

# **WATERLOO WATER AND LIGHT COMMISSION**

An Enterprise Fund of the  
City of Waterloo, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2019 and 2018

# **WATERLOO WATER AND LIGHT COMMISSION**

An Enterprise Fund of the City of Waterloo, Wisconsin

## **TABLE OF CONTENTS**

As of and for the Years Ended December 31, 2019 and 2018

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|  |         |
|--|---------|
| Independent Auditors' Report   | 1 - 2   |
| Required Supplementary Information   |         |
| Management's Discussion and Analysis   | 3 - 13  |
| Financial Statements   |         |
| Statements of Net Position   | 14 - 15 |
| Statements of Revenues, Expenses, and Changes in Net Position                      | 16 - 17 |
| Statements of Cash Flows   | 18 - 19 |
| Notes to Financial Statements  | 20 - 46 |
| Required Supplementary Information   |         |
| Schedule of Proportionate Share of Net Pension Asset - Wisconsin Retirement System | 47      |
| Schedule of Contributions - Wisconsin Retirement System                            | 47      |
| Notes to Required Supplementary Information  | 48      |
| Supplemental Information   |         |
| Electric Utility Plant   | 49      |
| Water Utility Plant  | 50      |
| Sewer Utility Plant  | 51      |
| Electric Utility Operating Revenues and Expenses                                   | 52 - 53 |
| Water Utility Operating Revenues and Expenses                                      | 54 - 55 |
| Sewer Utility Operating Revenues and Expenses                                      | 56      |

## INDEPENDENT AUDITORS' REPORT

To the Utility Commission  
Waterloo Water and Light Commission  
Waterloo, Wisconsin

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

We have audited the accompanying financial statements of Waterloo Water and Light Commission, an enterprise fund of the City of Waterloo, Wisconsin, as of and for the years ended December 31, 2019 and 2018, 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 Waterloo Water and Light Commission'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 Waterloo Water and Light Commission'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 Waterloo Water and Light Commission as of December 31, 2019 and 2018, 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.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Waterloo Water and Light Commission enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Waterloo, Wisconsin, as of December 31, 2019 and 2018 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

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

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
March 27, 2020

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# **WATERLOO WATER AND LIGHT COMMISSION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018**

The management of the Waterloo Water and Light Commission (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 fiscal years ending December 31, 2019 and 2018. You are invited to read this narrative in conjunction with the utility's financial statements.

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### **FINANCIAL HIGHLIGHTS**

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The following summarizes the operating results of each utility.

#### ***ELECTRIC UTILITY EARNINGS***

Operating income decreased from \$319,000 in 2018 to \$188,000 in 2019. Revenues decreased 2.54% as a result of a decrease in large power sales due to an adjustment during 2018 for the back billing of a large power customer. Operating expenses increased 0.93% due to an increase in maintenance expenses.

#### ***WATER UTILITY EARNINGS***

The water utility had an operating income of \$350,000 in 2019 compared to \$203,000 in 2018, an increase of 72.41%. Operating revenues increased 29.77% due to the increase in water rates. Operating expenses increased 10.01% due to the increase in maintenance expenses.

#### ***SEWER UTILITY EARNINGS***

The sewer utility had an operating income in 2019 of \$442,000 compared to \$292,000 in 2018. Operating revenues increased by 23.31% due to increased gallons billed and increased monthly fixed charges in 2019 compared to 2018. Operating expenses increased 3.47% in 2019. Ownership, operation and maintenance of the sewer collection system was transferred from the city to the utility effective January 1, 2019.

#### ***DEBT COVERAGE***

The actual combined debt coverage for 2019 was 2.51, which exceeds the requirement of 1.25.

# **WATERLOO WATER AND LIGHT COMMISSION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018**

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

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The Waterloo Water and Light Commission is an enterprise fund of the City of Waterloo. The purpose of the utility is to provide electric, water and sewer service to properties located within the municipality and selected areas outside the city.

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

- > The Statements of Net Position includes all of the Waterloo Water and Light Commission's assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position, 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 Waterloo Water and Light Commission.
- > The Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the Waterloo Water and Light Commission's financial health.
- > The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

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### **UTILITY FINANCIAL ANALYSIS**

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

# WATERLOO WATER AND LIGHT COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

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### UTILITY FINANCIAL ANALYSIS (cont.)

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#### *CONDENSED STATEMENTS OF NET POSITION*

|   | 2017                       | 2018                       | 2019                        |
|---|----------------------------|----------------------------|-----------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>     |                            |                            |                             |
| Unrestricted Cash and Investments       | \$ 902,614                 | \$ 621,759                 | \$ 731,550                  |
| Customer Accounts Receivable            | 553,470                    | 523,049                    | 651,395                     |
| Restricted and Designated Assets        | 2,530,927                  | 2,098,107                  | 1,684,630                   |
| Other Assets and Deferred Outflows      | 442,601                    | 582,844                    | 611,042                     |
| Net Electric Plant                      | 3,548,002                  | 3,475,249                  | 3,445,687                   |
| Net Water Plant                         | 4,751,554                  | 5,214,239                  | 5,458,583                   |
| Net Sewer Plant                         | 2,424,818                  | 2,317,855                  | 4,571,978                   |
| Total Assets and Deferred Outflows      | <u>15,153,986</u>          | <u>14,833,102</u>          | <u>17,154,865</u>           |
| <b>LIABILITIES AND DEFERRED INFLOWS</b> |                            |                            |                             |
| Long-Term Liabilities                   | 5,267,339                  | 4,041,248                  | 3,592,358                   |
| Other Liabilities and Deferred Inflows  | 1,173,456                  | 1,352,748                  | 1,295,338                   |
| Total Liabilities and Deferred Inflows  | <u>6,440,795</u>           | <u>5,393,996</u>           | <u>4,887,696</u>            |
| <b>NET POSITION</b>                     |                            |                            |                             |
| Net Investment in Capital Assets        | 6,982,287                  | 7,324,832                  | 10,058,437                  |
| Restricted for:                         |                            |                            |                             |
| Debt Service                            | 448,072                    | 455,084                    | 463,527                     |
| Equipment Replacement                   | 841,035                    | 768,067                    | 706,654                     |
| Pension Asset                           | -                          | 93,417                     | -                           |
| Unrestricted                            | <u>441,797</u>             | <u>797,706</u>             | <u>1,038,551</u>            |
| <b>TOTAL NET POSITION</b>               | <u><u>\$ 8,713,191</u></u> | <u><u>\$ 9,439,106</u></u> | <u><u>\$ 12,267,169</u></u> |

The electric utility increased their net position by \$53,000, the water utility increased their net position by \$190,000 and the sewer utility increased their net position by \$2,584,000. The largest factor in the sewer charge was the transfer of the collection system.



# WATERLOO WATER AND LIGHT COMMISSION

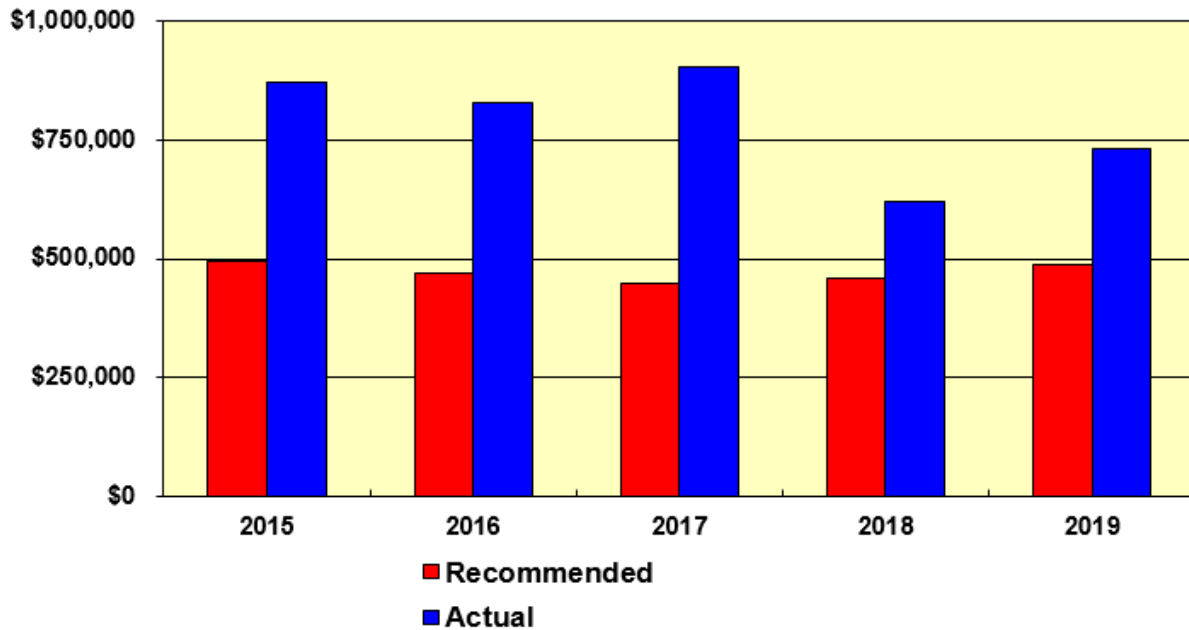
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

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## UTILITY FINANCIAL ANALYSIS (cont.)

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### *UNRESTRICTED FUNDS ON HAND*



**Unrestricted Funds on Hand  
Actual vs. Recommended  
2015-2019**

|                           | 2015       | 2016       | 2017       | 2018       | 2019       |
|---------------------------|------------|------------|------------|------------|------------|
| Minimum Funding Benchmark |            |            |            |            |            |
| 1 Months Billings         | \$ 493,651 | \$ 469,861 | \$ 447,136 | \$ 459,414 | \$ 486,840 |
| Actual Funds on Hand      | \$ 872,252 | \$ 828,224 | \$ 902,614 | \$ 621,759 | \$ 731,550 |
| Months Billings on Hand   | 1.77       | 1.76       | 2.02       | 1.35       | 1.50       |

A utility should maintain funds to cover its operations in a normal business operating cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's capital improvements. These funding levels facilitate budgeting since there will be less concern for business cycle fluctuations.

This shows that the utility had increased their cash reserves in 2019. While reserves have fluctuated with annual projects and funding, they remain above the one month minimum.

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

### *CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*

|   | 2017                | 2018              | 2019                |
|---|---------------------|-------------------|---------------------|
| <b>OPERATING REVENUES</b>                 |                     |                   |                     |
| Electric                                  | \$ 3,886,169        | \$ 3,857,900      | \$ 3,759,867        |
| Water                                     | 638,307             | 640,325           | 830,981             |
| Sewer                                     | 841,152             | 1,014,742         | 1,251,232           |
| Total Operating Revenues                  | <u>5,365,628</u>    | <u>5,512,967</u>  | <u>5,842,080</u>    |
| <b>OPERATING EXPENSES</b>                 |                     |                   |                     |
| Electric                                  |                     |                   |                     |
| Operation and Maintenance                 | 3,487,530           | 3,341,202         | 3,369,346           |
| Depreciation                              | 180,987             | 198,127           | 202,898             |
| Total Electric                            | <u>3,668,517</u>    | <u>3,539,329</u>  | <u>3,572,244</u>    |
| Water                                     |                     |                   |                     |
| Operation and Maintenance                 | 278,954             | 277,218           | 329,510             |
| Depreciation                              | 150,522             | 160,248           | 151,726             |
| Total Water                               | <u>429,476</u>      | <u>437,466</u>    | <u>481,236</u>      |
| Sewer                                     |                     |                   |                     |
| Operation and Maintenance                 | 451,346             | 483,601           | 548,033             |
| Depreciation                              | 253,270             | 239,211           | 261,181             |
| Total Sewer                               | <u>704,616</u>      | <u>722,812</u>    | <u>809,214</u>      |
| Total Operating Expenses                  | <u>4,802,609</u>    | <u>4,699,607</u>  | <u>4,862,694</u>    |
| <b>OPERATING INCOME</b>                   |                     |                   |                     |
| Electric                                  | 217,652             | 318,571           | 187,623             |
| Water                                     | 208,831             | 202,859           | 349,745             |
| Sewer                                     | 136,536             | 291,930           | 442,018             |
| Total Operating Income                    | <u>563,019</u>      | <u>813,360</u>    | <u>979,386</u>      |
| <b>NON-OPERATING REVENUE</b>              | 29,277              | 37,067            | 40,845              |
| <b>NON-OPERATING EXPENSES</b>             | <u>(136,303)</u>    | <u>(128,709)</u>  | <u>(119,566)</u>    |
| Income Before Contributions and Transfers | 455,993             | 721,718           | 900,665             |
| <b>CAPITAL CONTRIBUTIONS</b>              | 10,177              | 19,971            | 10,914              |
| <b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>  | 1,104,990           | 130,695           | -                   |
| <b>OPERATING TRANSFER (OUT) IN</b>        | (121,502)           | 116,816           | 2,180,359           |
| <b>TRANSFERS - TAX EQUIVALENT</b>         | <u>(235,413)</u>    | <u>(263,285)</u>  | <u>(263,875)</u>    |
| <b>CHANGE IN NET POSITION</b>             | <u>\$ 1,214,245</u> | <u>\$ 725,915</u> | <u>\$ 2,828,063</u> |

