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October 30, 2015

Mr. Barry Sorenson, Superintendent
Waterloo Water and Light Commission
575 Commercial Avenue
Waterloo, WI 53594

Dear Barry:

Enclosed please find eight (8) copies of the Forecasted 2016 Budget dated October 30, 2015. An Accountants' Compilation Report describing the scope of our work is included with the report.

BUDGET RESULTS

COMBINED DEBT COVERAGE

Schedule 2 shows the debt coverage is expected to meet your bond covenants for 2015 and 2016.

ELECTRIC

The forecasted electric regulatory operating income of \$138,342 for 2016 results in the utility earning a projected 4.89% rate of return. The utility had a rate increase in 2015 with an authorized rate of 6.75%, which contributes to the increase from the projected 2015 rate of return. Management should continue to monitor electric results and returns closely.

WATER

The water utility is forecasted to have a regulatory operating income for 2016 of \$222,320 or 7.75% rate of return on the forecasted rate base. The utility had a 26% increase in 2015, which contributes to the increase in revenues and rate of return for forecasted 2015 results. Forecasted 2016 rate of return is calculated to be less than the 2015 rate of return.

SEWER

The sewer utility is forecasted to have a \$186,000 operating income for 2016 before debt service and replenishment of reserves. No rate changes were implemented for 2015 and none are currently planned for 2016. After payment of principal and interest, the required deposit to the DNR replacement fund and segregation of funds identified for collection system repairs, the sewer utility is anticipated to have negative cash flows for 2016 of \$70,000. Sewer rates were last adjusted in 2013. We recommend management review sewer rates in 2016.

If you have any questions or comments, please contact us.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Jodi Dobson, CPA, Partner

Enclosures

WATERLOO WATER AND LIGHT COMMISSION
2016 Budget

Operating Revenues	
Electric	\$ 4,562,500
Water	753,500
Sewer	<u>916,700</u>
Total Operating Revenues	<u>6,232,700</u>
Operating Expenses	
Electric	4,310,500
Water	436,500
Sewer	<u>730,400</u>
Total Operating Expenses	<u>5,477,400</u>
Non-operating Revenues (Expenses)	
Interest income	10,100
Interest expense	(98,000)
Amortization expenses	(14,600)
Other non-operating revenue (expenses)	<u>900</u>
Total Non-operating Revenues (Expenses)	<u>(101,600)</u>
Net Income	653,700
Capital Contributions	-
Transfer out - tax equivalent	(259,300)
Transfer out - sewer collection system recovery	(145,000)
Net Position - Beginning of Year	<u>7,067,698</u>
Net Position - End of Year	<u>\$ 7,317,098</u>