

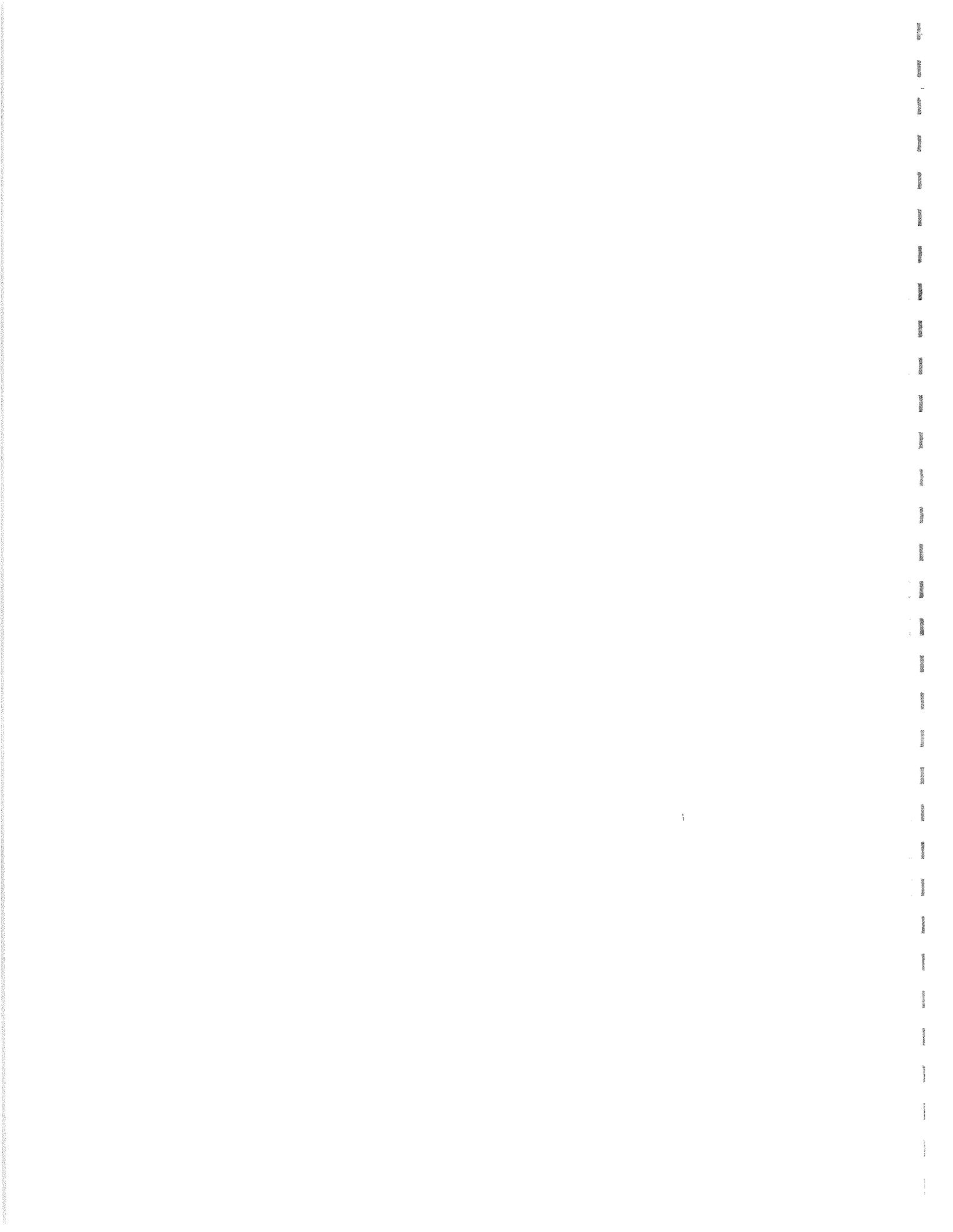
# **WATERLOO WATER AND LIGHT COMMISSION**

An Enterprise Fund of the  
City of Waterloo, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2014 and 2013

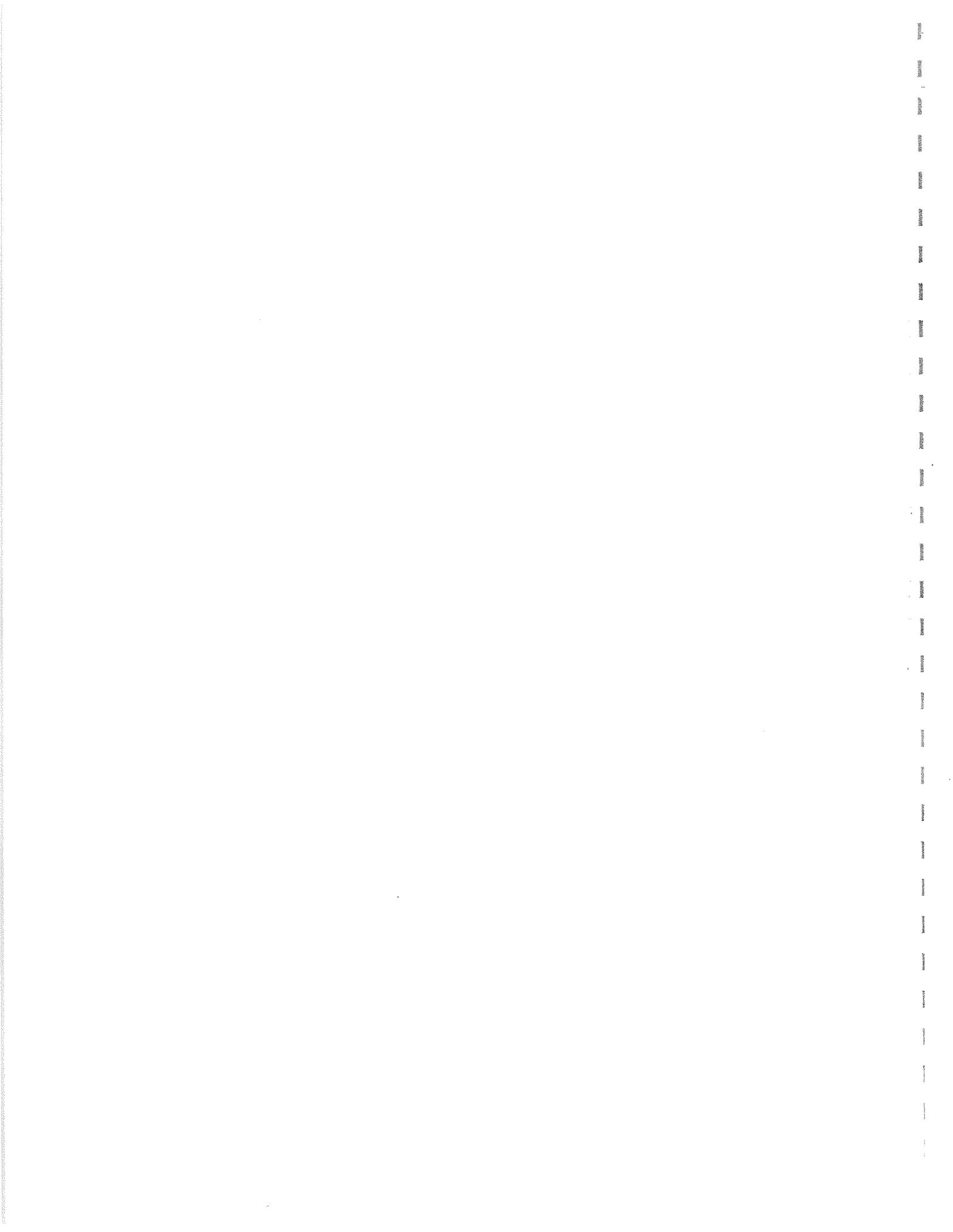


**WATERLOO WATER AND LIGHT COMMISSION**  
An Enterprise Fund of the City of Waterloo, Wisconsin

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As of and for the Years Ended December 31, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of Waterloo Water and Light Commission, an enterprise fund of the City of Waterloo, Wisconsin, as of and for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utility Commission  
Waterloo Water and Light Commission

***Emphasis of Matter***

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, 2014 and 2013 and the changes in its financial position and its cash flows 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 Management's Discussion and Analysis 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 opinions on the financial statements as a whole. The supplemental utility plant, operating revenues and expenses, and rate of return schedules 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 utility plant, operating revenues and expenses, and rate of return schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Vichow Krause, LLP*

Madison, Wisconsin  
March 23, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# WATERLOO WATER AND LIGHT COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2014 and 2013

The management of the Waterloo Water and Light Commission 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, 2014 and 2013. You are invited to read this narrative in conjunction with the utility's financial statements.

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### FINANCIAL HIGHLIGHTS

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The following summarizes the operating results of each utility.

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

Operating income increased from \$217,000 in 2013 to \$243,000 in 2014. Revenues increased 1% as a result of an increase in sales volume. Similar to the prior year, operating expenses remained consistent and increased 2%. The rate of return increased from 3.07% to 4.60% for 2014.

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

The water utility had an operating income of \$153,000 in 2014 compared to \$25,000 in 2013. The water volume sold decreased by 1%. There was a significant decrease in the operation and maintenance costs in 2014 due to the painting of the reservoir in August 2013. The rate of return increased from (2.42)% to 2.24% in 2014.

