

**WATERLOO WATER AND LIGHT COMMISSION**  
Waterloo, Wisconsin

**FORECASTED 2014 BUDGET**

Prepared as of

October 22, 2013

# WATERLOO WATER AND LIGHT COMMISSION

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October 28, 2013

Mr. Eugene D. Weihert, Superintendent  
Waterloo Water and Light Commission  
575 Commercial Avenue  
Waterloo, WI 53594

Dear Gene:

Enclosed please find eight (8) copies of the Forecasted 2014 Budget dated October 22, 2013. 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 2014.

### ***ELECTRIC***

The forecasted electric regulatory operating income of \$115,000 for 2014 means that the utility would be earning a 3.78% rate of return, which is below the 7.0% authorized return and the current PSCW benchmark rate of 5.5%. The primary driver for this change is the continued increased operation and maintenance expenses, specifically purchased power, as well as a decrease in total electricity sales. Electric rates were last reviewed in 2009. At this time management should consider the need for an electric rate review.

### ***WATER***

The water utility is forecasted to have a regulatory operating income for 2014 of \$115,000 or 3.73% rate of return on the forecasted rate base. The utility had a 25% water rate increase effective June 13, 2013 which contributes to the increase in revenues and rate of return in 2014 compared to 2011, 2012 and the anticipated 2013 operating loss. We note 2013 only had six months at the new rates and included the water tower painting.

### ***SEWER***

The sewer utility is forecasted to have a \$145,000 operating income for 2014 before debt service and replenishment of reserves. This is primarily due to a 20% rate increase effective January 1, 2013. 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 a slight negative cash flow in 2014. Management should consider an annual 5-6% rate increase to maintain rates in line with costs and mitigate future rate increases.

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

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



Jodi Dobson, CPA, Partner

Enclosures





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## ACCOUNTANTS' COMPILATION REPORT

Commissioners  
Waterloo Water and Light Commission  
Waterloo, Wisconsin

We have compiled the accompanying forecasted Schedules 1 through 12, as identified in the table of contents of Waterloo Water and Light Commission, an enterprise fund of the City of Waterloo for the years ended December 31, 2013 and 2014 in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying attachments or assumptions. Furthermore, there will usually be differences between the forecasted and actual results since events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying schedules present, to the best of management's knowledge and belief, the results of operations of Waterloo Water and Light Commission for the forecast periods. It is not intended to be a forecast of financial position, changes in net position, or cash flows in accordance with Generally Accepted Accounting Principles. The purpose of the accompanying forecasts and this report is to comply with the Mortgage Revenue Bond resolutions dated September 15, 2002, March 25, 2009, October 4, 2012, and March 27, 2013. These resolutions require that a budget be prepared annually to determine that earnings are sufficient to cover debt service. This report should not be used for any other purpose.

We have also compiled the summarized historical financial information presented with the forecast for comparative purposes which is taken from financial statements of Waterloo Water and Light Commission for the years ended December 31, 2011 and 2012, dated March 1, 2013 which we previously audited.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
October 22, 2013

# WATERLOO WATER AND LIGHT COMMISSION

## OVERVIEW AND CONCLUSIONS

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The September 15, 2002, March 25, 2009, October 4, 2012, and March 27, 2013 mortgage revenue bond resolutions require the utility to "prepare a budget not less than sixty days prior to the end of each fiscal year and, in the event such budget indicates that net revenues for each bond year will not exceed annual debt service requirement for each corresponding bond year by the proportion stated hereunder, will take any and all steps permitted by law to increase rates so that the aforementioned proportion of net revenues to annual debt service requirement shall be accomplished as promptly as possible." The resolution defines that debt service coverage shall be at least 1.25 times the annual principal and interest.

The net revenues as a percentage of maximum debt service is computed in Schedule 2 using the following definitions of Section 3 of the bond resolutions.

"Revenues" means all income and revenue derived from operation of the System, including the revenues received from the city for services rendered to it, and all moneys received from any other source, including all rentals and fees.

"Net Revenues" means the Revenues minus all Current Expenses but without deduction of debt service, depreciation, or local tax equivalents.

"Current Expenses" means the reasonable and necessary costs of operating, maintaining, administering and repairing the System, including salaries, wages, costs of materials and supplies, insurance, audits, but shall exclude depreciation, debt service, tax equivalents, replacements and capital expenditures.

As shown on Schedule 2, forecasted revenues for 2013 and 2014 exceed the 1.25 times minimum earnings requirement of your bond resolutions.

# WATERLOO WATER AND LIGHT COMMISSION

## SUMMARY OF FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES For the Year Ending December 31, 2014

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This financial forecast presents, to the best of management's knowledge and belief, the utility's expected results of operations for the forecasted periods. Accordingly, the forecast reflects its judgment of expected conditions and its expected course of action as of October 22, 2013, the date of this forecast.

The following significant assumptions are based on discussions with management, review of year to date transaction registers, and historical results. The assumptions listed are not all inclusive but are those we believe to be significant to the projections. Furthermore, there will usually be differences between the forecasted and actual results since some assumptions inevitably will not materialize and unanticipated events and circumstances may occur, and the variations may be material.

