

Waterloo Water and Light Commission

An Enterprise Fund of the City of Waterloo, Wisconsin

Financial Statements and
Supplementary Information

December 31, 2022 and 2021

Waterloo Water and Light Commission

An Enterprise Fund of the City of Waterloo, Wisconsin

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December 31, 2022 and 2021

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Independent Auditors' Report

To the Utility Commission of
Waterloo Water and Light Commission

Opinion

We have audited the accompanying financial statements of the Waterloo Water and Light Commission (Utility), an enterprise fund of the City of Waterloo, Wisconsin, as of and for the years ended December 31, 2022, and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waterloo Water and Light Commission as of December 31, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the 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, 2022, and 2021, and the changes in financial position, or 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is 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 supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
April 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

The management of the Waterloo Water and Light Commission (Utility) offers all persons interested in the financial position of the Utility this narrative overview and analysis of the Utility's financial performance during the fiscal years ending December 31, 2022 and 2021. You are invited to read this narrative in conjunction with the Utility's financial statements.

Financial Highlights

The following summarizes the operating results of each Utility.

Electric Utility Earnings

Operating income decreased from \$532,000 in 2021 to \$486,000 in 2022. Revenues increased 8.60% as a result of an increase in power sales to the large power class. Operating expenses increased by 14.54% due to increases in maintenance expenses and an increase related to purchased power.

Water Utility Earnings

The Water Utility had an operating income of \$404,000 in 2022 compared to \$341,000 in 2021, an increase of 18.38%. Operating revenues were consistent to 2021, with only an increase of 0.03%. Operating expenses decreased 17.27% due to expenses incurred in 2021 related to the maintenance of mains.

Sewer Utility Earnings

The Sewer Utility had an operating income in 2022 of \$582,000 compared to \$366,000 in 2021. Operating revenues increased by 28.81% due to a rate increase effective in 2022. Operating expenses increased by 19.36% in 2022 due to expenses incurred related to treatment including power and chemicals.

Debt Coverage

The actual combined debt coverage for 2022 was 3.15, which exceeds the requirement of 1.25. See Debt Coverage graph and table on page 10 for detailed calculation.

Overview of the Financial Statements/Using This Report

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

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

- The Statements of Net Position includes all of the Waterloo Water and Light Commission's assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Waterloo Water and Light Commission.
- The Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Waterloo Water and Light Commission's financial health.

Waterloo Water and Light Commission

Management's Discussion and Analysis

December 31, 2022 and 2021

- The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Utility Financial Analysis

An analysis of the Utility's financial position begins with a review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information. These two statements report the Utility's net position and changes therein. The Utility's net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, is key to measuring the financial health of the Utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position can also be affected by other nonfinancial factors, including economic conditions, customer growth, climate conditions and new regulations.

Condensed Statements of Net Position

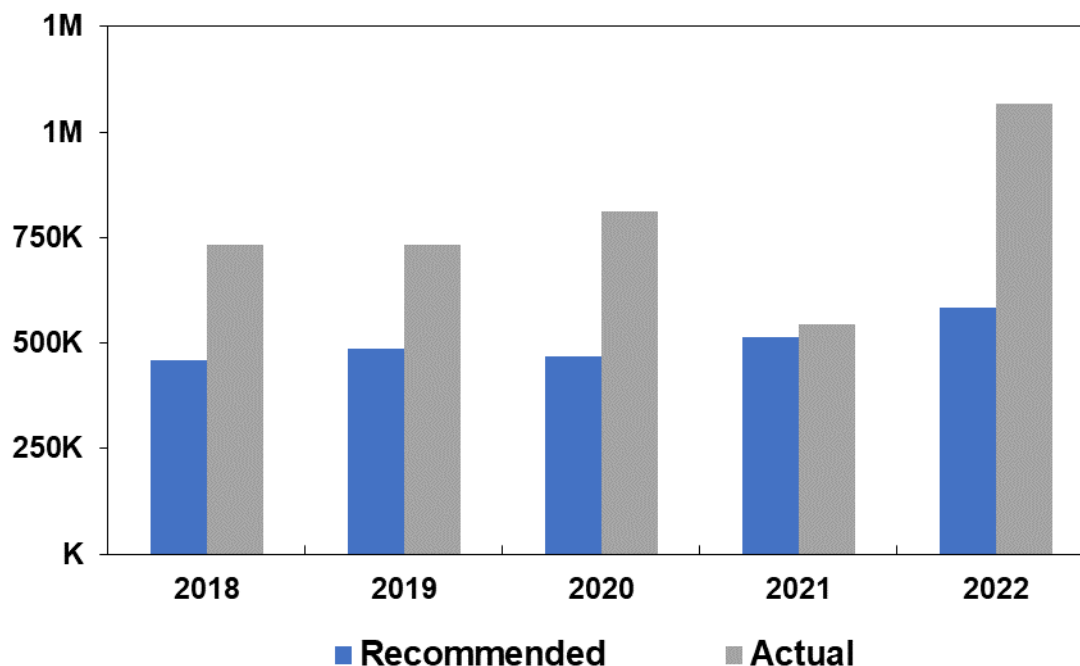
	2020	2021	2022
Assets and Deferred Outflows			
Unrestricted cash and investments	\$ 812,038	\$ 545,015	\$ 1,067,766
Customer accounts receivable	590,568	667,330	746,402
Restricted and designated assets	5,096,906	2,590,571	2,127,260
Other assets and deferred outflows	626,670	867,771	1,158,279
Net electric plant	4,385,066	6,573,468	7,895,922
Net water plant	5,578,855	6,012,004	6,575,826
Net sewer plant	4,620,771	5,148,535	6,129,465
Total assets and deferred outflows	21,710,874	22,404,694	25,700,920
Liabilities and Deferred Inflows			
Long-term liabilities	7,171,681	6,689,971	8,764,731
Other liabilities and deferred inflows	1,490,164	1,758,784	1,891,895
Total liabilities and deferred inflows	8,661,845	8,448,755	10,656,626
Net Position			
Net investment in capital assets	10,765,353	12,173,551	12,725,809
Restricted for:			
Debt service	456,162	472,868	447,168
Equipment replacement	799,359	576,453	552,319
Pension asset	129,830	235,818	317,352
Unrestricted	898,325	497,249	1,001,646
Total net position	\$ 13,049,029	\$ 13,955,939	\$ 15,044,294

The Electric Utility increased their net position by \$363,000, the Water Utility increased their net position by \$246,000 and the Sewer Utility increased their net position by \$480,000.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

Unrestricted Funds on Hand



Unrestricted Funds on Hand Actual vs. Recommended 2018-2022

	2018	2019	2020	2021	2022
Minimum Funding Benchmark					
1 Months Billings	\$ 459,414	\$ 486,840	\$ 467,930	\$ 513,226	\$ 585,173
Actual Funds on Hand	\$ 731,550	\$ 731,550	\$ 812,038	\$ 545,015	\$ 1,067,766
Months Billings on Hand	2.02	1.59	1.50	1.06	1.82