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

The sewer utility had an operating income in 2014 of \$145,000 compared to \$286,000 in 2013. Operating revenues decreased 7% due to a refund to Portland Sanitary District (PSD). The refund was necessary as PSD's meter had been billed incorrectly since the last meter change out in May of 2010.

Operating expenses increased \$68,000 or 10% in 2014 partly due to an increase in depreciation expense as well as an increase in maintenance of the treatment plant and general equipment.

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

The actual combined debt coverage for 2014 was 2.00 which exceeds the requirement of 1.25.

#### ***OTHER ITEMS***

The utility continued to complete annual water and electric distribution system replacement projects in both 2013 and 2014. The most significant project completed in 2014 was related to sludge treatment equipment replacement at the wastewater treatment plant. The utility issued revenue refunding bonds at the end of 2013 to refund the remaining 2002 bonds which were paid off in early 2014.

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

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## OVERVIEW OF THE FINANCIAL STATEMENTS/USING THIS REPORT

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

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

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

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## UTILITY FINANCIAL ANALYSIS

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An analysis of the utility's financial position begins with a review of the Statements of Net Position, and the Statements of Revenues, Expenses and Changes in Net Position report information. These two statements report the utility's net position and changes therein. The utility's net position – "the difference between assets, 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, 2014 and 2013

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## UTILITY FINANCIAL ANALYSIS (cont.)

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### CONDENSED STATEMENTS OF NET POSITION

	2012	2013	2014
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Unrestricted Cash and Investments	\$ 181,582	\$ 333,603	\$ 405,427
Customer Accounts Receivable	541,192	623,740	672,997
Restricted and Designated Assets	1,946,206	2,792,076	1,740,688
Other Assets and Deferred Outflows	364,730	266,809	353,954
Net Electric Plant	3,512,165	3,399,112	3,259,104
Net Water Plant	3,983,800	3,850,306	3,827,894
Net Sewer Plant	3,475,183	3,312,008	3,122,673
Total Assets and Deferred Outflows	<u>14,004,858</u>	<u>14,577,654</u>	<u>13,382,737</u>
<b>LIABILITIES</b>			
Long-Term Liabilities	5,956,549	5,675,207	5,366,867
Other Liabilities	1,471,821	2,085,843	1,165,559
Total Liabilities	<u>7,428,370</u>	<u>7,761,050</u>	<u>6,532,426</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,747,308	5,755,398	5,616,118
Restricted for:			
Debt Service	516,497	503,419	531,095
Equipment Replacement	609,561	662,355	669,815
Unrestricted	<u>(296,878)</u>	<u>(104,568)</u>	<u>33,283</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,576,488</u>	<u>\$ 6,816,604</u>	<u>\$ 6,850,311</u>

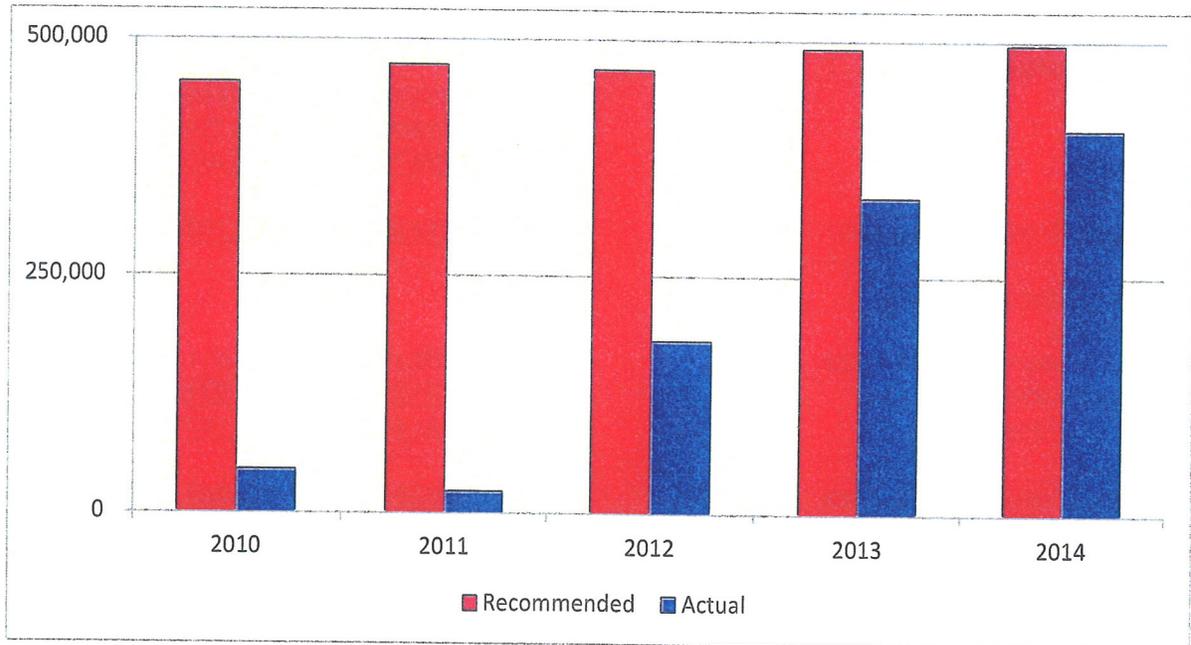
Most categories remained relatively stable in 2014 and 2013. The commission paid off the 2002 and 2009 revenue bonds out of restricted assets as seen in the decrease above. Capital additions and current year debt activity were discussed on page 3.

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

## UTILITY FINANCIAL ANALYSIS (cont.)

### UNRESTRICTED FUNDS ON HAND



**Unrestricted Funds on Hand**  
**Actual vs. Recommended**  
**2010 - 2014**

	2010	2011	2012	2013	2014
Minimum Funding Benchmark 1 Months Billings	<u>\$ 453,728</u>	<u>\$ 472,259</u>	<u>\$ 467,774</u>	<u>\$ 490,979</u>	<u>\$ 495,399</u>
Actual Funds on Hand	<u>\$ 44,881</u>	<u>\$ 22,301</u>	<u>\$ 181,582</u>	<u>\$ 333,603</u>	<u>\$ 405,427</u>
Months Billings on Hand	<u>0.1</u>	<u>0.0</u>	<u>0.39</u>	<u>0.68</u>	<u>0.82</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 has had an increase in cash reserves in 2013 and 2014. The utility took out new debt in 2012 and 2013 in order to fund capital projects which combined with recent rate adjustments should allow unrestricted funds on hand to increase to more acceptable levels.

See Independent Auditors' Report

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

## UTILITY FINANCIAL ANALYSIS (cont.)

### Condensed Statements of Revenues, Expenses and Changes in Net Position

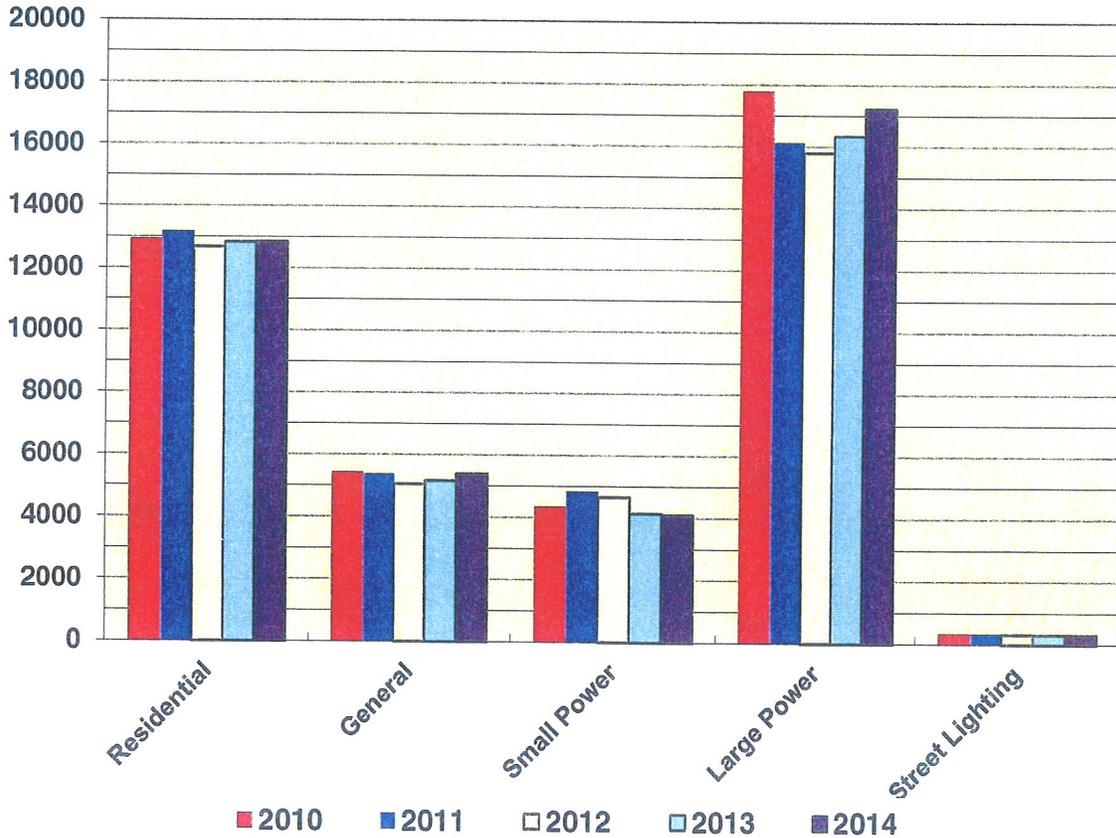
	2012	2013	2014
<b>OPERATING REVENUES</b>			
Electric	\$ 4,334,496	\$ 4,364,759	\$ 4,447,285
Water	519,998	571,759	615,514
Sewer	758,790	955,232	881,990
Total Operating Revenues	5,613,284	5,891,750	5,944,789
<b>OPERATING EXPENSES</b>			
Electric			
Operation and Maintenance	3,936,395	3,969,211	4,027,334
Depreciation	184,217	178,936	176,877
Total Electric	4,120,612	4,148,147	4,204,211
Water			
Operation and Maintenance	302,301	411,398	326,444
Depreciation	134,988	135,403	136,566
Total Water	437,289	546,801	463,010
Sewer			
Operation and Maintenance	458,468	431,540	463,780
Depreciation	200,119	237,572	273,517
Total Sewer	658,587	669,112	737,297
Total Operating Expenses	5,216,488	5,364,060	5,404,518
<b>OPERATING INCOME</b>			
Electric	213,884	216,612	243,074
Water	82,709	24,958	152,504
Sewer	100,203	286,120	144,693
Total Operating Income	396,796	527,690	540,271
<b>NON-OPERATING REVENUE</b>	13,401	11,871	11,330
<b>NON-OPERATING EXPENSES</b>	(186,440)	(265,298)	(125,373)
Income Before Contributions and Transfers	223,757	274,263	426,228
<b>CAPITAL CONTRIBUTIONS</b>	4,841	375,211	1,560
<b>OPERATING TRANSFER OUT</b>	(429,257)	(139,131)	(146,337)
<b>TRANSFERS - TAX EQUIVALENT</b>	(244,150)	(270,227)	(247,744)
<b>CHANGE IN NET POSITION</b>	\$ (444,809)	\$ 240,116	\$ 33,707