1. Forecasted revenues for 2013 and 2014 are based on 2013 year to date amounts, historical growth rates, and historical averages for electric, water, and sewer revenues. The sewer revenues include a rate increase of 20% that became effective January 1, 2013. The water revenues include a 25% water rate increase which became effective June 13, 2013. This budget assumes the electric rates in effect for 2013 will remain the same for 2014.
2. Forecasted operation and maintenance expenses for 2013 and 2014 are based on 2013 year to date expenses, a review of prior year's expenses and inflated by 1.8% where appropriate.
3. Plant additions and retirements were forecasted based on information provided by management. Electric and water projects relate primarily to the distribution systems and are consistent with historical spending levels.
4. The property tax equivalent for the electric and water utilities was calculated based on the forecasted plant additions, the 2012 assessment ratio and the 2012 mill rate inflated by 1.6% in 2013 and 1.8% in 2014. Other taxes including FICA tax, the PSC remainder assessment, and joint metering charged to sewer were forecasted based on historical trends.
5. Interest income for all years was allocated between the utilities based on operating income. Forecasted interest income is based on 2013 year to date income annualized and anticipated to remain similar for 2014.
6. Interest expense for all years was allocated based on each utility's portion of each debt issue. Forecasted interest expense is based on the debt repayment schedules for current outstanding debt including the Series 2013 Combined Utility Revenue Bonds.

Waterloo Water and Light Commission is a separate enterprise fund of the City of Waterloo. The utility accounts for the cost of electric, water and sewer operations on a continuing basis and is managed by the utility commission. This forecast is prepared on the accrual basis consistent with the annual financial statements of the utility. Certain items are treated in accordance with the bond resolutions on Schedule 2 or as prescribed by the Public Service Commission of Wisconsin on Schedules 9 and 10. The treatment on these schedules may differ from generally accepted accounting principles.

**SCHEDULES**

**WATERLOO WATER AND LIGHT COMMISSION**  
2014 Budget

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	<b>\$ 4,448,500</b>	<b>\$ 653,800</b>	<b>\$ 886,100</b>	<b>\$ 5,988,400</b>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	4,006,100	297,100	474,300	4,777,500
Depreciation	190,400	141,900	252,300	584,600
Taxes	24,300	7,200	13,700	45,200
<b>Total Operating Expenses</b>	<b>4,220,800</b>	<b>446,200</b>	<b>740,300</b>	<b>5,407,300</b>
Operating Income	227,700	207,600	145,800	581,100
<b>Non-operating Revenues (Expenses)</b>				
Interest income	7,400	3,600	4,100	15,100
Interest expense	(39,300)	(27,700)	(72,500)	(139,500)
Amortization expenses	(6,200)	(1,800)	(6,600)	(14,600)
Other non-operating revenue (expenses)	1,600	200	-	1,800
<b>Total Non-operating Revenues (Expenses)</b>	<b>(36,500)</b>	<b>(25,700)</b>	<b>(75,000)</b>	<b>(137,200)</b>
Net Income	191,200	181,900	70,800	443,900
Capital Contributions	-	-	-	-
Transfer out - tax equivalent	(139,600)	(119,000)	-	(258,600)
Transfer out - sewer collection system recovery	-	-	(150,000)	(150,000)
<b>Net Position - Beginning of Year</b>	<b>3,681,833</b>	<b>1,725,511</b>	<b>1,048,926</b>	<b>6,456,271</b>
<b>Net Position - End of Year</b>	<b>\$ 3,733,433</b>	<b>\$ 1,788,411</b>	<b>\$ 969,726</b>	<b>\$ 6,491,571</b>

See Accountants' Report and Summary of Forecast Assumptions.

**WATERLOO WATER AND LIGHT COMMISSION**Debt Service Coverage  
Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013	Budget 2014
<b>DEFINED NET REVENUES</b>					
Electric operating revenues	\$ 4,431,661	\$ 4,334,496	\$ 2,126,207	\$ 4,344,400	\$ 4,448,500
Water operating revenues	504,047	519,998	253,621	581,200	653,800
Sewer operating revenues	731,399	758,790	456,997	904,300	886,100
Total Operating Revenues	<u>5,667,107</u>	<u>5,613,284</u>	<u>2,836,825</u>	<u>5,829,900</u>	<u>5,988,400</u>
Electric operating expenses	4,110,739	4,120,612	2,090,224	4,129,717	4,220,800
Water operating expenses	441,310	437,289	219,248	591,600	446,200
Sewer operating expenses	732,536	658,587	332,156	695,600	740,300
Total Operating Expenses	<u>5,284,585</u>	<u>5,216,488</u>	<u>2,641,628</u>	<u>5,416,917</u>	<u>5,407,300</u>
Electric operating income	320,922	213,884	35,983	214,683	227,700
Water operating income	62,737	82,709	34,373	(10,400)	207,600
Sewer operating income	(1,137)	100,203	124,841	208,700	145,800
Total Operating Income	<u>382,522</u>	<u>396,796</u>	<u>195,197</u>	<u>412,983</u>	<u>581,100</u>
Add: Interest income					
Electric interest income	6,561	4,480	3,689	7,400	7,400
Water interest income	979	2,153	1,664	3,600	3,600
Sewer interest income	4,017	4,125	2,557	4,100	4,100
Total Interest Income	<u>11,557</u>	<u>10,758</u>	<u>7,910</u>	<u>15,100</u>	<u>15,100</u>
Miscellaneous Revenue	<u>992</u>	<u>2,643</u>	<u>1,142</u>	<u>1,800</u>	<u>1,800</u>
Add back operating expenses excluded by resolution:					
Depreciation - Electric	184,667	184,217	92,754	187,800	190,400
Depreciation - Water	133,867	134,988	72,654	138,100	141,900
Depreciation - Sewer	200,273	200,119	122,346	225,700	252,300
Total Expenses Added Back	<u>518,807</u>	<u>519,324</u>	<u>287,754</u>	<u>551,600</u>	<u>584,600</u>
<b>TOTAL DEFINED NET REVENUES</b>	<u>\$ 913,878</u>	<u>\$ 929,521</u>	<u>\$ 492,003</u>	<u>\$ 981,483</u>	<u>\$ 1,182,600</u>
<b>ANNUAL REVENUE BOND DEBT SERVICE REQUIREMENTS</b>					
Current year principal and interest	\$ 429,370	\$ 431,678	\$ 440,782	\$ 512,398	\$ 585,013 **
Required coverage factor	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
<b>MINIMUM EARNINGS REQUIRED</b>	<u>\$ 536,713</u>	<u>\$ 539,598</u>	<u>\$ 550,978</u>	<u>\$ 640,498</u>	<u>\$ 731,266</u>
Debt service coverage	<u>2.13</u>	<u>2.15</u>	<u>N/A</u>	<u>1.92</u>	<u>2.02</u>

\*\*The 2013 principal and interest does not include the 2012 Note Anticipation Note which was refunded by the 2013 Clean Water Fund Loan.

