

YORKVILLE SEWER UTILITY DISTRICT #1

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

YORKVILLE SEWER UTILITY DISTRICT #1

TABLE OF CONTENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

	<u>Page</u>
<u>Independent Auditor's Report</u>	1 -2
<u>Financial Statements</u>	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 11
<u>Supplemental Information</u>	
Schedule of Sewer Operating Revenues and Expenses	13



Patrick W. Romenesko, S.C.
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

The Board of Commissioners
Yorkville Sewer Utility District #1
Racine County, Wisconsin

I have audited the accompanying financial statements of the Yorkville Sewer Utility District #1, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Yorkville Sewer Utility District #1's 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yorkville Sewer Utility District #1 as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

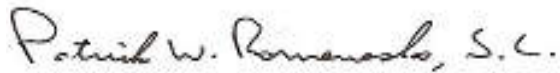
As discussed in Note 1, the financial statements present only the enterprise fund and do not purport to, and do not present fairly the financial position of the Town of Yorkville as of December 31, 2015 and 2014, and the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Yorkville Sewer Utility District #1 basic financial statements. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the of the basic financial statements.

This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



PATRICK W. ROMENESKO, S.C.
CERTIFIED PUBLIC ACCOUNTANT

Lake Geneva, Wisconsin
April 20, 2016

YORKVILLE SEWER UTILITY DISTRICT #1
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>		
Cash and working funds	\$ 249,583	\$ 275,829
Customer accounts receivable	97,295	64,940
Receivable from municipality	1,452	10,247
Total Current Assets	<u>348,330</u>	<u>351,016</u>
<u>Restricted Assets</u>		
Equipment replacement fund	<u>18,781</u>	<u>15,224</u>
<u>Capital Assets</u>		
Utility plant	1,942,152	1,942,152
Less: Accumulated depreciation	<u>(694,618)</u>	<u>(666,061)</u>
Net Capital Assets	<u>1,247,534</u>	<u>1,276,091</u>
Total Assets	<u>1,614,645</u>	<u>1,642,331</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	17,019	13,648
Due to water utility	217	217
Accrued wages	<u>4,107</u>	<u>3,661</u>
Total Current Liabilities	<u>21,343</u>	<u>17,526</u>
<u>NET POSITION</u>		
<u>Net Position</u>		
Invested in capital assets	1,247,534	1,276,091
Restricted for equipment replacement fund	18,781	15,224
Unrestricted	<u>326,987</u>	<u>333,490</u>
Total Net Position	<u>\$ 1,593,302</u>	<u>\$ 1,624,805</u>

See accompanying notes to financial statements.

YORKVILLE SEWER UTILITY DISTRICT #1
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 309,907	\$ 251,627
<u>Operating Expenses</u>		
Operation and maintenance expenses	309,872	265,320
Depreciation expense	28,557	25,587
Taxes	<u>3,354</u>	<u>3,006</u>
Total Operating Expenses	<u>341,783</u>	<u>293,913</u>
Operating Loss	<u>(31,876)</u>	<u>(42,286)</u>
<u>Nonoperating Revenue</u>		
Investment income	<u>373</u>	<u>271</u>
Changes in Net Position	(31,503)	(42,015)
Net Position - Beginning of Year	<u>1,624,805</u>	<u>1,666,820</u>
Net Position - End of Year	<u><u>\$ 1,593,302</u></u>	<u><u>\$ 1,624,805</u></u>

See accompanying notes to financial statements.

Two page statements of cash flows follow.