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

## UTILITY FINANCIAL ANALYSIS (cont.)

### Electric Sales



### Electric Sales (000 kWh Sold)

	2010	2011	2012	2013	2014
Residential	12,926	13,170	12,672	12,829	12,846
General	5,425	5,362	5,048	5,162	5,383
Small Power	4,342	4,837	4,657	4,138	4,094
Large Power	17,780	16,112	15,790	16,337	17,219
Street Lighting	328	329	310	305	305
<b>Total</b>	<b>40,801</b>	<b>39,810</b>	<b>38,477</b>	<b>38,771</b>	<b>39,847</b>

Residential, general, and large power all had a slight increase in usage in 2014 while small power had a small decrease in usage. The increase is due to weather patterns.

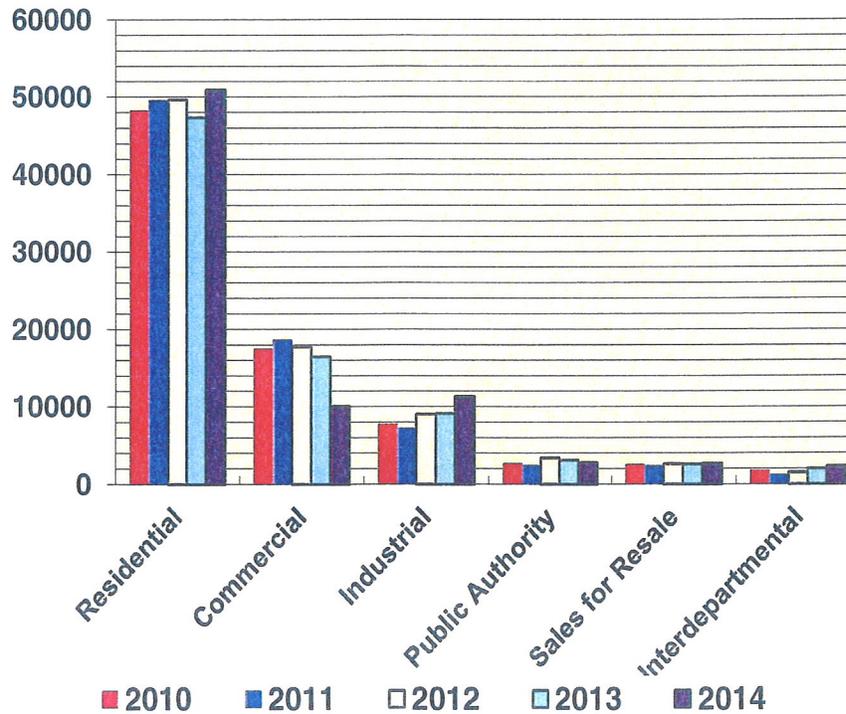
See Independent Auditors' Report

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

## UTILITY FINANCIAL ANALYSIS (cont.)

### Water Sales



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

	2010	2011	2012	2013	2014*
Residential	48,236	49,578	49,616	47,328	45,753
Commercial	17,465	18,663	17,742	16,429	15,191
Industrial	7,726	7,202	9,002	9,115	11,288
Public Authority	2,634	2,429	3,378	3,082	2,787
Sales for Resale (Portland)	2,530	2,386	2,593	2,546	2,655
Interdepartmental	1,791	1,184	1,511	1,972	2,285
<b>Total</b>	<b>80,382</b>	<b>81,442</b>	<b>83,842</b>	<b>80,472</b>	<b>79,959</b>

\*Multi-family residential is included with Commercial for 2014

Overall usage decreased in 2014 due to continued water conservation efforts. There was an increase in usage in 2012 due to the drought that was experienced.

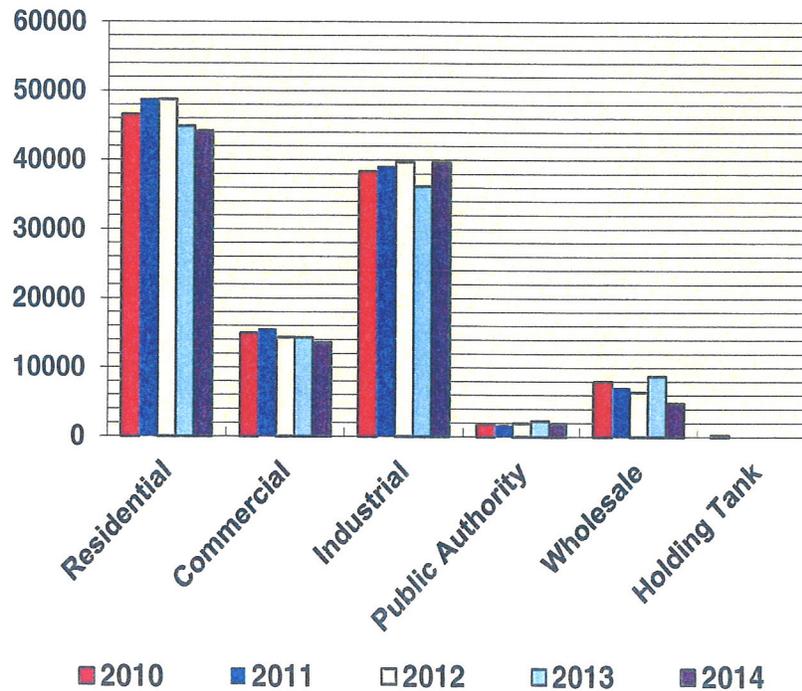
See Independent Auditors' Report

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

## UTILITY FINANCIAL ANALYSIS (cont.)

### Sewer Sales



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

	2010	2011	2012	2013	2014*
Residential	46,589	48,795	48,730	44,868	44,150
Commercial	14,886	15,497	14,295	14,277	13,579
Industrial	38,335	39,076	39,727	36,178	39,675
Public Authority	1,772	1,676	1,915	2,248	1,896
Wholesale (Portland)	7,983	7,101	6,426	8,752	4,790
Holding Tank	208	-	-	-	-
<b>Total</b>	<b>109,773</b>	<b>112,145</b>	<b>111,093</b>	<b>106,323</b>	<b>104,090</b>

\*Multi-family residential is included with Commercial for 2014

Industrial volumes treated increased in 2014 while the wholesale volume decreased with a correction to the metering data.