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 increased their cash reserves in 2022. While reserves have fluctuated with annual projects and funding, they remain above the one month minimum.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

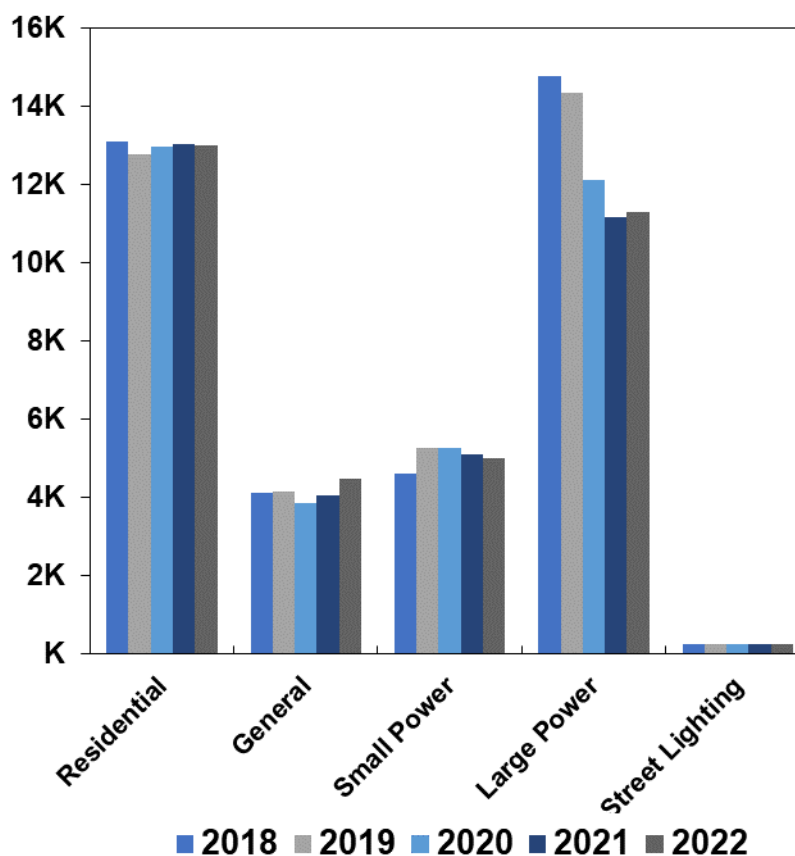
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2021	2022
Operating Revenues			
Electric	\$ 3,704,621	\$ 4,053,003	\$ 4,555,111
Water	867,634	874,609	880,824
Sewer	1,064,508	1,231,104	1,586,138
Total operating revenues	5,636,763	6,158,716	7,022,073
Operating Expenses			
Electric:			
Operation and Maintenance	3,293,766	3,280,289	3,757,202
Depreciation	222,041	241,205	312,081
Total electric	3,515,807	3,521,494	4,069,283
Water:			
Operation and Maintenance	244,959	351,305	290,634
Depreciation	154,603	182,150	186,335
Total water	399,562	533,455	476,969
Sewer:			
Operation and Maintenance	601,480	566,029	675,626
Depreciation	283,585	299,143	328,027
Total sewer	885,065	865,172	1,003,653
Total operating expenses	4,800,434	4,920,121	5,549,905
Operating Income			
Electric	188,814	531,509	485,828
Water	468,072	341,154	403,855
Sewer	179,443	365,932	582,485
Total operating income	836,329	1,238,595	1,472,168
Nonoperating Revenue	30,133	38,108	33,083
Nonoperating Expenses	(198,365)	(155,717)	(224,931)
Income before contributions and transfers	668,097	1,120,986	1,280,320
Capital Contributions	123,721	35,483	63,000
Capital Contributions, Municipal	251,564	18,914	-
Operating Transfer (Out) In	-	-	-
Transfers, Tax Equivalent	(261,522)	(268,473)	(254,965)
Change in net position	\$ 781,860	\$ 906,910	\$ 1,088,355

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

Electric Sales



Electric Sales (000 kWh Sold)

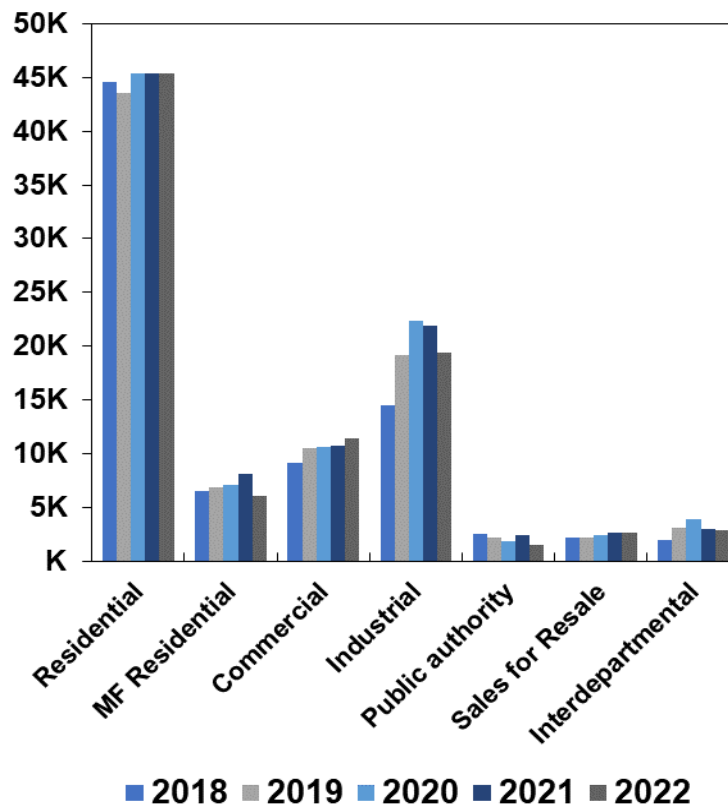
	2018	2019	2020	2021	2022
Residential	13,116	12,795	12,983	13,040	13,024
General	4,135	4,160	3,850	4,045	4,468
Small power	4,628	5,270	5,260	5,122	4,992
Large power	14,777	14,369	12,137	11,159	11,292
Street lighting	249	245	239	245	238
Total	36,905	36,839	34,469	33,611	34,014

Small power, residential, and street lighting saw a decrease in usage in 2022 while general and large power saw an increase. The fluctuations in usage are attributed to a shift to less people working from home then in previous years.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