**WATERLOO WATER AND LIGHT COMMISSION**  
 Electric Revenue and Expenses  
 Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013		Budget 2014	
<b>OPERATING REVENUES</b>							
<b>Sales of Electricity</b>							
Residential sales	\$ 1,377,956	\$ 1,351,364	\$ 664,906	\$ 1,357,100	D	\$ 1,406,600	D
Rural	136,039	130,235	65,782	134,300	D	137,200	D
General service	513,738	495,263	246,360	502,800	D	513,500	D
Small power sales	408,340	404,948	197,581	403,300	D	411,900	D
Large power sales	1,777,839	1,751,148	866,552	1,768,700	D	1,797,400	D
Public street and highway lighting	63,039	63,961	31,416	64,100	D	65,400	D
Interdepartmental sales	135,432	124,172	47,435	96,800	D	98,900	D
Total Sales Electricity	<u>4,412,383</u>	<u>4,321,091</u>	<u>2,120,032</u>	<u>4,327,100</u>		<u>4,430,900</u>	
<b>Other Operating Revenues</b>							
Forfeited discounts	9,800	8,875	5,163	10,300	A	10,500	D
Miscellaneous service revenues	1,809	1,453	840	1,600	C	1,600	B
Rents from electric property	2,398	2,557	28	2,500	C	2,500	B
Other electric revenues	5,271	520	144	2,900	C	3,000	B
Total Other Operating Revenues	<u>19,278</u>	<u>13,405</u>	<u>6,175</u>	<u>17,300</u>		<u>17,600</u>	
Total Operating Revenues	<u>4,431,661</u>	<u>4,334,496</u>	<u>2,126,207</u>	<u>4,344,400</u>		<u>4,448,500</u>	
<b>OPERATING EXPENSES</b>							
<b>Operation and Maintenance</b>							
Other power supply	3,517,282	3,508,261	1,748,636	3,508,300	D	3,605,800	D
Distribution	130,409	146,931	93,917	156,700	D	143,000	D
Customer accounts	37,158	40,974	18,266	39,100	D	39,800	D
Sales	2,832	378	2,052	2,100	D	2,100	D
Administrative and general	214,275	216,267	125,894	211,817	D	215,400	D
Total Operation and Maintenance	<u>3,901,956</u>	<u>3,912,811</u>	<u>1,988,765</u>	<u>3,918,017</u>		<u>4,006,100</u>	
Depreciation	184,667	184,217	92,754	187,800	D	190,400	D
Other taxes	24,116	23,584	8,705	23,900	D	24,300	D
Total Operating Expenses	<u>4,110,739</u>	<u>4,120,612</u>	<u>2,090,224</u>	<u>4,129,717</u>		<u>4,220,800</u>	
Operating Income (Loss)	<u>320,922</u>	<u>213,884</u>	<u>35,983</u>	<u>214,683</u>		<u>227,700</u>	
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest income	6,561	4,480	3,689	7,400	A	7,400	A
Interest expense	(82,550)	(73,391)	(21,978)	(44,700)	D	(39,300)	D
Amortization of debt issuance expense, discounts and losses	(8,835)	(8,319)	(6,006)	(6,200)	D	(6,200)	D
Other non-operating revenue (expense)	905	2,285	1,094	1,600	C	1,600	C
Total Non-Operating Revenues (Expenses)	<u>(83,919)</u>	<u>(74,945)</u>	<u>(23,201)</u>	<u>(41,900)</u>		<u>(36,500)</u>	
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>\$ 237,003</u>	<u>\$ 138,939</u>	<u>\$ 12,782</u>	<u>\$ 172,783</u>		<u>\$ 191,200</u>	

A - Current year to date amounts through June annualized.

B - Current year projected amounts increased by 1.8%.

C - Based on a historical average.