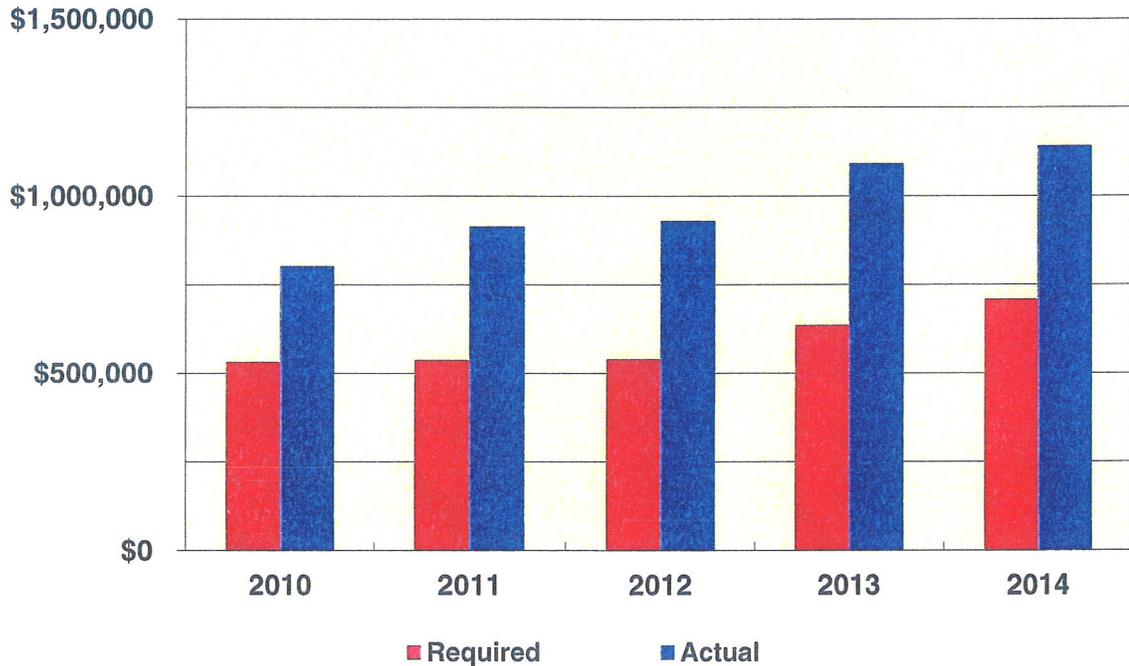
See Independent Auditors' Report

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

## UTILITY FINANCIAL ANALYSIS (cont.)

### Debt Coverage



### Debt Coverage Actual vs. Required

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Required Net Earnings	\$ 531,066	\$ 536,713	\$ 539,598	\$ 634,610	\$ 708,079
Actual Net Earnings	\$ 800,675	\$ 913,878	\$ 929,521	\$ 1,091,472	\$ 1,138,561
Times Coverage	<u>1.88</u>	<u>2.13</u>	<u>2.15</u>	<u>2.15</u>	<u>2.00</u>

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

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

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## UTILITY FINANCIAL ANALYSIS (cont.)

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### Consolidated Statements of Cash Flows

	2012	2013	2014
<b>Cash Flow From:</b>			
Operating Activities	\$ 973,782	\$ 1,067,489	\$ 1,056,674
Investing Activities	10,686	50,204	16,865
Capital and Related Financing Activities			
Capital Improvements	(1,889,435)	(200,546)	(313,180)
Debt Service	(431,678)	(2,145,729)	(1,490,499)
Debt Issue	2,595,236	2,268,773	66,127
Other Capital and Related Financing	4,841	370,798	866
Noncapital Financing Activities	<u>(247,262)</u>	<u>(373,828)</u>	<u>(309,768)</u>
Net Change in Cash and Cash Equivalents	1,016,170	1,037,161	(972,915)
Cash and Cash Equivalents - Beginning of the Year	<u>.354,549</u>	<u>1,370,719</u>	<u>2,407,880</u>
<b>Cash and Cash Equivalents - End of the Year</b>	1,370,719	2,407,880	1,434,965
Long-Term Investments	<u>751,772</u>	<u>712,731</u>	<u>706,082</u>
<b>Total Cash and Investments</b>	<u>\$ 2,122,491</u>	<u>\$ 3,120,611</u>	<u>\$ 2,141,047</u>

Overall cash flows have been increasing due to increasing rates, debt issues, and contributions for capital projects. The increase in 2013 was the result of refunding the 2002 bonds and a decrease in capital projects compared to the prior year. Conversely, when the proceeds of the 2013 bonds were used to pay off the 2002 bonds in 2014, it resulted in a significant cash outflow.

Cash flows from operating activities increased during 2014 and 2013 as a result of rate increases.

Cash flows from investing activities result mainly from the purchase and sale of long-term investments and investment income. The increase in 2013 is the result of shifting funds that were previously invested in CDs to money markets in order to remain in compliance with the investment policy.

The cash flows from capital and related financing activities are related to new debt in 2013, debt payments, main replacement projects, and completing the upgrade of the sludge treatment equipment at the wastewater treatment plant.

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## CAPITAL ASSETS

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

# WATERLOO WATER AND LIGHT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2014 and 2013

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## **LONG-TERM DEBT**

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Details of the existing debt are included in Note 6.

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

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The utility continues to monitor the adequacy of retail rates. Sewer and water rates increased in 2013. Increases in rates were designed to improve the utilities cash flow and rate of return and to meet debt coverage requirements.

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

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

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# WATERLOO WATER AND LIGHT COMMISSION

## STATEMENTS OF NET POSITION As of December 31, 2014 and 2013

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 405,427	\$ 333,603
Restricted Assets		
Redemption account	127,755	1,022,484
Customer accounts receivable	672,997	623,740
Other accounts receivable	39,565	851
Due from municipality	84,560	27,141
Materials and supplies	<u>101,958</u>	<u>97,974</u>
Total Current Assets	<u>1,432,262</u>	<u>2,105,793</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	415,530	422,469
Replacement account	669,815	662,355
Construction account	522,520	679,700
Interest receivable	5,068	5,068
Other Assets		
Preliminary survey and investigation	6,199	6,199
Property held for future use	20,011	20,011
Capital Assets		
Plant in service		
Electric	6,423,217	6,368,739
Water	5,597,717	5,486,396
Sewer	<u>7,729,429</u>	<u>7,710,563</u>
Total Plant in Service	<u>19,750,363</u>	<u>19,565,698</u>
Accumulated depreciation		
Electric	(3,172,114)	(3,014,972)
Water	(1,769,823)	(1,636,090)
Sewer	<u>(4,606,756)</u>	<u>(4,398,555)</u>
Total Accumulated Depreciation	<u>(9,548,693)</u>	<u>(9,049,617)</u>
Construction work in progress		
Electric	<u>8,001</u>	<u>45,345</u>
Total Construction Work in Progress	<u>8,001</u>	<u>45,345</u>
Total Noncurrent Assets	<u>11,848,814</u>	<u>12,357,228</u>
<b>Total Assets</b>	<u>13,281,076</u>	<u>14,463,021</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	<u>101,661</u>	<u>114,633</u>

<b>LIABILITIES</b>		
	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 364,531	\$ 363,635
Due to other funds	277,585	303,686
Accrued vacation leave	16,392	17,431
Accrued liabilities	5,711	3,817
Commitment to Community	311	286
Current Liabilities Payable from Restricted Assets		
Current portion of revenue bonds	483,771	1,374,422
Accrued interest	<u>17,258</u>	<u>22,566</u>
Total Current Liabilities	<u>1,165,559</u>	<u>2,085,843</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	4,746,707	5,164,351
Unamortized debt discount	(12,744)	(14,376)
Due to capital projects fund	527,505	420,709
Accrued sick leave	94,822	94,346
Customer advances for construction	10,177	10,177
Unearned revenues	400	-
Total Noncurrent Liabilities	<u>5,366,867</u>	<u>5,675,207</u>
 Total Liabilities	 <u>6,532,426</u>	 <u>7,761,050</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,616,118	5,755,398
Restricted for:		
Debt Service	531,095	503,419
Equipment Replacement	669,815	662,355
Unrestricted	<u>33,283</u>	<u>(104,568)</u>
 <b>TOTAL NET POSITION</b>	 <u><u>\$ 6,850,311</u></u>	 <u><u>\$ 6,816,604</u></u>

See accompanying notes to the financial statements.

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# WATERLOO WATER AND LIGHT COMMISSION

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Electric		
Sales of electricity	\$ 4,432,936	\$ 4,349,966
Other	<u>14,349</u>	<u>14,793</u>
Total Electric	<u>4,447,285</u>	<u>4,364,759</u>
Water		
Sales of water	599,563	556,146
Other	<u>15,951</u>	<u>15,613</u>
Total Water	<u>615,514</u>	<u>571,759</u>
Sewer		
Treatment charges	878,921	952,453
Other	<u>3,069</u>	<u>2,779</u>
Total Sewer	<u>881,990</u>	<u>955,232</u>
Total Operating Revenues	<u>5,944,789</u>	<u>5,891,750</u>
<b>OPERATING EXPENSES</b>		
Electric		
Operation and maintenance	4,027,334	3,969,211
Depreciation	<u>176,877</u>	<u>178,936</u>
Total Electric	<u>4,204,211</u>	<u>4,148,147</u>
Water		
Operation and maintenance	326,444	411,398
Depreciation	<u>136,566</u>	<u>135,403</u>
Total Water	<u>463,010</u>	<u>546,801</u>
Sewer		
Operation and maintenance	463,780	431,540
Depreciation	<u>273,517</u>	<u>237,572</u>
Total Sewer	<u>737,297</u>	<u>669,112</u>
Total Operating Expenses	<u>5,404,518</u>	<u>5,364,060</u>
<b>OPERATING INCOME</b>		
Electric	243,074	216,612
Water	152,504	24,958
Sewer	<u>144,693</u>	<u>286,120</u>
Total Operating Income	<u>540,271</u>	<u>527,690</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	10,216	10,934
Income from merchandising and jobbing	1,114	937
Amortization of discounts and losses	(14,604)	(14,605)
Interest expense	(110,769)	(136,287)
Debt issuance costs	-	(114,406)
Total Nonoperating Revenues (Expenses)	<u>(114,043)</u>	<u>(253,427)</u>
Income Before Contributions and Transfers	426,228	274,263
<b>CAPITAL CONTRIBUTIONS</b>	1,560	375,211
<b>TRANSFER IN (OUT)</b>	(146,337)	(139,131)
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(247,744)</u>	<u>(270,227)</u>
<b>CHANGE IN NET POSITION</b>	33,707	240,116
NET POSITION - Beginning of Year	<u>6,816,604</u>	<u>6,576,488</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,850,311</u>	<u>\$ 6,816,604</u>

See accompanying notes to the financial statements.