Water Sales



Water Sales (000s Gallons Sold) By Customer Class

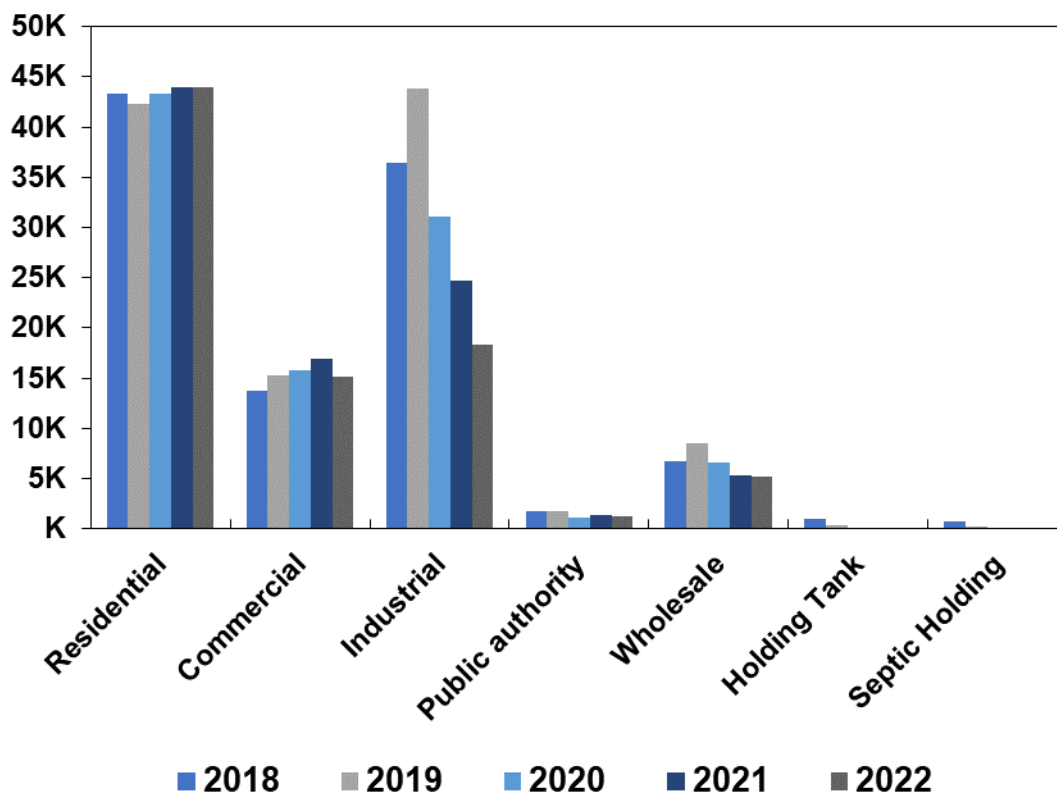
	2018	2019	2020	2021	2022
Residential	44,618	43,505	45,343	45,384	45,422
Multi-family residential	6,550	6,829	7,044	8,074	6,096
Commercial	9,094	10,458	10,610	10,753	11,353
Industrial	14,477	19,140	22,360	21,874	19,374
Public authority	2,505	2,134	1,850	2,427	1,487
Sales for resale (Portland)	2,152	2,189	2,432	2,687	2,585
Interdepartmental	1,952	3,043	3,882	3,000	2,908
Total	81,348	87,298	93,521	94,199	89,225

Water sales by customer class decreased due to a decrease in usage across almost all classes.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

Sewer Sales



Sewer Revenues (000s Gallons Billed) By Customer Class

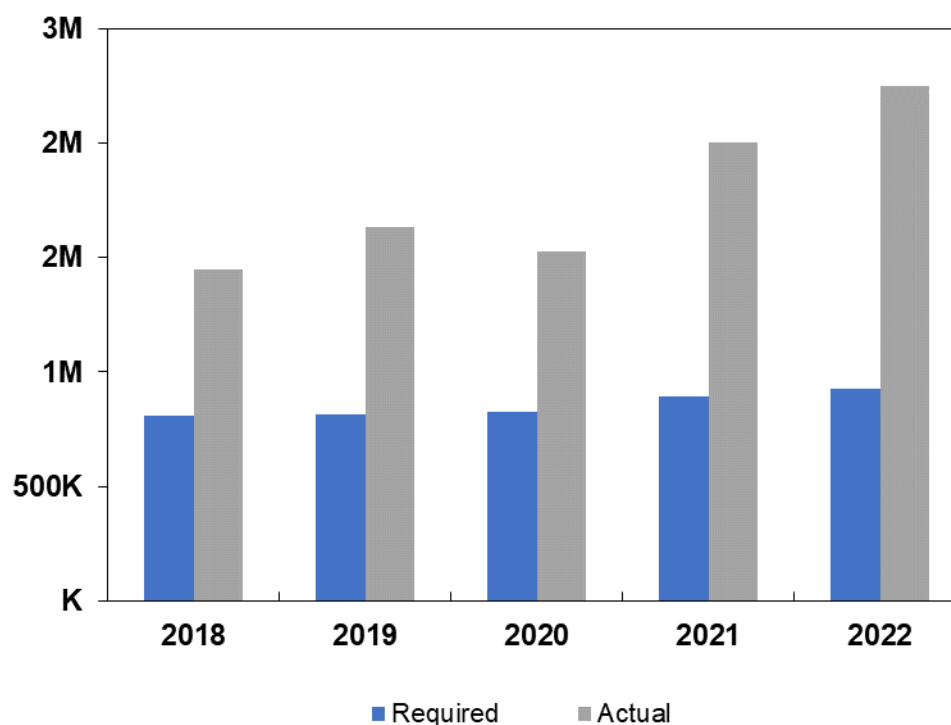
	2018	2019	2020	2021	2022
Residential	43,277	42,268	43,381	43,912	43,929
Commercial	13,762	15,291	15,775	16,978	15,124
Industrial	36,401	43,895	31,084	24,760	18,323
Public authority	1,805	1,765	1,174	1,311	1,216
Wholesale (Portland)	6,671	8,486	6,575	5,272	5,149
Holding tank	933	366	-	-	-
Septic holding	681	213	-	-	-
Total	103,530	112,284	97,989	92,233	83,741

The large decrease in industrial sales is due to one major customer not utilizing sewage services in 2022.

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

Debt Coverage



Debt Coverage Actual vs. Required

	2018	2019	2020	2021	2022
Required Net Earnings	\$ 810,708	\$ 814,139	\$ 828,614	\$ 892,756	\$ 925,380
Actual Net Earnings	\$ 1,448,013	\$ 1,632,018	\$ 1,526,691	\$ 1,999,201	\$ 2,331,694
Times Coverage	2.23	2.51	2.30	2.80	3.15

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

Waterloo Water and Light Commission

Management's Discussion and Analysis
December 31, 2022 and 2021

Consolidated Statements of Cash Flows

	2020	2021	2022
Cash Flow From			
Operating activities	\$ 1,646,128	\$ 1,854,995	\$ 2,309,133
Investing activities	(33,012)	11,829	474,597
Capital and related financing activities:			
Capital improvements	(1,435,044)	(3,671,004)	(3,678,634)
Debt service and Issuance	3,530,099	(714,735)	1,682,292
Noncapital financing activities	(263,875)	(261,521)	(268,437)
Net change in cash and cash equivalents	3,444,296	(2,780,436)	518,951
Cash and Cash Equivalents, Beginning	1,477,398	4,921,694	2,141,258
Cash and Cash Equivalents, Ending	4,921,694	2,141,258	2,660,209
Long-term investments	982,182	989,260	529,749
Total cash and investments	\$ 5,903,876	\$ 3,130,518	\$ 3,189,958

The change in 2022 was the result of capital projects completed and in progress and the issuance of new debt during the year.