D - Based on detail account analysis

**WATERLOO WATER AND LIGHT COMMISSION**  
Detailed Electric Operation and Maintenance Expenses  
Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013		Budget 2014
Other Power Supply						
Purchased power	\$ 3,517,282	\$ 3,508,261	\$ 1,748,636	\$ 3,508,300	D	\$ 3,605,800
Total Other Power Supply	<u>3,517,282</u>	<u>3,508,261</u>	<u>1,748,636</u>	<u>3,508,300</u>		<u>3,605,800</u>
Distribution						
Station	23,331	24,665	17,859	24,000	C	24,400
Overhead line	30,255	35,234	19,296	32,700	C	32,700
Underground line	7,596	12,491	4,980	10,000	C	10,000
Street lighting and signal system	8,267	9,422	2,841	8,800	C	8,800
Meter	2,775	3,412	16,554	3,100	C	3,200
Customer installations	-	134	191	400	A	100
Miscellaneous distribution expense	7,206	10,605	6,936	8,900	C	9,100
Maintenance of structures and equipment	17,861	17,622	8,691	32,400	F	17,700
Maintenance of lines	28,023	26,164	13,486	27,100	C	27,600
Maintenance of underground lines	-	735	2,977	3,500	D	3,600
Maintenance of street lighting and signal system	3,837	4,898	106	4,400	C	4,400
Maintenance of meters	1,258	1,549	-	1,400	C	1,400
Total Distribution	<u>130,409</u>	<u>146,931</u>	<u>93,917</u>	<u>156,700</u>		<u>143,000</u>
Customer Accounts						
Meter reading	8,706	6,651	3,857	7,700	A	7,800
Accounting and collecting	28,452	34,323	14,409	31,400	C	32,000
Total Customer Accounts Expenses	<u>37,158</u>	<u>40,974</u>	<u>18,266</u>	<u>39,100</u>		<u>39,800</u>
Sales						
Advertising	2,832	378	2,052	2,100	D	2,100
Total Sales	<u>2,832</u>	<u>378</u>	<u>2,052</u>	<u>2,100</u>		<u>2,100</u>
Administrative and General						
Administrative and general salaries	30,636	30,531	16,081	32,200	A	32,800
Office supplies	28,949	28,952	11,624	23,200	A	23,600
Administrative expenses transferred	(16,849)	(24,718)	(739)	(20,800)	C	(20,800)
Outside services employed	23,623	26,815	16,946	27,200	D	27,700
Property insurance	10,735	11,468	12,817	12,817	D	13,000
Employee pensions and benefits - retirement	24,124	13,426	7,725	15,500	A	15,800
Employee pensions and benefits - health insurance	47,057	55,022	28,438	56,900	A	57,900
Employee pensions and benefits - other benefits	4,201	9,313	1,365	5,400	C	5,500
Regulatory commission	-	-	625	700	D	-
Miscellaneous	34,404	23,168	13,983	28,000	A	28,800
Transportation clearing	(760)	16,510	2,803	7,900	C	7,900
Maintenance of general plant	28,155	25,780	14,226	22,800	C	23,200
Total Administrative and General Expenses	<u>214,275</u>	<u>216,267</u>	<u>125,894</u>	<u>211,817</u>		<u>215,400</u>
Total Operation and Maintenance Expenses	<u>\$ 3,901,956</u>	<u>\$ 3,912,811</u>	<u>\$ 1,988,765</u>	<u>\$ 3,918,017</u>		<u>\$ 4,006,100</u>

A - Current year to date amounts through June annualized.

B - Current year projected amounts increased by 1.8%.

C - Based on a historical average.

D - Based on detail account analysis

E - Based on historical trends

F - Based on current year to date amounts annualized with a \$15,000 increase due substation damage that was repaired in July-August 2013

See Accountants' Report and Summary of Forecast Assumptions.

**WATERLOO WATER AND LIGHT COMMISSION**Water Revenue and Expenses  
Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013	Budget 2014		
<b>OPERATING REVENUES</b>							
Sales of Water							
Metered Sales							
Residential	\$ 218,080	\$ 222,284	\$ 109,995	\$ 247,500	B \$ 278,400	F	
Commercial	61,395	61,912	27,090	61,000	B 68,600	F	
Industrial	23,162	27,824	12,657	37,000	B 41,600	F	
Public Authority	9,153	11,581	5,865	13,200	B 14,900	F	
Interdepartmental	4,121	5,008	3,162	7,100	B 8,000	F	
Service to other systems	6,378	6,950	3,423	7,700	B 8,700	F	
Total Metered Sales	<u>322,289</u>	<u>335,559</u>	<u>162,192</u>	<u>373,500</u>	<u>420,200</u>		
Private fire protection	10,356	10,356	5,118	11,500	B 12,900	F	
Public fire protection	158,612	161,511	81,558	183,500	B 206,400	F	
Total Sales of Water	<u>491,257</u>	<u>507,426</u>	<u>248,868</u>	<u>568,500</u>	<u>639,500</u>		
Other Operating Revenues							
Forfeited discounts	3,729	3,289	1,837	3,500	C 3,900	C	
Other water revenues	9,061	9,283	2,916	9,200	C 10,400	B	
Total Other Operating Revenues	<u>12,790</u>	<u>12,572</u>	<u>4,753</u>	<u>12,700</u>	<u>14,300</u>		
Total Operating Revenues	<u>504,047</u>	<u>519,998</u>	<u>253,621</u>	<u>581,200</u>	<u>653,800</u>		
<b>OPERATING EXPENSES</b>							
Operation and Maintenance							
Source of supply	25,271	25,512	12,356	25,700	D 26,200	D	
Pumping	50,270	51,089	20,086	50,700	D 51,500	D	
Water treatment	35,081	24,500	13,008	29,800	D 30,300	D	
Transmission and distribution	47,216	52,476	15,618	199,000	D 52,900	D	
Customer accounts	14,135	13,533	6,459	13,800	D 14,000	D	
Administrative and general	126,564	128,203	74,305	125,000	D 122,200	D	
Total Operation and Maintenance	<u>298,537</u>	<u>295,313</u>	<u>141,832</u>	<u>444,000</u>	<u>297,100</u>		
Depreciation	133,867	134,988	72,654	138,100	D 141,900	D	
Other taxes	8,906	6,988	4,762	9,500	A 7,200	D	
Total Operating Expenses	<u>441,310</u>	<u>437,289</u>	<u>219,248</u>	<u>591,600</u>	<u>446,200</u>		
Operating Income	<u>62,737</u>	<u>82,709</u>	<u>34,373</u>	<u>(10,400)</u>	<u>207,600</u>		
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest income	979	2,153	1,664	3,600	D 3,600	C	
Interest expense	(19,500)	(20,121)	(14,574)	(29,600)	D (27,700)	D	
Amortization of debt issuance expense, discount and losses	(2,890)	(2,808)	(1,902)	(1,800)	D (1,800)	C	
Other non-operating revenue (expense)	86	358	48	200	C 200	C	
Total Non-Operating Revenues (Expenses)	<u>(21,325)</u>	<u>(20,418)</u>	<u>(14,764)</u>	<u>(27,600)</u>	<u>(25,700)</u>		
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>\$ 41,412</u>	<u>\$ 62,291</u>	<u>\$ 19,609</u>	<u>\$ (38,000)</u>	<u>\$ 181,900</u>		

A - Current year to date amounts through June annualized.