# WATERLOO WATER AND LIGHT COMMISSION

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 5,821,176	\$ 5,748,574
Received from municipality for services	64,204	64,003
Paid to suppliers for goods and services	(4,269,458)	(4,249,431)
Paid to employees for operating payroll	(493,121)	(495,657)
Net Cash Flows From Operating Activities	1,122,801	1,067,489
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(270,227)	(244,140)
Transfers to other funds	(39,541)	(129,688)
Net Cash Flows From Noncapital Financing Activities	(309,768)	(373,828)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(317,192)	(211,432)
Received from the sale of capital assets	12,712	18,110
Cost of removal of capital assets	(8,700)	(11,637)
Contributions in aid of construction	-	374,345
Special assessments received	866	866
Debt retired	(1,374,422)	(1,975,000)
Interest paid	(116,077)	(132,688)
Proceeds from debt issue	-	2,268,773
Debt issuance costs	-	(38,041)
Net Cash Flows From Capital and Related Financing Activities	(1,802,813)	293,296
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(421,695)	(433,071)
Investments sold and matured	428,344	472,112
Investment income	10,216	11,163
Net Cash Flows From Investing Activities	16,865	50,204
<b>Net Change in Cash and Cash Equivalents</b>	(972,915)	1,037,161
CASH AND CASH EQUIVALENTS - Beginning of Year	2,407,880	1,370,719
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,434,965	\$ 2,407,880
<b>NONCASH CAPITAL AND FINANCING ACTIVITIES</b>		
Debt issuance costs written off	\$ -	\$ 76,365
Debt proceeds received by city	\$ 66,127	\$ -
Transfers due to capital projects fund	\$ 106,796	\$ 9,443

	2014	2013
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 540,271	\$ 527,690
Nonoperating revenue (expense)	1,114	937
Noncash items in operating income		
Depreciation	586,960	551,911
Depreciation charged to clearing and other utilities	26,589	25,587
Changes in assets, deferred outflows and liabilities		
Customer accounts receivable	(49,257)	(82,548)
Other accounts receivable	(19,974)	1,774
Due from other funds	8,708	664
Materials and supplies	(3,984)	6,141
Accounts payable	34,236	30,922
Due to other funds	(3,618)	3,092
Accrued liabilities	1,756	1,794
Commitment to community	-	(475)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 1,122,801</u></b>	<b><u>\$ 1,067,489</u></b>

<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 405,427	\$ 333,603
Redemption account	127,755	1,022,484
Reserve account	415,530	422,469
Replacement account	669,815	662,355
Construction account	522,520	679,700
Total Cash and Investments	2,141,047	3,120,611
Less: Noncash equivalents	(706,082)	(712,731)
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 1,434,965</u></b>	<b><u>\$ 2,407,880</u></b>

See accompanying notes to the financial statements.

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of Waterloo Water and Light Commission (utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Waterloo Water and Light Commission (utility) provides electric, water and sewer service to properties within the City of Waterloo (municipality), and electric service to the Towns of Waterloo, Medina and Portland. The utility furnishes water at wholesale to, and treats wastewater from, the Town of Portland. Sewer service consists only of wastewater treatment; collecting of wastewater is part of a different city fund.

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.

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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### ***ASSETS, LIABILITIES AND NET POSITION***

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

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

Investment of utility funds is restricted by state statutes. Investments are limited to:

- > Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- > Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, 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 adopted an 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 quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

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

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

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

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

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

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

---

### *ASSETS, LIABILITIES AND NET POSITION (cont.)*

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

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

#### ***Preliminary Survey and Investigation***

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

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

At December 31, 2014 there were \$325,410 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 fair market 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

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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### *ASSETS, LIABILITIES AND NET POSITION (cont.)*

#### *Capital Assets (cont.)*

	<u>Years</u>
Sewer Plant	
Collecting system pumping	20
Treatment and disposal	13 - 38
General	7 - 40
Completed construction not classified	27

#### *Deferred Outflow of Resources*

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

#### *Accrued Vacation and Sick Leave*

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

#### *Commitment to Community*

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

#### *Long-Term Obligations*

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statements of net position.

### *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.

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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### *REVENUES AND EXPENSES* (cont.)

#### *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 July 2010 and are designed to provide a 7.0% return on rate base.

Current water rates were approved by the PSCW effective June 13, 2013 and are designed to provide a 4.50% return on rate base.

Current sewer rates were approved by the utility commission effective January 3, 2013.

#### *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 GASB Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. When they become effective, application of these standards may restate portions of these financial statements.

### *COMPARATIVE DATA*

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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## NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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.

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

In addition, the utility and other funds of the city have collateral or depository insurance agreements in the amount of \$2,261,158 and \$2,307,773 at December 31, 2014 and 2013 respectively. As of December 31, 2014, the bank has also established a \$2,000,000 letter of credit with the city including the utility as the beneficiary.

### ***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.

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank	\$ 2,153,243	\$ 2,141,047	\$ 3,124,005	\$ 3,120,611

### ***Investment Policy***

The utility has adopted an investment policy which requires certificates of deposit and repurchase and reverse repurchase agreements to be collateralized. In addition, the policy states that no more than 60% of the investment portfolio should be in certificates of deposit. At December 31, 2014 and 2013, 33% and 23%, respectively, of the total portfolio was invested in certificates of deposits.

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

The following is a schedule of interfund balances for the years ending December 31, 2014 and 2013:

Due To	Due From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Tax Fund	\$ 18,433	Delinquent on tax roll	\$ 27,141	Delinquent on tax roll
Utility	General Fund	66,127	Clean Water Fund draw received by city	-	
General Fund	Utility	277,585	Tax equivalent and garbage collections	303,686	Tax equivalent and garbage collections
Capital Projects Fund	Utility	527,505	Sewer collection system funding	420,709	Sewer collection system funding

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

The following is a schedule of transfer balances for the years ending December 31, 2014 and 2013:

To	From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
City	Utility	\$ 247,744	Tax equivalent	\$ 270,227	Tax equivalent
City	Utility	4,394	Labor for city project	-	
Capital Projects Fund	Utility	141,943	Sewer collection system funding	144,056	Sewer collection system funding
Utility	City	-		4,925	Impact fees

## **NOTE 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.

### ***Restricted Net Position***

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

	2014	2013
Restricted Assets		
Redemption account	\$ 127,755	\$ 1,022,484
Reserve account	415,530	422,469
Replacement account	669,815	662,355
Construction account	522,520	679,700
Interest receivable	5,068	5,068
Total Restricted Assets	<u>1,740,688</u>	<u>2,792,076</u>

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2014 and 2013

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

	2014	2013
Less: Restricted Assets Not Funded by Revenues		
Redemption from borrowing for refunding	\$ -	\$ (924,036)
Construction account	<u>(522,520)</u>	<u>(679,700)</u>
Total Restricted Assets Not Funded by Revenues	<u>(522,520)</u>	<u>(1,603,736)</u>
Current Liabilities Payable From Restricted Assets	<u>(17,258)</u>	<u>(22,566)</u>
Total Restricted Net Position as Calculated	<u>\$ 1,200,910</u>	<u>\$ 1,165,774</u>

The purpose of the restricted net position is as follows:

	2014	2013
Debt service	\$ 531,095	\$ 503,419
Equipment replacement	<u>669,815</u>	<u>662,355</u>
	<u>\$ 1,200,910</u>	<u>\$ 1,165,774</u>

### NOTE 5 - CHANGES IN CAPITAL ASSETS

#### *Electric Utility*

A summary of changes in electric capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 151,730	\$ -	\$ -	\$ 151,730
Capital assets being depreciated				
Distribution	3,932,456	63,821	21,010	3,975,267
General	<u>2,284,553</u>	<u>11,667</u>	<u>-</u>	<u>2,296,220</u>
Total Capital Assets Being Depreciated	<u>6,217,009</u>	<u>75,488</u>	<u>21,010</u>	<u>6,271,487</u>
Total Capital Assets	<u>6,368,739</u>	<u>75,488</u>	<u>21,010</u>	<u>6,423,217</u>
Less: Accumulated depreciation				
Distribution	(2,219,773)	(124,633)	28,802	(2,315,604)
General	<u>(795,199)</u>	<u>(61,311)</u>	<u>-</u>	<u>(856,510)</u>
Total Accumulated Depreciation	<u>(3,014,972)</u>	<u>(185,944)</u>	<u>28,802</u>	<u>(3,172,114)</u>
Construction in progress	<u>45,345</u>	<u>45,167</u>	<u>82,511</u>	<u>8,001</u>
Net Capital Assets	<u>\$ 3,399,112</u>			<u>\$ 3,259,104</u>

## WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

A summary of changes in electric capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 151,730	\$ -	\$ -	\$ 151,730
Capital assets being depreciated				
Distribution	4,229,495	45,188	342,227	3,932,456
General	2,304,505	-	19,952	2,284,553
Total Capital Assets Being Depreciated	6,534,000	45,188	362,179	6,217,009
Total Capital Assets	6,685,730	45,188	362,179	6,368,739
Less: Accumulated depreciation				
Distribution	(2,425,617)	(148,019)	353,863	(2,219,773)
General	(753,537)	(61,614)	19,952	(795,199)
Total Accumulated Depreciation	(3,179,154)	(209,633)	373,815	(3,014,972)
Construction in progress	5,589	45,345	5,589	45,345
Net Capital Assets	\$ 3,512,165			\$ 3,399,112