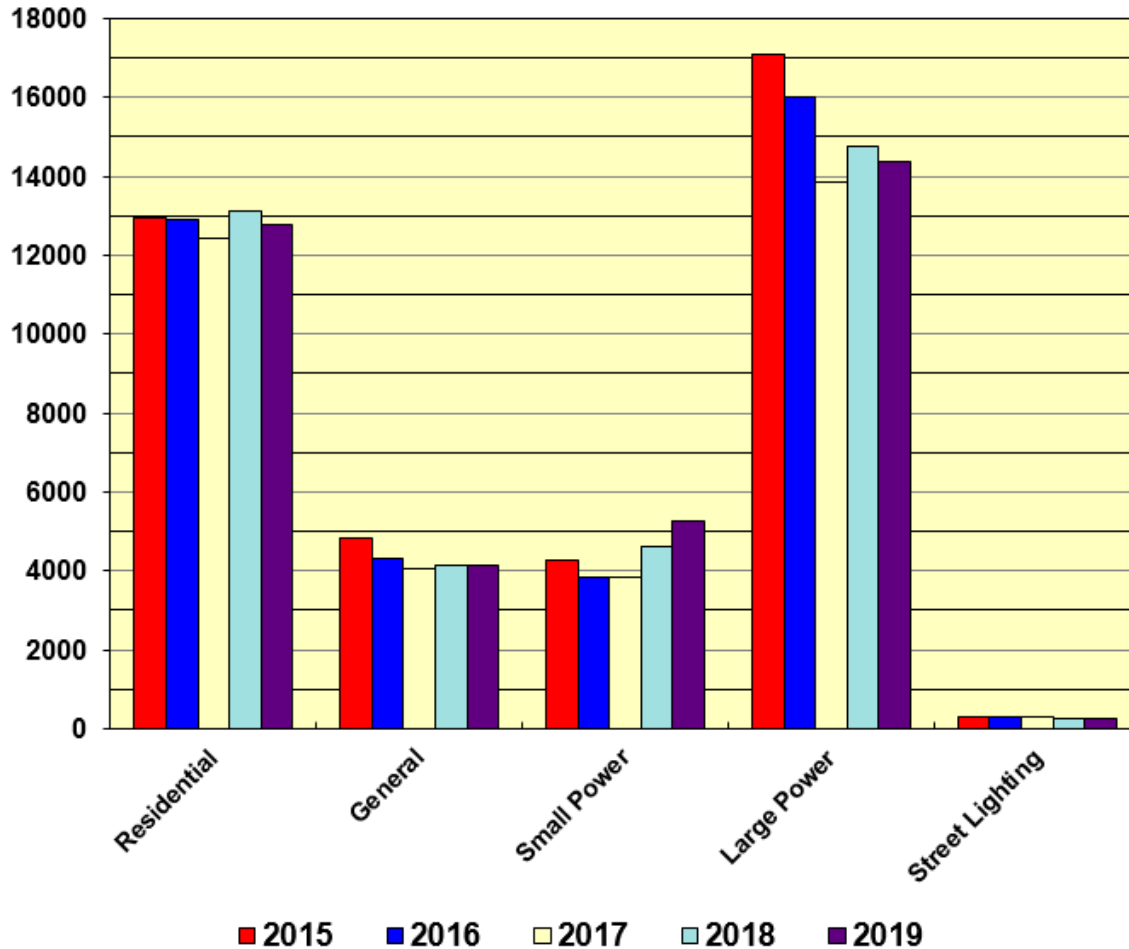
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# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

### ELECTRIC SALES



**Electric Sales (000 kWh Sold)**

|                 | <u>2015</u>   | <u>2016</u>   | <u>2017</u>   | <u>2018</u>   | <u>2019</u>   |
|-----------------|---------------|---------------|---------------|---------------|---------------|
| Residential     | 12,962        | 12,909        | 12,433        | 13,116        | 12,795        |
| General         | 4,831         | 4,300         | 4,060         | 4,135         | 4,160         |
| Small Power     | 4,287         | 3,820         | 3,856         | 4,628         | 5,270         |
| Large Power     | 17,088        | 15,995        | 13,866        | 14,777        | 14,369        |
| Street Lighting | <u>305</u>    | <u>304</u>    | <u>286</u>    | <u>249</u>    | <u>245</u>    |
| Total           | <u>39,473</u> | <u>37,328</u> | <u>34,501</u> | <u>36,905</u> | <u>36,839</u> |

Residential, large power, and street lighting all saw decrease in usage in 2019. The decreases are due to fluctuations in weather patterns.

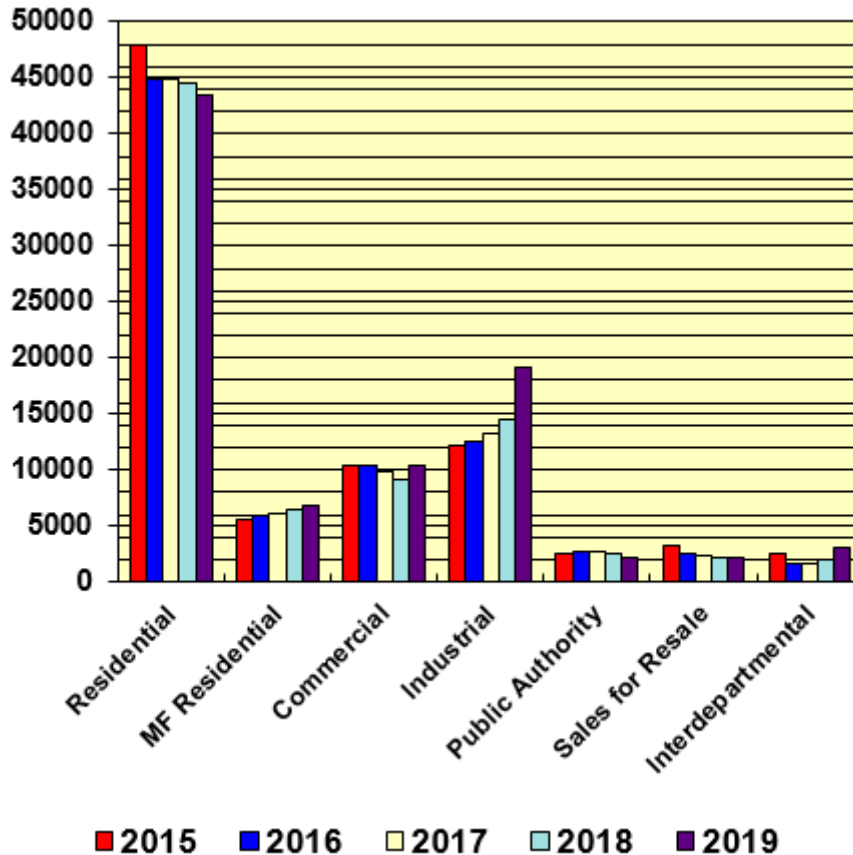
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# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

### WATER SALES



**Water Sales (000s Gallons Sold)  
By Customer Class**

|                             | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          | <u>2019</u>          |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Residential                 | 48,000               | 44,967               | 44,808               | 44,618               | 43,505               |
| Multi-family Residential    | 5,582                | 5,852                | 6,024                | 6,550                | 6,829                |
| Commercial                  | 10,413               | 10,436               | 9,831                | 9,094                | 10,458               |
| Industrial                  | 12,194               | 12,556               | 13,245               | 14,477               | 19,140               |
| Public Authority            | 2,571                | 2,755                | 2,662                | 2,505                | 2,134                |
| Sales for Resale (Portland) | 3,203                | 2,590                | 2,325                | 2,152                | 2,189                |
| Interdepartmental           | 2,495                | 1,717                | 1,664                | 1,952                | 3,043                |
| <b>Total</b>                | <u><b>84,458</b></u> | <u><b>80,873</b></u> | <u><b>80,559</b></u> | <u><b>81,348</b></u> | <u><b>87,298</b></u> |

Water sales by customer class increased due to increased water sales in the commercial and industrial classes.

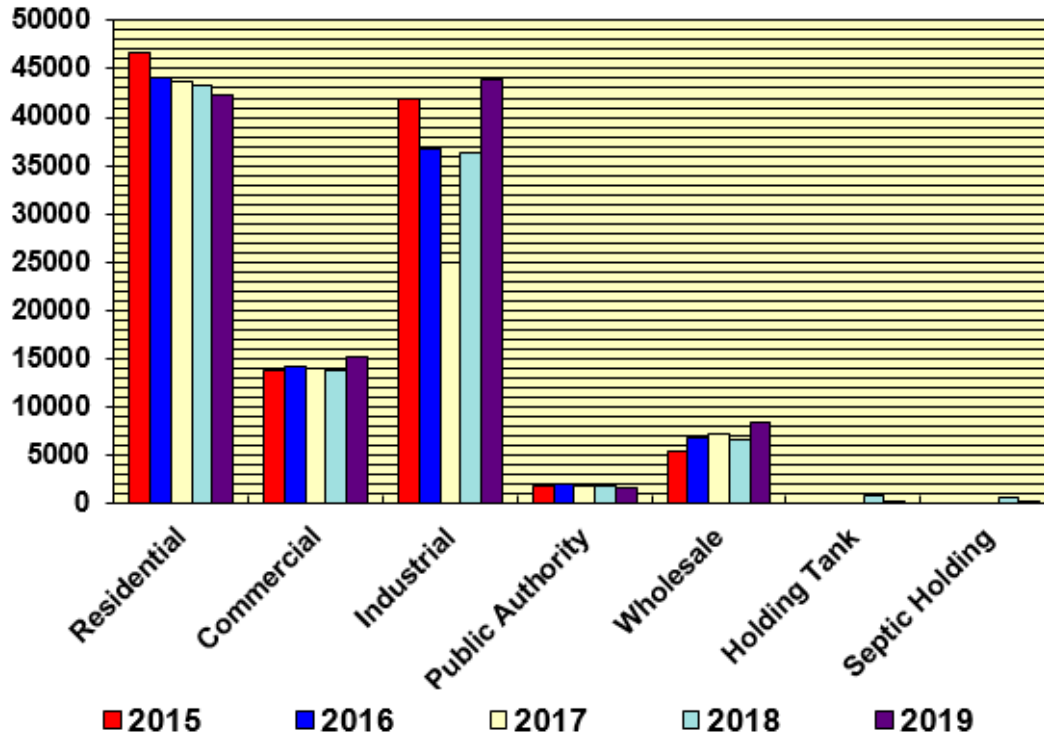
See Independent Auditors' Report

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

### SEWER SALES



### Sewer Revenues (000s Gallons Billed) By Customer Class

|                      | 2015           | 2016           | 2017          | 2018           | 2019           |
|----------------------|----------------|----------------|---------------|----------------|----------------|
| Residential          | 46,674         | 44,050         | 43,772        | 43,277         | 42,268         |
| Commercial           | 13,870         | 14,136         | 13,927        | 13,762         | 15,291         |
| Industrial           | 41,946         | 36,691         | 24,895        | 36,401         | 43,895         |
| Public Authority     | 1,901          | 1,974          | 1,828         | 1,805          | 1,765          |
| Wholesale (Portland) | 5,391          | 6,770          | 7,235         | 6,671          | 8,486          |
| Holding Tank         | -              | -              | -             | 933            | 366            |
| Septic Holding       | -              | -              | -             | 681            | 213            |
| <b>Total</b>         | <b>109,782</b> | <b>103,621</b> | <b>91,657</b> | <b>103,530</b> | <b>112,284</b> |

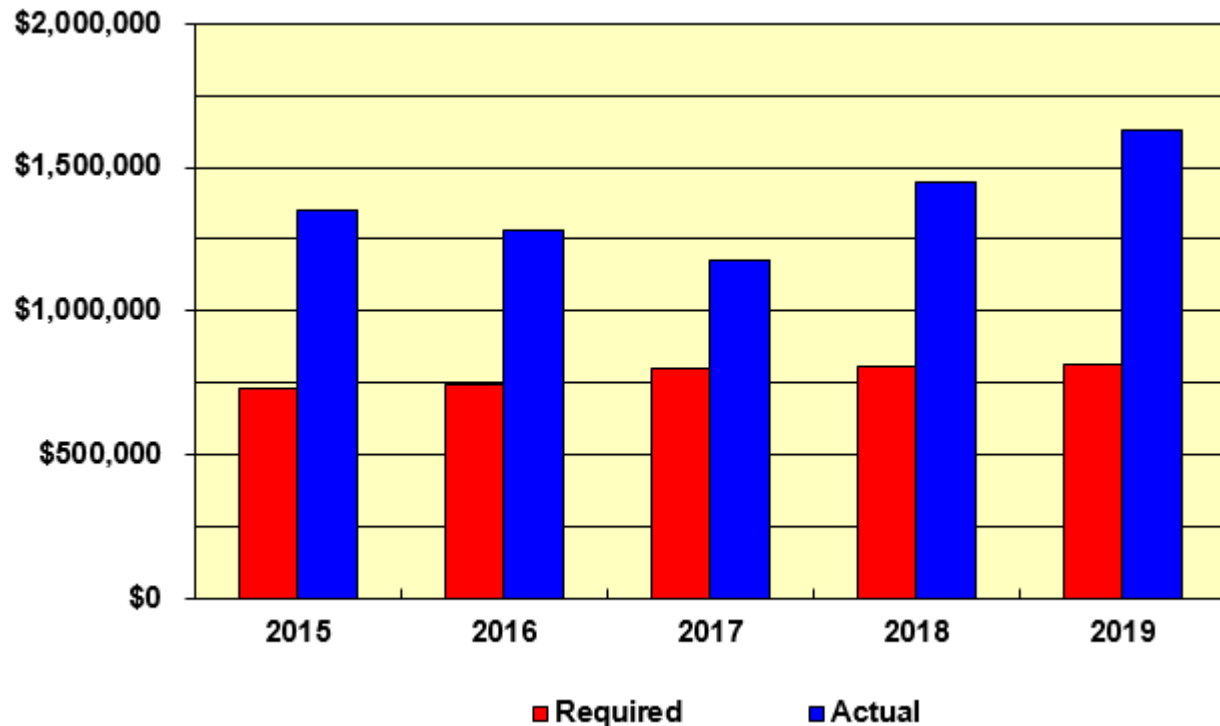
Since water revenues increased in 2019 it is expected that sewer sales would also increase due to normal fluctuations. The large increase in industrial sales is due to the addition of one new customer in 2019.