B - Current year to date amounts through June annualized incorporating 25% rate increase effective July 2013

C - Based on a historical average.

D - Based on detail account analysis

E - Based on historical trends

F - Prior year forecasted amount increased by proposed 25% rate adjustment for half of 2013 and incorporating new industrial customer.

**WATERLOO WATER AND LIGHT COMMISSION**

## Detailed Water Operation and Maintenance Expenses

Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013	Budget 2014		
<b>Source of Supply</b>							
Operation supervision and engineering	\$ 14,827	\$ 15,478	\$ 7,716	\$ 15,500	\$ 15,800	E	B
Operation labor	10,444	10,034	4,640	10,200	10,400	C	B
<b>Total Source of Supply</b>	<b>25,271</b>	<b>25,512</b>	<b>12,356</b>	<b>25,700</b>	<b>26,200</b>		
<b>Pumping</b>							
Power for pumping	18,387	15,968	7,732	17,200	17,500	C	B
Pumping labor	19,465	18,028	8,652	18,700	19,000	C	B
Miscellaneous	3,007	2,381	2,554	2,700	2,700	C	B
Maintenance of structures and improvements	1,664	333	537	1,000	1,000	C	B
Maintenance of pumping equipment	7,747	14,379	611	11,100	11,300	C	B
<b>Total Pumping</b>	<b>50,270</b>	<b>51,089</b>	<b>20,086</b>	<b>50,700</b>	<b>51,500</b>		
<b>Water Treatment</b>							
Chemicals	9,843	5,702	3,029	7,800	7,900	C	B
Operation labor	22,584	17,650	8,846	20,100	20,500	C	B
Maintenance of water treatment equipment	2,654	1,148	1,133	1,900	1,900	C	B
<b>Total Water Treatment</b>	<b>35,081</b>	<b>24,500</b>	<b>13,008</b>	<b>29,800</b>	<b>30,300</b>		
<b>Transmission and Distribution</b>							
Storage facilities	1,404	1,637	187	1,500	1,500	C	B
Transmission and distribution	5,449	7,865	5,135	6,700	6,800	C	B
Meters	2,124	3,913	4,989	5,000	5,100	D	B
Customer installations	-	26	73	100	100	C	B
Miscellaneous	670	1,279	368	1,000	1,000	C	B
Maintenance of distribution reservoirs and standpipes	-	-	-	147,000	-	F	F
Maintenance of mains	17,519	18,426	412	18,000	18,300	C	B
Maintenance of services	8,789	8,741	1,487	8,800	9,000	C	B
Maintenance of meters	1,297	1,309	139	1,300	1,300	C	B
Maintenance of hydrants	9,964	9,280	2,828	9,600	9,800	C	B
<b>Total Transmission and Distribution</b>	<b>47,216</b>	<b>52,476</b>	<b>15,618</b>	<b>199,000</b>	<b>52,900</b>		
<b>Customer Accounts</b>							
Meter reading	2,780	1,861	1,026	2,300	2,300	C	B
Accounting and collecting	11,355	11,672	5,433	11,500	11,700	C	B
<b>Total Customer Accounts</b>	<b>14,135</b>	<b>13,533</b>	<b>6,459</b>	<b>13,800</b>	<b>14,000</b>		
<b>Administrative and General</b>							
Administrative and general salaries	18,080	19,055	10,086	18,600	18,900	C	B
Office supplies	13,036	13,169	5,180	13,100	13,300	C	B
Administrative expenses transferred	-	(773)	-	(400)	(400)	C	B
Outside services employed	15,019	19,299	13,793	17,200	17,500	C	B
Property insurance	8,666	8,957	10,727	10,800	11,000	D	B
Employee pensions and benefits	52,434	42,925	20,325	40,700	41,400	A	B
Regulatory commission	-	9,614	3,447	4,800	-	C	D
Miscellaneous	13,526	10,953	4,641	12,200	12,400	C	B
Maintenance of general plant	5,803	5,004	6,106	8,000	8,100	E	B
<b>Total Administrative and General</b>	<b>126,564</b>	<b>128,203</b>	<b>74,305</b>	<b>125,000</b>	<b>122,200</b>		
<b>Total Operation and Maintenance</b>	<b>\$ 298,537</b>	<b>\$ 295,313</b>	<b>\$ 141,832</b>	<b>\$ 444,000</b>	<b>\$ 297,100</b>		

A - Current year to date amounts through June annualized.

B - Current year projected amounts increased by 1.8%.

C - Based on a historical average.

D - Based on detail account analysis

E - Based on historical trends

F - Water tower painting in 2013 was bid at \$147,000, project will be complete in 2013

See Accountants' Report and Summary of Forecast Assumptions.