Cash flows from operating activities increased in 2022 due to a rate increase in sewer.

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

The cash flows from capital and related financing activities are related to retiring debt and capital investments. The large increase in 2022 is the result of the issuance of new debt to fund capital projects.

Capital Assets

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

Long-Term Debt

No bonds were issued in 2021. In 2022, 2022 Financing bonds were issued to fund sewer capital projects, and 2022 GO bonds were issued to fund water capital projects. Details of the existing debt are included in Note 6.

Currently Known Facts/Economic Conditions

The Utility continues to monitor the adequacy of retail rates. Sewer rates last increased in 2022, electricity rates increased in 2021, and water rates increased in 2019. Increases in rates were designed to improve the utilities cash flow and rate of return and to meet debt coverage requirements.

Contacting Utility's Financial Management

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

Waterloo Water and Light Commission

Statements of Net Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,067,766	\$ 545,015
Restricted assets:		
Redemption account	127,633	160,013
Customer accounts receivable	746,402	667,330
Other accounts receivable	2,151	47,719
Materials and supplies	<u>239,903</u>	<u>192,078</u>
Total current assets	<u>2,183,855</u>	<u>1,612,155</u>
Noncurrent Assets		
Restricted assets:		
Reserve account	529,749	524,876
Replacement account	552,319	576,453
Construction account	912,491	1,324,161
Net pension asset	317,352	235,818
Interest receivable	5,068	5,068
Capital assets:		
Plant in service:		
Electric	12,562,963	8,550,748
Water	8,966,526	8,224,732
Sewer	<u>11,828,931</u>	<u>11,458,603</u>
Total plant in service	<u>33,358,420</u>	<u>28,234,083</u>
Accumulated depreciation/amortization:		
Electric	(4,864,805)	(4,515,364)
Water	(2,443,348)	(2,263,227)
Sewer	<u>(6,759,928)</u>	<u>(6,450,090)</u>
Total accumulated depreciation/amortization	<u>(14,068,081)</u>	<u>(13,228,681)</u>
Construction work in progress:		
Electric	197,764	2,538,084
Water	52,648	50,499
Sewer	<u>1,060,462</u>	<u>140,021</u>
Total construction work in progress	<u>1,310,874</u>	<u>2,728,604</u>
Total noncurrent assets	<u>22,918,192</u>	<u>20,400,382</u>
Total assets	<u>25,102,047</u>	<u>22,012,537</u>
Deferred Outflows of Resources		
Unamortized loss on advance refunding	-	10,857
Deferred outflows related to pension	<u>598,873</u>	<u>381,299</u>
Total deferred outflows of resources	<u>598,873</u>	<u>392,156</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Net Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts payable	\$ 351,345	\$ 264,644
Due to municipality	274,757	286,655
Accrued interest	5,752	-
Accrued vacation leave	55,773	54,133
Accrued liabilities	7,919	7,962
Commitment to community	9,413	9,386
Current portion of general obligation debt	40,000	-
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	407,309	610,459
Accrued interest	<u>19,574</u>	<u>21,381</u>
Total current liabilities	<u>1,171,842</u>	<u>1,254,620</u>
Noncurrent Liabilities		
Bond anticipation notes	2,000,000	-
General obligation debt	460,000	-
Revenue bonds	6,102,457	6,509,766
Unamortized debt discount	(26,163)	(29,043)
Accrued sick leave	83,110	63,921
Customer advances for construction	<u>145,327</u>	<u>145,327</u>
Total noncurrent liabilities	<u>8,764,731</u>	<u>6,689,971</u>
Total liabilities	<u>9,936,573</u>	<u>7,944,591</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	<u>720,053</u>	<u>504,163</u>
Net Position		
Total net investment in capital assets	12,725,809	12,173,551
Restricted for:		
Debt service	446,316	472,868
Equipment replacement	552,319	576,453
Pension asset	317,352	235,818
Unrestricted	<u>1,002,498</u>	<u>497,249</u>
Total net position	<u>\$ 15,044,294</u>	<u>\$ 13,955,939</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Electric:		
Sales of electricity	\$ 4,538,604	\$ 4,038,686
Other	<u>16,507</u>	<u>14,317</u>
Total electric	<u>4,555,111</u>	<u>4,053,003</u>
Water:		
Sales of water	852,820	852,536
Other	<u>28,004</u>	<u>22,073</u>
Total water	<u>880,824</u>	<u>874,609</u>
Sewer:		
Treatment charges	1,583,092	1,228,978
Other	<u>3,046</u>	<u>2,126</u>
Total sewer	<u>1,586,138</u>	<u>1,231,104</u>
Total operating revenues	<u>7,022,073</u>	<u>6,158,716</u>
Operating Expenses		
Electric:		
Operation and maintenance	3,757,202	3,280,289
Depreciation	<u>312,081</u>	<u>241,205</u>
Total electric	<u>4,069,283</u>	<u>3,521,494</u>
Water:		
Operation and maintenance	290,634	351,305
Depreciation	<u>186,335</u>	<u>182,150</u>
Total water	<u>476,969</u>	<u>533,455</u>
Sewer:		
Operation and maintenance	675,626	566,029
Depreciation	<u>328,027</u>	<u>299,143</u>
Total Sewer	<u>1,003,653</u>	<u>865,172</u>
Total operating expenses	<u>5,549,905</u>	<u>4,920,121</u>
Operating Income		
Electric	485,828	531,509
Water	403,855	341,154
Sewer	<u>582,485</u>	<u>365,932</u>
Total operating income	<u>1,472,168</u>	<u>1,238,595</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Nonoperating Expenses		
Investment income	\$ 15,086	\$ 18,907
Income from non-utility operations	16,462	16,660
Income from merchandising and jobbing	1,535	2,541
Interest expense	(152,094)	(139,553)
Amortization of discount, loss, and debt issuance costs	<u>(72,837)</u>	<u>(16,164)</u>
Total nonoperating expenses	<u>(191,848)</u>	<u>(117,609)</u>
Income before contributions and transfers	1,280,320	1,120,986
Capital Contributions	63,000	35,483
Capital Contributions, Municipal	-	18,914
Transfers, Tax Equivalent	<u>(254,965)</u>	<u>(268,473)</u>
Change in net position	1,088,355	906,910
Net Position, Beginning	<u>13,955,939</u>	<u>13,049,029</u>
Net Position, Ending	<u><u>\$ 15,044,294</u></u>	<u><u>\$ 13,955,939</u></u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Received from customers	\$ 6,930,637	\$ 6,012,879
Received from municipality for services	75,956	72,399
Paid to suppliers for goods and services	(4,153,314)	(3,633,856)
Paid to employees for operating payroll	<u>(650,129)</u>	<u>(596,427)</u>
Net cash flows from operating activities	<u>2,203,150</u>	<u>1,854,995</u>
Cash Flows From Noncapital Financing Activities		
Paid to municipality for tax equivalent	<u>(268,474)</u>	<u>(261,521)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(3,635,614)	(3,870,728)
Contributions in aid of construction	63,000	199,724
Debt retired	(610,459)	(563,657)
Interest paid	(148,149)	(151,078)
Proceeds from debt issue	2,500,000	-
Debt issuance costs	<u>(59,100)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(1,890,322)</u>	<u>(4,385,739)</u>
Cash Flows From Investing Activities		
Investments purchased	(529,749)	(989,260)
Investments sold and matured	989,260	982,182
Investment income	<u>15,086</u>	<u>18,907</u>
Net cash flows from investing activities	<u>474,597</u>	<u>11,829</u>
Net change in cash and cash equivalents	518,951	(2,780,436)
Cash and Cash Equivalents, Beginning	<u>2,141,258</u>	<u>4,921,694</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,660,209</u>	<u>\$ 2,141,258</u>
Noncash Investing, Capital and Financing Activities		
Amortization	<u>\$ 13,737</u>	<u>\$ 16,164</u>