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

### *Water Utility*

A summary of changes in water capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Capital assets being depreciated				
Source of supply	71,096	-	-	71,096
Pumping	891,417	14,975	5,746	900,646
Water treatment	28,296	-	-	28,296
Transmission and distribution	3,693,126	121,223	23,967	3,790,382
General	789,348	5,601	765	794,184
Total Capital Assets Being Depreciated	5,473,283	141,799	30,478	5,584,604
Total Capital Assets	5,486,396	141,799	30,478	5,597,717
Less: Accumulated depreciation				
Source of supply	(22,580)	(1,497)	-	(24,077)
Pumping	(428,877)	(31,333)	5,746	(454,464)
Water treatment	(9,560)	(1,698)	-	(11,258)
Transmission and distribution	(783,912)	(87,216)	24,506	(846,622)
General	(391,161)	(43,006)	765	(433,402)
Total Accumulated Depreciation	(1,636,090)	(164,750)	31,017	(1,769,823)
Net Capital Assets	\$ 3,850,306			\$ 3,827,894

## WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

A summary of changes in water capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Capital assets being depreciated				
Source of supply	71,096	-	-	71,096
Pumping	891,417	-	-	891,417
Water treatment	28,296	-	-	28,296
Transmission and distribution	3,706,541	4,716	18,131	3,693,126
General	801,211	16,070	27,933	789,348
Total Capital Assets Being Depreciated	5,498,561	20,786	46,064	5,473,283
Total Capital Assets	5,511,674	20,786	46,064	5,486,396
Less: Accumulated depreciation				
Source of supply	(21,083)	(1,497)	-	(22,580)
Pumping	(397,747)	(31,130)	-	(428,877)
Water treatment	(7,862)	(1,698)	-	(9,560)
Transmission and distribution	(727,636)	(74,407)	18,131	(783,912)
General	(373,546)	(45,548)	27,933	(391,161)
Total Accumulated Depreciation	(1,527,874)	(154,280)	46,064	(1,636,090)
Net Capital Assets	\$ 3,983,800			\$ 3,850,306

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

### ***Sewer Utility***

A summary of changes in sewer capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Capital assets being depreciated				
Collecting system	22,722	-	-	22,722
Collecting system pumping	116,321	-	-	116,321
Treatment and disposal	4,858,307	1,736,854	61,906	6,533,255
General	1,012,071	23,297	-	1,035,368
Completed construction not classified	1,679,379	57,077	1,736,456	-
Total Capital Assets Being Depreciated	7,688,800	1,817,228	1,798,362	7,707,666
Total Capital Assets	7,710,563	1,817,228	1,798,362	7,729,429
Less: Accumulated depreciation				
Collecting system	(1,623)	(295)	-	(1,918)
Collecting system pumping	(85,450)	(5,463)	-	(90,913)
Treatment and disposal	(3,812,117)	(244,687)	61,906	(3,994,898)
General	(468,330)	(50,697)	-	(519,027)
Completed construction not classified	(31,035)	(31,381)	62,416	-
Total Accumulated Depreciation	(4,398,555)	(332,523)	124,322	(4,606,756)
Net Capital Assets	\$ 3,312,008			\$ 3,122,673

## WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

A summary of changes in sewer capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Capital assets being depreciated				
Collecting system	22,722	-	-	22,722
Collecting system pumping	116,321	-	-	116,321
Treatment and disposal	4,876,222	7,935	25,850	4,858,307
General	983,331	55,916	27,176	1,012,071
Completed construction not classified	-	1,679,379	-	1,679,379
Total Capital Assets Being Depreciated	5,998,596	1,743,230	53,026	7,688,800
Total Capital Assets	6,020,359	1,743,230	53,026	7,710,563
Less: Accumulated depreciation				
Collecting system	(1,328)	(295)	-	(1,623)
Collecting system pumping	(80,351)	(5,099)	-	(85,450)
Treatment and disposal	(3,681,034)	(156,933)	25,850	(3,812,117)
General	(457,165)	(38,341)	27,176	(468,330)
Completed construction not classified	-	(31,035)	-	(31,035)
Total Accumulated Depreciation	(4,219,878)	(231,703)	53,026	(4,398,555)
Construction in progress	1,674,702	4,677	1,679,379	-
Net Capital Assets	\$ 3,475,183			\$ 3,312,008

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

## NOTE 6 - LONG-TERM OBLIGATIONS

### *Revenue Bonds*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/14
9/26/2002	Refinance capital improvement debt	11/01/2022	4.35 - 5.15%	\$ 4,360,000	\$ -
3/25/2009	Refinance capital improvement debt	11/01/2014	3.00	1,140,000	-
11/6/2012	Capital improvements and refinancing capital improvement debt	11/01/2028	0.50 - 3.00	3,255,000	2,995,000
3/27/2013	Refinance capital improvement debt	5/01/2032	2.63	1,384,900	1,330,478
12/30/2013	Refinance capital improvement debt	11/01/2022	0.80 - 3.20	950,000	905,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2015	\$ 483,771	\$ 102,820	\$ 586,591
2016	495,314	97,921	593,235
2017	491,897	91,967	583,864
2018	508,522	84,831	593,353
2019	520,190	76,221	596,411
2020-2024	1,807,533	224,522	2,032,055
2025-2029	656,297	81,088	737,385
2030-2032	266,954	10,632	277,586
Totals	<u>\$ 5,230,478</u>	<u>\$ 770,002</u>	<u>\$ 6,000,480</u>

The 2002 Revenue Bond were refinanced with the 2013 Revenue Refunding Bonds, but due to a timing issue both bond issues were on the Utility's books at December 31, 2013. The 2013 bonds were issued on December 30, 2013 and the 2002 bonds were paid January 14, 2014. The funds to repay the 2002 Revenue Bonds were restricted in the Redemption fund as of December 31, 2013.

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 2014 and 2013, excluding refundings, were \$566,463 and \$507,688, respectively. Total customer net revenues as defined for the same periods were \$1,138,561 and \$1,091,472. Annual principal and interest payments are expected to require 29% of net revenues on average.

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	1/1/14 Balance	Additions	Reductions	12/31/14 Balance	Due Within One Year
Revenue bonds	\$ 6,538,773	\$ 66,127	\$ 1,374,422	\$ 5,230,478	\$ 483,771
Accrued sick leave	94,346	21,030	20,554	94,822	-
Customer advances for construction	10,177	-	-	10,177	-
Unamortized debt discount	(14,376)	-	(1,632)	(12,744)	-
Unearned Revenues	-	400	-	400	-
<b>Totals</b>	<b><u>\$ 6,628,920</u></b>	<b><u>\$ 87,557</u></b>	<b><u>\$ 1,393,344</u></b>	<b><u>\$ 5,323,133</u></b>	<b><u>\$ 483,771</u></b>

Additions to revenue bonds represent the final draw on the 2013 Clean Water Fund loan.

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	1/1/13 Balance	Additions	Reductions	12/31/13 Balance	Due Within One Year
Revenue bonds	\$ 6,245,000	\$ 2,268,773	\$ 1,975,000	\$ 6,538,773	\$ 1,374,422
Accrued sick leave	92,376	21,030	19,060	94,346	-
Customer advances for construction	10,177	-	-	10,177	-
Unamortized debt discount	(16,004)	-	(1,628)	(14,376)	-
<b>Totals</b>	<b><u>\$ 6,331,549</u></b>	<b><u>\$ 2,289,803</u></b>	<b><u>\$ 1,992,432</u></b>	<b><u>\$ 6,628,920</u></b>	<b><u>\$ 1,374,422</u></b>

### ***Current Refunding***

On December 30, 2013, bonds in the amount of \$950,000 were issued with an average interest rate of 1.90% to refund \$915,000 of outstanding 2002 Mortgage Revenue bonds with an average interest rate of 4.81%. The net proceeds were used to pay the remaining 2002 bonds (callable) with accrued interest on January 14, 2014.

The cash flow requirements on the old bonds prior to the refunding were \$1,168,416 from 2014 through 2022. The cash flow requirements on the new bonds are \$1,066,491 from 2014 through 2022. The refunding resulted in an economic gain of \$76,011.

