

WATERLOO WATER AND LIGHT COMMISSION

Report to the City Council

April 7, 2016

*The information in this presentation is taken from the
Management Discussion and Analysis
section of the 2015 Financial Statements*

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2015 and 2014

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, 2015 and 2014. 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 \$243,000 in 2014 to \$297,000 in 2015. Revenues decreased 2% as a result of a decrease in sales volume. Operating expenses decreased compared to the prior year by 3%. The rate of return increased from 4.60% to 6.83% in 2015.

WATER UTILITY EARNINGS

The water utility had an operating income of \$227,000 in 2015 compared to \$153,000 in 2014. Operating revenues increased by 4% compared to the previous year partially as a result of the rate increase implemented midway through 2015. The rate of return increased from 2.24% to 4.94% in 2015.

SEWER UTILITY EARNINGS

The sewer utility had an operating income in 2015 of \$231,000 compared to \$145,000 in 2014. Operating revenues increase by 7% due to higher usage in 2015 compared to 2014.

DEBT COVERAGE

The actual combined debt coverage for 2015 was 2.30 which exceeds the requirement of 1.25.

OTHER ITEMS

The utility implemented GASB Statement No. 68 in 2015, establishing a net pension asset and deferred outflows related to the pension on the Utility's Statement of Net Position.

WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2015 and 2014

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 and net position, and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Waterloo Water and Light Commission.
- > The Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the Waterloo Water and Light Commission's financial health.
- > The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

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, deferred outflows, and liabilities" is key to measuring the financial health of the utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position can also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2015 and 2014

UTILITY FINANCIAL ANALYSIS (cont.)

CONDENSED STATEMENTS OF NET POSITION

	2013	2014	2015
ASSETS AND DEFERRED OUTFLOWS			
Unrestricted Cash and Investments	\$ 333,603	\$ 405,427	\$ 872,252
Customer Accounts Receivable	623,740	672,997	617,733
Restricted and Designated Assets	2,792,076	1,740,688	1,879,552
Other Assets and Deferred Outflows	266,809	353,954	343,561
Net Electric Plant	3,399,112	3,259,104	3,152,768
Net Water Plant	3,850,306	3,827,894	3,702,094
Net Sewer Plant	3,312,008	3,122,673	2,875,263
Total Assets and Deferred Outflows	<u>14,577,654</u>	<u>13,382,737</u>	<u>13,443,223</u>
LIABILITIES			
Long-Term Liabilities	5,675,207	5,366,867	4,997,336
Other Liabilities	2,085,843	1,165,559	1,133,520
Total Liabilities	<u>7,761,050</u>	<u>6,532,426</u>	<u>6,130,856</u>
NET POSITION			
Net Investment in Capital Assets	5,755,398	5,616,118	5,605,742
Restricted for:			
Debt Service	503,419	531,095	495,755
Equipment Replacement	662,355	669,815	755,795
Pension Asset	-	-	89,024
Unrestricted	<u>(104,568)</u>	<u>33,283</u>	<u>366,051</u>
TOTAL NET POSITION	<u>\$ 6,816,604</u>	<u>\$ 6,850,311</u>	<u>\$ 7,312,367</u>

Most categories remained relatively stable in 2015 and 2014. As stated on page 3, the utility implemented GASB Statement No. 68 in 2015, establishing the net pension asset shown as restricted net position above.