

Waterloo Water and Light Commission

An Enterprise Fund of the City of Waterloo, Wisconsin

Financial Statements and
Supplementary Information

December 31, 2020 and 2019

Waterloo Water and Light Commission

An Enterprise Fund of the City of Waterloo, Wisconsin

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Independent Auditors' Report

To the Utility Commission of
Waterloo Water and Light Commission

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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 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 US, LLP

Madison, Wisconsin
March 15, 2021

Management's Discussion and Analysis

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2020 and 2019

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, 2020 and 2019. You are invited to read this narrative in conjunction with the Utility's financial statements.

Financial Highlights

The following summarizes the operating results of each Utility.

Electric Utility Earnings

Operating income increased from \$188,000 in 2019 to \$189,000 in 2020. Revenues decreased 1.47 percent as a result of a reduction in usage. Operating expenses decreased 2.24 percent due to a decrease in maintenance expenses.

Water Utility Earnings

The water utility had an operating income of \$468,000 in 2020 compared to \$350,000 in 2019, an increase of 33.83 percent. Operating revenues increased 4.41 percent due to an increase in water usage in the industrial class. Operating expenses decreased 25.66 percent due to a reduction in maintenance expenses.

Sewer Utility Earnings

The sewer utility had an operating income in 2020 of \$179,000 compared to \$442,000 in 2019. Operating revenues decreased by 14.92 percent due to two industrial customers decreasing their production between 2020 and 2019. Operating expenses increased by 9.75 percent in 2020 due to outside work to help develop a facility plan for a new waste water treatment plant.

Debt Coverage

The actual combined debt coverage for 2020 was 2.30, which exceeds the requirement of 1.25.

Overview of the Financial Statements/Using This Report

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.

Waterloo Water and Light Commission

Management's Discussion and Analysis

December 31, 2020 and 2019

- 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.

Utility Financial Analysis

An analysis of the Utility's financial position begins with a review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information. These two statements report the Utility's net position and changes therein. The Utility's net position, the difference between assets 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 nonfinancial factors, including economic conditions, customer growth, climate conditions and new regulations.

Condensed Statements of Net Position

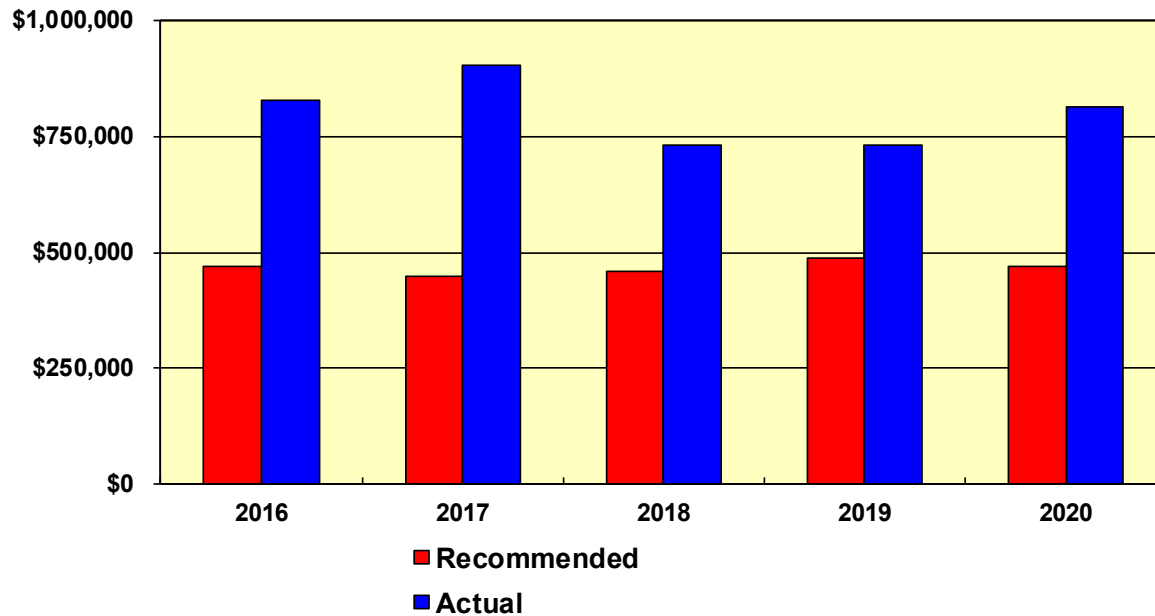
	2018	2019	2020
Assets and Deferred Outflows			
Unrestricted cash and investments	\$ 621,759	\$ 731,550	\$ 812,038
Customer accounts receivable	523,049	651,395	590,568
Restricted and designated assets	2,098,107	1,684,630	5,096,906
Other assets and deferred outflows	582,844	611,042	626,670
Net electric plant	3,475,249	3,445,687	4,385,066
Net water plant	5,214,239	5,458,583	5,578,855
Net sewer plant	2,317,855	4,571,978	4,620,771
Total assets and deferred outflows	14,833,102	17,154,865	21,710,874
Liabilities and Deferred Inflows			
Long-Term Liabilities	4,041,248	3,592,358	7,171,681
Other Liabilities and Deferred Inflows	1,352,748	1,295,338	1,490,164
Total liabilities and deferred inflows	5,393,996	4,887,696	8,661,845
Net Position			
Net investment in capital assets	7,324,832	10,058,437	10,569,645
Restricted for:			
Debt service	455,084	463,527	651,870
Equipment replacement	768,067	706,654	799,359
Pension asset	93,417	-	129,830
Unrestricted	797,706	1,038,551	898,325
Total net position	\$ 9,439,106	\$ 12,267,169	\$ 13,049,029

The electric utility increased their net position by \$13,000, the water utility increased their net position by \$446,000 and the sewer utility increased their net position by \$323,000.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2020 and 2019

Unrestricted Funds on Hand



Unrestricted Funds on Hand Actual vs. Recommended 2016-2020

	2016	2017	2018	2019	2020
Minimum Funding Benchmark 1 Months Billings	<u>\$ 469,861</u>	<u>\$ 447,136</u>	<u>\$ 459,414</u>	<u>\$ 486,840</u>	<u>\$ 469,730</u>
Actual Funds on Hand	<u>\$ 828,224</u>	<u>\$ 902,614</u>	<u>\$ 731,550</u>	<u>\$ 731,550</u>	<u>\$ 812,038</u>
Months Billings on Hand	<u>1.76</u>	<u>2.02</u>	<u>1.59</u>	<u>1.50</u>	<u>1.73</u>

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 2020. 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
December 31, 2020 and 2019