See notes to the financial statements

Waterloo Water and Light Commission

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 1,472,168	\$ 1,238,595
Nonoperating revenue (expense)	17,997	19,201
Noncash items in operating income:		
Depreciation	826,443	722,498
Depreciation charged to clearing and other utilities	47,985	44,321
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer accounts receivable	(79,072)	(76,762)
Other accounts receivable	45,568	(20,183)
Materials and supplies	(47,825)	(67,609)
Pension related deferrals and liabilities	(83,191)	(61,065)
Accounts payable	(19,320)	24,904
Due to other funds	1,611	21,764
Accrued liabilities	<u>20,786</u>	<u>9,331</u>
Net cash flows from operating activities	<u>\$ 2,203,150</u>	<u>\$ 1,854,995</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts		
Cash and investments	\$ 1,067,766	\$ 545,015
Redemption account	127,633	160,013
Reserve account	529,749	524,876
Replacement account	552,319	576,453
Construction account	<u>912,491</u>	<u>1,324,161</u>
Total cash and investments	3,189,958	3,130,518
Less noncash equivalents	<u>(529,749)</u>	<u>(989,260)</u>
Cash and cash equivalents	<u>\$ 2,660,209</u>	<u>\$ 2,141,258</u>

See notes to the financial statements

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

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

Waterloo Water and Light Commission (Utility) provides electric, water and sewer service to properties within the City of Waterloo (Municipality) and electric service to the Towns of Waterloo, Medina and Portland. The Utility furnishes water at wholesale to and treats wastewater from, the Town of Portland.

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.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the Utility's leasing activities. The Utility adopted this statement effective January 1, 2022 and there were no contracts identified to which this standard was effective.

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
December 31, 2022 and 2021

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

Deposits and Investments

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

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

- Time deposits in any credit union, bank, savings bank or trust company.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

The Utility has not adopted a formal investment policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Receivables/Payables

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

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

Materials and Supplies

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

Waterloo Water and Light Commission

Notes to Financial Statements

December 31, 2022 and 2021

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.

Anticipated Future Special Assessments

At December 31, 2022 there were \$306,096 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.

Capital Assets

Capital assets are generally defined by the Utility as assets with an initial, individual cost of more than \$5000 and an estimated useful life in excess of one year.

Capital assets of the Utility are recorded at cost or the estimated acquisition value at the time of contribution to the Utility. Major outlays for Utility plant are capitalized as projects are constructed. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Years</u>
Electric Plant:	
Transmission	30
Distribution	20-40
General	7-40
Water Plant:	
Source of supply	34-56
Pumping	23-31
Water treatment	17
Transmission and distribution	18-77
General	4-34
Sewer Plant:	
Collecting system	80
Collecting system pumping	20
Treatment and disposal	13-38
General	7-40

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Deferred Outflow of Resources

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

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

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.

Customer Advances for Construction

The balance represents fees collected for future capital improvements. The fees may be refundable based on rules filed with the PSCW or statutory requirements.

Commitment to Community

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

Long-Term Obligations

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

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Revenues and Expenses

The Utility distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The Utility does not accrue revenues beyond billing dates.

Current electric rates were approved by the PSCW effective March 1, 2021 and are designed to provide a 5% return on rate base.

Current water rates were approved by the PSCW effective January 31, 2019 and are designed to provide a 5.40% return on rate base.

Current sewer rates were approved by the utility commission effective January 1, 2022.

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

Capital Contributions

Cash and capital assets are contributed to the Utility from customers, the municipality or external parties. The value of property contributed to the Utility is reported as revenue on the statements of revenues, expenses and changes in net position.

Effect of New Accounting Standards on Current Period Financial Statements

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

Comparative Data

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

2. Deposits and Investments

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

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

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

In addition, the Utility and other funds of the city have collateral or depository insurance agreements in the amount of \$6,900,000 and \$8,900,000 at December 31, 2022 and 2021 respectively.

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.

Waterloo Water and Light Commission

Notes to Financial Statements

December 31, 2022 and 2021

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.

	2022		2021	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Farmers & Merchants State Bank	\$ 1,979,263	\$ 1,965,424	\$ 2,717,449	\$ 2,666,109
Avestar Credit Union	312,043	312,043	464,409	464,409
Ehlers	912,486	912,491	-	-
Total	<u>\$ 3,203,792</u>	<u>\$ 3,189,958</u>	<u>\$ 3,181,858</u>	<u>\$ 3,130,518</u>

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2022, the utility's investments were as follows:

Investment	Maturity Date	Fair Value
US Treasury Securities	3/15/2023	\$ 853,447

As of December 31, 2021, the utility did not have any investments.

Investment Policy

No formal investment policy has been adopted by the Utility.

3. Interfund Receivables/Payables

The following is a schedule of interfund balances for the years ending December 31, 2022 and 2021:

Due To	Due From	2022		2021	
		Amount	Principal Purpose	Amount	Principal Purpose
Utility	Tax Fund	\$ 4,062	Delinquent on tax roll	\$ 3,504	Delinquent on tax roll
General Fund	Utility	278,819	Tax equivalent, garbage collections and general expenses	290,159	Tax equivalent, garbage collections and general expenses

The following is a schedule of transfer balances for the years ending December 31, 2022 and 2021:

To	From	2022		2021	
		Amount	Principal Purpose	Amount	Principal Purpose
City	Utility	\$ 254,965	Tax equivalent	\$ 268,473	Tax equivalent
Utility	General Fund	-		18,914	Collections from the City for special assessments

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

4. Restricted Assets

Restricted Accounts

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

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

Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Construction - Used to report debt proceeds restricted for use in construction.