YORKVILLE SEWER UTILITY DISTRICT #1
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities</u>		
Receipts from customers	\$ 277,552	\$ 252,165
Receipts from municipality	10,247	3,070
Payments to suppliers	(264,655)	(227,763)
Payments to municipality	(1,452)	(10,247)
Payments to employees	(44,754)	(39,605)
Net Cash Used for Operating Activities	<u>(23,062)</u>	<u>(22,380)</u>
<u>Cash Flows From Capital And Related Financing Activities</u>		
Acquisition and construction of utility plant	<u>-</u>	<u>(29,045)</u>
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(29,045)</u>
<u>Cash Flows From Investing Activities</u>		
Investment income	<u>373</u>	<u>271</u>
Net Cash Provided by Investing Activities	<u>373</u>	<u>271</u>
Net Decrease in Cash and Cash Equivalents	(22,689)	(51,154)
Cash and Cash Equivalents - Beginning of Year	<u>291,053</u>	<u>342,207</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 268,364</u></u>	<u><u>\$ 291,053</u></u>

See accompanying notes to financial statements.

YORKVILLE SEWER UTILITY DISTRICT #1
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Used for Operating Activities</u>		
Operating loss	\$ (31,876)	\$ (42,286)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	28,557	25,587
Changes in current assets and current liabilities:		
Accounts receivable	(32,355)	538
Receivable from municipality	8,795	(7,177)
Accounts payable	3,371	391
Accrued wages	446	567
Net Cash Used for Operating Activities	(23,062)	(22,380)
<u>Reconciliation of Cash and Cash Equivalents to</u>		
<u>Statements of Net Position</u>		
Cash and working funds reported in current assets	249,583	275,829
Cash and investments reported in restricted assets	18,781	15,224
Cash and Cash Equivalents - End of Year	\$ 268,364	\$ 291,053

See accompanying notes to financial statements.

YORKVILLE SEWER UTILITY DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The Yorkville Sewer Utility District #1 (the utility) provides sewer service to properties within its service area and is managed by a commission consisting of the members of the Town of Yorkville board of supervisors along with two members of the general public. As a component unit of the Town of Yorkville, the commission is not required to include Management's Discussion and Analysis in its financial statements.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting in conformity with accounting standards generally accepted in the United States of America, as set forth by the Governmental Accounting Standards Board.

Cash and Investments

Cash includes amounts in demand deposits and the Wisconsin local government investment pool. Cash is stated at cost which substantially equals fair value. Generally accepted accounting principles require all deposits and investments with remaining maturities at the date of purchase of one year or less at amortized cost. All other investments are to be reported at fair value. The utility has reported its investments at cost inasmuch as it has determined that the cost basis of its investments is not materially different from fair value. For purposes of the statement of cash flows, cash equivalents are temporary cash investments with a maturity of three months or less at the date of purchase.

Capital Assets

Additions to and replacements of utility plant are recorded at original cost, which includes material, labor, overheads, and an allowance for the cost of funds used during construction, when significant. The utility defines capital assets as items with an initial, aggregate cost of more than \$500 and an estimated life of at least three years. The cost of renewals and improvements relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

The provision for depreciation shown in the financial statements results from the application of straight-line rates to original costs. Depreciation expense was equivalent to 1.33 percent of average depreciable plant for 2015. Depreciation expense was \$28,557 for 2015 and \$25,587 for 2014.

Accounts Receivable

No provision for uncollectible accounts receivable has been made in the accompanying financial statements because the utility has the right by law to place delinquent sewer bills on the tax roll.

Note 1 - Summary of Significant Accounting Policies - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Sewer revenues are recorded based on actual service rendered; billings are made to customers on a quarterly basis. Unbilled sewer service at year end is not material and has not been recognized as revenue and receivables in the accompanying financial statements.

Operating and Nonoperating Revenues

The utility reports revenues as operating and nonoperating. Operating revenues are those directly associated with the billed sale of sewer service to its customers. Nonoperating revenues include all other revenues not fitting the definition of operating. For the utility, nonoperating revenues represent investment earnings.

Income Tax

Municipal utilities are exempt from federal and state income taxes.