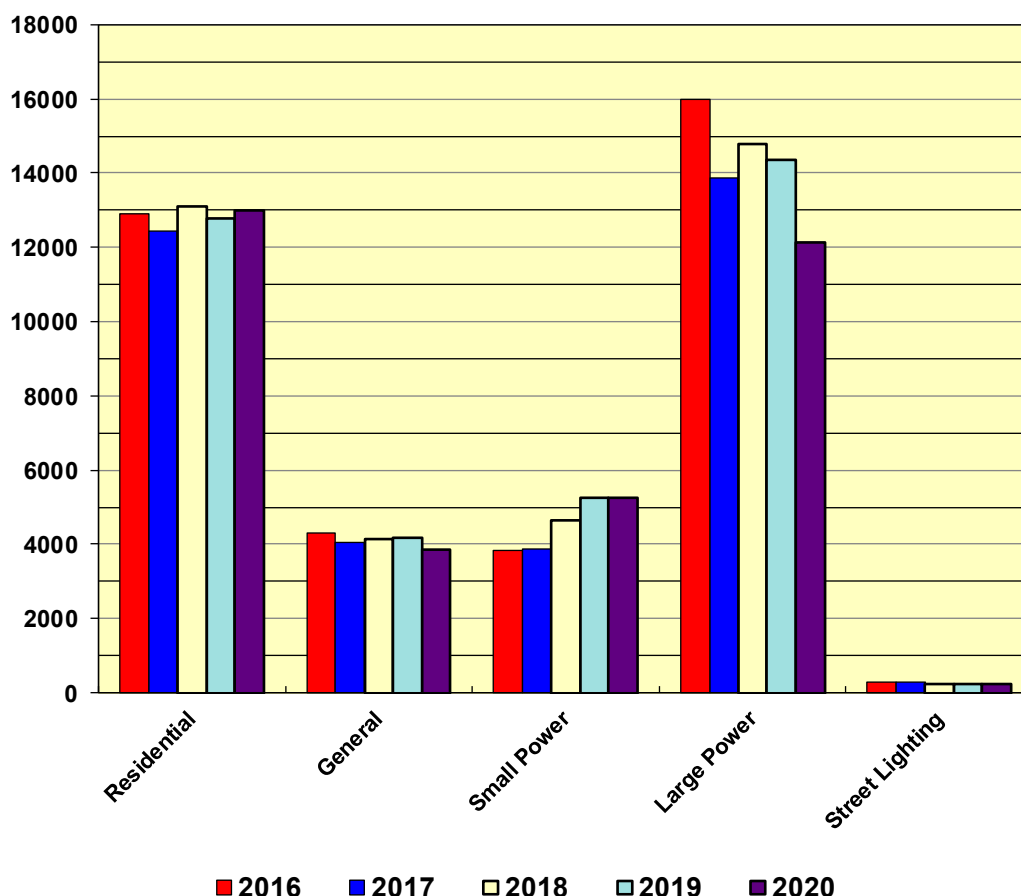
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2019	2020
Operating Revenues			
Electric	\$ 3,857,900	\$ 3,759,867	\$ 3,704,621
Water	640,325	830,981	867,634
Sewer	1,014,742	1,251,232	1,064,508
Total operating revenues	<u>5,512,967</u>	<u>5,842,080</u>	<u>5,636,763</u>
Operating Expenses			
Electric			
Operation and Maintenance	3,341,202	3,369,346	3,293,766
Depreciation	198,127	202,898	222,041
Total electric	<u>3,539,329</u>	<u>3,572,244</u>	<u>3,515,807</u>
Water			
Operation and Maintenance	277,218	329,510	244,959
Depreciation	160,248	151,726	154,603
Total water	<u>437,466</u>	<u>481,236</u>	<u>399,562</u>
Sewer			
Operation and Maintenance	483,601	548,033	601,480
Depreciation	239,211	261,181	283,585
Total sewer	<u>722,812</u>	<u>809,214</u>	<u>885,065</u>
Total operating expenses	<u>4,699,607</u>	<u>4,862,694</u>	<u>4,800,434</u>
Operating Income			
Electric	318,571	187,623	188,814
Water	202,859	349,745	468,072
Sewer	291,930	442,018	179,443
Total operating income	<u>813,360</u>	<u>979,386</u>	<u>836,329</u>
Nonoperating Revenue	37,067	40,845	30,133
Nonoperating Expenses	<u>(128,709)</u>	<u>(119,566)</u>	<u>(198,365)</u>
Income before contributions and transfers	721,718	900,665	668,097
Capital Contributions	19,971	10,914	123,721
Capital Contributions, Municipal	130,695	-	251,564
Operating Transfer (Out) In	116,816	2,180,359	-
Tranfers, Tax Equivalent	<u>(263,285)</u>	<u>(263,875)</u>	<u>(261,522)</u>
Change in net position	<u>\$ 725,915</u>	<u>\$ 2,828,063</u>	<u>\$ 781,860</u>

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2020 and 2019

Electric Sales



Electric Sales (000 kWh Sold)

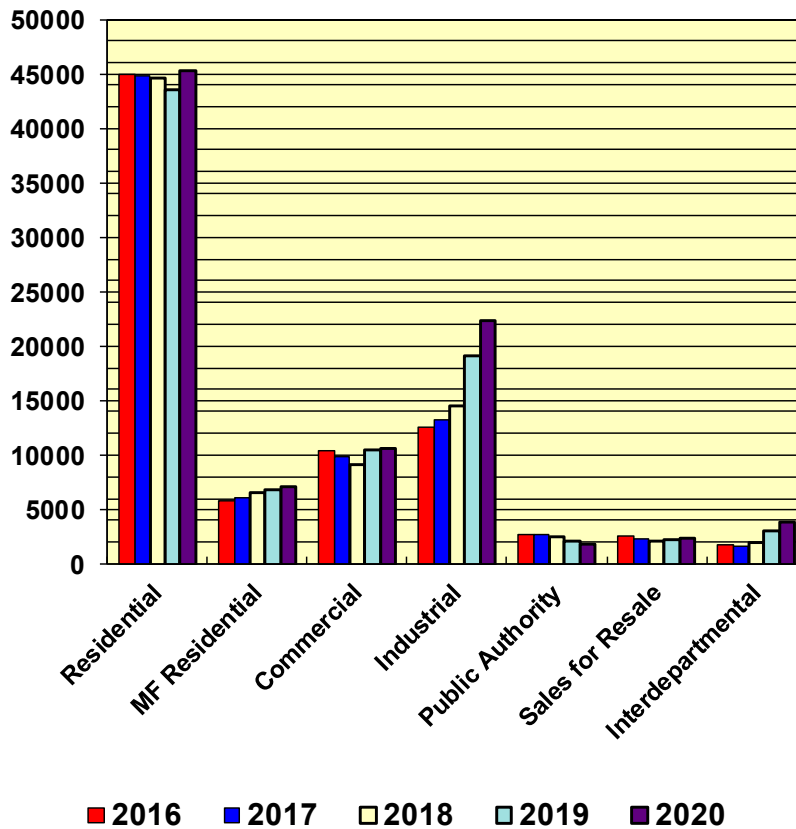
	2016	2017	2018	2019	2020
Residential	12,909	12,433	13,116	12,795	12,983
General	4,300	4,060	4,135	4,160	3,850
Small power	3,820	3,856	4,628	5,270	5,260
Large power	15,995	13,866	14,777	14,369	12,137
Street lighting	304	286	249	245	239
Total	37,328	34,501	36,905	36,839	34,469

General, small power, large power and street lighting all saw decrease in usage in 2020. The decreases are due to fluctuations in production levels and a shift to more people working from home during COVID-19.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2020 and 2019

Water Sales



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

	2016	2017	2018	2019	2020
Residential	44,967	44,808	44,618	43,505	45,343
Multi-family residential	5,852	6,024	6,550	6,829	7,044
Commercial	10,436	9,831	9,094	10,458	10,610
Industrial	12,556	13,245	14,477	19,140	22,360
Public authority	2,755	2,662	2,505	2,134	1,850
Sales for resale (Portland)	2,590	2,325	2,152	2,189	2,432
Interdepartmental	1,717	1,664	1,952	3,043	3,882
Total	80,873	80,559	81,348	87,298	93,521