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

### DEBT COVERAGE



### Debt Coverage Actual vs. Required

|                       | 2015                | 2016                | 2017                | 2018                | 2019                |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Required Net Earnings | <u>\$ 733,240</u>   | <u>\$ 741,544</u>   | <u>\$ 797,753</u>   | <u>\$ 810,708</u>   | <u>\$ 814,139</u>   |
| Actual Net Earnings   | <u>\$ 1,351,489</u> | <u>\$ 1,282,216</u> | <u>\$ 1,177,075</u> | <u>\$ 1,448,013</u> | <u>\$ 1,632,018</u> |
| Times Coverage        | <u>2.30</u>         | <u>2.16</u>         | <u>1.84</u>         | <u>2.23</u>         | <u>2.51</u>         |

Under terms of the bond resolutions, revenues must be sufficient to pay operation and maintenance expenses and revenue bond debt service. The excess of actual net earnings over required net earnings represents additional borrowing power.

## WATERLOO WATER AND LIGHT COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

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#### UTILITY FINANCIAL ANALYSIS (cont.)

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##### *CONSOLIDATED STATEMENTS OF CASH FLOWS*

|  | 2017                | 2018                | 2019                |
|--|---------------------|---------------------|---------------------|
| <b>Cash Flow From:</b>                             |                     |                     |                     |
| Operating Activities                               | \$ 1,235,984        | \$ 1,365,672        | \$ 1,671,843        |
| Investing Activities                               | 101,253             | 12,622              | 11,387              |
| Capital and Related Financing Activities           |                     |                     |                     |
| Capital Improvements                               | (727,450)           | (763,319)           | (983,754)           |
| Debt Service                                       | (638,209)           | (648,564)           | (651,355)           |
| Noncapital Financing Activities                    | (375,361)           | (777,771)           | (263,285)           |
| Net Change in Cash and Cash Equivalents            | (403,783)           | (811,360)           | (215,164)           |
| Cash and Cash Equivalents - Beginning of the Year  | 2,907,705           | 2,503,922           | 1,692,562           |
| <b>Cash and Cash Equivalents - End of the Year</b> | 2,503,922           | 1,692,562           | 1,477,398           |
| Long-Term Investments                              | 924,551             | 928,819             | 933,714             |
| <b>Total Cash and Investments</b>                  | <u>\$ 3,428,473</u> | <u>\$ 2,621,381</u> | <u>\$ 2,411,112</u> |

Overall cash flows have been increasing due to increasing rates and contributions for capital projects. The change in 2019 was the result of increased rates effective at the end of 2018 offset by higher capital investments in 2019.

Cash flows from operating activities increase in 2019 with new water and sewer rates as well as increased usage.

Cash flows from investing activities result mainly from the purchase and sale of long-term investments and investment income. Activity has stayed about the same between 2018 and 2019. The decrease in 2018 is the result of a decrease in investments sold and matured from 2017.

The cash flows from capital and related financing activities are related to retiring debt and capital investments. The increase is due to larger street projects in 2019 vs. 2018 and preparation for the new substation.

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#### CAPITAL ASSETS

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Details of utility capital assets are shown in Note 5 to the financial statements.

# **WATERLOO WATER AND LIGHT COMMISSION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** As of and for the Years Ended December 31, 2019 and 2018

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### **LONG-TERM DEBT**

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No new debt was issued in 2019. New debt was last issued in 2016 to fund electric capital projects. Details of the existing debt are included in Note 6.

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

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The utility continues to monitor the adequacy of retail rates. Electric rates last increased in 2017, sewer rates were increased in 2018, and water rates increased in 2019. Increases in rates were designed to improve the utilities cash flow and rate of return and to meet debt coverage requirements.

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

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This financial report is designed to provide our customers, investors and creditors with a general overview of the utility's finances. If you have questions about this report, or need additional financial information, contact the utility office at 575 Commercial Avenue, Waterloo, Wisconsin 53594.



# WATERLOO WATER AND LIGHT COMMISSION

## STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

| <b>ASSETS</b>                             | <u>2019</u>           | <u>2018</u>           |
|---|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                     |                       |                       |
| Cash and investments                      | \$ 731,550            | \$ 621,759            |
| Restricted Assets                         |                       |                       |
| Redemption account                        | 151,202               | 146,397               |
| Customer accounts receivable              | 651,395               | 523,049               |
| Other accounts receivable                 | 28,890                | 221,889               |
| Materials and supplies                    | <u>124,811</u>        | <u>110,361</u>        |
| Total Current Assets                      | <u>1,687,848</u>      | <u>1,623,455</u>      |
| <b>NONCURRENT ASSETS</b>                  |                       |                       |
| Restricted Assets                         |                       |                       |
| Reserve account                           | 323,469               | 321,526               |
| Replacement account                       | 706,654               | 768,067               |
| Construction account                      | 498,237               | 763,632               |
| Net pension asset                         | -                     | 93,417                |
| Interest receivable                       | 5,068                 | 5,068                 |
| Other Assets                              |                       |                       |
| Property held for future use              | 45,406                | 20,011                |
| Capital Assets                            |                       |                       |
| Plant in service                          |                       |                       |
| Electric                                  | 7,383,995             | 7,262,319             |
| Water                                     | 7,703,000             | 7,332,863             |
| Sewer                                     | <u>10,657,614</u>     | <u>7,767,715</u>      |
| Total Plant in Service                    | <u>25,744,609</u>     | <u>22,362,897</u>     |
| Accumulated depreciation                  |                       |                       |
| Electric                                  | (4,013,981)           | (3,799,447)           |
| Water                                     | (2,244,417)           | (2,118,710)           |
| Sewer                                     | <u>(6,085,636)</u>    | <u>(5,449,860)</u>    |
| Total Accumulated Depreciation            | <u>(12,344,034)</u>   | <u>(11,368,017)</u>   |
| Construction work in progress             |                       |                       |
| Electric                                  | 75,673                | 12,377                |
| Water                                     | <u>-</u>              | <u>86</u>             |
| Total Construction Work in Progress       | <u>75,673</u>         | <u>12,463</u>         |
| Total Noncurrent Assets                   | <u>15,055,082</u>     | <u>12,979,064</u>     |
| <br>Total Assets                          | <br><u>16,742,930</u> | <br><u>14,602,519</u> |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b> |                       |                       |
| Unamortized loss on advance refunding     | 36,801                | 49,773                |
| Deferred outflows related to pension      | <u>375,134</u>        | <u>180,810</u>        |
| <br>Total Deferred Outflows of Resources  | <br><u>411,935</u>    | <br><u>230,583</u>    |

|  | <b>LIABILITIES</b> | <u>2019</u>                     | <u>2018</u>                    |
|--|--------------------|---------------------------------|--------------------------------|
| <b>CURRENT LIABILITIES</b>                         |                    |                                 |                                |
| Accounts payable                                   | \$                 | 220,220                         | \$ 280,466                     |
| Due to municipality                                |                    | 276,253                         | 289,901                        |
| Due to capital projects fund                       |                    | -                               | 8,086                          |
| Accrued vacation leave                             |                    | 18,669                          | 25,038                         |
| Accrued liabilities                                |                    | 11,403                          | 8,038                          |
| Commitment to Community                            |                    | 5,072                           | 4,924                          |
| Current Liabilities Payable from Restricted Assets |                    |                                 |                                |
| Current portion of revenue bonds                   |                    | 566,901                         | 545,190                        |
| Accrued interest                                   |                    | <u>16,212</u>                   | <u>17,907</u>                  |
| Total Current Liabilities                          |                    | <u>1,114,730</u>                | <u>1,179,550</u>               |
| <b>NONCURRENT LIABILITIES</b>                      |                    |                                 |                                |
| Revenue bonds                                      |                    | 3,398,882                       | 3,965,783                      |
| Unamortized debt discount                          |                    | (12,934)                        | (15,057)                       |
| Accrued sick leave                                 |                    | 79,492                          | 90,522                         |
| Net pension liability                              |                    | <u>126,918</u>                  | <u>-</u>                       |
| Total Noncurrent Liabilities                       |                    | <u>3,592,358</u>                | <u>4,041,248</u>               |
| <br>Total Liabilities                              |                    | <br><u>4,707,088</u>            | <br><u>5,220,798</u>           |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>           |                    |                                 |                                |
| Deferred inflows related to pension                |                    | <u>180,608</u>                  | <u>173,198</u>                 |
| <br><b>NET POSITION</b>                            |                    |                                 |                                |
| Net investment in capital assets                   |                    | 10,058,437                      | 7,324,832                      |
| Restricted for:                                    |                    |                                 |                                |
| Debt Service                                       |                    | 463,527                         | 455,084                        |
| Equipment Replacement                              |                    | 706,654                         | 768,067                        |
| Pension Asset                                      |                    | -                               | 93,417                         |
| Unrestricted                                       |                    | <u>1,038,551</u>                | <u>797,706</u>                 |
| <br><b>TOTAL NET POSITION</b>                      |                    | <br><u><u>\$ 12,267,169</u></u> | <br><u><u>\$ 9,439,106</u></u> |

See accompanying notes to the financial statements.

## WATERLOO WATER AND LIGHT COMMISSION

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

|   | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| <b>OPERATING REVENUES</b>                 |                  |                  |
| Electric                                  |                  |                  |
| Sales of electricity                      | \$ 3,743,803     | \$ 3,845,504     |
| Other                                     | <u>16,064</u>    | <u>12,396</u>    |
| Total Electric                            | <u>3,759,867</u> | <u>3,857,900</u> |
| Water                                     |                  |                  |
| Sales of water                            | 806,750          | 625,127          |
| Other                                     | <u>24,231</u>    | <u>15,198</u>    |
| Total Water                               | <u>830,981</u>   | <u>640,325</u>   |
| Sewer                                     |                  |                  |
| Treatment charges                         | 1,248,632        | 1,012,676        |
| Other                                     | <u>2,600</u>     | <u>2,066</u>     |
| Total Sewer                               | <u>1,251,232</u> | <u>1,014,742</u> |
| Total Operating Revenues                  | <u>5,842,080</u> | <u>5,512,967</u> |
| <b>OPERATING EXPENSES</b>                 |                  |                  |
| Electric                                  |                  |                  |
| Operation and maintenance                 | 3,369,346        | 3,341,202        |
| Depreciation                              | <u>202,898</u>   | <u>198,127</u>   |
| Total Electric                            | <u>3,572,244</u> | <u>3,539,329</u> |
| Water                                     |                  |                  |
| Operation and maintenance                 | 329,510          | 277,218          |
| Depreciation                              | <u>151,726</u>   | <u>160,248</u>   |
| Total Water                               | <u>481,236</u>   | <u>437,466</u>   |
| Sewer                                     |                  |                  |
| Operation and maintenance                 | 548,033          | 483,601          |
| Depreciation                              | <u>261,181</u>   | <u>239,211</u>   |
| Total Sewer                               | <u>809,214</u>   | <u>722,812</u>   |
| Total Operating Expenses                  | <u>4,862,694</u> | <u>4,699,607</u> |
| <b>OPERATING INCOME</b>                   |                  |                  |
| Electric                                  | 187,623          | 318,571          |
| Water                                     | 349,745          | 202,859          |
| Sewer                                     | <u>442,018</u>   | <u>291,930</u>   |
| Total Operating Income                    | <u>979,386</u>   | <u>813,360</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                  |                  |
| Investment income                         | 16,282           | 16,890           |
| Income from non-utility operations        | 14,889           | 15,724           |
| Income from merchandising and jobbing     | 5,656            | 4,453            |
| Miscellaneous revenues                    | 4,018            | -                |
| Interest expense                          | (104,470)        | (113,613)        |
| Amortization of discount and loss         | <u>(15,096)</u>  | <u>(15,096)</u>  |
| Total Nonoperating Revenues (Expenses)    | <u>(78,721)</u>  | <u>(91,642)</u>  |
| Income Before Contributions and Transfers | 900,665          | 721,718          |

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|  | <u>2019</u>                 | <u>2018</u>                |
|--|-----------------------------|----------------------------|
| <b>CAPITAL CONTRIBUTIONS</b>             | \$ 10,914                   | \$ 19,971                  |
| <b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b> | 2,180,359                   | 130,695                    |
| <b>TRANSFER IN (OUT)</b>                 | -                           | 116,816                    |
| <b>TRANSFERS - TAX EQUIVALENT</b>        | <u>(263,875)</u>            | <u>(263,285)</u>           |
| <b>CHANGE IN NET POSITION</b>            | 2,828,063                   | 725,915                    |
| NET POSITION - Beginning of Year         | <u>9,439,106</u>            | <u>8,713,191</u>           |
| <b>NET POSITION - END OF YEAR</b>        | <u><u>\$ 12,267,169</u></u> | <u><u>\$ 9,439,106</u></u> |

See accompanying notes to the financial statements.