Replacement Account

As a condition of receiving state and federal funds for wastewater plant construction, the Utility has established an account for replacement of certain mechanical equipment.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

Restricted Net Position

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

	<u>2022</u>	<u>2021</u>
Restricted assets:		
Redemption account	\$ 127,633	\$ 160,013
Reserve account	529,749	524,876
Replacement account	552,319	576,453
Construction account	912,491	1,324,161
Net pension asset	317,352	235,818
Interest receivable	<u>5,068</u>	<u>5,068</u>
Total restricted assets	<u>2,444,612</u>	<u>2,826,389</u>
Less restricted assets not funded by revenues:		
Reserve from borrowing	(195,708)	(195,708)
Construction account	<u>(912,491)</u>	<u>(1,324,161)</u>
Total restricted assets not funded by revenues	<u>(1,108,199)</u>	<u>(1,519,869)</u>
Current liabilities payable from restricted assets	<u>(20,426)</u>	<u>(21,381)</u>
Total restricted net position as calculated	<u>\$ 1,315,987</u>	<u>\$ 1,285,139</u>

The purpose of the restricted net position is as follows:

	<u>2022</u>	<u>2021</u>
Debt service	\$ 446,316	\$ 472,868
Equipment replacement	552,319	576,453
Pension asset	<u>317,352</u>	<u>235,818</u>
Total restricted net position	<u>\$ 1,315,987</u>	<u>\$ 1,285,139</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

5. Changes in Capital Assets

Electric Utility

A summary of changes in Electric capital assets for 2022 follows:

	Balance 1/1/22	Increases	Decreases	Balance 12/31/22
Capital assets, not being depreciated:				
Land and land rights	\$ 151,824	\$ 47,906	\$ -	\$ 199,730
Capital assets being depreciated:				
Distribution	5,878,690	3,993,197	41,508	9,830,379
General	2,520,234	13,758	1,138	2,532,854
Total capital assets being depreciated	8,398,924	4,006,955	42,646	12,363,233
Total capital assets	8,550,748	4,054,861	42,646	12,562,963
Less accumulated depreciation:				
Distribution	(3,161,665)	(305,408)	47,659	(3,419,414)
General	(1,353,699)	(92,830)	1,138	(1,445,391)
Total accumulated depreciation	(4,515,364)	(398,238)	48,797	(4,864,805)
Construction in progress	2,538,084	1,638,954	3,979,274	197,764
Net capital assets	<u>\$ 6,573,468</u>			<u>\$ 7,895,922</u>

A summary of changes in Electric capital assets for 2021 follows:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Capital assets, not being depreciated:				
Land and land rights	\$ 151,824	\$ -	\$ -	\$ 151,824
Capital assets being depreciated:				
Distribution	5,513,001	370,958	5,269	5,878,690
General	2,508,727	13,235	1,728	2,520,234
Total capital assets being depreciated	8,021,728	384,193	6,997	8,398,924
Total capital assets	8,173,552	384,193	6,997	8,550,748
Less accumulated depreciation:				
Distribution	(2,959,310)	(212,125)	9,770	(3,161,665)
General	(1,264,524)	(90,903)	1,728	(1,353,699)
Total accumulated depreciation	(4,223,834)	(303,028)	11,498	(4,515,364)
Construction in progress	435,348	2,102,736	-	2,538,084
Net capital assets	<u>\$ 4,385,066</u>			<u>\$ 6,573,468</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

Water Utility

A summary of changes in Water capital assets for 2022 follows:

	Balance 1/1/22	Increases	Decreases	Balance 12/31/22
Capital assets, not being depreciated:				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Capital assets being depreciated:				
Source of supply	72,767	-	-	72,767
Pumping	916,002	-	-	916,002
Water treatment	30,000	-	-	30,000
Transmission and distribution	6,457,498	766,673	34,374	7,189,797
General	735,352	9,982	487	744,847
Total capital assets being depreciated	8,211,619	776,655	34,861	8,953,413
Total capital assets	8,224,732	776,655	34,861	8,966,526
Less accumulated depreciation:				
Source of supply	(39,341)	(1,546)	-	(40,887)
Pumping	(670,700)	(32,067)	-	(702,767)
Water treatment	(16,902)	(1,800)	-	(18,702)
Transmission and distribution	(1,188,620)	(143,565)	34,371	(1,297,814)
General	(347,664)	(36,001)	487	(383,178)
Total accumulated depreciation	(2,263,227)	(214,979)	34,858	(2,443,348)
Construction in progress	50,499	51,731	49,582	52,648
Net capital assets	<u>\$ 6,012,004</u>			<u>\$ 6,575,826</u>

A summary of changes in Water capital assets for 2021 follows:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Capital assets, not being depreciated:				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Capital assets being depreciated:				
Source of supply	72,767	-	-	72,767
Pumping	916,002	-	-	916,002
Water treatment	30,000	-	-	30,000
Transmission and distribution	6,088,691	395,329	26,522	6,457,498
General	826,774	188,363	279,785	735,352
Total capital assets being depreciated	7,934,234	583,692	306,307	8,211,619
Total capital assets	7,947,347	583,692	306,307	8,224,732
Less accumulated depreciation:				
Source of supply	(37,795)	(1,546)	-	(39,341)
Pumping	(638,634)	(32,066)	-	(670,700)
Water treatment	(15,102)	(1,800)	-	(16,902)
Transmission and distribution	(1,090,692)	(124,450)	26,522	(1,188,620)
General	(586,269)	(41,180)	279,785	(347,664)
Total accumulated depreciation	(2,368,492)	(201,042)	306,307	(2,263,227)
Construction in progress	-	50,499	-	50,499
Net capital assets	<u>\$ 5,578,855</u>			<u>\$ 6,012,004</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

Sewer Utility

A summary of changes in Sewer capital assets for 2022 follows:

	<u>Balance 1/1/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/22</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Capital assets being depreciated:				
Collecting system	3,312,719	326,352	3,856	3,635,215
Collecting system pumping	189,123	-	-	189,123
Treatment and disposal	6,833,880	-	-	6,833,880
General	1,101,119	47,831	-	1,148,950
Total capital assets being depreciated	11,436,841	374,183	3,856	11,807,168
Total capital assets	11,458,604	374,183	3,856	11,828,931
Less accumulated depreciation:				
Collecting system	(624,286)	(49,675)	3,855	(670,106)
Collecting system pumping	(130,623)	(7,037)	-	(137,660)
Treatment and disposal	(5,170,384)	(215,125)	-	(5,385,509)
General	(524,797)	(41,856)	-	(566,653)
Total accumulated depreciation	(6,450,090)	(313,693)	3,855	(6,759,928)
Construction in progress	140,021	924,571	4,130	1,060,462
Net capital assets	<u>\$ 5,148,535</u>			<u>\$ 6,129,465</u>