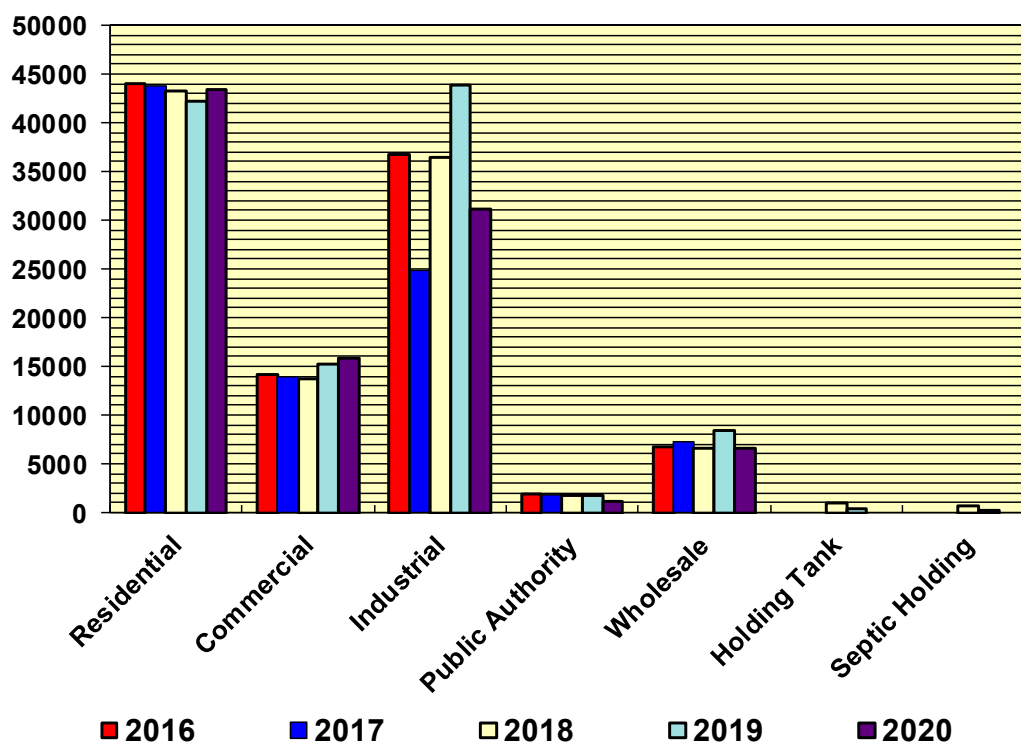
Water sales by customer class increased due to increased usage across almost all classes.

Waterloo Water and Light Commission

Management's Discussion and Analysis

December 31, 2020 and 2019

Sewer Sales



Sewer Revenues (000s Gallons Billed) By Customer Class

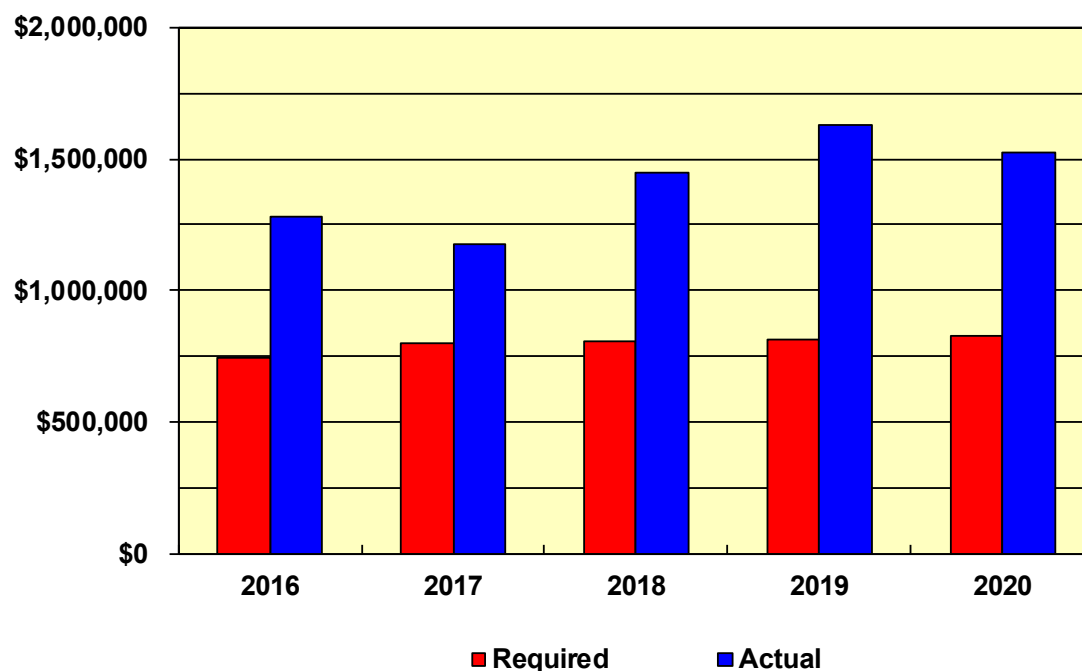
	2016	2017	2018	2019	2020
Residential	44,050	43,772	43,277	42,268	43,381
Commercial	14,136	13,927	13,762	15,291	15,775
Industrial	36,691	24,895	36,401	43,895	31,084
Public authority	1,974	1,828	1,805	1,765	1,174
Wholesale (Portland)	6,770	7,235	6,671	8,486	6,575
Holding tank	-	-	933	366	-
Septic holding	-	-	681	213	-
Total	103,621	91,657	103,530	112,284	97,989

The large decrease in industrial sales is due to the loss of one major customer in 2020.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2020 and 2019

Debt Coverage



Debt Coverage Actual vs. Required

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Required Net Earnings	<u>\$ 741,544</u>	<u>\$ 797,753</u>	<u>\$ 810,708</u>	<u>\$ 814,139</u>	<u>\$ 828,614</u>
Actual Net Earnings	<u>\$ 1,282,216</u>	<u>\$ 1,177,075</u>	<u>\$ 1,448,013</u>	<u>\$ 1,632,018</u>	<u>\$ 1,526,691</u>
Times Coverage	<u>2.16</u>	<u>1.84</u>	<u>2.23</u>	<u>2.51</u>	<u>2.30</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
December 31, 2020 and 2019

Consolidated Statements of Cash Flows

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Cash Flow From			
Operating activities	\$ 1,365,672	\$ 1,671,843	\$ 1,646,128
Investing activities	12,622	11,387	(33,012)
Capital and related financing activities			
Capital improvements	(763,319)	(983,754)	(1,435,044)
Debt service and Issuance	(648,564)	(651,355)	3,530,099
Noncapital financing activities	(777,771)	(263,285)	(263,875)
	<u> </u>	<u> </u>	<u> </u>
Net change in cash and cash equivalents	(811,360)	(215,164)	3,444,296
Cash and Cash Equivalents, Beginning	<u>2,503,922</u>	<u>1,692,562</u>	<u>1,477,398</u>
Cash and Cash Equivalents, Ending	<u>1,692,562</u>	<u>1,477,398</u>	<u>4,921,694</u>
Long-term investments	<u>928,819</u>	<u>933,714</u>	<u>982,182</u>
Total cash and investments	<u>\$ 2,621,381</u>	<u>\$ 2,411,112</u>	<u>\$ 5,903,876</u>

Overall cash flows have been increasing due to increasing rates and contributions for capital projects. The change in 2020 was the result of issuance of new electric 2020D revenue bonds.

Cash flows from operating activities decreased in 2020 due to a reduction in usage in both electric and sewer.

Cash flows from investing activities result mainly from the purchase and sale of long-term investments and investment income

The cash flows from capital and related financing activities are related to retiring debt and capital investments. The large increase in 2020 is the result of issuing the 2020D electric revenue bonds.

Capital Assets

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

Long-Term Debt

In 2020, 2020D revenue bonds were issued to fund electric capital projects. New debt was last issued in 2016. Details of the existing debt are included in Note 6.

Currently Known Facts/Economic Conditions

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.