Note 2 - Cash and Investments

Investments of utility funds are restricted by state statutes. Permitted investments for the utility include any of the following:

(1) Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to do business in Wisconsin. **(2)** Bonds or securities issued or guaranteed by the federal government and its agencies. **(3)** The Wisconsin Local Government Investment Pool and Wisconsin Investment Trust. **(4)** Bonds or securities of any county, city, drainage district, technical college district, local exposition district, local professional baseball park district, city, town, or school district of the state and the University of Wisconsin Hospitals and Clinics Authority. **(5)** Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by a nationally recognized rating agency or if that security is senior to, or on parity with, a security of the same issuer which has such a rating. **(6)** Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities. **(7)** Securities of open-end management companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds or securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds and securities.

Note 2 - Cash and Investments - Continued

The utility's cash and investments at December 31, 2015 consisted of the following:

	<u>Carrying Amount</u>	<u>Amounts Deposited</u>	<u>Uninsured Deposits</u>
Checking account	\$ 22,699	\$ 22,699	\$ - - -
State Local Government Investment Pool	<u>245,665</u>		
Total	<u>\$ 268,364</u>		

The cash and investments are recorded in the sewer utility as follows:

Cash and working fund	\$ 249,583
Restricted cash	<u>18,781</u>
Total	<u>\$ 268,364</u>

Utility deposits are insured by the FDIC for up to \$250,000 for time and savings deposits (including interest-bearing NOW accounts), and an additional \$250,000 of FDIC insurance is available for demand (non-interest bearing checking accounts) for each bank used. All utility deposits are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses of the pool may not be significant to individual municipalities.

For all investments shown, the fair value at the balance sheet date is substantially the same as the carrying value. The difference between the amounts reported as bank deposits and the carrying amounts above is due to the effect of outstanding checks and deposits in transit on the utility's cash balances.

The utility addresses the following risks related to its cash and investments:

Custodial Credit Risk

Custodial credit risk represents the risk that in the event of a financial institution failure, the utility's deposits may not be recovered. At December 31, 2015, all of the utility's bank deposits were covered by FDIC insurance and, therefore, minimized its exposure to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the investment. The town has deposits in the Local Government Investment Pool which is not rated, however, consists of investments in federal government securities.

Interest Rate Risk

The district does not have formal policies related to interest rate risk, the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2015 the town's investment in the Local Government Investment Pool (LGIP) had a fair value balance of \$245,665. The LGIP had a weighted average maturity of 49 days at December 31, 2015.

Note 2 - Cash and Investments - Continued

The Local Government Investment Pool (LGIP) is an investment fund managed by the State of Wisconsin Investment Board. The LGIP accepts deposits from governmental units within the State of Wisconsin. The objectives of the LGIP are to provide safety of principal, liquidity and a reasonable rate of return. The LGIP is regulated by sections 25.14 and 25.17 of the Wisconsin Statutes and is not a SEC registered investment. The yield of the LGIP changes daily and its participants may invest or withdraw any or all amounts at par value at any time. The LGIP balance reported in the financial statements at December 31, 2015 is \$245,665 at cost basis. The fair value of the LGIP investment at December 31, 2015 did not materially differ from its cost basis. A surety bond issued by Financial Security, Inc. insures the investments of the LGIP. This bond provides unlimited coverage on all of the LGIP's investments except U.S. Government and agency securities.

The utility does not have a formal investment policy.

Note 3 - Restricted Cash

Cash and investments for specific purposes are designated by the utility or required by bond ordinance or grant agreement. Cash and investments have been restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Equipment replacement fund	<u>\$ 18,781</u>	<u>\$ 15,224</u>

Note 4 - Utility Plant

The following summarizes the capital assets and accumulated depreciation at December 31, 2015 and 2014.