# WATERLOO WATER AND LIGHT COMMISSION

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

|  | <u>2019</u>                | <u>2018</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |                            |                            |
| Received from customers  | \$ 5,870,320               | \$ 5,285,707               |
| Received from municipality for services                                      | 61,123                     | 61,367                     |
| Paid to suppliers for goods and services                                     | (3,662,390)                | (3,482,477)                |
| Paid to employees for operating payroll                                      | (597,210)                  | (498,925)                  |
| Net Cash Flows From Operating Activities                                     | <u>1,671,843</u>           | <u>1,365,672</u>           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                       |                            |                            |
| Paid to municipality for tax equivalent                                      | (263,285)                  | (235,413)                  |
| Paid to municipality or contractors for sewer maintenance                    | -                          | (542,358)                  |
| Net Cash Flows From Noncapital Financing Activities                          | <u>(263,285)</u>           | <u>(777,771)</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>              |                            |                            |
| Acquisition and construction of capital assets                               | (994,668)                  | (773,279)                  |
| Contributions in aid of construction   | 10,914                     | 9,960                      |
| Debt retired   | (545,190)                  | (533,522)                  |
| Interest paid  | (106,165)                  | (115,042)                  |
| Net Cash Flows From Capital and Related Financing Activities                 | <u>(1,635,109)</u>         | <u>(1,411,883)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |                            |                            |
| Investments purchased  | (933,714)                  | (928,819)                  |
| Investments sold and matured   | 928,819                    | 924,551                    |
| Investment income  | 16,282                     | 16,890                     |
| Net Cash Flows From Investing Activities                                     | <u>11,387</u>              | <u>12,622</u>              |
| <b>Net Change in Cash and Cash Equivalents</b>                               | (215,164)                  | (811,360)                  |
| CASH AND CASH EQUIVALENTS - Beginning of Year                                | <u>1,692,562</u>           | <u>2,503,922</u>           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                               | <u><u>\$ 1,477,398</u></u> | <u><u>\$ 1,692,562</u></u> |
| <b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>                  |                            |                            |
| Municipality financed additions to utility plant                             | <u>\$ -</u>                | <u>\$ 130,695</u>          |
| Amortization   | <u>\$ 15,096</u>           | <u>\$ 15,096</u>           |
| Connection fee collected by city   | <u>\$ -</u>                | <u>\$ 10,011</u>           |
| Transfer of sewer infrastructure from city (net of accumulated depreciation) | <u>\$ 2,180,359</u>        | <u>\$ 266,601</u>          |

|   | <u>2019</u>                | <u>2018</u>                |
|---|----------------------------|----------------------------|
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>     |                            |                            |
| Operating income  | \$ 979,386                 | \$ 813,360                 |
| Nonoperating revenue (expense)  | 24,562                     | 20,177                     |
| Noncash items in operating income   |                            |                            |
| Depreciation  | 615,805                    | 597,586                    |
| Depreciation charged to clearing and other utilities                                      | 56,836                     | 31,505                     |
| Changes in assets, deferred outflows, liabilities, and deferred inflows                   |                            |                            |
| Customer accounts receivable  | (128,346)                  | 30,421                     |
| Other accounts receivable   | 192,999                    | (220,993)                  |
| Materials and supplies  | (14,450)                   | 5,637                      |
| Pension related deferrals and liabilities   | 33,421                     | 9,376                      |
| Accounts payable  | (60,246)                   | 51,341                     |
| Due to other funds  | (14,238)                   | 16,058                     |
| Accrued liabilities   | (14,034)                   | 11,331                     |
| Commitment to community   | <u>148</u>                 | <u>(127)</u>               |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>   | <u><u>\$ 1,671,843</u></u> | <u><u>\$ 1,365,672</u></u> |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b> |                            |                            |
| Cash and investments  | \$ 731,550                 | \$ 621,759                 |
| Redemption account  | 151,202                    | 146,397                    |
| Reserve account   | 323,469                    | 321,526                    |
| Replacement account   | 706,654                    | 768,067                    |
| Construction account  | <u>498,237</u>             | <u>763,632</u>             |
| Total Cash and Investments  | 2,411,112                  | 2,621,381                  |
| Less: Noncash equivalents   | <u>(933,714)</u>           | <u>(928,819)</u>           |
| <b>CASH AND CASH EQUIVALENTS</b>  | <u><u>\$ 1,477,398</u></u> | <u><u>\$ 1,692,562</u></u> |

See accompanying notes to the financial statements.

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of Waterloo Water and Light Commission (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.

Waterloo Water and Light Commission (utility) provides electric, water and sewer service to properties within the City of Waterloo (municipality), and electric service to the Towns of Waterloo, Medina and Portland. The utility furnishes water at wholesale to, and treats wastewater from, the Town of Portland. In 2018, sewer service consisted only of wastewater treatment; however, the collection system was transferred from the city to the utility January 1, 2019.

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 Waterloo (municipality). The utility is managed by the utility commission. The utility provides electric, water, and sewer service to properties within the municipality. In addition, the utility serves certain properties outside the city as noted above.

The electric and water utilities operate under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer utility operates under rules and rates established by the utility commission.

#### **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.

In March 2018, the GASB issued Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The utility adopted this statement effective January 1, 2019.

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.

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

---

#### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION***

##### ***Deposits and Investments***

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

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.
- > 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 not adopted a formal investment policy.

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 methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

##### ***Receivables/Payables***

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

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

##### ***Materials and Supplies***

Materials and supplies are generally used for construction, operation, and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.



# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

---

#### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)***

##### ***Restricted Assets***

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

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

At December 31, 2019 there were \$325,010 of anticipated future assessments which are not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

##### ***Property Held for Future Use***

The utility has purchased a parcel of land to be used for future construction related to utility operations.

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

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

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

|                               | <u>Years</u> |
|-------------------------------|--------------|
| Electric Plant                |              |
| Transmission                  | 30           |
| Distribution                  | 20 - 40      |
| General                       | 7 - 40       |
| Water Plant                   |              |
| Source of supply              | 34 - 56      |
| Pumping                       | 23 - 31      |
| Water treatment               | 17           |
| Transmission and distribution | 18 - 77      |
| General                       | 4 - 34       |
| Sewer Plant                   |              |
| Collection mains              | 80           |
| Collecting system pumping     | 20           |
| Treatment and disposal        | 13 - 38      |
| General                       | 7 - 40       |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

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#### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)***

##### ***Pensions***

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

##### ***Deferred Outflow of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

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

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

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

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the program so net collections and expenditures/remittances associated with the program are recorded as a current liability on the statements of net position.

##### ***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 straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

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

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

# **WATERLOO WATER AND LIGHT COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2019 and 2018

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

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

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

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

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

Current electric rates were approved by the PSCW effective September 1, 2017 and are designed to provide a 5% return on rate base.

Current water rates were approved by the PSCW effective January 31, 2019 and are designed to provide a 5.40% return on rate base.

Current sewer rates were approved by the utility commission effective November 1, 2018.

#### ***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.

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

GASB has approved GASB Statement No. 87, Leases and Statement No. 91, *Conduit Debt Obligations*. 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.

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

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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.

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

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.

In addition, the utility has collateral or depository insurance agreements in the amount of \$5,400,000 and \$692,224 at December 31, 2019 and 2018 respectively.

#### ***Custodial Credit Risk***

#### **Deposits**

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

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

|                                | 2019                |                     | 2018                |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                | Bank<br>Balance     | Carrying<br>Value   | Bank<br>Balance     | Carrying<br>Value   |
| Farmers & Merchants State Bank | \$ 1,828,329        | \$ 1,802,234        | \$ 2,035,546        | \$ 2,014,234        |
| Avestar Credit Union           | 610,245             | 608,878             | 607,294             | 607,147             |
| Totals                         | <u>\$ 2,438,574</u> | <u>\$ 2,411,112</u> | <u>\$ 2,642,840</u> | <u>\$ 2,621,381</u> |

#### ***Investment Policy***

No formal investment policy has been adopted by the utility.

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

The following is a schedule of interfund balances for the years ending December 31, 2019 and 2018:

| Due To                | Due From | 2019      |  | 2018     |  |
|-----------------------|----------|-----------|--|----------|--|
|                       |          | Amount    | Principal Purpose  | Amount   | Principal Purpose  |
| Utility               | Tax Fund | \$ 13,511 | Delinquent on tax roll                                   | \$ 9,923 | Delinquent on tax roll                                   |
| General Fund          | Utility  | 289,764   | Tax equivalent, garbage collections and general expenses | 299,824  | Tax equivalent, garbage collections and general expenses |
| Capital Projects Fund | Utility  | -         |  | 8,086    | Sewer collection system funding                          |

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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#### NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

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The following is a schedule of transfer balances for the years ending December 31, 2019 and 2018:

| To       | From         | 2019       |                      | 2018       |                    |
|----------|--------------|------------|----------------------|------------|--------------------|
|          |              | Amount     | Principal Purpose    | Amount     | Principal Purpose  |
| City     | Utility      | \$ 263,875 | Tax equivalent       | \$ 263,285 | Tax equivalent     |
| Capital  | Utility      | -          |                      | 149,785    | Sewer collection   |
| Projects |              |            |                      |            | system funding     |
| Fund     |              |            |                      |            |                    |
| Utility  | Capital      | -          |                      | 266,601    | Unspent sewer      |
|          | Projects     |            |                      |            | collection funding |
|          | fund         |            |                      |            |                    |
| Utility  | General Fund | 2,180,359  | Sewer collection     | -          |                    |
|          |              |            | system transferred   |            |                    |
|          |              |            | from the city to the |            |                    |
|          |              |            | utility              |            |                    |

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#### NOTE 4 - RESTRICTED ASSETS

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##### ***Restricted Accounts***

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

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

##### ***Replacement Account***

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

##### ***Net Pension Asset***

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

## WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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### NOTE 4 - RESTRICTED ASSETS (cont.)

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#### *Restricted Net Position*

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

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Restricted Assets                                  |                     |                     |
| Redemption account                                 | \$ 151,202          | \$ 146,397          |
| Reserve account                                    | 323,469             | 321,526             |
| Replacement account                                | 706,654             | 768,067             |
| Construction account                               | 498,237             | 763,632             |
| Net pension asset                                  | -                   | 93,417              |
| Special assessments receivable                     | 5,068               | 5,068               |
| Total Restricted Assets                            | <u>1,684,630</u>    | <u>2,098,107</u>    |
| Less: Restricted Assets Not Funded by Revenues     |                     |                     |
| Construction account                               | <u>(498,237)</u>    | <u>(763,632)</u>    |
| Current Liabilities Payable From Restricted Assets | <u>(16,212)</u>     | <u>(17,907)</u>     |
| Total Restricted Net Position as Calculated        | <u>\$ 1,170,181</u> | <u>\$ 1,316,568</u> |

The purpose of the restricted net position is as follows:

|                               | <u>2019</u>         | <u>2018</u>         |
|-------------------------------|---------------------|---------------------|
| Debt service                  | \$ 463,527          | \$ 455,084          |
| Equipment replacement         | 706,654             | 768,067             |
| Pension asset                 | <u>-</u>            | <u>93,417</u>       |
| Total Restricted Net Position | <u>\$ 1,170,181</u> | <u>\$ 1,316,568</u> |

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 5 - CHANGES IN CAPITAL ASSETS