Contacting Utility's Financial Management

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

Waterloo Water and Light Commission

Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and investments	\$ 812,038	\$ 731,550
Restricted assets:		
Redemption account	160,532	151,202
Customer accounts receivable	590,568	651,395
Other accounts receivable	27,536	28,890
Materials and supplies	<u>124,469</u>	<u>124,811</u>
Total current assets	<u>1,715,143</u>	<u>1,687,848</u>
Noncurrent Assets		
Restricted assets:		
Reserve account	519,176	323,469
Replacement account	799,359	706,654
Construction account	3,612,771	498,237
Net pension asset	129,830	-
Interest receivable	5,068	5,068
Other assets:		
Property held for future use	45,406	45,406
Capital assets:		
Plant in service:		
Electric	8,173,552	7,383,995
Water	7,947,347	7,703,000
Sewer	<u>10,975,142</u>	<u>10,657,614</u>
Total plant in service	<u>27,096,041</u>	<u>25,744,609</u>
Accumulated depreciation:		
Electric	(4,223,834)	(4,013,981)
Water	(2,368,492)	(2,244,417)
Sewer	<u>(6,354,371)</u>	<u>(6,085,636)</u>
Total accumulated depreciation	<u>(12,946,697)</u>	<u>(12,344,034)</u>
Construction work in progress:		
Electric	<u>435,348</u>	<u>75,673</u>
Total construction work in progress	<u>435,348</u>	<u>75,673</u>
Total noncurrent assets	<u>19,696,302</u>	<u>15,055,082</u>
Total assets	<u>21,411,445</u>	<u>16,742,930</u>
Deferred Outflows of Resources		
Unamortized loss on advance refunding	23,829	36,801
Deferred outflows related to pension	<u>275,600</u>	<u>375,134</u>
Total deferred outflows of resources	<u>299,429</u>	<u>411,935</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 239,741	\$ 220,220
Due to municipality	257,939	276,253
Accrued vacation leave	22,757	18,669
Accrued liabilities	10,237	11,403
Commitment to Community	5,080	5,072
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	563,657	566,901
Accrued interest	<u>32,906</u>	<u>16,212</u>
Total current liabilities	<u>1,132,317</u>	<u>1,114,730</u>
Noncurrent Liabilities		
Revenue bonds	7,120,225	3,398,882
Unamortized debt discount	(32,235)	(12,934)
Accrued sick leave	83,691	79,492
Net pension liability	<u>-</u>	<u>126,918</u>
Total noncurrent liabilities	<u>7,171,681</u>	<u>3,592,358</u>
Total liabilities	<u>8,303,998</u>	<u>4,707,088</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	<u>357,847</u>	<u>180,608</u>
Net Position		
Net investment in capital assets	10,765,353	10,058,437
Restricted for:		
Debt service	651,870	463,527
Equipment replacement	799,359	706,654
Pension Asset	129,830	-
Unrestricted	<u>702,617</u>	<u>1,038,551</u>
Total net position	<u>\$ 13,049,029</u>	<u>\$ 12,267,169</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Electric:		
Sales of electricity	\$ 3,695,764	\$ 3,743,803
Other	8,857	16,064
Total electric	<u>3,704,621</u>	<u>3,759,867</u>
Water:		
Sales of water	845,044	806,750
Other	22,590	24,231
Total water	<u>867,634</u>	<u>830,981</u>
Sewer:		
Treatment charges	1,062,944	1,248,632
Other	1,564	2,600
Total sewer	<u>1,064,508</u>	<u>1,251,232</u>
Total operating revenues	<u>5,636,763</u>	<u>5,842,080</u>
Operating Expenses		
Electric:		
Operation and maintenance	3,293,766	3,369,346
Depreciation	222,041	202,898
Total electric	<u>3,515,807</u>	<u>3,572,244</u>
Water:		
Operation and maintenance	244,959	329,510
Depreciation	154,603	151,726
Total water	<u>399,562</u>	<u>481,236</u>
Sewer:		
Operation and maintenance	601,480	548,033
Depreciation	283,585	261,181
Total sewer	<u>885,065</u>	<u>809,214</u>
Total operating expenses	<u>4,800,434</u>	<u>4,862,694</u>
Operating Income		
Electric	188,814	187,623
Water	468,072	349,745
Sewer	179,443	442,018
Total operating income	<u>836,329</u>	<u>979,386</u>
Nonoperating Expenses		
Investment income	15,456	16,282
Income from nonutility operations	13,392	14,889
Income from merchandising and jobbing	1,285	5,656
Miscellaneous revenues	-	4,018
Interest expense	(112,689)	(104,470)
Amortization of discount, loss, and debt issuance costs	(85,676)	(15,096)
Total nonoperating expenses	<u>(168,232)</u>	<u>(78,721)</u>
Income before contributions and transfers	668,097	900,665

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Capital Contributions	\$ 123,721	\$ 10,914
Capital Contributions, Municipal	251,564	2,180,359
Transfers, Tax Equivalent	<u>(261,522)</u>	<u>(263,875)</u>
Change in net position	781,860	2,828,063
Net Position, Beginning	<u>12,267,169</u>	<u>9,439,106</u>
Net Position, Ending	<u><u>\$ 13,049,029</u></u>	<u><u>\$ 12,267,169</u></u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Received from customers	\$ 5,651,781	\$ 5,870,320
Received from municipality for services	61,848	61,123
Paid to suppliers for goods and services	(3,479,060)	(3,662,390)
Paid to employees for operating payroll	<u>(588,441)</u>	<u>(597,210)</u>
Net cash flows from operating activities	<u>1,646,128</u>	<u>1,671,843</u>
Cash Flows From Noncapital Financing Activities		
Paid to municipality for tax equivalent	<u>(263,875)</u>	<u>(263,285)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,558,765)	(994,668)
Contributions in aid of construction	123,721	10,914
Debt retired	(566,901)	(545,190)
Interest paid	(95,995)	(106,165)
Proceeds from debt issue	4,285,000	-
Debt issuance costs	(70,580)	-
Discount on debt issued	<u>(21,425)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>2,095,055</u>	<u>(1,635,109)</u>
Cash Flows From Investing Activities		
Investments purchased	(982,182)	(933,714)
Investments sold and matured	933,714	928,819
Investment income	<u>15,456</u>	<u>16,282</u>
Net cash flows from investing activities	<u>(33,012)</u>	<u>11,387</u>
Net change in cash and cash equivalents	3,444,296	(215,164)
Cash and Cash Equivalents, Beginning	<u>1,477,398</u>	<u>1,692,562</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,921,694</u>	<u>\$ 1,477,398</u>
Noncash Investing, Capital and Financing Activities		
Municipality financed additions to utility plant	<u>\$ 251,564</u>	<u>\$ -</u>
Amortization	<u>\$ 15,096</u>	<u>\$ 15,096</u>
Transfer of sewer infrastructure from city (net of accumulated depreciation)	<u>\$ -</u>	<u>\$ 2,180,359</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 836,329	\$ 979,386
Nonoperating revenue (expense)	14,677	24,562
Noncash items in operating income:		
Depreciation	660,229	615,805
Depreciation charged to clearing and other utilities	41,656	56,836
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer accounts receivable	60,827	(128,346)
Other accounts receivable	1,354	192,999
Materials and supplies	342	(14,450)
Pension related deferrals and liabilities	20,025	33,421
Accounts payable	19,521	(60,246)
Due to other funds	(15,961)	(14,238)
Accrued liabilities	7,121	(14,034)
Commitment to community	8	148
	<u>8</u>	<u>148</u>
Net cash flows from operating activities	<u>\$ 1,646,128</u>	<u>\$ 1,671,843</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts		
Cash and investments	\$ 812,038	\$ 731,550
Redemption account	160,532	151,202
Reserve account	519,176	323,469
Replacement account	799,359	706,654
Construction account	<u>3,612,771</u>	<u>498,237</u>
Total cash and investments	5,903,876	2,411,112
Less noncash equivalents	<u>(982,182)</u>	<u>(933,714)</u>
Cash and cash equivalents	<u>\$ 4,921,694</u>	<u>\$ 1,477,398</u>

See notes to the financial statements

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

The financial statements of Waterloo Water and Light Commission (the 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.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

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

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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.

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.

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

Anticipated Future Special Assessments

At December 31, 2020 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	
Collecting system	80
Collecting system pumping	20
Treatment and disposal	13 - 38
General	7 - 40

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.

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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.

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.

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*

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.

2. Deposits and Investments

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

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

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

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

In addition, the Utility has collateral or depository insurance agreements in the amount of \$5,400,000 at December 31, 2020 and 2019.

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.

	2020		2019	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank	\$ 5,468,340	\$ 5,440,497	\$ 1,828,329	\$ 1,802,234
Avestar Credit Union	463,005	463,379	610,245	608,878
Total	<u>\$ 5,931,345</u>	<u>\$ 5,903,876</u>	<u>\$ 2,438,574</u>	<u>\$ 2,411,112</u>

Investment Policy

No formal investment policy has been adopted by the utility.