A summary of changes in Sewer capital assets for 2021 follows:

	<u>Balance 1/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/21</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Capital assets being depreciated:				
Collecting system	3,145,261	169,634	2,176	3,312,719
Collecting system pumping	172,923	16,200	-	189,123
Treatment and disposal	6,619,992	222,832	8,944	6,833,880
General	1,015,203	265,163	179,247	1,101,119
Total capital assets being depreciated	10,953,379	673,829	190,367	11,436,841
Total capital assets	10,975,142	673,829	190,367	11,458,604
Less accumulated depreciation:				
Collecting system	(579,974)	(46,488)	2,176	(624,286)
Collecting system pumping	(123,991)	(6,632)	-	(130,623)
Treatment and disposal	(4,969,335)	(209,993)	8,944	(5,170,384)
General	(681,071)	(22,973)	179,247	(524,797)
Total accumulated depreciation	(6,354,371)	(286,086)	190,367	(6,450,090)
Construction in progress	-	140,021	-	140,021
Net capital assets	<u>\$ 4,620,771</u>			<u>\$ 5,148,535</u>

Waterloo Water and Light Commission

Notes to Financial Statements
December 31, 2022 and 2021

6. Long-Term Obligations

Revenue Bond and Revenue Bond Anticipation Note Debt

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/22
11/06/2012	Capital improvements and refinancing capital improvement debt	11/01/2028	3 %	\$ 3,255,000	\$ 375,000
03/27/2013	Refinance capital improvement debt	05/01/2032	3	1,384,900	814,766 *
12/30/2013	Refinance capital improvement debt	11/01/2022	3	950,000	-
11/15/2016	Capital improvements debt	11/01/2036	3	1,310,000	1,085,000
09/10/2020	Capital improvement debt	11/01/2040	-	4,235,000	4,235,000
06/30/2022	Capital improvement debt	06/30/2025	2.42 - 4.17	2,000,000	2,000,000 (1)

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

(1) - During 2022 the utility was authorized to issue a revenue bond anticipation note for \$17,114,000. The original amount reported above has been issued as of December 31, 2022. The repayment schedule is for the amount issued.

Revenue bonds debt service requirements to maturity follows:

Years Ending December 31:	Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2023	\$ 335,000	\$ 152,703	\$ 72,309	\$ 20,439	\$ 580,451
2024	345,000	160,933	74,207	18,516	598,656
2025	2,355,000	168,913	76,155	16,542	2,616,610
2026	360,000	83,683	78,154	14,517	536,354
2027	360,000	78,803	80,205	12,438	531,446
2028-2032	1,555,000	319,857	433,736	29,053	2,337,646
2033-2037	1,575,000	184,747	-	-	1,759,747
2038-2040	810,000	35,775	-	-	845,775
Total	<u>\$ 7,695,000</u>	<u>\$ 1,185,414</u>	<u>\$ 814,766</u>	<u>\$ 111,505</u>	<u>\$ 9,806,685</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2022 and 2021 were \$740,304 and \$714,206, respectively. Total customer net revenues as defined for the same periods were \$2,331,694 and \$1,999,201. Annual principal and interest payments are expected to require 24% of net revenues on average.

Waterloo Water and Light Commission

Notes to Financial Statements
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General Obligation Debt

The following general obligation notes have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/22
08/22/2022	Water Projects	11/01/2032	3 %	\$ 500,000	\$ 500,000

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

General obligation notes debt service requirements to maturity follows:

Years Ending December 31:	Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2023	\$ 40,000	\$ 19,102	\$ -	\$ -	\$ 59,102
2024	45,000	14,714	-	-	59,714
2025	45,000	13,239	-	-	58,239
2026	50,000	11,803	-	-	61,803
2027	50,000	10,208	-	-	60,208
2028-2032	270,000	26,665	-	-	296,665
Total	<u>\$ 500,000</u>	<u>\$ 95,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,731</u>

Long-Term Obligations Summary

Long-term obligation activity for the year ended December 31, 2022 is as follows:

	1/1/22 Balance	Additions	Reductions	12/31/22 Balance	Due Within One Year
Revenue bonds	\$ 7,120,225	\$ 2,000,000	\$ 610,459	\$ 8,509,766	\$ 407,309
General obligation debt	-	500,000	-	500,000	40,000
Accrued sick leave	63,921	34,524	15,335	83,110	-
Customer advances for construction	145,327	-	-	145,327	-
Unamortized debt discount	(29,043)	-	(2,880)	(26,163)	-
Total	<u>\$ 7,300,430</u>	<u>\$ 2,534,524</u>	<u>\$ 622,914</u>	<u>\$ 9,212,040</u>	<u>\$ 447,309</u>

Long-term obligation activity for the year ended December 31, 2021 is as follows:

	1/1/21 Balance	Additions	Reductions	12/31/21 Balance	Due Within One Year
Revenue bonds	\$ 7,683,882	\$ -	\$ 563,657	\$ 7,120,225	\$ 610,459
Accrued sick leave	83,691	33,034	52,804	63,921	-
Customer advances for construction	-	145,327	-	145,327	-
Unamortized debt discount	(32,235)	-	(3,192)	(29,043)	-
Total	<u>\$ 7,735,338</u>	<u>\$ 178,361</u>	<u>\$ 613,269</u>	<u>\$ 7,300,430</u>	<u>\$ 610,459</u>

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Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the 2012, 2013, 2016, 2020, and 2022 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, 2022:

Type	Coverage	Expiration
Automobile	\$ 5,000,000	1/1/2023
Excess liability	5,000,000	1/1/2023
Workers Compensation	500,000	1/1/2023

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 2022 and 2021 as follows:

	2022	2021
Operating revenues	\$ 7,022,073	\$ 6,158,716
Investment income	15,086	18,907
Miscellaneous nonoperating income	16,462	16,660
Income from merchandising and jobbing	1,535	2,541
Less operation and maintenance expenses	(4,723,462)	(4,197,623)
Net defined earnings	<u>\$ 2,331,694</u>	<u>\$ 1,999,201</u>
Minimum required earnings per resolution:		
Current year's revenue bond debt service	\$ 740,304	\$ 714,206
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum required earnings	<u>\$ 925,380</u>	<u>\$ 892,758</u>
Actual debt coverage	<u>3.15</u>	<u>2.80</u>

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Number of Customers and Billed Volumes - Electric

The Utility has the following number of customers and billed volumes for 2022 and 2021:

	Customers		Sales (000 kWh)	
	2022	2021	2022	2021
Residential	1,503	1,612	13,024	13,040
General	248	260	4,468	4,045
Small power	14	20	4,992	5,122
Large power	8	9	11,292	11,159
Street and highway lighting	2	2	238	245
Total	<u>1,775</u>	<u>1,903</u>	<u>34,014</u>	<u>33,611</u>