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### *Electric Utility*

A summary of changes in electric capital assets for 2019 follows:

|  | Balance<br>1/1/19   | Increases | Decreases | Balance<br>12/31/19 |
|--|---------------------|-----------|-----------|---------------------|
| Capital assets, not being depreciated  |                     |           |           |                     |
| Land and land rights                   | \$ 151,730          | \$ 94     | \$ -      | \$ 151,824          |
| Capital assets being depreciated       |                     |           |           |                     |
| Distribution                           | 4,631,865           | 113,996   | 3,943     | 4,741,918           |
| General                                | 2,478,724           | 28,518    | 16,989    | 2,490,253           |
| Total Capital Assets Being Depreciated | 7,110,589           | 142,514   | 20,932    | 7,232,171           |
| Total Capital Assets                   | 7,262,319           | 142,608   | 20,932    | 7,383,995           |
| Less: Accumulated depreciation         |                     |           |           |                     |
| Distribution                           | (2,665,502)         | (153,028) | 7,490     | (2,811,040)         |
| General                                | (1,133,945)         | (85,985)  | 16,989    | (1,202,941)         |
| Total Accumulated Depreciation         | (3,799,447)         | (239,013) | 24,479    | (4,013,981)         |
| Construction in progress               | 12,377              | 184,466   | 121,170   | 75,673              |
| Net Capital Assets                     | <u>\$ 3,475,249</u> |           |           | <u>\$ 3,445,687</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

#### ***Electric Utility*** (cont.)

A summary of changes in electric capital assets for 2018 follows:

|   | Balance<br>1/1/18   | Increases | Decreases | Balance<br>12/31/18 |
|---|---------------------|-----------|-----------|---------------------|
| Capital assets, not being depreciated     |                     |           |           |                     |
| Land and land rights                      | \$ 151,730          | \$ -      | \$ -      | \$ 151,730          |
| Capital assets being depreciated          |                     |           |           |                     |
| Distribution                              | 4,400,884           | 238,316   | 7,335     | 4,631,865           |
| General                                   | 2,481,159           | 3,815     | 6,250     | 2,478,724           |
| Completed construction not<br>classified  | 91,388              | -         | 91,388    | -                   |
| Total Capital Assets Being<br>Depreciated | 6,973,431           | 242,131   | 104,973   | 7,110,589           |
| Total Capital Assets                      | 7,125,161           | 242,131   | 104,973   | 7,262,319           |
| Less: Accumulated depreciation            |                     |           |           |                     |
| Distribution                              | (2,530,125)         | (149,102) | 13,725    | (2,665,502)         |
| General                                   | (1,057,255)         | (82,940)  | 6,250     | (1,133,945)         |
| Completed construction not<br>classified  | (777)               | (90,611)  | 91,388    | -                   |
| Total Accumulated<br>Depreciation         | (3,588,157)         | (322,653) | 111,363   | (3,799,447)         |
| Construction in progress                  | 10,997              | 124,256   | 122,876   | 12,377              |
| Net Capital Assets                        | <u>\$ 3,548,001</u> |           |           | <u>\$ 3,475,249</u> |



# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

#### ***Water Utility***

A summary of changes in water capital assets for 2019 follows:

|  | Balance<br>1/1/19 | Increases | Decreases | Balance<br>12/31/19 |
|--|-------------------|-----------|-----------|---------------------|
| Capital assets, not being depreciated  |                   |           |           |                     |
| Land and land rights                   | \$ 13,113         | \$ -      | \$ -      | \$ 13,113           |
| Capital assets being depreciated       |                   |           |           |                     |
| Source of supply                       | 72,767            | -         | -         | 72,767              |
| Pumping                                | 913,766           | 4,665     | 2,429     | 916,002             |
| Water treatment                        | 28,101            | 2,327     | 2,395     | 28,033              |
| Transmission and distribution          | 5,506,134         | 371,280   | 19,296    | 5,858,118           |
| General                                | 798,982           | 30,983    | 14,998    | 814,967             |
| Total Capital Assets Being Depreciated | 7,319,750         | 409,255   | 39,118    | 7,689,887           |
| Total Capital Assets                   | 7,332,863         | 409,255   | 39,118    | 7,703,000           |
| Less: Accumulated depreciation         |                   |           |           |                     |
| Source of supply                       | (34,703)          | (1,546)   | -         | (36,249)            |
| Pumping                                | (576,966)         | (32,030)  | 2,429     | (606,567)           |
| Water treatment                        | (14,072)          | (1,684)   | 2,395     | (13,361)            |
| Transmission and distribution          | (908,976)         | (111,094) | 19,296    | (1,000,774)         |
| General                                | (583,993)         | (18,471)  | 14,998    | (587,466)           |
| Total Accumulated Depreciation         | (2,118,710)       | (164,825) | 39,118    | (2,244,417)         |
| Construction in progress               | 86                | 306,244   | 306,330   | -                   |
| Net Capital Assets                     | \$ 5,214,239      |           |           | \$ 5,458,583        |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

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

A summary of changes in water capital assets for 2018 follows:

|   | Balance<br>1/1/18   | Increases   | Decreases | Balance<br>12/31/18 |
|---|---------------------|-------------|-----------|---------------------|
| Capital assets, not being depreciated     |                     |             |           |                     |
| Land and land rights                      | \$ 13,113           | \$ -        | \$ -      | \$ 13,113           |
| Capital assets being depreciated          |                     |             |           |                     |
| Source of supply                          | 71,096              | 1,671       | -         | 72,767              |
| Pumping                                   | 903,816             | 9,950       | -         | 913,766             |
| Water treatment                           | 28,035              | 2,553       | 2,487     | 28,101              |
| Transmission and distribution             | 3,898,891           | 1,620,652   | 13,409    | 5,506,134           |
| General                                   | 797,824             | 4,808       | 3,650     | 798,982             |
| Completed construction not<br>classified  | 1,006,087           | -           | 1,006,087 | -                   |
| Total Capital Assets Being<br>Depreciated | 6,705,749           | 1,639,634   | 1,025,633 | 7,319,750           |
| Total Capital Assets                      | 6,718,862           | 1,639,634   | 1,025,633 | 7,332,863           |
| Less: Accumulated depreciation            |                     |             |           |                     |
| Source of supply                          | (28,568)            | (6,135)     | -         | (34,703)            |
| Pumping                                   | (545,130)           | (31,836)    | -         | (576,966)           |
| Water treatment                           | (14,875)            | (1,684)     | 2,487     | (14,072)            |
| Transmission and distribution             | (824,783)           | (97,774)    | 13,581    | (908,976)           |
| General                                   | (545,259)           | (42,384)    | 3,650     | (583,993)           |
| Completed construction not<br>classified  | (8,693)             | (997,394)   | 1,006,087 | -                   |
| Total Accumulated<br>Depreciation         | (1,967,308)         | (1,177,207) | 1,025,805 | (2,118,710)         |
| Construction in progress                  | -                   | 460,079     | 459,993   | 86                  |
| Net Capital Assets                        | <u>\$ 4,751,554</u> |             |           | <u>\$ 5,214,239</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

#### ***Sewer Utility***

A summary of changes in sewer capital assets for 2019 follows:

|  | Balance<br>1/1/19   | Increases        | Decreases      | Balance<br>12/31/19 |
|--|---------------------|------------------|----------------|---------------------|
| Capital assets, not being depreciated  |                     |                  |                |                     |
| Land and land rights                   | \$ 21,763           | \$ -             | \$ -           | \$ 21,763           |
| Capital assets being depreciated       |                     |                  |                |                     |
| Collection mains                       | 22,722              | 2,871,943        | 2,203          | 2,892,462           |
| Collecting system pumping              | 135,208             | 6,401            | -              | 141,609             |
| Treatment and disposal                 | 6,577,705           | 122,728          | 107,617        | 6,592,816           |
| General                                | 1,010,317           | -                | 1,353          | 1,008,964           |
| Total Capital Assets Being Depreciated | <u>7,745,952</u>    | <u>3,001,072</u> | <u>111,173</u> | <u>10,635,851</u>   |
| Total Capital Assets                   | <u>7,767,715</u>    | <u>3,001,072</u> | <u>111,173</u> | <u>10,657,614</u>   |
| Less: Accumulated depreciation         |                     |                  |                |                     |
| Collection mains                       | (3,098)             | (536,192)        | 2,203          | (537,087)           |
| Collecting system pumping              | (109,914)           | (6,567)          | -              | (116,481)           |
| Treatment and disposal                 | (4,683,640)         | (188,446)        | 107,617        | (4,764,469)         |
| General                                | (653,208)           | (15,744)         | 1,353          | (667,599)           |
| Total Accumulated Depreciation         | <u>(5,449,860)</u>  | <u>(746,949)</u> | <u>111,173</u> | <u>(6,085,636)</u>  |
| Net Capital Assets                     | <u>\$ 2,317,855</u> |                  |                | <u>\$ 4,571,978</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

#### ***Sewer Utility*** (cont.)

A summary of changes in sewer capital assets for 2018 follows:

|  | Balance<br>1/1/18   | Increases        | Decreases     | Balance<br>12/31/18 |
|--|---------------------|------------------|---------------|---------------------|
| Capital assets, not being depreciated  |                     |                  |               |                     |
| Land and land rights                   | \$ 21,763           | \$ -             | \$ -          | \$ 21,763           |
| Capital assets being depreciated       |                     |                  |               |                     |
| Collection mains                       | 22,722              | -                | -             | 22,722              |
| Collecting system pumping              | 127,315             | 7,893            | -             | 135,208             |
| Treatment and disposal                 | 6,553,258           | 114,533          | 90,086        | 6,577,705           |
| General                                | 1,017,042           | 1,320            | 8,045         | 1,010,317           |
| Total Capital Assets Being Depreciated | <u>7,720,337</u>    | <u>123,746</u>   | <u>98,131</u> | <u>7,745,952</u>    |
| Total Capital Assets                   | <u>7,742,100</u>    | <u>123,746</u>   | <u>98,131</u> | <u>7,767,715</u>    |
| Less: Accumulated depreciation         |                     |                  |               |                     |
| Collection mains                       | (2,803)             | (295)            | -             | (3,098)             |
| Collecting system pumping              | (103,704)           | (6,210)          | -             | (109,914)           |
| Treatment and disposal                 | (4,585,215)         | (188,511)        | 90,086        | (4,683,640)         |
| General                                | (625,560)           | (35,693)         | 8,045         | (653,208)           |
| Total Accumulated Depreciation         | <u>(5,317,282)</u>  | <u>(230,709)</u> | <u>98,131</u> | <u>(5,449,860)</u>  |
| Net Capital Assets                     | <u>\$ 2,424,818</u> |                  |               | <u>\$ 2,317,855</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

### NOTE 6 - LONG-TERM OBLIGATIONS

#### *Revenue Debt*

The following bonds have been issued:

| Date       | Purpose   | Final Maturity | Interest Rate | Original Amount | Outstanding Amount 12/31/19 |
|------------|---|----------------|---------------|-----------------|-----------------------------|
| 11/06/2012 | Capital improvements and refinancing capital improvement debt | 11/01/2028     | 0.50 - 3.00%  | \$ 3,255,000    | \$ 1,365,000                |
| 03/27/2013 | Refinance capital improvement debt                            | 05/01/2032     | 2.63          | 1,384,900       | 1,020,783 *                 |
| 12/30/2013 | Refinance capital improvement debt                            | 11/01/2022     | 0.80 - 3.20   | 950,000         | 345,000                     |
| 11/15/2016 | Capital improvements debt                                     | 11/01/2036     | 1.25 - 3.25   | 1,310,000       | 1,235,000                   |

\* The debt noted is directly placed with a third party.

Revenue bonds debt service requirements to maturity follows:

| Year Ending<br>December 31 | Bonds               |                   | Direct Placement    |                   | Total               |
|----------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
|                            | Principal           | Interest          | Principal           | Interest          |                     |
| 2020                       | \$ 500,000          | \$ 70,073         | \$ 66,901           | \$ 25,917         | \$ 662,891          |
| 2021                       | 495,000             | 60,388            | 68,657              | 24,138            | 648,183             |
| 2022                       | 490,000             | 49,703            | 70,459              | 22,312            | 632,474             |
| 2023                       | 135,000             | 38,173            | 72,309              | 20,439            | 265,921             |
| 2024                       | 135,000             | 35,203            | 74,207              | 18,516            | 262,926             |
| 2025 - 2029                | 630,000             | 127,422           | 401,297             | 61,918            | 1,220,637           |
| 2030 - 2034                | 375,000             | 62,502            | 266,953             | 10,632            | 715,087             |
| 2035 - 2036                | 185,000             | 9,101             | -                   | -                 | 194,101             |
| Totals                     | <u>\$ 2,945,000</u> | <u>\$ 452,565</u> | <u>\$ 1,020,783</u> | <u>\$ 183,872</u> | <u>\$ 4,602,220</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 2019 and 2018 were \$651,311 and \$648,566, respectively. Total customer net revenues as defined for the same periods were \$1,632,018 and \$1,448,013. Annual principal and interest payments are expected to require 17% of net revenues on average.