3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ending December 31, 2020 and 2019:

Due To	Due From	2020		2019	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Tax Fund	\$ 30,657	Delinquent on tax roll	\$ 13,511	Delinquent on tax roll
General Fund	Utility	288,596	Tax equivalent, garbage collections and general expenses	289,764	Tax equivalent, garbage collections and general expenses

The following is a schedule of transfer balances for the years ending December 31, 2020 and 2019:

To	From	2020		2019	
		Amount	Principal Purpose	Amount	Principal Purpose
City	Utility	\$ 261,522	Tax equivalent	\$ 263,875	Tax equivalent
Utility	General Fund	251,564	Bluegrass development project transferred from the city to the utility	2,180,359	Sewer collection system transferred from the city to the utility

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

4. Restricted Assets

Restricted Accounts

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

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- 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.

Restricted Net Position

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

	<u>2020</u>	<u>2019</u>
Restricted Assets		
Redemption account	\$ 160,532	\$ 151,202
Reserve account	519,176	323,469
Replacement account	799,359	706,654
Construction account	3,612,771	498,237
Net pension asset	129,830	-
Interest receivable	<u>5,068</u>	<u>5,068</u>
Total restricted assets	<u>5,226,736</u>	<u>1,684,630</u>
Less restricted assets not funded by revenues		
Reserve from borrowing	(195,708)	-
Construction account	<u>(3,612,771)</u>	<u>(498,237)</u>
Total restricted assets not funded by revenues	<u>(3,808,479)</u>	<u>(498,237)</u>
Current Liabilities Payable From Restricted Assets	<u>(32,906)</u>	<u>(16,212)</u>
Total restricted net position as calculated	<u>\$ 1,385,351</u>	<u>\$ 1,170,181</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

The purpose of the restricted net position is as follows:

	<u>2020</u>	<u>2019</u>
Debt service	\$ 651,870	\$ 463,527
Equipment replacement	799,359	706,654
Pension asset	<u>129,830</u>	<u>-</u>
Total restricted net position	<u>\$ 1,581,059</u>	<u>\$ 1,170,181</u>

5. Changes in Capital Assets

Electric Utility

A summary of changes in electric capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 151,824	\$ -	\$ -	\$ 151,824
Capital assets being depreciated:				
Distribution	4,741,918	783,567	12,484	5,513,001
General	<u>2,490,253</u>	<u>51,985</u>	<u>33,511</u>	<u>2,508,727</u>
Total capital assets being depreciated	<u>7,232,171</u>	<u>835,552</u>	<u>45,995</u>	<u>8,021,728</u>
Total capital assets	<u>7,383,995</u>	<u>835,552</u>	<u>45,995</u>	<u>8,173,552</u>
Less accumulated depreciation:				
Distribution	(2,811,040)	(170,829)	22,559	(2,959,310)
General	<u>(1,202,941)</u>	<u>(95,094)</u>	<u>33,511</u>	<u>(1,264,524)</u>
Total accumulated depreciation	<u>(4,013,981)</u>	<u>(265,923)</u>	<u>56,070</u>	<u>(4,223,834)</u>
Construction in progress	<u>75,673</u>	<u>1,122,907</u>	<u>763,232</u>	<u>435,348</u>
Net capital assets	<u>\$ 3,445,687</u>			<u>\$ 4,385,066</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
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	<u>2,478,724</u>	<u>28,518</u>	<u>16,989</u>	<u>2,490,253</u>
Total capital assets being depreciated	<u>7,110,589</u>	<u>142,514</u>	<u>20,932</u>	<u>7,232,171</u>
Total capital assets	<u>7,262,319</u>	<u>142,608</u>	<u>20,932</u>	<u>7,383,995</u>
Less accumulated depreciation:				
Distribution	(2,665,502)	(153,028)	7,490	(2,811,040)
General	<u>(1,133,945)</u>	<u>(85,985)</u>	<u>16,989</u>	<u>(1,202,941)</u>
Total accumulated depreciation	<u>(3,799,447)</u>	<u>(239,013)</u>	<u>24,479</u>	<u>(4,013,981)</u>
Construction in progress	<u>12,377</u>	<u>184,466</u>	<u>121,170</u>	<u>75,673</u>
Net capital assets	<u>\$ 3,475,249</u>			<u>\$ 3,445,687</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

Water Utility

A summary of changes in Water capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
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	916,002	-	-	916,002
Water treatment	28,033	1,967	-	30,000
Transmission and distribution	5,858,118	259,398	28,825	6,088,691
General	<u>814,967</u>	<u>36,795</u>	<u>24,988</u>	<u>826,774</u>
Total capital assets being depreciated	<u>7,689,887</u>	<u>298,160</u>	<u>53,813</u>	<u>7,934,234</u>
Total capital assets	<u>7,703,000</u>	<u>298,160</u>	<u>53,813</u>	<u>7,947,347</u>
Less accumulated depreciation:				
Source of supply	(36,249)	(1,546)	-	(37,795)
Pumping	(606,567)	(32,067)	-	(638,634)
Water treatment	(13,361)	(1,741)	-	(15,102)
Transmission and distribution	(1,000,774)	(118,743)	28,825	(1,090,692)
General	<u>(587,466)</u>	<u>(23,791)</u>	<u>24,988</u>	<u>(586,269)</u>
Total accumulated depreciation	<u>(2,244,417)</u>	<u>(177,888)</u>	<u>53,813</u>	<u>(2,368,492)</u>
Net capital assets	<u>\$ 5,458,583</u>			<u>\$ 5,578,855</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
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	<u>7,319,750</u>	<u>409,255</u>	<u>39,118</u>	<u>7,689,887</u>
Total capital assets	<u>7,332,863</u>	<u>409,255</u>	<u>39,118</u>	<u>7,703,000</u>
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	<u>(2,118,710)</u>	<u>(164,825)</u>	<u>39,118</u>	<u>(2,244,417)</u>
Construction in progress	<u>86</u>	<u>306,244</u>	<u>306,330</u>	<u>-</u>
Net capital assets	<u>\$ 5,214,239</u>			<u>\$ 5,458,583</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

Sewer Utility

A summary of changes in Sewer capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Capital assets being depreciated:				
Collecting system	2,892,462	253,670	871	3,145,261
Collecting system pumping	141,609	31,314	-	172,923
Treatment and disposal	6,592,816	27,176	-	6,619,992
General	<u>1,008,964</u>	<u>7,744</u>	<u>1,505</u>	<u>1,015,203</u>
Total capital assets being depreciated	<u>10,635,851</u>	<u>319,904</u>	<u>2,376</u>	<u>10,953,379</u>
Total capital assets	<u>10,657,614</u>	<u>319,904</u>	<u>2,376</u>	<u>10,975,142</u>
Less accumulated depreciation:				
Collecting system	(537,087)	(43,758)	871	(579,974)
Collecting system pumping	(116,481)	(7,510)	-	(123,991)
Treatment and disposal	(4,764,469)	(204,866)	-	(4,969,335)
General	<u>(667,599)</u>	<u>(14,977)</u>	<u>1,505</u>	<u>(681,071)</u>
Total accumulated depreciation	<u>(6,085,636)</u>	<u>(271,111)</u>	<u>2,376</u>	<u>(6,354,371)</u>
Net capital assets	<u>\$ 4,571,978</u>			<u>\$ 4,620,771</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Capital assets being depreciated:				
Collecting system	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	<u>1,010,317</u>	<u>-</u>	<u>1,353</u>	<u>1,008,964</u>
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:				
Collecting system	(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	<u>(653,208)</u>	<u>(15,744)</u>	<u>1,353</u>	<u>(667,599)</u>
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>

6. Long-Term Obligations

Revenue Debt

The following bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/20</u>
11/06/2012	Capital improvements and refinancing capital improvement debt	11/01/2028	0.50 - 3.00%	\$ 3,255,000	\$ 1,035,000
03/27/2013	Refinance capital improvement debt	05/01/2032	2.63	1,384,900	953,882 *
12/30/2013	Refinance capital improvement debt	11/01/2022	0.80 - 3.20	950,000	225,000
11/15/2016	Capital improvements debt	11/01/2036	1.25 - 3.25	1,310,000	1,185,000
09/10/2020	Capital improvement debt	11/01/2040	0.40 - 2.25	4,285,000	4,285,000