**WATERLOO WATER AND LIGHT COMMISSION**Sewer Revenue and Expenses  
Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013		Budget 2014	
<b>OPERATING REVENUES</b>							
Residential	\$ 334,904	\$ 350,966	\$ 199,928	\$ 399,900	A	\$ 399,900	F
Commercial	88,375	86,492	46,205	92,400	A	92,400	F
Industrial	260,481	273,377	167,420	334,800	A	334,800	F
Public authorities	9,451	11,215	8,949	17,900	A	17,900	F
Service to other systems (Portland)	35,398	34,148	33,002	56,300	D	38,100	D
Septic and holding tank wastes	-	-	-	-	A	-	F
Customers forfeited discounts	2,611	2,443	1,455	2,900	A	2,900	F
Miscellaneous operating revenue	179	149	38	100	A	100	C
<b>Total Operating Revenues</b>	<b>731,399</b>	<b>758,790</b>	<b>456,997</b>	<b>904,300</b>		<b>886,100</b>	
<b>OPERATING EXPENSES</b>							
<b>Operation and Maintenance</b>							
Operation and maintenance	391,292	316,373	144,309	333,400	D	349,100	D
Customer accounts	14,889	14,597	7,139	14,300	D	14,500	D
Administrative and general	112,711	113,860	53,227	108,700	D	110,700	D
<b>Total Operation and Maintenance</b>	<b>518,892</b>	<b>444,830</b>	<b>204,675</b>	<b>456,400</b>		<b>474,300</b>	
Depreciation Expense	200,273	200,119	122,346	225,700	D	252,300	D
Taxes	13,371	13,638	5,135	13,500	C	13,700	B
<b>Total Operating Expenses</b>	<b>732,536</b>	<b>658,587</b>	<b>332,156</b>	<b>695,600</b>		<b>740,300</b>	
<b>Operating Income</b>	<b>(1,137)</b>	<b>100,203</b>	<b>124,841</b>	<b>208,700</b>		<b>145,800</b>	
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest income	4,017	4,125	2,557	4,100	E	4,100	E
Interest expense	(71,244)	(69,638)	(19,710)	(63,200)	D	(72,500)	D
Amortization of debt issuance expense, discount and losses	(1,968)	(12,163)	(6,432)	(6,600)	D	(6,600)	D
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(69,195)</b>	<b>(77,676)</b>	<b>(23,585)</b>	<b>(65,700)</b>		<b>(75,000)</b>	
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>							
	<b>\$ (70,332)</b>	<b>\$ 22,527</b>	<b>\$ 101,256</b>	<b>\$ 143,000</b>		<b>\$ 70,800</b>	

A - Current year to date amounts through June annualized.

B - Current year projected amounts increased by 2014 inflationary factor of 1.8%

C - Based on a historical average.

D - Based on detail account analysis

E - Based on historical trends

F - Prior year forecasted amount

**WATERLOO WATER AND LIGHT COMMISSION**Detailed Sewer Operation and Maintenance Expenses  
Actual 2011 - Forecasted 2014

	Actual 2011	Actual 2012	YTD 2013	Forecasted 2013		Budget 2014	
<b>Operation and Maintenance</b>							
Supervision and labor	\$ 80,101	\$ 76,527	\$ 44,025	\$ 88,100	A	\$ 89,700	B
Utilities	100,130	93,178	32,963	96,700	C	98,400	B
Chlorine	-	321	-	200	C	200	B
Phosphorous removal chemicals	39,755	39,633	13,432	39,700	C	40,400	B
Polymer	-	-	8,486	18,000	D	18,300	B
Sludge conditioning chemicals	-	705	-	-		-	
Operating supplies	126,000	47,519	22,816	45,600	A	46,400	B
Maintenance of collection system pumping equipment	16,270	11,252	1,959	3,900	A	13,800	E
Maintenance of treatment and disposal plant	14,797	35,749	17,614	35,200	A	35,800	B
Maintenance of general plant structures and equipment	14,239	11,489	3,014	6,000	A	6,100	B
<b>Total Operation and Maintenance</b>	<b>391,292</b>	<b>316,373</b>	<b>144,309</b>	<b>333,400</b>		<b>349,100</b>	
<b>Customer Accounts</b>							
Meter reading	2,927	1,889	1,078	2,200	A	2,200	B
Accounting and collecting	11,962	12,708	6,061	12,100	A	12,300	B
<b>Total Customer Accounts</b>	<b>14,889</b>	<b>14,597</b>	<b>7,139</b>	<b>14,300</b>		<b>14,500</b>	
<b>Administrative and General</b>							
Administrative and general salaries	12,325	11,432	5,699	11,900	C	12,100	B
Administrative expenses transferred	-	-	(325)	(400)	D	(400)	B
Office supplies	17,970	16,766	7,193	17,400	C	17,700	B
Outside services employed	17,968	26,393	10,768	22,200	C	22,600	B
Insurance	5,513	7,568	3,675	3,700	D	3,800	B
Employee pensions and benefits	47,886	43,403	22,063	44,200	A	45,000	B
Miscellaneous	11,049	8,298	4,154	9,700	C	9,900	B
<b>Total Administrative and General</b>	<b>112,711</b>	<b>113,860</b>	<b>53,227</b>	<b>108,700</b>		<b>110,700</b>	
<b>Total Operation and Maintenance</b>	<b>\$ 518,892</b>	<b>\$ 444,830</b>	<b>\$ 204,675</b>	<b>\$ 456,400</b>		<b>\$ 474,300</b>	

A - Current year to date amounts through June annualized.

B - Current year projected amounts increased by 1.8%.

C - Based on a historical average.