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

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

Long-term obligation activity for the year ended December 31, 2019 is as follows:

|                           | 1/1/19<br>Balance          | Additions               | Reductions               | 12/31/19<br>Balance        | Due Within<br>One Year   |
|---------------------------|----------------------------|-------------------------|--------------------------|----------------------------|--------------------------|
| Revenue bonds             | \$ 4,510,973               | \$ -                    | \$ 545,190               | \$ 3,965,783               | \$ 566,901               |
| Accrued sick leave        | 90,522                     | 27,372                  | 38,402                   | 79,492                     | -                        |
| Unamortized debt discount | (15,057)                   | -                       | (2,123)                  | (12,934)                   | -                        |
| <b>Totals</b>             | <b><u>\$ 4,586,438</u></b> | <b><u>\$ 27,372</u></b> | <b><u>\$ 581,469</u></b> | <b><u>\$ 4,032,341</u></b> | <b><u>\$ 566,901</u></b> |

Long-term obligation activity for the year ended December 31, 2018 is as follows:

|                           | 1/1/18<br>Balance          | Additions               | Reductions               | 12/31/18<br>Balance        | Due Within<br>One Year   |
|---------------------------|----------------------------|-------------------------|--------------------------|----------------------------|--------------------------|
| Revenue bonds             | \$ 5,044,495               | \$ -                    | \$ 533,522               | \$ 4,510,973               | \$ 545,190               |
| Accrued sick leave        | 77,982                     | 25,441                  | 12,901                   | 90,522                     | -                        |
| Unamortized debt discount | (17,181)                   | -                       | (2,124)                  | (15,057)                   | -                        |
| <b>Totals</b>             | <b><u>\$ 5,105,296</u></b> | <b><u>\$ 25,441</u></b> | <b><u>\$ 544,299</u></b> | <b><u>\$ 4,586,438</u></b> | <b><u>\$ 545,190</u></b> |

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

The following information is provided in compliance with the resolution creating the 2012, 2013 and 2016 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, 2019:

| Type                 | Coverage     | Expiration |
|----------------------|--------------|------------|
| <i>Tricor, Inc.</i>  |              |            |
| General Liability    | \$ 5,000,000 | 1/1/20     |
| Automobile           | 5,000,000    | 1/1/20     |
| Workers Compensation | 500,000      | 1/1/20     |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

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

##### ***Debt Coverage***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2019 and 2018 as follows:

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Operating revenues                        | \$ 5,842,080        | \$ 5,512,967        |
| Investment income                         | 16,282              | 16,890              |
| Miscellaneous nonoperating income         | 14,889              | 15,724              |
| Income from merchandising and jobbing     | 5,656               | 4,453               |
| Less: Operation and maintenance expenses  | <u>(4,246,889)</u>  | <u>(4,102,021)</u>  |
| Net Defined Earnings                      | <u>\$ 1,632,018</u> | <u>\$ 1,448,013</u> |
| Minimum Required Earnings per Resolution: |                     |                     |
| Current year's revenue bond debt service  | \$ 651,311          | \$ 648,566          |
| Coverage factor                           | <u>1.25</u>         | <u>1.25</u>         |
| Minimum Required Earnings                 | <u>\$ 814,139</u>   | <u>\$ 810,708</u>   |
| Actual Debt Coverage                      | <u>2.51</u>         | <u>2.23</u>         |

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

The utility has the following number of customers and billed volumes for 2019 and 2018:

|                             | <u>Customers</u> |              | <u>Sales (000 kWh)</u> |               |
|-----------------------------|------------------|--------------|------------------------|---------------|
|                             | <u>2019</u>      | <u>2018</u>  | <u>2019</u>            | <u>2018</u>   |
| Residential                 | 1,547            | 1,542        | 12,795                 | 13,116        |
| General                     | 262              | 261          | 4,160                  | 4,135         |
| Small power                 | 15               | 15           | 5,270                  | 4,628         |
| Large power                 | 8                | 8            | 14,369                 | 14,777        |
| Street and highway lighting | <u>2</u>         | <u>2</u>     | <u>245</u>             | <u>249</u>    |
| Totals                      | <u>1,834</u>     | <u>1,828</u> | <u>36,839</u>          | <u>36,905</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

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

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

The utility has the following number of customers and billed volumes for 2019 and 2018:

|                         | Customers    |              | Sales (000 gals) |               |
|-------------------------|--------------|--------------|------------------|---------------|
|                         | 2019         | 2018         | 2019             | 2018          |
| Residential             | 1,059        | 1,092        | 43,505           | 44,618        |
| Multifamily residential | 24           | 23           | 6,829            | 6,550         |
| Commercial              | 108          | 113          | 10,458           | 9,094         |
| Industrial              | 10           | 9            | 19,140           | 14,477        |
| Public authority        | 14           | 15           | 2,134            | 2,505         |
| Irrigation              | 1            | 1            | 2,189            | 2,152         |
| Interdepartmental       | 6            | 6            | 3,043            | 1,952         |
| Totals                  | <u>1,222</u> | <u>1,259</u> | <u>87,298</u>    | <u>81,348</u> |

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

The utility has the following number of customers and billed volumes for 2019 and 2018:

|                         | Customers    |              | Sales (000 gals) |                |
|-------------------------|--------------|--------------|------------------|----------------|
|                         | 2019         | 2018         | 2019             | 2018           |
| Residential             | 1,079        | 1,080        | 42,268           | 43,277         |
| Multifamily residential | 127          | 126          | 15,291           | 13,762         |
| Commercial              | 8            | 7            | 43,895           | 36,401         |
| Industrial              | 11           | 12           | 1,765            | 1,805          |
| Public authority        | 1            | 1            | 8,486            | 6,671          |
| Wholesale               | 2            | 1            | 366              | 933            |
| Holding tank            | 1            | 1            | 213              | 681            |
| Totals                  | <u>1,229</u> | <u>1,228</u> | <u>112,284</u>   | <u>103,530</u> |

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### NOTE 7 - NET POSITION

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

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



## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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#### NOTE 7 - NET POSITION (cont.)

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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:

|   | 2019                 | 2018                |
|---|----------------------|---------------------|
| Construction work in progress                       | \$ 75,673            | \$ 12,463           |
| Plant in service                                    | 25,744,609           | 22,362,897          |
| Accumulated depreciation                            | (12,344,034)         | (11,368,017)        |
| Sub-Totals  | <u>13,476,248</u>    | <u>11,007,343</u>   |
| Less: Capital related debt                          |                      |                     |
| Current portion of capital related long-term debt   | 566,901              | 545,190             |
| Long-term portion of capital related long-term debt | 3,398,882            | 3,965,783           |
| Unamortized debt discount                           | (12,934)             | (15,057)            |
| Unamortized loss on advanced refunding              | (36,801)             | (49,773)            |
| Sub-Totals  | <u>3,916,048</u>     | <u>4,446,143</u>    |
| Add: Unspent debt proceeds                          |                      |                     |
| Construction funds                                  | <u>498,237</u>       | <u>763,632</u>      |
| Total Net Investment in Capital Assets              | <u>\$ 10,058,437</u> | <u>\$ 7,324,832</u> |

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#### NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

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

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

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

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

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**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, if hired on or before 12/31/2016) 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:

| Year | Core Fund<br>Adjustment | Variable Fund<br>Adjustment |
|------|-------------------------|-----------------------------|
| 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)                         |
| 2017 | 2.0                     | 4.0                         |
| 2018 | 2.4                     | 17.0                        |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

**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. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$41,497 and \$36,367 in contributions from the utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2019 and December 31, 2018 are:

|  | 2019            |                 | 2018            |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <u>Employee</u> | <u>Employer</u> | <u>Employee</u> | <u>Employer</u> |
| General (including Executives and Elected Officials) | 6.55%           | 6.55%           | 6.7%            | 6.7%            |
| Protective with Social Security                      | 6.55%           | 10.55%          | 6.7%            | 10.7%           |
| Protective without Social Security                   | 6.55%           | 14.95%          | 6.7%            | 14.9%           |

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

At December 31, 2019, the utility reported a liability (asset) of \$126,918 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utility's proportion of the net pension liability (asset) was based on the utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City of Waterloo's proportion was 0.01313895%, which was an increase of 0.0001188% from its proportion measured as of December 31, 2017.

At December 31, 2018, the utility reported a liability (asset) of \$(93,417) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utility's proportion of the net pension liability (asset) was based on the utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City of Waterloo's proportion was 0.01302015%, which was an increase of 0.00054803% from its proportion measured as of December 31, 2016.

For the years ended December 31, 2019 and 2018, the utility recognized pension expense of \$69,788 and \$41,500, respectively.

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

At December 31, 2019, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 85,732                            | \$ 179,673                          |
| Changes in assumption   | 23,037                               | -                                   |
| Net differences between project and actual earnings on pension plan   | 223,787                              | -                                   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,081                                | 935                                 |
| Employer contributions subsequent to the measurement date   | 41,497                               | -                                   |
| Total   | <u>\$ 375,134</u>                    | <u>\$ 180,608</u>                   |

At December 31, 2018, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 120,241                           | \$ 67,323                           |
| Changes in assumption   | 22,382                               | -                                   |
| Net differences between project and actual earnings on pension plan   | -                                    | 105,830                             |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,820                                | 45                                  |
| Employer contributions subsequent to the measurement date   | 36,367                               | -                                   |
| Total   | <u>\$ 180,810</u>                    | <u>\$ 173,198</u>                   |

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

#### Year Ended December 31

|            |                   |
|------------|-------------------|
| 2020       | \$ 55,825         |
| 2021       | 14,069            |
| 2022       | 24,030            |
| 2023       | 59,105            |
| 2024       | -                 |
| Thereafter | -                 |
| Total      | <u>\$ 153,029</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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

**Actuarial assumptions.** The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   | 2019                           | 2018                           |
|---|--------------------------------|--------------------------------|
| Actuarial valuation date                          | December 31, 2017              | December 31, 2016              |
| Measurement date of net pension liability (asset) | December 31, 2018              | December 31, 2017              |
| Actuarial cost method                             | Entry Age Normal               | Entry Age Normal               |
| Asset valuation method                            | Fair Value                     | Fair Value                     |
| Long-term expected rate of return                 | 7.0%                           | 7.2%                           |
| Discount rate                                     | 7.0%                           | 7.2%                           |
| Salary increases                                  |                                |                                |
| Inflation   | 3.0%                           | 3.2%                           |
| Seniority/Merit                                   | 0.1% - 5.6%                    | 0.2% - 5.6%                    |
| Mortality   | Wisconsin 2018 Mortality Table | Wisconsin 2012 Mortality Table |
| Post-retirement adjustments *                     | 1.9%                           | 2.1%                           |

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

Actuarial assumptions used in the December 31, 2017 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2015 – 2017. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Actuarial assumptions used in the December 31, 2016 actuarial valuation is based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

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**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 as of December 31, 2019 are summarized in the following table:

| Core Fund Asset Class                | Current Asset<br>Allocation % | Long-Term<br>Expected<br>Nominal Rate<br>of Return % | Long-Term<br>Expected<br>Real Rate of<br>Return % |
|--------------------------------------|-------------------------------|--|---|
| Global Equities                      | 49%                           | 8.1%   | 5.5%  |
| Fixed Income                         | 24.5                          | 4.0  | 1.45  |
| Inflation Sensitive Assets           | 15.5                          | 3.8  | 1.3   |
| Real Estate                          | 9                             | 6.5  | 3.9   |
| Private Equity/Debt                  | 8                             | 9.4  | 6.7   |
| Multi-Asset                          | 4                             | 6.7  | 4.1   |
| Total Core Fund                      | 110                           | 7.3  | 4.47  |
| <br><u>Variable Fund Asset Class</u> |                               |  |   |
| U.S Equities                         | 70                            | 7.6  | 5.0   |
| International Equities               | 30                            | 8.5  | 5.9   |
| Total Variable Fund                  | 100                           | 8.0  | 5.4   |

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%.  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2018 are summarized in the following table:

| Core Fund Asset Class                | Current Asset<br>Allocation % | Long-Term<br>Expected<br>Nominal Rate<br>of Return % | Long-Term<br>Expected<br>Real Rate of<br>Return % |
|--------------------------------------|-------------------------------|--|---|
| Global Equities                      | 50%                           | 8.2%   | 5.3%  |
| Fixed Income                         | 24.5                          | 4.2  | 1.4   |
| Inflation Sensitive Assets           | 15.5                          | 3.8  | 1.0   |
| Real Estate                          | 8                             | 6.5  | 3.6   |
| Private Equity/Debt                  | 8                             | 9.4  | 6.5   |
| Multi-Asset                          | 4                             | 6.5  | 3.6   |
| Total Core Fund                      | 110                           | 7.3  | 4.4   |
| <br><u>Variable Fund Asset Class</u> |                               |  |   |
| U.S Equities                         | 70                            | 7.5  | 4.6   |
| International Equities               | 30                            | 7.8  | 4.9   |
| Total Variable Fund                  | 100                           | 7.9  | 5.0   |

New England Pension Consultants Long-Term U.S. 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 7.00% and 7.20% was used to measure the total pension liability as of December 31, 2019 and December 31, 2018, respectively. As of December 31, 2019, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. As of December 31, 2018, the 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 3.31%. Because of the unique structure of WRS, the 7.00% (7.20% for 2018) expected rate of return implies that a dividend of approximately 1.9% (2.1% for 2018) 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.