<u>2015</u>	<u>Balance</u> <u>12/31/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/15</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 18,119	\$ ---	\$ ---	\$ 18,119
Capital assets, being depreciated:				
Plant and lift station	1,702,096	---	---	1,702,096
Equipment	216,775	---	---	216,775
Office equipment	5,162	---	---	5,162
Total capital assets being depreciated	1,924,033	---	---	1,924,033
Less: accumulated depreciation	(666,061)	(28,557)	---	(694,618)
Total capital assets, being depreciated, net	1,257,972	(28,557)	---	1,229,415
Net Capital Assets	<u>\$ 1,276,091</u>	<u>\$ (28,557)</u>	<u>\$ ---</u>	<u>\$ 1,247,534</u>

Note 4 - Utility Plant - Continued

<u>2014</u>	<u>Balance</u> <u>12/31/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/14</u>
Capital assets, not being depreciated:				
Land and land rights	<u>\$ 18,119</u>	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>\$ 18,119</u>
Capital assets, being depreciated:				
Plant and lift station	1,688,236	25,860	(12,000)	1,702,096
Equipment	216,090	3,185	(2,500)	216,775
Office equipment	<u>5,162</u>	<u>- - -</u>	<u>- - -</u>	<u>5,162</u>
Total capital assets being depreciated	1,909,488	29,045	(14,500)	1,924,033
Less: accumulated depreciation	<u>(654,974)</u>	<u>(25,587)</u>	<u>14,500</u>	<u>(666,061)</u>
Total capital assets, being depreciated, net	<u>1,254,514</u>	<u>3,458</u>	<u>- - -</u>	<u>1,257,972</u>
Net Capital Assets	<u>\$ 1,272,633</u>	<u>\$ 3,458</u>	<u>\$ - - -</u>	<u>\$ 1,276,091</u>

Note 5 - Risk Management

The utility has purchased commercial insurance policies for various risks of loss related to litigation, theft, damage or destruction of assets, errors or omissions, injuries to employees, or acts of God. Payments of premiums for these policies are recorded as expenditures or expenses in the various funds of the utility. There were no settlements that exceeded insurance coverage in any of the past three years.

Note 6 - Subsequent Events

Management has evaluated the need for disclosure or recording of transactions resulting from subsequent events through May 17, 2016, the date the financial statements were available to be issued; and concluded there were no matters to be disclosed.

SUPPLEMENTAL INFORMATION

YORKVILLE SEWER UTILITY DISTRICT #1
SCHEDULE OF WATER OPERATING REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Operating Revenues</u>		
Residential sales	\$ 40,470	\$ 34,080
Commercial sales	267,985	214,080
Total Sales	308,455	248,160
Forfeited discounts	1,452	3,467
Total Operating Revenues	<u>309,907</u>	<u>251,627</u>
<u>Operating Expenses</u>		
Plant Operation and Maintenance Expenses:		
Salaries and wages	43,476	38,930
Supplies and expenses	4,412	2,364
Chemicals	-	659
Truck expense	346	652
Utilities	20,546	21,803
Repairs of buildings and grounds	1,007	1,246
Repairs of equipment	22,031	21,355
Repairs of sewer plant	21,667	29,254
Sludge hauling	51,775	48,120
Total Plant Operation and Maintenance Expenses	<u>165,260</u>	<u>164,383</u>
Administrative and General Expense:		
Commissioners' salaries	375	350
Insurance expense	4,731	4,731
Legal and accounting	6,860	6,143
Office supplies and expense	31,279	31,240
Engineering services	36,251	34,472
Outside services - sewer monitoring/planning	29	3,151
Outside services - phosphorus study	21,009	-
Lab testing	40,671	18,903
Certification fees and education	3,407	1,947
Total Administrative and General Expense	<u>144,612</u>	<u>100,937</u>
Total Operation and Maintenance Expenses	309,872	265,320
Depreciation expense	28,557	25,587
Taxes	3,354	3,006
Total Operating Expenses	<u>341,783</u>	<u>293,913</u>
Operating Loss	<u>\$ (31,876)</u>	<u>\$ (42,286)</u>