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

Waterloo Water and Light Commission

Notes to Financial Statements
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Revenue bonds debt service requirements to maturity follows:

Year Ending December 31,	Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2021	\$ 495,000	\$ 126,411	\$ 68,657	\$ 24,138	\$ 714,206
2022	540,000	107,533	70,459	22,312	740,304
2023	335,000	95,803	72,309	20,439	523,551
2024	345,000	92,033	74,207	18,516	529,756
2025	355,000	88,013	76,155	16,542	535,710
2026 - 2030	1,670,000	367,942	411,831	51,246	2,501,019
2031 - 2035	1,575,000	245,557	180,264	4,763	2,005,584
2036 - 2040	1,415,000	89,366	-	-	1,504,366
Total	<u>\$ 6,730,000</u>	<u>\$ 1,212,658</u>	<u>\$ 953,882</u>	<u>\$ 157,956</u>	<u>\$ 9,054,496</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 2020 and 2019 were \$662,891 and \$651,311, respectively. Total customer net revenues as defined for the same periods were \$1,526,691 and \$1,632,018. Annual principal and interest payments are expected to require 26 percent of net revenues on average.

Long-Term Obligations Summary

Long-term obligation activity for the year ended December 31, 2020 is as follows:

	1/1/20 Balance	Additions	Reductions	12/31/20 Balance	Due Within One Year
Revenue bonds	\$ 3,965,783	\$ 4,285,000	\$ 566,901	\$ 7,683,882	\$ 563,657
Accrued sick leave	79,492	28,301	24,102	83,691	-
Unamortized debt discount	(12,934)	(21,425)	(2,124)	(32,235)	-
Total	<u>\$ 4,032,341</u>	<u>\$ 4,291,876</u>	<u>\$ 588,879</u>	<u>\$ 7,735,338</u>	<u>\$ 563,657</u>

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

	1/1/19 Balance	Additions	Reductions	12/31/19 Balance	Due Within 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)	-
Total	<u>\$ 4,586,438</u>	<u>\$ 27,372</u>	<u>\$ 581,469</u>	<u>\$ 4,032,341</u>	<u>\$ 566,901</u>

Waterloo Water and Light Commission

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Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the 2012, 2013, 2016 and 2020 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, 2020:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
<i>Tricor, Inc.</i>		
General Liability	\$ 5,000,000	1/1/21
Automobile	5,000,000	1/1/21
Workers Compensation	500,000	1/1/21

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 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 5,636,763	\$ 5,842,080
Investment income	15,456	16,282
Miscellaneous nonoperating income	13,392	14,889
Income from merchandising and jobbing	1,285	5,656
Less operation and maintenance expenses	<u>(4,140,205)</u>	<u>(4,246,889)</u>
Net defined earnings	<u>\$ 1,526,691</u>	<u>\$ 1,632,018</u>
Minimum Required Earnings per Resolution:		
Current year's revenue bond debt service	\$ 662,891	\$ 651,311
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum required earnings	<u>\$ 828,614</u>	<u>\$ 814,139</u>
Actual debt coverage	<u>2.30</u>	<u>2.51</u>

Waterloo Water and Light Commission

Notes to Financial Statements
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Number of Customers and Billed Volumes - Electric

The Utility has the following number of customers and billed volumes for 2020 and 2019:

	Customers		Sales (000 kWh)	
	2020	2019	2020	2019
Residential	1,590	1,547	12,983	12,795
General	261	262	3,850	4,160
Small power	16	15	5,260	5,270
Large power	9	8	12,137	14,369
Street and highway lighting	2	2	239	245
Total	<u>1,878</u>	<u>1,834</u>	<u>34,469</u>	<u>36,839</u>

Number of Customers and Billed Volumes - Water

The Utility has the following number of customers and billed volumes for 2020 and 2019:

	Customers		Sales (000 gals)	
	2020	2019	2020	2019
Residential	1,082	1,059	45,343	43,505
Multifamily residential	24	24	7,044	6,829
Commercial	110	108	10,610	10,458
Industrial	10	10	22,360	19,140
Public authority	15	14	1,850	2,134
Irrigation	-	1	2,432	2,189
Interdepartmental	6	6	3,882	3,043
Total	<u>1,247</u>	<u>1,222</u>	<u>93,521</u>	<u>87,298</u>

Number of Customers and Billed Volumes - Sewer

The Utility has the following number of customers and billed volumes for 2020 and 2019:

	Customers		Sales (000 gals)	
	2020	2019	2020	2019
Residential	1,083	1,079	43,381	42,268
Multifamily residential	126	127	15,775	15,291
Commercial	9	8	31,084	43,895
Industrial	12	11	1,174	1,765
Public authority	1	1	6,575	8,486
Wholesale	-	2	-	366
Holding tank	-	1	-	213
Total	<u>1,231</u>	<u>1,229</u>	<u>97,989</u>	<u>112,284</u>

Waterloo Water and Light Commission

Notes to Financial Statements
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7. Net Position

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

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

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

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

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

The following calculation supports the net investment in capital assets:

	<u>2020</u>	<u>2019</u>
Total accumulated depreciation	\$ (12,946,697)	\$ (12,344,034)
Total construction work in progress	435,348	75,673
Plant in service	<u>27,096,041</u>	<u>25,744,609</u>
Subtotal	<u>14,584,692</u>	<u>13,476,248</u>
Less capital related debt		
Current portion of capital related long-term debt	563,657	566,901
Long-term portion of capital related long-term debt	7,120,225	3,398,882
Unamortized debt discount	(32,235)	(12,934)
Unamortized loss on advanced refunding	<u>(23,829)</u>	<u>(36,801)</u>
Subtotal	<u>7,627,818</u>	<u>3,916,048</u>
Add unspent debt proceeds		
Construction funds	3,612,771	498,237
Reserve from borrowing	<u>195,708</u>	
Subtotal	<u>3,808,479</u>	<u>498,237</u>
Total net investment in capital assets	<u>\$ 10,765,353</u>	<u>\$ 10,058,437</u>

Waterloo Water and Light Commission

Notes to Financial Statements
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8. Employees Retirement System

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, which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting: For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided: Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupation employees) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Waterloo Water and Light Commission

Notes to Financial Statements
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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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2010	(1.3)%	22.0%
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

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, 2020 and December 31, 2019 are:

	<u>2020</u>		<u>2019</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Executives and Elected Officials)	6.75 %	6.75 %	6.55%	6.55%
Protective with Social Security	6.75 %	11.65 %	6.55%	10.55%
Protective without Social Security	6.75 %	16.25 %	6.55%	14.95%

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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

At December 31, 2020, the Utility reported a liability (asset) of \$(129,830) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. 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, 2019, the City of Waterloo's proportion was 0.01331104 percent, which was an increase of 0.00017209 percent from its proportion measured as of December 31, 2018.

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 percent, which was an increase of 0.0001188 percent from its proportion measured as of December 31, 2017.

For the years ended December 31, 2020 and 2019, the Utility recognized pension expense of \$61,522 and \$69,788, respectively.

At December 31, 2020, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 222,054	\$ 108,341
Changes in assumption	9,320	-
Net differences between project and actual earnings on pension plan	-	248,130
Changes in proportion and differences between employer contributions and proportionate share of contributions	335	1,376
Employer contributions subsequent to the measurement date	<u>43,891</u>	<u>-</u>
Total	<u>\$ 275,600</u>	<u>\$ 357,847</u>

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

	Deferred Outflows of Resources	Deferred Inflows of 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	<u>41,497</u>	<u>-</u>
Total	<u>\$ 375,134</u>	<u>\$ 180,608</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2020 and 2019

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:

Years ending December 31,	
2021	\$ (37,227)
2022	(28,118)
2023	3,939
2024	(64,732)
2025	-
Thereafter	-
	<hr/>
Total	<u>\$ (126,138)</u>

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:

	<u>2020</u>	<u>2019</u>
Actuarial valuation date	December 31, 2018	December 31, 2017
Measurement date of net pension liability (asset)	December 31, 2019	December 31, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments *	1.9%	1.9%

* 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 are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation. 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.