D - Based on detail account analysis

E - Based on historical trends

**WATERLOO WATER AND LIGHT COMMISSION**Rate of Return - Electric  
Forecasted 2013 and 2014

	<u>Forecasted 2013**</u>	<u>Forecasted 2014**</u>
<b>Utility Plant in Service - Utility Financed Plant</b>		
Beginning of year	\$ 5,839,330	\$ 5,932,630
End of year	<u>5,932,630</u>	<u>6,025,930</u>
Average	<u>5,885,980</u>	<u>5,979,280</u>
<b>Accumulated Depreciation - Utility Financed Plant</b>		
Beginning of year	(2,748,044)	(2,853,832)
End of year	<u>(2,853,832)</u>	<u>(2,961,916)</u>
Average	<u>(2,800,938)</u>	<u>(2,907,874)</u>
<b>Materials and Supplies</b>		
Beginning of year	78,681	82,000
End of year	<u>82,000</u>	<u>82,000</u>
Average	<u>80,341</u>	<u>82,000</u>
<b>Regulatory Liability</b>		
Beginning of year	(114,400)	(104,000)
End of year	<u>(104,000)</u>	<u>(93,600)</u>
Average	<u>(109,200)</u>	<u>(98,800)</u>
Average Net Rate Base	<u>\$ 3,056,182</u>	<u>\$ 3,054,606</u>
Operating Income - Regulatory Basis	<u>\$ 106,606</u>	<u>\$ 115,399</u>
Rate of Return	<u>3.49%</u>	<u>3.78%</u>
Authorized Return at 7.0%	<u>\$ 213,900</u>	<u>\$ 213,800</u>
Difference	<u>\$ 107,294</u>	<u>\$ 98,401</u>
Percentage	<u>2.48%</u>	<u>2.22%</u>

\*\* The Forecasted 2013 and 2014 rate of return is computed based on PSC regulatory accounting as well as PSC order 05-US-105, which was effective January 1, 2003 as amended effective January 1, 2004.

**WATERLOO WATER AND LIGHT COMMISSION**

Rate of Return - Water  
Forecasted 2013 and 2014

	<u>Forecasted 2013**</u>	<u>Forecasted 2014**</u>
<b>Utility Plant in Service - Utility Financed Plant</b>		
Beginning of year	\$ 4,167,231	\$ 4,365,031
End of year	<u>4,365,031</u>	<u>4,472,131</u>
Average	<u>4,266,131</u>	<u>4,418,581</u>
<b>Accumulated Depreciation - Utility Financed Plant</b>		
Beginning of year	(1,124,650)	(1,224,647)
End of year	<u>(1,224,647)</u>	<u>(1,305,832)</u>
Average	<u>(1,174,648)</u>	<u>(1,265,239)</u>
<b>Materials and Supplies</b>		
Beginning of year	25,433	26,000
End of year	<u>26,000</u>	<u>26,000</u>
Average	<u>25,717</u>	<u>26,000</u>
<b>Regulatory Liability</b>		
Beginning of year	(92,582)	(84,165)
End of year	<u>(84,165)</u>	<u>(75,748)</u>
Average	<u>(88,374)</u>	<u>(79,957)</u>
Average Net Rate Base	<u>\$ 3,028,826</u>	<u>\$ 3,099,385</u>
Operating Income - Regulatory Basis	<u>\$ (96,463)</u>	<u>\$ 115,682</u>
Rate of Return	<u>-3.18%</u>	<u>3.73%</u>
Authorized Return at 4.5%	<u>\$ 136,300</u>	<u>\$ 139,500</u>
Increase Recommended	<u>\$ 232,763</u>	<u>\$ 23,818</u>
Percentage Change	<u>40.94%</u>	<u>3.72%</u>

\*\* The Forecasted 2013 and 2014 rate of return is computed based on PSC regulatory accounting as well as PSC order 05-US-105, which was effective January 1, 2003 as amended effective January 1, 2004.

**WATERLOO WATER AND LIGHT COMMISSION**  
Sources and Uses of Funds Summary - Sewer  
Forecasted 2013 and 2014

Sources of Funds	Forecasted 2013	Forecasted 2014
Operating Income	\$ 208,700	\$ 145,800
Add: Depreciation	225,700	252,300
Total From Operations	434,400	398,100
Interest Income	4,100	4,100
Total Sources of Funds	438,500	402,200
Uses of Funds		
Utility Funded Capital Improvement Projects***	7,400	7,400
For Debt Service:		
Principal**	37,600	105,150
Interest**	63,153	72,486
Replacement Account Deposit	113,700	113,700
Transfer to city for collection projects	150,000	150,000
Total Uses of Funds	371,853	448,736
Net Cash Flow	66,647	(46,536)
Beginning Cash *	314,349	380,996
Ending Cash *	\$ 380,996	\$ 334,460

\* This excludes the Replacement Account.

\*\* This is on existing debt only.

\*\*\* This excludes project funded with borrowing or replacement funds.

**WATERLOO WATER AND LIGHT COMMISSION**  
Long-Term Debt - Revenue Bonds

**2013 Sewer Clean Water Fund Loan**

In 2013 the utility will draw down the Clean Water Fund Loan. The proceeds and related debt service was 100% sewer. The repayment schedule of this bond issue is anticipated as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	2.63%	\$ -	\$ 22,877	\$ 22,877
2014	2.63%	60,500	37,690	98,190
2015	2.63%	62,088	36,081	98,169
2016	2.63%	63,718	34,429	98,147
2017	2.63%	65,390	32,735	98,125
2018	2.63%	67,107	30,996	98,103
2019	2.63%	68,868	29,212	98,080
2020	2.63%	70,676	27,380	98,056
2021	2.63%	72,531	25,501	98,032
2022	2.63%	74,435	23,572	98,007
2023	2.63%	76,389	21,592	97,981
2024	2.63%	78,394	19,561	97,955
2025	2.63%	80,452	17,476	97,928
2026	2.63%	82,564	15,336	97,900
2027	2.63%	84,732	13,140	97,872
2028	2.63%	86,956	10,886	97,842
2029	2.63%	89,238	8,574	97,812
2030	2.63%	91,581	6,201	97,782
2031	2.63%	93,985	3,765	97,750
2032	2.63%	96,452	1,265	97,717
Totals		<u>\$ 1,466,056</u>	<u>\$ 418,269</u>	<u>\$ 1,884,325</u>

**2012 Sewer Note**

On June 26, 2012 the utility issued a short term note that was paid off with the Clean Water Fund Loan above. The proceeds and related debt service is 100% sewer. The repayment schedule of this note is as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	0.55%	<u>\$ 1,600,000</u>	<u>\$ 4,400</u>	<u>\$ 1,604,400</u>
		<u>\$ 1,600,000</u>	<u>\$ 4,400</u>	<u>\$ 1,604,400</u>

See Accountants' Report and Summary of Forecast Assumptions.