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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

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

The sensitivity analysis as of December 31, 2019 follows:

|  | <u>1% Decrease<br/>to Discount<br/>Rate (6.00%)</u> | <u>Current<br/>Discount Rate<br/>(7.00%)</u> | <u>1% Increase<br/>to Discount<br/>Rate (8.00%)</u> |
|--|---|--|---|
| The utility's's proportionate share of<br>the net position liability (asset) | \$ 504,356  | \$ 126,918                                   | \$ (153,749)  |

The sensitivity analysis as of December 31, 2018 follows:

|  | <u>1% Decrease<br/>to Discount<br/>Rate (6.20%)</u> | <u>Current<br/>Discount Rate<br/>(7.20%)</u> | <u>1% Increase<br/>to Discount<br/>Rate (8.20%)</u> |
|--|---|--|---|
| The utility's's proportionate share of<br>the net position liability (asset) | \$ 241,702  | \$ (93,417)                                  | \$ (348,118)  |

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

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#### NOTE 9 - COMMITMENTS AND CONTINGENCIES

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##### **Long-Term Contracts - WPPI Energy**

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses, and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.



## **WATERLOO WATER AND LIGHT COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2019 and 2018

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

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

Forty-nine members, representing approximately 98% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining two members have long-term contracts through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$324 million as of December 31, 2019.

##### ***Claims and Judgments***

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

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#### **NOTE 10 - SIGNIFICANT CUSTOMERS**

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##### ***Electric Utility***

The utility has one significant customer who was responsible for 16% of operating revenues in 2019 and 2018.

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#### **NOTE 11 - SUBSEQUENT EVENTS**

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

## REQUIRED SUPPLEMENTARY INFORMATION

# WATERLOO WATER AND LIGHT COMMISSION

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET - WISCONSIN RETIREMENT SYSTEM Last 10 Fiscal Years

| <u>Fiscal<br/>Year Ending</u> | <u>Proportion<br/>of the Net<br/>Pension<br/>Liability (Asset)</u> | <u>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability (Asset)</u> | <u>Covered<br/>Payroll</u> | <u>Proportionate<br/>Share of the Net<br/>Pension Asset<br/>as a Percentage<br/>of Covered<br/>Payroll</u> | <u>Plan Fiduciary<br/>Net Position<br/>as a Percentage<br/>of the Total<br/>Pension Liability (Asset)</u> |
|-------------------------------|--|---|----------------------------|--|---|
| 12/31/15                      | 0.01286712%  | \$ (89,024)   | \$ 427,580                 | 20.82%   | 102.74%   |
| 12/31/16                      | 0.01266419%  | 56,119  | 470,700                    | 11.92%   | 98.20%  |
| 12/31/17                      | 0.01247212%  | 26,380  | 477,397                    | 5.53%  | 99.12%  |
| 12/31/18                      | 0.01302015%  | (93,417)  | 540,500                    | 17.28%   | 102.93%   |
| 12/31/19                      | 0.01313895%  | 126,918   | 483,090                    | 26.27%   | 96.45%  |

## SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM Last 10 Fiscal Years

| <u>Fiscal<br/>Year Ending</u> | <u>Contractually<br/>Required<br/>Contributions</u> | <u>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contributions</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Covered<br/>Payroll</u> | <u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u> |
|-------------------------------|---|--|---|----------------------------|---|
| 12/31/15                      | \$ 32,949   | \$ 32,949  | \$ -  | \$ 470,700                 | 7.00%   |
| 12/31/16                      | 32,463  | 32,463   | -   | 477,397                    | 6.80%   |
| 12/31/17                      | 36,754  | 36,754   | -   | 540,500                    | 6.80%   |
| 12/31/18                      | 36,367  | 36,367   | -   | 483,090                    | 7.53%   |
| 12/31/19                      | 41,497  | 41,497   | -   | 624,015                    | 6.65%   |

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

## WATERLOO WATER AND LIGHT COMMISSION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2019

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*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.*

|                             | 2015 - 2018                    | 2019                           |
|-----------------------------|--------------------------------|--------------------------------|
| Long-term expected rate of  | 7.2%                           | 7.0%                           |
| Discount rate               | 7.2%                           | 7.0%                           |
| Salary increases            |                                |                                |
| Inflation                   | 3.2%                           | 3.0%                           |
| Seniority/Merit             | 0.2% - 5.6%                    | 0.1% - 5.6%                    |
| Mortality                   | Wisconsin 2012 Mortality Table | Wisconsin 2018 Mortality Table |
| Post-retirement adjustments | 2.10%                          | 1.90%                          |

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## **SUPPLEMENTAL INFORMATION**

# WATERLOO WATER AND LIGHT COMMISSION

## ELECTRIC UTILITY PLANT As of and for the Year Ended December 31, 2019

|   | Balance<br>1/1/19   | Additions         | Retirements      | Adjustments       | Balance<br>12/31/19 |
|---|---------------------|-------------------|------------------|-------------------|---------------------|
| <b>DISTRIBUTION</b>                     |                     |                   |                  |                   |                     |
| Land and land rights                    | \$ 940              | \$ 94             | \$ -             | \$ -              | \$ 1,034            |
| Structures and improvements             | 4,926               | -                 | -                | -                 | 4,926               |
| Station equipment                       | 1,016,700           | -                 | -                | -                 | 1,016,700           |
| Poles, towers and fixtures              | 380,112             | 59,056            | 921              | -                 | 438,247             |
| Overhead conductors and devices         | 459,509             | 553               | -                | -                 | 460,062             |
| Underground conduit                     | 15,240              | -                 | -                | -                 | 15,240              |
| Underground conductors and devices      | 907,790             | -                 | -                | (5,056)           | 902,734             |
| Line transformers                       | 723,669             | 21,670            | -                | -                 | 745,339             |
| Services                                | 441,464             | 28,761            | 384              | (1,040)           | 468,801             |
| Meters                                  | 242,517             | 2,852             | 2,538            | -                 | 242,831             |
| Street lighting and signal systems      | 439,938             | 7,200             | 100              | -                 | 447,038             |
| Total Distribution                      | <u>4,632,805</u>    | <u>120,186</u>    | <u>3,943</u>     | <u>(6,096)</u>    | <u>4,742,952</u>    |
| <b>GENERAL</b>                          |                     |                   |                  |                   |                     |
| Land and land rights                    | 150,790             | -                 | -                | -                 | 150,790             |
| Structures and improvements             | 1,845,802           | 1,497             | -                | -                 | 1,847,299           |
| Office furniture and equipment          | 12,265              | -                 | -                | -                 | 12,265              |
| Computer equipment                      | 12,842              | -                 | 1,531            | -                 | 11,311              |
| Transportation equipment                | 439,086             | 23,251            | 12,739           | -                 | 449,598             |
| Stores equipment                        | 13,603              | 1,788             | 2,719            | -                 | 12,672              |
| Tools, shop and garage equipment        | 52,229              | 1,982             | -                | -                 | 54,211              |
| Laboratory equipment                    | 9,080               | -                 | -                | -                 | 9,080               |
| Power-operated equipment                | 82,099              | -                 | -                | -                 | 82,099              |
| Communication equipment                 | 8,219               | -                 | -                | -                 | 8,219               |
| Miscellaneous equipment                 | 3,499               | -                 | -                | -                 | 3,499               |
| Total General                           | <u>2,629,514</u>    | <u>28,518</u>     | <u>16,989</u>    | <u>-</u>          | <u>2,641,043</u>    |
| <b>TOTAL ELECTRIC<br/>UTILITY PLANT</b> | <u>\$ 7,262,319</u> | <u>\$ 148,704</u> | <u>\$ 20,932</u> | <u>\$ (6,096)</u> | <u>\$ 7,383,995</u> |

# WATERLOO WATER AND LIGHT COMMISSION

## WATER UTILITY PLANT As of and for the Year Ended December 31, 2019

|  | Balance<br>1/1/19          | Additions                | Retirements             | Balance<br>12/31/19        |
|--|----------------------------|--------------------------|-------------------------|----------------------------|
| <b>SOURCE OF SUPPLY</b>                |                            |                          |                         |                            |
| Land and land rights                   | \$ 2,012                   | \$ -                     | \$ -                    | \$ 2,012                   |
| Wells and springs                      | 21,432                     | -                        | -                       | 21,432                     |
| Supply mains                           | 51,335                     | -                        | -                       | 51,335                     |
| Total Source of Supply                 | <u>74,779</u>              | <u>-</u>                 | <u>-</u>                | <u>74,779</u>              |
| <b>PUMPING</b>                         |                            |                          |                         |                            |
| Structures and improvements            | 676,621                    | 2,163                    | -                       | 678,784                    |
| Electric pumping equipment             | 235,059                    | 2,502                    | 2,429                   | 235,132                    |
| Other pumping equipment                | 2,086                      | -                        | -                       | 2,086                      |
| Total Pumping                          | <u>913,766</u>             | <u>4,665</u>             | <u>2,429</u>            | <u>916,002</u>             |
| <b>WATER TREATMENT</b>                 |                            |                          |                         |                            |
| Water treatment equipment              | <u>28,101</u>              | <u>2,327</u>             | <u>2,395</u>            | <u>28,033</u>              |
| <b>TRANSMISSION AND DISTRIBUTION</b>   |                            |                          |                         |                            |
| Land and land rights                   | 2,017                      | -                        | -                       | 2,017                      |
| Distribution reservoirs and standpipes | 83,086                     | -                        | -                       | 83,086                     |
| Transmission and distribution mains    | 3,604,291                  | 160,038                  | 2,988                   | 3,761,341                  |
| Services                               | 965,342                    | 86,522                   | 2,035                   | 1,049,829                  |
| Meters                                 | 402,238                    | 58,758                   | 14,163                  | 446,833                    |
| Hydrants                               | 451,177                    | 65,962                   | 110                     | 517,029                    |
| Total Transmission and Distribution    | <u>5,508,151</u>           | <u>371,280</u>           | <u>19,296</u>           | <u>5,860,135</u>           |
| <b>GENERAL</b>                         |                            |                          |                         |                            |
| Land and land rights                   | 9,084                      | -                        | -                       | 9,084                      |
| Structures and improvements            | 357,506                    | 1,497                    | -                       | 359,003                    |
| Office furniture and equipment         | 4,334                      | -                        | -                       | 4,334                      |
| Computer equipment                     | 9,456                      | -                        | 301                     | 9,155                      |
| Transportation equipment               | 51,659                     | 23,251                   | 12,739                  | 62,171                     |
| Stores equipment                       | 7,433                      | 1,787                    | 1,958                   | 7,262                      |
| Tools, shop and garage equipment       | 29,285                     | 4,448                    | -                       | 33,733                     |
| Laboratory equipment                   | 2,042                      | -                        | -                       | 2,042                      |
| Power-operated equipment               | 55,637                     | -                        | -                       | 55,637                     |
| Communication equipment                | 1,560                      | -                        | -                       | 1,560                      |
| SCADA equipment                        | 278,955                    | -                        | -                       | 278,955                    |
| Miscellaneous equipment                | 1,115                      | -                        | -                       | 1,115                      |
| Total General                          | <u>808,066</u>             | <u>30,983</u>            | <u>14,998</u>           | <u>824,051</u>             |
| <b>TOTAL WATER UTILITY PLANT</b>       | <u><u>\$ 7,332,863</u></u> | <u><u>\$ 409,255</u></u> | <u><u>\$ 39,118</u></u> | <u><u>\$ 7,703,000</u></u> |

# WATERLOO WATER AND LIGHT COMMISSION

## SEWER UTILITY PLANT As of and for the Year Ended December 31, 2019

|   | Balance<br>1/1/19          | Additions                  | Retirements              | Balance<br>12/31/19        |
|---|----------------------------|----------------------------|--------------------------|----------------------------|
| <b>COLLECTING SYSTEM</b>                |                            |                            |                          |                            |
| Collecting mains                        | \$ -                       | \$ 2,702,195               | \$ 2,203                 | \$ 2,699,992               |
| Force mains                             | 22,722                     | 2,598                      | -                        | 25,320                     |
| Other collecting system equipment       | -                          | 167,150                    | -                        | 167,150                    |
| Total Collecting System                 | <u>22,722</u>              | <u>2,871,943</u>           | <u>2,203</u>             | <u>2,892,462</u>           |
| <b>COLLECTING SYSTEM PUMPING</b>        |                            |                            |                          |                            |
| Pump station equipment                  | 107,238                    | -                          | -                        | 107,238                    |
| Electric pumping equipment              | 27,970                     | 6,401                      | -                        | 34,371                     |
| Total Collecting System Pumping         | <u>135,208</u>             | <u>6,401</u>               | <u>-</u>                 | <u>141,609</u>             |
| <b>TREATMENT AND DISPOSAL</b>           |                            |                            |                          |                            |
| Land and land rights                    | 400                        | -                          | -                        | 400                        |
| Structures and improvements             | 3,454,367                  | -                          | -                        | 3,454,367                  |
| Preliminary treatment equipment         | 345,734                    | -                          | -                        | 345,734                    |
| Primary treatment equipment             | 63,473                     | -                          | -                        | 63,473                     |
| Secondary treatment equipment           | 1,114,051                  | 122,728                    | 107,617                  | 1,129,162                  |
| Advanced treatment equipment            | 269,230                    | -                          | -                        | 269,230                    |
| Sludge treatment and disposal equipment | 690,869                    | -                          | -                        | 690,869                    |
| Plant site piping                       | 348,047                    | -                          | -                        | 348,047                    |
| Flow metering and monitoring equipment  | 34,284                     | -                          | -                        | 34,284                     |
| Other treatment and disposal equipment  | 257,650                    | -                          | -                        | 257,650                    |
| Total Treatment and Disposal            | <u>6,578,105</u>           | <u>122,728</u>             | <u>107,617</u>           | <u>6,593,216</u>           |
| <b>GENERAL</b>                          |                            |                            |                          |                            |
| Land and land rights                    | 21,363                     | -                          | -                        | 21,363                     |
| Structures and improvements             | 575,967                    | -                          | -                        | 575,967                    |
| Office furniture and equipment          | 5,060                      | -                          | -                        | 5,060                      |
| Computer equipment                      | 10,549                     | -                          | 488                      | 10,061                     |
| Transportation equipment                | 64,240                     | -                          | -                        | 64,240                     |
| Communication equipment                 | 181,388                    | -                          | -                        | 181,388                    |
| Other general equipment                 | 173,113                    | -                          | 865                      | 172,248                    |
| Total General                           | <u>1,031,680</u>           | <u>-</u>                   | <u>1,353</u>             | <u>1,030,327</u>           |
| <b>TOTAL SEWER UTILITY PLANT</b>        | <u><u>\$ 7,767,715</u></u> | <u><u>\$ 3,001,072</u></u> | <u><u>\$ 111,173</u></u> | <u><u>\$10,657,614</u></u> |