Waterloo Water and Light Commission

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December 31, 2020 and 2019

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 geometric real rates of return for each major asset class as of December 31, 2020 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
Variable Fund Asset Class			
U.S Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75 percent.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Waterloo Water and Light Commission

Notes to Financial Statements
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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, 2019 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49 %	8.1 %	5.5 %
Fixed Income	24.5	4.0	1.5
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	4.7
Variable Fund Asset Class			
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 percent.

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 percent was used to measure the total pension liability as of December 31, 2020 and December 31, 2019. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a long term bond rate of 2.75 percent and 3.71 percent, in 2020 and 2019 respectively. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's 20-year Municipal GO AA Index as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 7.00 percent expected rate of return implies that a dividend of approximately 1.9 percent 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
December 31, 2020 and 2019

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, 2020 follows:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
The utility's proportionate share of the net position liability (asset)	\$ 334,350	\$ (129,830)	\$ (476,868)

The sensitivity analysis as of December 31, 2019 follows:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
The utility's proportionate share of the net position liability (asset)	\$ 504,356	\$ 126,918	\$ (153,749)

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/about-etf/reports-and-studies/financial-reports-and-statements>.

9. Commitments and Contingencies

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy members located throughout the states of Wisconsin, Michigan and Iowa. 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.

Fifty members, representing approximately 99.8 percent of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining member has a long-term contract 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 was \$305 million as of December 31, 2020.

Waterloo Water and Light Commission

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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.

10. Significant Customers

Electric Utility

The Utility has one significant customer who was responsible for 13% and 16% of operating revenues in 2020 and 2019, respectively.

11. Subsequent Events

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.

Rate Adjustment

The utility commission approved new sewer rates in March of 2021.

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 Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/15	0.01286712%	\$ (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%
12/31/20	0.01331104%	(129,830)	624,015	20.81%	102.96%

Schedule of Employer Contributions - Wisconsin Retirement System

Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 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%
12/31/20	43,891	43,891	-	650,232	6.75%

See notes to the required supplementary information

Waterloo Water and Light Commission

Notes to Required Supplementary Information
Year Ended December 31, 2020

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

Changes of assumptions .

	2015 - 2018	2019 - 2020
Long-term expected rate of return	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.

SUPPLEMENTARY INFORMATION

Waterloo Water and Light Commission

Electric Utility Plant

Year Ended December 31, 2020

	<u>Balance</u> <u>1/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/20</u>
Distribution					
Land and land rights	\$ 1,034	\$ -	\$ -	\$ -	\$ 1,034
Structures and improvements	4,926	-	-	-	4,926
Station equipment	1,016,700	-	-	-	1,016,700
Poles, towers and fixtures	438,247	93,504	2,144	-	529,607
Overhead conductors and devices	460,062	4,329	1,084	-	463,307
Underground conduit	15,240	-	-	-	15,240
Underground conductors and devices	902,734	612,613	-	-	1,515,347
Line transformers	745,339	24,775	8,888	-	761,226
Services	468,801	32,269	318	(670)	500,082
Meters	242,831	1,400	-	-	244,231
Street lighting and signal systems	<u>447,038</u>	<u>15,347</u>	<u>50</u>	<u>-</u>	<u>462,335</u>
Total distribution	<u>4,742,952</u>	<u>784,237</u>	<u>12,484</u>	<u>(670)</u>	<u>5,514,035</u>
General					
Land and land rights	150,790	-	-	-	150,790
Structures and improvements	1,847,299	14,891	2,571	-	1,859,619
Office furniture and equipment	12,265	-	1,733	-	10,532
Computer equipment	11,311	-	1,463	-	9,848
Transportation equipment	449,598	921	-	-	450,519
Stores equipment	12,672	-	-	-	12,672
Tools, shop and garage equipment	54,211	7,449	8,382	-	53,278
Laboratory equipment	9,080	-	-	-	9,080
Power-operated equipment	82,099	25,797	19,362	-	88,534
Communication equipment	8,219	-	-	-	8,219
Miscellaneous equipment	<u>3,499</u>	<u>2,927</u>	<u>-</u>	<u>-</u>	<u>6,426</u>
Total general	<u>2,641,043</u>	<u>51,985</u>	<u>33,511</u>	<u>-</u>	<u>2,659,517</u>
Total electric utility plant	<u>\$ 7,383,995</u>	<u>\$ 836,222</u>	<u>\$ 45,995</u>	<u>\$ (670)</u>	<u>\$ 8,173,552</u>

Waterloo Water and Light Commission

Water Utility Plant

Year Ended December 31, 2020

	Balance 1/1/20	Additions	Retirements	Balance 12/31/20
Source of Supply				
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>
Pumping				
Structures and improvements	678,784	-	-	678,784
Electric pumping equipment	235,132	-	-	235,132
Other pumping equipment	2,086	-	-	2,086
Total pumping	<u>916,002</u>	<u>-</u>	<u>-</u>	<u>916,002</u>
Water Treatment				
Water treatment equipment	28,033	1,967	-	30,000
Transmission and Distribution				
Land and land rights	2,017	-	-	2,017
Distribution reservoirs and standpipes	83,086	-	-	83,086
Transmission and distribution mains	3,761,341	75,571	-	3,836,912
Services	1,049,829	135,407	1,092	1,184,144
Meters	446,833	41,281	27,733	460,381
Hydrants	517,029	7,139	-	524,168
Total transmission and distribution	<u>5,860,135</u>	<u>259,398</u>	<u>28,825</u>	<u>6,090,708</u>
General				
Land and land rights	9,084	-	-	9,084
Structures and improvements	359,003	7,148	1,234	364,917
Office furniture and equipment	4,334	-	84	4,250
Computer equipment	9,155	-	1,463	7,692
Transportation equipment	62,171	921	-	63,092
Stores equipment	7,262	-	-	7,262
Tools, shop and garage equipment	33,733	-	2,844	30,889
Laboratory equipment	2,042	-	-	2,042
Power-operated equipment	55,637	25,797	19,362	62,072
Communication equipment	1,560	-	-	1,560
SCADA equipment	278,955	-	-	278,955
Miscellaneous equipment	1,115	2,928	-	4,043
Total general	<u>824,051</u>	<u>36,794</u>	<u>24,987</u>	<u>835,858</u>
Total water utility plant	<u>\$ 7,703,000</u>	<u>\$ 298,159</u>	<u>\$ 53,812</u>	<u>\$ 7,947,347</u>

Waterloo Water and Light Commission

Sewer Utility Plant

Year Ended December 31, 2020

	<u>Balance 1/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/20</u>
Collecting System				
Collecting mains	\$ 2,699,992	\$ 253,670	\$ 871	\$ 2,952,791
Force mains	25,320	-	-	25,320
Other collecting system equipment	167,150	-	-	167,150
Total collecting system	<u>2,892,462</u>	<u>253,670</u>	<u>871</u>	<u>3,145,261</u>
Collecting System Pumping				
Pump station equipment	107,238	19,314	-	126,552
Electric pumping equipment	34,371	12,000	-	46,371
Total collecting system pumping	<u>141,609</u>	<u>31,314</u>	<u>-</u>	<u>172,923</u>
Treatment and Disposal				
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	1,129,162	27,176	-	1,156,338
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>6,593,216</u>	<u>27,176</u>	<u>-</u>	<u>6,620,392</u>
General				
Land and land rights	21,363	-	-	21,363
Structures and improvements	575,967	7,744	1,337	582,374
Office furniture and equipment	5,060	-	168	4,892
Computer equipment	10,061	-	-	10,061
Transportation equipment	64,240	-	-	64,240
Communication equipment	181,388	-	-	181,388
Other general equipment	172,248	-	-	172,248
Total general	<u>1,030,327</u>	<u>7,744</u>	<u>1,505</u>	<u>1,036,566</u>
Total sewer utility plant	<u>\$10,657,614</u>	<u>\$ 319,904</u>	<u>\$ 2,376</u>	<u>\$10,975,142</u>