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

The following information is provided in compliance with the resolution creating the 2002, 2009, 2012, and 2013 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, 2014:

Type	Coverage	Expiration
<i>Tricor, Inc.</i>		
General Liability	\$ 1,000,000	1/1/15
Automobile	1,000,000	1/1/15
Umbrella Liability	4,000,000	1/1/15
Workers Compensation	500,000	1/1/15

#### ***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 2014 and 2013 as follows:

	2014	2013
Operating revenues	\$ 5,944,789	\$ 5,891,750
Investment income	10,216	10,934
Miscellaneous nonoperating income	1,114	937
Less: Operation and maintenance expenses	(4,817,558)	(4,812,149)
Net Defined Earnings	\$ 1,138,561	\$ 1,091,472
Minimum Required Earnings per Resolution:		
Current year's revenue bond debt service	\$ 566,463	\$ 507,688
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 708,079	\$ 634,610
Actual Debt Coverage	2.00	2.15

## WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

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

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 kWh)	
	2014	2013	2014	2013
Residential	1,514	1,510	12,846	12,829
General	260	264	5,383	5,162
Small power	12	13	4,094	4,138
Large power	10	9	17,219	16,337
Street and highway lighting	2	2	305	305
Totals	<u>1,798</u>	<u>1,798</u>	<u>39,847</u>	<u>38,771</u>

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

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	1,103	1,103	45,753	47,328
Commercial	133	131	15,191	16,429
Industrial	12	14	11,288	9,115
Public authority	16	16	2,787	3,082
Wholesale	1	1	2,655	2,546
Interdepartmental	1	1	2,285	1,972
Totals	<u>1,266</u>	<u>1,266</u>	<u>79,959</u>	<u>80,472</u>

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

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	1,081	1,078	44,150	44,868
Commercial	119	118	13,579	14,277
Industrial	10	11	39,675	36,178
Public authority	13	14	1,896	2,248
Wholesale	1	1	4,790	8,752
Totals	<u>1,224</u>	<u>1,222</u>	<u>104,090</u>	<u>106,323</u>

# WATERLOO WATER AND LIGHT COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2014 and 2013

### **NOTE 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:

	2014	2013
Plant in service	\$ 19,750,363	\$ 19,565,698
Accumulated depreciation	(9,548,693)	(9,049,617)
Construction work in progress	8,001	45,345
Sub-Totals	10,209,671	10,561,426
Less: Capital related debt		
Current portion of capital related long-term debt	483,771	1,374,422
Long-term portion of capital related long-term debt	4,746,707	5,164,351
Unamortized debt discount	(12,744)	(14,376)
Unamortized loss on advance refunding	(101,661)	(114,633)
Sub-Totals	5,116,073	6,409,764
Add: Unspent debt proceeds		
Construction funds	522,520	679,700
Reserve from borrowing	-	924,036
Sub-Totals	522,520	1,603,736
Total Net Investment in Capital Assets	\$ 5,616,118	\$ 5,755,398

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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## NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

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All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category 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. Contribution rates for 2014 and 2013 were:

	<u>Employees</u>	<u>Employer</u>
2014 General category	7.0%	7.0%
2013 General category	6.65%	6.65%

Covered payroll listed below is substantially the same as total payroll.

	<u>Year Ended December 31</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Covered Employee Payroll	<u>\$ 492,143</u>	<u>\$ 494,552</u>	<u>\$ 493,068</u>
Total Required Contributions	<u>\$ 34,450</u>	<u>\$ 32,888</u>	<u>\$ 29,091</u>
Total Required Contributions	<u>7.0%</u>	<u>6.65%</u>	<u>5.9%</u>

Details of the plan are disclosed in the basic financial statements of the City of Waterloo.

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## NOTE 9 - COMMITMENTS AND CONTINGENCIES

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

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

# WATERLOO WATER AND LIGHT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2014 and 2013

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

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

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.

In 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$455 million as of December 31, 2014.

### ***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.

### ***Grants***

The utility has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

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## **NOTE 10 - SIGNIFICANT CUSTOMERS**

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### ***Electric Utility***

The utility has one significant customer who was responsible for 19% of operating revenues in both 2014 and 2013.

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## **NOTE 11 - SUBSEQUENT EVENTS**

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

New electric rates were approved by the PSCW effective February 13, 2015.

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# SUPPLEMENTAL INFORMATION

# WATERLOO WATER AND LIGHT COMMISSION

## ELECTRIC UTILITY PLANT As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Adjustments	Balance 12/31/14
<b>DISTRIBUTION</b>					
Land and land rights	\$ 940	\$ -	\$ -	\$ -	\$ 940
Structures and improvements	4,926	-	-	-	4,926
Station equipment	1,016,700	-	-	-	1,016,700
Poles, towers and fixtures	283,577	9,757	4,875	-	288,459
Overhead conductors and devices	327,712	18,163	6,380	-	339,495
Underground conduit	13,222	-	-	-	13,222
Underground conductors and devices	606,746	26,476	-	-	633,222
Line transformers	680,255	856	3,216	-	677,895
Services	386,829	7,052	785	(369)	392,727
Meters	247,255	968	5,085	-	243,138
Street lighting and signal systems	365,234	549	300	-	365,483
Total Distribution	<u>3,933,396</u>	<u>63,821</u>	<u>20,641</u>	<u>(369)</u>	<u>3,976,207</u>
<b>GENERAL</b>					
Land and land rights	150,790	-	-	-	150,790
Structures and improvements	1,850,802	-	-	-	1,850,802
Office furniture and equipment	7,655	4,610	-	-	12,265
Computer equipment	17,317	-	-	-	17,317
Transportation equipment	243,820	-	-	-	243,820
Stores equipment	13,603	-	-	-	13,603
Tools, shop and garage equipment	54,727	7,057	-	-	61,784
Laboratory equipment	5,350	-	-	-	5,350
Power-operated equipment	82,099	-	-	-	82,099
Communication equipment	5,681	-	-	-	5,681
Miscellaneous equipment	3,499	-	-	-	3,499
Total General	<u>2,435,343</u>	<u>11,667</u>	<u>-</u>	<u>-</u>	<u>2,447,010</u>
<b>TOTAL ELECTRIC UTILITY PLANT</b>	<u>\$ 6,368,739</u>	<u>\$ 75,488</u>	<u>\$ 20,641</u>	<u>\$ (369)</u>	<u>\$ 6,423,217</u>

# WATERLOO WATER AND LIGHT COMMISSION

## WATER UTILITY PLANT As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
<b>SOURCE OF SUPPLY</b>				
Land and land rights	\$ 2,012	\$ -	\$ -	\$ 2,012
Wells and springs	19,761	-	-	19,761
Supply mains	51,335	-	-	51,335
Total Source of Supply	<u>73,108</u>	<u>-</u>	<u>-</u>	<u>73,108</u>
<b>PUMPING</b>				
Structures and improvements	666,671	-	-	666,671
Electric pumping equipment	222,660	14,975	5,746	231,889
Other pumping equipment	2,086	-	-	2,086
Total Pumping	<u>891,417</u>	<u>14,975</u>	<u>5,746</u>	<u>900,646</u>
<b>WATER TREATMENT</b>				
Water treatment equipment	<u>28,296</u>	<u>-</u>	<u>-</u>	<u>28,296</u>
<b>TRANSMISSION AND DISTRIBUTION</b>				
Land and land rights	2,017	-	-	2,017
Distribution reservoirs and standpipes	83,086	-	-	83,086
Transmission and distribution mains	2,477,757	45,125	904	2,521,978
Services	497,912	5,306	120	503,098
Meters	340,382	56,654	22,722	374,314
Hydrants	293,989	14,138	221	307,906
Total Transmission and Distribution	<u>3,695,143</u>	<u>121,223</u>	<u>23,967</u>	<u>3,792,399</u>
<b>GENERAL</b>				
Land and land rights	9,084	-	-	9,084
Structures and improvements	359,906	-	-	359,906
Office furniture and equipment	2,121	2,213	-	4,334
Computer equipment	9,897	-	-	9,897
Transportation equipment	45,167	-	-	45,167
Stores equipment	7,433	-	-	7,433
Tools, shop and garage equipment	26,733	3,388	765	29,356
Laboratory equipment	2,042	-	-	2,042
Power-operated equipment	55,637	-	-	55,637
Communication equipment	342	-	-	342
SCADA equipment	278,955	-	-	278,955
Miscellaneous equipment	1,115	-	-	1,115
Total General	<u>798,432</u>	<u>5,601</u>	<u>765</u>	<u>803,268</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u>\$ 5,486,396</u>	<u>\$ 141,799</u>	<u>\$ 30,478</u>	<u>\$ 5,597,717</u>

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# WATERLOO WATER AND LIGHT COMMISSION

SEWER UTILITY PLANT  
As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Adjustments	Balance 12/31/14
<b>COLLECTING SYSTEM</b>					
Force mains	\$ 22,722	\$ -	\$ -	\$ -	\$ 22,722
<b>COLLECTING SYSTEM PUMPING</b>					
Pump station equipment	101,979	-	-	-	101,979
Electric pumping equipment	14,342	-	-	-	14,342
Total Collecting System Pumping	<u>116,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,321</u>
<b>TREATMENT AND DISPOSAL</b>					
Land and land rights	400	-	-	-	400
Structures and improvements	2,409,176	8,455	20,000	1,038,847	3,436,478
Preliminary treatment equipment	348,639	-	5,900	-	342,739
Primary treatment equipment	43,901	-	-	19,572	63,473
Secondary treatment equipment	1,086,748	5,780	5,000	-	1,087,528
Advanced treatment equipment	269,230	-	-	-	269,230
Sludge treatment and disposal equipment	55,588	-	5,859	641,140	690,869
Plant site piping	348,047	-	-	-	348,047
Flow metering and monitoring equipment	53,288	-	19,572	-	33,716
Other treatment and disposal equipment	243,690	23,060	5,575	-	261,175
Total Treatment and Disposal	<u>4,858,707</u>	<u>37,295</u>	<u>61,906</u>	<u>1,699,559</u>	<u>6,533,655</u>
<b>GENERAL</b>					
Land and land rights	21,363	-	-	-	21,363
Structures and improvements	578,567	-	-	-	578,567
Office furniture and equipment	1,343	2,397	-	-	3,740
Computer equipment	9,650	-	-	-	9,650
Transportation equipment	90,135	-	-	-	90,135
Communication equipment	178,348	-	-	-	178,348
Other general equipment	154,028	3,670	-	17,230	174,928
Total General	<u>1,033,434</u>	<u>6,067</u>	<u>-</u>	<u>17,230</u>	<u>1,056,731</u>
<b>COMPLETED CONSTRUCTION NOT CLASSIFIED</b>	<u>1,679,379</u>	<u>57,077</u>	<u>-</u>	<u>(1,736,456)</u>	<u>-</u>
<b>TOTAL SEWER UTILITY PLANT</b>	<u>\$ 7,710,563</u>	<u>\$ 100,439</u>	<u>\$ 61,906</u>	<u>\$ (19,667)</u>	<u>\$ 7,729,429</u>