## WATERLOO WATER AND LIGHT COMMISSION

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

|                                    | <u>2019</u>      | <u>2018</u>      |
|------------------------------------|------------------|------------------|
| <b>OPERATING REVENUES</b>          |                  |                  |
| Sales of Electricity               |                  |                  |
| Residential                        | \$ 1,290,883     | \$ 1,331,298     |
| Rural                              | 101,127          | 104,787          |
| General service                    | 401,701          | 406,456          |
| Small power                        | 448,275          | 393,059          |
| Large power                        | 1,326,657        | 1,451,039        |
| Public street and highway lighting | 61,123           | 61,367           |
| Interdepartmental                  | <u>114,037</u>   | <u>97,498</u>    |
| Total Sales of Electricity         | <u>3,743,803</u> | <u>3,845,504</u> |
| Other Operating Revenues           |                  |                  |
| Forfeited discounts                | 11,196           | 7,922            |
| Miscellaneous service revenues     | 2,040            | 1,680            |
| Rent from electric property        | 2,405            | 2,373            |
| Other                              | <u>423</u>       | <u>421</u>       |
| Total Operating Revenues           | <u>3,759,867</u> | <u>3,857,900</u> |
| <b>OPERATING EXPENSES</b>          |                  |                  |
| Operation and Maintenance          |                  |                  |
| Other Power Supply                 |                  |                  |
| Purchased power                    | <u>2,833,290</u> | <u>2,873,542</u> |
| Distribution                       |                  |                  |
| Station                            | 24,284           | 28,720           |
| Overhead line                      | 19,145           | 24,433           |
| Underground line                   | 19,896           | 21,255           |
| Street lighting and signal system  | 16,599           | 24,829           |
| Meter                              | 7,486            | 4,680            |
| Customer installations             | 2,468            | 2,537            |
| Miscellaneous                      | 24,347           | 14,228           |
| Maintenance                        |                  |                  |
| Supervision and engineering        | 24,707           | 25,152           |
| Overhead lines                     | 52,225           | 35,347           |
| Underground lines                  | <u>128</u>       | <u>351</u>       |
| Total Distribution                 | <u>191,285</u>   | <u>181,532</u>   |
| Customer Accounts                  |                  |                  |
| Meter reading                      | 10,496           | 10,577           |
| Customer records and collection    | <u>46,738</u>    | <u>43,417</u>    |
| Total Customer Accounts            | <u>57,234</u>    | <u>53,994</u>    |
| Sales                              |                  |                  |
| Advertising                        | <u>574</u>       | <u>1,137</u>     |

## WATERLOO WATER AND LIGHT COMMISSION

### ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

|                                     | <u>2019</u>                  | <u>2018</u>                  |
|-------------------------------------|------------------------------|------------------------------|
| <b>OPERATING EXPENSES (cont.)</b>   |                              |                              |
| Operation and Maintenance (cont.)   |                              |                              |
| Administrative and General          |                              |                              |
| Salaries                            | \$ 44,020                    | \$ 42,494                    |
| Office supplies                     | 26,423                       | 28,834                       |
| Administrative expenses transferred | (16,169)                     | (46,087)                     |
| Outside services employed           | 11,908                       | 10,062                       |
| Property insurance                  | 9,496                        | 8,923                        |
| Employee pensions and benefits      | 100,860                      | 102,427                      |
| Regulatory commission               | 5,692                        | 247                          |
| Miscellaneous                       | 41,851                       | 38,260                       |
| Transportation                      | 295                          | (6,418)                      |
| Maintenance                         | <u>32,534</u>                | <u>25,187</u>                |
| Total Administrative and General    | <u>256,910</u>               | <u>203,929</u>               |
| Taxes                               | <u>30,053</u>                | <u>27,068</u>                |
| Total Operation and Maintenance     | 3,369,346                    | 3,341,202                    |
| Depreciation                        | <u>202,898</u>               | <u>198,127</u>               |
| Total Operating Expenses            | <u>3,572,244</u>             | <u>3,539,329</u>             |
| <br>OPERATING INCOME                | <br><u><u>\$ 187,623</u></u> | <br><u><u>\$ 318,571</u></u> |

## WATERLOO WATER AND LIGHT COMMISSION

### WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

|                                       | <u>2019</u>    | <u>2018</u>    |
|---------------------------------------|----------------|----------------|
| <b>OPERATING REVENUES</b>             |                |                |
| Sales of Water                        |                |                |
| Metered                               |                |                |
| Residential                           | \$ 350,313     | \$ 287,199     |
| Commercial                            | 103,639        | 78,499         |
| Industrial                            | 72,330         | 50,876         |
| Public authorities                    | 15,160         | 13,479         |
| Interdepartmental                     | 15,505         | 8,838          |
| Service to other systems              | <u>8,408</u>   | <u>7,858</u>   |
| Total Metered Sales                   | 565,355        | 446,749        |
| Private fire protection               | 6,924          | 6,896          |
| Public fire protection                | <u>234,471</u> | <u>171,482</u> |
| Total Sales of Water                  | <u>806,750</u> | <u>625,127</u> |
| Other Operating Revenues              |                |                |
| Forfeited discounts                   | 3,259          | 2,456          |
| Other                                 | <u>20,972</u>  | <u>12,742</u>  |
| Total Operating Revenues              | <u>830,981</u> | <u>640,325</u> |
| <b>OPERATING EXPENSES</b>             |                |                |
| Operation and Maintenance             |                |                |
| Source of Supply                      |                |                |
| Operation supervision and engineering | 11,392         | 10,088         |
| Operation labor                       | <u>9,409</u>   | <u>13,805</u>  |
| Total Source of Supply                | <u>20,801</u>  | <u>23,893</u>  |
| Pumping                               |                |                |
| Fuel or purchased power for pumping   | 16,848         | 17,385         |
| Pumping labor                         | 20,359         | 20,829         |
| Miscellaneous                         | 3,812          | 2,320          |
| Maintenance                           |                |                |
| Structures and improvements           | 982            | 650            |
| Pumping equipment                     | <u>1,727</u>   | <u>771</u>     |
| Total Pumping                         | <u>43,728</u>  | <u>41,955</u>  |
| Water Treatment                       |                |                |
| Chemicals                             | 5,911          | 4,933          |
| Operation labor                       | 22,025         | 21,451         |
| Maintenance                           |                |                |
| Water treatment equipment             | <u>1,027</u>   | <u>3,100</u>   |
| Total Water Treatment                 | <u>28,963</u>  | <u>29,484</u>  |
| Transmission and Distribution         |                |                |
| Storage facilities                    | 59             | 878            |
| Transmission and distribution lines   | 20,974         | 17,550         |
| Meters                                | 127            | 118            |
| Customer installations                | 989            | 778            |
| Miscellaneous                         | 4,905          | 3,311          |
| Maintenance                           |                |                |
| Mains                                 | 32,499         | 4,291          |
| Services                              | 16,160         | 12,787         |
| Hydrants                              | <u>1,137</u>   | <u>429</u>     |
| Total Transmission and Distribution   | <u>76,850</u>  | <u>40,142</u>  |

## WATERLOO WATER AND LIGHT COMMISSION

### WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

|                                     | <u>2019</u>                  | <u>2018</u>                  |
|-------------------------------------|------------------------------|------------------------------|
| <b>OPERATING EXPENSES (cont.)</b>   |                              |                              |
| Operation and Maintenance (cont.)   |                              |                              |
| Customer Accounts                   |                              |                              |
| Meter reading                       | \$ 2,660                     | \$ 2,551                     |
| Accounting and collecting labor     | <u>18,634</u>                | <u>15,776</u>                |
| Total Customer Accounts             | <u>21,294</u>                | <u>18,327</u>                |
| Administrative and General          |                              |                              |
| Salaries                            | 19,101                       | 17,492                       |
| Office supplies                     | 12,834                       | 12,772                       |
| Administrative expenses transferred | (6,209)                      | (13,274)                     |
| Outside services employed           | 22,410                       | 13,172                       |
| Property insurance                  | 5,558                        | 4,816                        |
| Employee pensions and benefits      | 52,296                       | 54,740                       |
| Regulatory commission               | 874                          | 4,011                        |
| Miscellaneous                       | 9,572                        | 9,059                        |
| Maintenance                         | <u>13,435</u>                | <u>12,755</u>                |
| Total Administrative and General    | <u>129,871</u>               | <u>115,543</u>               |
| Taxes                               | <u>8,003</u>                 | <u>7,874</u>                 |
| Total Operation and Maintenance     | 329,510                      | 277,218                      |
| Depreciation                        | <u>151,726</u>               | <u>160,248</u>               |
| Total Operating Expenses            | <u>481,236</u>               | <u>437,466</u>               |
| <br>OPERATING INCOME                | <br><u><u>\$ 349,745</u></u> | <br><u><u>\$ 202,859</u></u> |

## WATERLOO WATER AND LIGHT COMMISSION

### SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

|  | <u>2019</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|
| <b>OPERATING REVENUES</b>              |                       |                       |
| Sewer Revenues                         |                       |                       |
| Residential                            | \$ 500,105            | \$ 443,004            |
| Commercial                             | 128,414               | 110,262               |
| Industrial                             | 537,591               | 364,516               |
| Public authorities                     | 14,144                | 13,758                |
| Service to other systems               | 57,143                | 44,581                |
| Other                                  | <u>11,235</u>         | <u>36,555</u>         |
| Total Sewer Revenues                   | <u>1,248,632</u>      | <u>1,012,676</u>      |
| Other Operating Revenues               |                       |                       |
| Forfeited discounts                    | <u>2,600</u>          | <u>2,066</u>          |
| Total Operating Revenues               | <u>1,251,232</u>      | <u>1,014,742</u>      |
| <b>OPERATING EXPENSES</b>              |                       |                       |
| Operation and Maintenance              |                       |                       |
| Operation                              |                       |                       |
| Supervision and labor                  | 76,936                | 80,436                |
| Power and fuel for pumping             | 98,641                | 77,739                |
| Phosphorous removal chemicals          | 33,021                | 49,244                |
| Sludge conditioning chemicals          | 25,200                | 13,698                |
| Other operating supplies               | <u>40,997</u>         | <u>33,552</u>         |
| Total Operation                        | <u>274,795</u>        | <u>254,669</u>        |
| Maintenance                            |                       |                       |
| Collection system                      | 14,797                | 6,820                 |
| Treatment and disposal plant equipment | 44,725                | 21,747                |
| General plant structures and equipment | <u>14,060</u>         | <u>15,230</u>         |
| Total Maintenance                      | <u>73,582</u>         | <u>43,797</u>         |
| Customer Accounts                      |                       |                       |
| Accounting and collecting              | 17,744                | 14,669                |
| Meter Reading                          | <u>533</u>            | <u>365</u>            |
| Total Customer Accounts                | <u>18,277</u>         | <u>15,034</u>         |
| Administrative and General             |                       |                       |
| Salaries                               | 30,981                | 28,528                |
| Office supplies                        | 14,679                | 15,369                |
| Outside services employed              | 24,361                | 31,665                |
| Insurance                              | 10,533                | 8,995                 |
| Employees pensions and benefits        | 60,815                | 56,009                |
| Miscellaneous                          | <u>24,383</u>         | <u>14,810</u>         |
| Total Administrative and General       | <u>165,752</u>        | <u>155,376</u>        |
| Taxes                                  | <u>15,627</u>         | <u>14,725</u>         |
| Total Operation and Maintenance        | <u>548,033</u>        | <u>483,601</u>        |
| Depreciation                           | <u>261,181</u>        | <u>239,211</u>        |
| Total Operating Expenses               | <u>809,214</u>        | <u>722,812</u>        |
| <br>OPERATING INCOME                   | <br><u>\$ 442,018</u> | <br><u>\$ 291,930</u> |