Waterloo Water and Light Commission

Electric Utility Operating Revenues and Expenses
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Sales of electricity:		
Residential	\$ 1,347,932	\$ 1,290,883
Rural	104,325	101,127
General service	385,992	401,701
Small power	450,003	448,275
Large power	1,235,806	1,326,657
Public street and highway lighting	61,848	61,123
Interdepartmental	<u>109,858</u>	<u>114,037</u>
Total sales of electricity	<u>3,695,764</u>	<u>3,743,803</u>
Other operating revenues:		
Forfeited discounts	5,752	11,196
Miscellaneous service revenues	40	2,040
Rent from electric property	2,691	2,405
Other	<u>374</u>	<u>423</u>
Total operating revenues	<u>3,704,621</u>	<u>3,759,867</u>
Operating Expenses		
Operation and maintenance:		
Other power supply:		
Purchased power	<u>2,710,587</u>	<u>2,833,290</u>
Distribution:		
Station	16,354	24,284
Overhead line	25,263	19,145
Underground line	34,028	19,896
Street lighting and signal system	25,792	16,599
Meter	6,810	7,486
Customer installations	4,670	2,468
Miscellaneous	46,630	24,347
Maintenance:		
Supervision and engineering	24,228	24,707
Overhead lines	42,241	52,225
Underground lines	<u>-</u>	<u>128</u>
Total distribution	<u>226,016</u>	<u>191,285</u>
Customer accounts:		
Meter reading	8,489	10,496
Customer records and collection	<u>40,786</u>	<u>46,738</u>
Total customer accounts	<u>49,275</u>	<u>57,234</u>
Sales:		
Advertising	<u>568</u>	<u>574</u>

Waterloo Water and Light Commission

Electric Utility Operating Revenues and Expenses
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Administrative and general:		
Salaries	\$ 44,581	\$ 44,020
Office supplies	23,702	26,423
Administrative expenses transferred	(15,304)	(16,169)
Outside services employed	14,014	11,908
Property insurance	7,088	9,496
Employee pensions and benefits	119,793	100,860
Regulatory commission	6,079	5,692
Miscellaneous	37,056	41,851
Transportation	695	295
Maintenance	<u>38,206</u>	<u>32,534</u>
Total administrative and general	<u>275,910</u>	<u>256,910</u>
Taxes	<u>31,410</u>	<u>30,053</u>
Total operation and maintenance	3,293,766	3,369,346
Depreciation	<u>222,041</u>	<u>202,898</u>
Total operating expenses	<u>3,515,807</u>	<u>3,572,244</u>
Operating income	<u>\$ 188,814</u>	<u>\$ 187,623</u>

Waterloo Water and Light Commission

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Sales of water:		
Metered:		
Residential	\$ 365,121	\$ 350,313
Commercial	106,679	103,639
Industrial	81,245	72,330
Public authorities	14,640	15,160
Interdepartmental	18,652	15,505
Service to other systems	<u>9,262</u>	<u>8,408</u>
Total metered sales	595,599	565,355
Private fire protection	6,900	6,924
Public fire protection	<u>242,545</u>	<u>234,471</u>
Total sales of water	<u>845,044</u>	<u>806,750</u>
Other operating revenues:		
Forfeited discounts	1,838	3,259
Other	<u>20,752</u>	<u>20,972</u>
Total operating revenues	<u>867,634</u>	<u>830,981</u>
Operating Expenses		
Operation and maintenance:		
Source of supply:		
Operation supervision and engineering	11,141	11,392
Operation labor	<u>1,073</u>	<u>9,409</u>
Total source of supply	<u>12,214</u>	<u>20,801</u>
Pumping:		
Fuel or purchased power for pumping	15,715	16,848
Pumping labor	9,996	20,359
Miscellaneous	2,821	3,812
Maintenance:		
Structures and improvements	-	982
Pumping equipment	<u>244</u>	<u>1,727</u>
Total pumping	<u>28,776</u>	<u>43,728</u>
Water treatment:		
Chemicals	5,466	5,911
Operation labor	22,807	22,025
Maintenance:		
Water treatment equipment	<u>836</u>	<u>1,027</u>
Total water treatment	<u>29,109</u>	<u>28,963</u>

Waterloo Water and Light Commission

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Transmission and distribution:		
Storage facilities	\$ 350	\$ 59
Transmission and distribution lines	18,832	20,974
Meters	1,850	127
Customer installations	490	989
Miscellaneous	2,234	4,905
Maintenance:		
Mains	10,697	32,499
Services	5,488	16,160
Meters	31	-
Hydrants	2,378	1,137
Total transmission and distribution	<u>42,350</u>	<u>76,850</u>
Customer accounts:		
Meter reading	1,890	2,660
Accounting and collecting labor	18,295	18,634
Total customer accounts	<u>20,185</u>	<u>21,294</u>
Administrative and general:		
Salaries	20,366	19,101
Office supplies	11,752	12,834
Administrative expenses transferred	(11,559)	(6,209)
Outside services employed	17,573	22,410
Property insurance	5,962	5,558
Employee pensions and benefits	42,750	52,296
Regulatory commission	-	874
Miscellaneous	6,995	9,572
Transportation	3,570	-
Maintenance	9,441	13,435
Total administrative and general	<u>106,850</u>	<u>129,871</u>
Taxes	<u>5,475</u>	<u>8,003</u>
Total operation and maintenance	244,959	329,510
Depreciation	<u>154,603</u>	<u>151,726</u>
Total operating expenses	<u>399,562</u>	<u>481,236</u>
Operating income	<u>\$ 468,072</u>	<u>\$ 349,745</u>

Waterloo Water and Light Commission

Sewer Utility Operating Revenues and Expenses
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Wastewater revenues:		
Residential	\$ 508,202	\$ 500,105
Commercial	131,685	128,414
Industrial	368,481	537,591
Public authorities	10,256	14,144
Service to other systems	44,320	57,143
Other	-	11,235
Total sewer revenues	<u>1,062,944</u>	<u>1,248,632</u>
Other operating revenues:		
Forfeited discounts	<u>1,564</u>	<u>2,600</u>
Total operating revenues	<u>1,064,508</u>	<u>1,251,232</u>
Operating Expenses		
Operation and maintenance:		
Operation:		
Supervision and labor	78,169	76,936
Power and fuel for pumping	101,784	98,641
Chlorine	381	-
Phosphorous removal chemicals	33,434	33,021
Sludge conditioning chemicals	32,400	25,200
Other operating supplies	<u>38,749</u>	<u>40,997</u>
Total operation	<u>284,917</u>	<u>274,795</u>
Maintenance:		
Collection system	28,563	14,797
Treatment and disposal plant equipment	39,639	44,725
General plant structures and equipment	<u>13,773</u>	<u>14,060</u>
Total maintenance	<u>81,975</u>	<u>73,582</u>
Customer accounts:		
Accounting and collecting	17,038	17,744
Meter Reading	<u>172</u>	<u>533</u>
Total customer accounts	<u>17,210</u>	<u>18,277</u>
Administrative and general:		
Salaries	30,131	30,981
Office supplies	13,722	14,679
Outside services employed	62,012	24,361
Insurance	10,459	10,533
Employees pensions and benefits	67,182	60,815
Miscellaneous	<u>17,113</u>	<u>24,383</u>
Total administrative and general	<u>200,619</u>	<u>165,752</u>
Taxes	<u>16,759</u>	<u>15,627</u>
Total operation and maintenance	601,480	548,033
Depreciation	<u>283,585</u>	<u>261,181</u>
Total operating expenses	<u>885,065</u>	<u>809,214</u>
Operating income	<u>\$ 179,443</u>	<u>\$ 442,018</u>