# WATERLOO WATER AND LIGHT COMMISSION

## ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Sales of Electricity		
Residential	\$ 1,363,948	\$ 1,368,079
Rural	136,993	133,950
General service	519,243	503,368
Small power	372,805	381,622
Large power	1,873,367	1,800,418
Public street and highway lighting	64,204	64,003
Interdepartmental	102,376	98,526
Total Sales of Electricity	4,432,936	4,349,966
Other Operating Revenues		
Forfeited discounts	10,283	9,722
Miscellaneous service revenues	1,291	1,680
Rent from electric property	2,349	2,434
Other	426	957
Total Operating Revenues	4,447,285	4,364,759
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Other Power Supply		
Purchased power	3,598,239	3,522,961
Distribution		
Station	22,614	23,077
Overhead line	36,204	35,586
Underground line	12,890	12,272
Street lighting and signal system	5,803	8,071
Meter	3,772	12,248
Customer installations	37	319
Miscellaneous	15,782	10,905
Maintenance		
Supervision and engineering	18,428	17,637
Station equipment	129	16,860
Overhead lines	23,538	28,489
Underground lines	440	5,234
Street lighting and signal system	2,801	648
Meters	1,123	828
Total Distribution	143,561	172,174
Customer Accounts		
Meter reading	7,475	6,579
Customer records and collection	26,979	29,608
Total Customer Accounts	34,454	36,187
Sales		
Advertising	2,709	167

# WATERLOO WATER AND LIGHT COMMISSION

## ELECTRIC UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 35,483	\$ 31,793
Office supplies	25,510	28,833
Administrative expenses transferred	(12,560)	(24,849)
Outside services employed	28,625	28,858
Property insurance	13,323	12,868
Employee pensions and benefits	61,135	77,533
Regulatory commission	3,620	-
Miscellaneous	22,651	29,928
Transportation	10,873	(490)
Maintenance	<u>36,503</u>	<u>29,762</u>
Total Administrative and General	<u>225,163</u>	<u>214,236</u>
Taxes	<u>23,208</u>	<u>23,486</u>
Total Operation and Maintenance	4,027,334	3,969,211
Depreciation	<u>176,877</u>	<u>178,936</u>
Total Operating Expenses	<u>4,204,211</u>	<u>4,148,147</u>
 OPERATING INCOME	 <u>\$ 243,074</u>	 <u>\$ 216,612</u>

## WATERLOO WATER AND LIGHT COMMISSION

### WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Sales of Water		
Metered		
Residential	\$ 283,594	\$ 254,873
Commercial	73,988	68,384
Industrial	36,142	30,428
Public authorities	14,255	13,784
Interdepartmental	9,457	7,381
Service to other systems	9,230	7,933
Total Metered Sales	426,666	382,783
Private fire protection	7,081	9,094
Public fire protection	165,816	164,269
Total Sales of Water	599,563	556,146
Other Operating Revenues		
Forfeited discounts	3,879	3,631
Other	12,072	11,982
Total Operating Revenues	615,514	571,759
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Operation supervision and engineering	16,946	14,838
Operation labor	12,856	9,807
Total Source of Supply	29,802	24,645
Pumping		
Fuel or purchased power for pumping	16,017	14,824
Pumping labor	19,452	17,721
Miscellaneous	4,046	3,794
Maintenance		
Structures and improvements	470	726
Pumping equipment	1,928	672
Total Pumping	41,913	37,737
Water Treatment		
Chemicals	4,959	6,239
Operation labor	22,812	18,802
Maintenance		
Water treatment equipment	587	2,610
Total Water Treatment	28,358	27,651

## WATERLOO WATER AND LIGHT COMMISSION

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.)  
For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Storage facilities	\$ 1,049	\$ 2,463
Transmission and distribution lines	14,013	10,804
Meters	2,485	2,466
Customer installations	659	152
Miscellaneous	652	470
Maintenance		
Reservoirs and standpipes	-	137,558
Mains	32,347	4,676
Services	17,836	8,210
Meters	1,320	967
Hydrants	3,272	3,099
Total Transmission and Distribution	73,633	170,865
Customer Accounts		
Meter reading	1,419	1,702
Accounting and collecting labor	11,650	11,943
Total Customer Accounts	13,069	13,645
Administrative and General		
Salaries	20,388	19,118
Office supplies	12,667	14,343
Administrative expenses transferred	(6,273)	-
Outside services employed	14,349	20,126
Property insurance	9,831	10,750
Employee pensions and benefits	57,467	40,816
Regulatory commission	-	5,124
Miscellaneous	12,314	10,756
Maintenance	10,567	9,579
Total Administrative and General	131,310	130,612
Taxes	8,359	6,243
Total Operation and Maintenance	326,444	411,398
Depreciation	136,566	135,403
Total Operating Expenses	463,010	546,801
 OPERATING INCOME	 \$ 152,504	 \$ 24,958

## WATERLOO WATER AND LIGHT COMMISSION

### SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Treatment charges		
Residential	\$ 392,971	\$ 391,793
Commercial	100,230	103,007
Industrial	390,341	385,615
Public authorities	13,611	15,789
Service to other systems	(18,232)	56,249
Total Treatment Charges	878,921	952,453
Other Operating Revenues		
Forfeited discounts	2,992	2,741
Miscellaneous	77	38
Total Operating Revenues	881,990	955,232
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	83,724	88,802
Power and fuel for pumping	72,753	69,280
Phosphorous removal chemicals	26,231	33,010
Sludge conditioning chemicals	14,104	14,127
Other operating supplies	54,894	40,607
Total Operation	251,706	245,826
Maintenance		
Collection system	8,624	4,393
Treatment and disposal plant equipment	41,518	23,425
General plant structures and equipment	23,438	18,494
Total Maintenance	73,580	46,312
Customer Accounts		
Accounting and collecting	11,983	12,489
Meter Reading	1,334	1,735
Total Customer Accounts	13,317	14,224
Administrative and General		
Salaries	12,792	11,476
Office supplies	16,835	18,695
Outside services employed	16,598	17,455
Insurance	3,813	3,701
Employees pensions and benefits	43,255	44,762
Miscellaneous	18,235	14,924
Total Administrative and General	111,528	111,013
Taxes	13,649	14,165
Total Operation and Maintenance	463,780	431,540
Depreciation	273,517	237,572
Total Operating Expenses	737,297	669,112
 <b>OPERATING INCOME</b>	 \$ 144,693	 \$ 286,120

## WATERLOO WATER AND LIGHT COMMISSION

### RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2014 and 2013

	Electric		Water	
	2014	2013	2014	2013
Utility Financed Plant in Service				
Beginning of year	\$ 5,618,299	\$ 5,839,330	\$ 4,141,953	\$ 4,167,231
End of year	<u>5,672,137</u>	<u>5,618,299</u>	<u>4,253,274</u>	<u>4,141,953</u>
Average	<u>5,645,218</u>	<u>5,728,815</u>	<u>4,197,614</u>	<u>4,154,592</u>
Utility Financed Accumulated Depreciation				
Beginning of year	(2,663,900)	(2,748,044)	(1,206,631)	(1,124,650)
End of year	<u>(2,797,463)</u>	<u>(2,663,900)</u>	<u>(1,314,131)</u>	<u>(1,206,631)</u>
Average	<u>(2,730,682)</u>	<u>(2,705,972)</u>	<u>(1,260,381)</u>	<u>(1,165,641)</u>
Materials and Supplies				
Beginning of year	75,325	78,681	22,649	25,433
End of year	<u>75,339</u>	<u>75,325</u>	<u>26,619</u>	<u>22,649</u>
Average	<u>75,332</u>	<u>77,003</u>	<u>24,634</u>	<u>24,041</u>
Regulatory Liability				
Beginning of year	(104,000)	(114,400)	(84,166)	(92,582)
End of year	<u>(93,600)</u>	<u>(104,000)</u>	<u>(75,750)</u>	<u>(84,166)</u>
Average	<u>(98,800)</u>	<u>(109,200)</u>	<u>(79,958)</u>	<u>(88,374)</u>
<b>AVERAGE NET RATE BASE</b>	<u><u>\$ 2,891,068</u></u>	<u><u>\$ 2,990,646</u></u>	<u><u>\$ 2,881,909</u></u>	<u><u>\$ 2,924,618</u></u>
<b>OPERATING INCOME - REGULATORY BASIS</b>	<u><u>\$ 133,131</u></u>	<u><u>\$ 91,846</u></u>	<u><u>\$ 64,660</u></u>	<u><u>\$ (70,725)</u></u>
<b>RATE OF RETURN (PERCENT)</b>	<u><u>4.60</u></u>	<u><u>3.07</u></u>	<u><u>2.24</u></u>	<u><u>(2.42)</u></u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.