**WATERLOO WATER AND LIGHT COMMISSION**  
Long-Term Debt - Revenue Bonds

**2012 Water Revenue Bonds**

On October 4, 2012 the utility issued revenue debt to finance water distribution improvements. The proceeds and related debt service were allocated 100% to the water utility. The repayment schedule of this bond issue is as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	0.90%	\$ 50,000	\$ 17,129	\$ 67,129
2014	1.05%	50,000	17,120	67,120
2015	1.21%	50,000	16,820	66,820
2016	1.41%	50,000	16,420	66,420
2017	1.67%	50,000	15,920	65,920
2018	1.99%	50,000	15,320	65,320
2019	2.28%	50,000	14,620	64,620
2020	2.54%	50,000	13,820	63,820
2021	2.75%	50,000	12,920	62,920
2022	2.89%	55,000	11,920	66,920
2023	3.04%	60,000	10,710	70,710
2024	3.13%	60,000	9,090	69,090
2025	3.21%	60,000	7,470	67,470
2026	3.29%	65,000	5,850	70,850
2027	3.35%	65,000	3,900	68,900
2028	3.41%	65,000	1,950	66,950
<b>Totals</b>		<u>\$ 880,000</u>	<u>\$ 190,979</u>	<u>\$ 1,070,979</u>

See Accountants' Report and Summary of Forecast Assumptions.

**WATERLOO WATER AND LIGHT COMMISSION**

## Long-Term Debt - Revenue Bonds

**2012 Electric & Water Revenue Bonds**

On October 4, 2012 the utility issued revenue debt to finance a truck and water tower painting. The proceeds and related debt service were split 50% to the electric utility and 50% to the water utility. The repayment schedule of this bond issue is as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	0.90%	\$ 35,000	\$ 4,630	\$ 39,630
2014	1.05%	35,000	4,520	39,520
2015	1.21%	35,000	4,310	39,310
2016	1.41%	35,000	4,030	39,030
2017	1.67%	35,000	3,680	38,680
2018	1.99%	35,000	3,260	38,260
2019	2.28%	35,000	2,770	37,770
2020	2.54%	35,000	2,210	37,210
2021	2.75%	35,000	1,580	36,580
2022	2.89%	40,000	880	40,880
Totals		<u>\$ 355,000</u>	<u>\$ 31,870</u>	<u>\$ 386,870</u>

**2012 Utility Refunding Bonds**

On November 6, 2012 the utility issued revenue debt to refinance a portion of the 2002 revenue bonds. The proceeds and related debt service were split 44% to the electric utility, 9% to the water utility and 47% to the sewer utility. The repayment schedule of this bond issue is as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	0.90%	\$ 20,000	\$ 29,159	\$ 49,159
2014	1.05%	70,000	29,470	99,470
2015	1.21%	230,000	29,050	259,050
2016	1.41%	240,000	27,210	267,210
2017	1.67%	235,000	24,810	259,810
2018	1.99%	245,000	21,990	266,990
2019	2.28%	255,000	18,560	273,560
2020	2.54%	245,000	14,480	259,480
2021	2.75%	245,000	10,070	255,070
2022	2.89%	235,000	5,170	240,170
Totals		<u>\$ 2,020,000</u>	<u>\$ 209,969</u>	<u>\$ 2,229,969</u>

See Accountants' Report and Summary of Forecast Assumptions.

**WATERLOO WATER AND LIGHT COMMISSION**  
Long-Term Debt - Revenue Bonds

**2009 Utility Bonds**

On September 3, 1997 \$1,375,000 of bonds were sold to finance capital improvements for the electric and water utilities. The debt proceeds and related debt service were split 73% to the electric utility and 27% to the water utility. On March 25, 2009 the utility underwent a \$1,140,000 refunding of the 1997 bonds. The repayment schedule for the 2009 bond issue is as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	2.800%	\$ 210,000	\$ 12,030	\$ 222,030
2014	3.000%	205,000	6,150	211,150
Totals		<u>\$ 415,000</u>	<u>\$ 18,180</u>	<u>\$ 433,180</u>

**2002 Utility Bonds**

In 2002 the utility issued revenue debt to refinance the 1993 bonds and 2002 BANs. The proceeds and related debt service were split 44% to the electric utility, 9% to the water utility and 47% to the sewer utility. The 2002 bonds were partially refunded in 2012. The repayment schedule of the remaining 2002 bonds is as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2013	4.35%	\$ 60,000	\$ 47,173	\$ 107,173
2014	4.35%	25,000	44,563	69,563
2015	4.45%	95,000	43,475	138,475
2016	4.60%	100,000	39,248	139,248
2017	4.70%	105,000	34,648	139,648
2018	4.80%	110,000	29,713	139,713
2019	4.90%	115,000	24,433	139,433
2020	5.15%	125,000	18,798	143,798
2021	5.15%	120,000	12,360	132,360
2022	5.15%	120,000	6,180	126,180
TOTALS		<u>\$ 975,000</u>	<u>\$ 300,591</u>	<u>\$ 1,275,591</u>

