>\$ 26,344,025</u>	<u>14,039,450</u>	<u>14,385,705</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 1,415,950</u>	<u>\$ 1,497,144</u>	<u>(235,345)</u>	<u>(136,366)</u>
<b>RATES OF RETURN</b>	<u>5.48%</u>	<u>5.68%</u>	<u>-1.68%</u>	<u>-0.95%</u>

The Water Rate of Return is computed based on the Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States as described in Note 1. The authorized rate of return for the Water Utilities is 5.5%.

The Wastewater Rate of Return is based on operating results reflected in the basic financial statements.