Number of Customers and Billed Volumes - Water

The Utility has the following number of customers and billed volumes for 2022 and 2021:

	Customers		Sales (000 gals)	
	2022	2021	2022	2021
Residential	1,083	1,107	45,422	45,384
Multifamily residential	25	24	6,096	8,074
Commercial	110	111	11,353	10,753
Industrial	10	10	19,374	21,874
Public authority	15	15	1,487	2,427
Irrigation	1	1	2,585	2,687
Interdepartmental	6	6	2,908	3,000
Total	<u>1,250</u>	<u>1,274</u>	<u>89,225</u>	<u>94,199</u>

Number of Customers and Billed Volumes - Sewer

The Utility has the following number of customers and billed volumes for 2022 and 2021:

	Customers		Sales (000 gals)	
	2022	2021	2022	2021
Residential	1,081	1,110	43,929	43,912
Commercial	126	126	15,124	16,978
Industrial	9	9	18,323	24,760
Public authority	12	12	1,216	1,311
Wholesale	1	1	5,149	5,272
Total	<u>1,229</u>	<u>1,258</u>	<u>83,741</u>	<u>92,233</u>

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7. Net Position

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

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

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

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

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

The following calculation supports the total net investment in capital assets:

	<u>2022</u>	<u>2021</u>
Plant in service	\$ 33,358,420	\$ 28,234,083
Accumulated depreciation/amortization	(14,068,081)	(13,228,681)
Construction work in progress	<u>1,310,874</u>	<u>2,728,604</u>
Subtotal	<u>20,601,213</u>	<u>17,734,006</u>
Less capital related debt:		
Current portion of capital related long-term debt	447,309	610,459
Long-term portion of capital related long-term debt	8,562,457	6,509,766
Unamortized debt discount	(26,163)	(29,043)
Unamortized loss on advance refunding	<u>-</u>	<u>(10,857)</u>
	<u>8,983,603</u>	<u>7,080,325</u>
Add unspent debt proceeds:		
Reserve from borrowing	195,708	195,708
Construction funds	<u>912,491</u>	<u>1,324,161</u>
Subtotal	<u>1,108,199</u>	<u>1,519,869</u>
Total net investment in capital assets	<u>\$ 12,725,809</u>	<u>\$ 12,173,550</u>

8. Employees Retirement System

General Information About the Pension Plan

Plan description: The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011 expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can be found using the link above.

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

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

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

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

The WRS also provides death and disability benefits for employees.

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Post-retirement adjustments: The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

Contributions: Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

The WRS recognized \$46,375 and \$43,891 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates for the plan year reported as of December 31, 2022 and December 31, 2021 are:

	<u>2022</u>		<u>2021</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including executives and elected officials)	6.75 %	6.75 %	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.75 %	6.75 %	11.65 %
Protective without Social Security	6.75 %	16.35 %	6.75 %	16.25 %

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

At December 31, 2022, the Utility reported a liability (asset) of \$(317,352) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the Utility's proportion was 0.01331569%, which was an increase of 0.0002% from its proportion measured as of December 31, 2020.

At December 31, 2021, the Utility reported a liability (asset) of \$(235,818) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the Utility's proportion was 0.01313816%, which was a decrease of .00017288% from its proportion measured as of December 31, 2019.

For the years ended December 31, 2022 and 2021, the Utility recognized pension expense (revenue) of \$83,218 and \$(21,480), respectively.

At December 31, 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 490,764	\$ 25,997
Changes in assumption	58,759	-
Net differences between project and actual earnings on pension plan	-	693,198
Changes in proportion and differences between employer contributions and proportionate share of contributions	522	858
Employer contributions subsequent to the measurement date	<u>48,828</u>	<u>-</u>
Total	<u>\$ 598,873</u>	<u>\$ 720,053</u>

At December 31, 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 329,117	\$ 64,637
Changes in assumption	5,053	-
Net differences between project and actual earnings on pension plan	-	438,590
Changes in proportion and differences between employer contributions and proportionate share of contributions	754	936
Employer contributions subsequent to the measurement date	<u>46,375</u>	<u>-</u>
Total	<u>\$ 381,299</u>	<u>\$ 504,163</u>

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Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years ending December 31:

2023	\$ (14,656)
2024	(83,437)
2025	(36,660)
2026	(35,255)
2027	-
Thereafter	-
Total	<u>\$ (170,008)</u>

Actuarial assumptions: The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Actuarial Valuation Date:	December 31, 2020	December 31, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2021	December 31, 2020
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021	January 1, 2015 - December 31, 2017
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	Fair Value	Fair Value
Long-Term Expected Rate of Return:	6.8%	7.0%
Discount Rate:	6.8%	7.0%
Salary Increases:		
Wage Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments: *	1.7%	1.9%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. The percentages listed above are the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions for the December 31, 2020 actuarial valuation are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

Actuarial assumptions for the December 31, 2019 actuarial valuation are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

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Long-term expected return on plan assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2022 are summarized in the following table:

Asset Allocation Targets and Expected Returns¹ As of December 31, 2021			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %²
Global Equities	52 %	6.8 %	4.2 %
Fixed Income	25	4.3	1.8
Inflation Sensitive	19	2.7	0.2
Real Estate	7	5.6	3.0
Private Equity/Debt	12	9.7	7.0
Total Core Fund ³	115	6.6	4.0
Variable Fund Asset			
U.S Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

¹ Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

² New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%.

³ The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used subject to an allowable range of up to 20%.

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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2021 are summarized in the following table:

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51 %	7.2 %	4.7 %
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
Variable Fund Asset Class			
U.S Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6

*New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.4%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.*

Single discount rate: A single discount rate of 6.80% and 7.00% was used to measure the total pension liability as of December 31, 2022 and December 31, 2021, respectively. As of December 31, 2022, this single discount rate was based on the expected rate of return on pension plan investments of 6.80% and a long term bond rate of 1.84%. As of December 31, 2021, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 2.0%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021 and 2020, respectively. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.80% (7.00% for 2021) expected rate of return implies that a dividend of approximately 1.7% (1.9% for 2021) will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Utility's proportionate share of the net pension liability (asset) to changes in the discount rate: The following presents the Utility's proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the Utility's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

The sensitivity analysis as of December 31, 2022 follows:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
The Utility's proportionate share of the net position liability (asset)	\$ 225,422	\$ (317,352)	\$ (708,625)

The sensitivity analysis as of December 31, 2021 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The Utility's proportionate share of the net position liability (asset)	\$ 224,466	\$ (235,818)	\$ (573,893)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

9. Commitments and Contingencies

Long-Term Contracts - WPPI Energy

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

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the Utility payable from any operating and maintenance fund established for that system.

Fifty members, representing approximately 99.8% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining member has a long-term contract through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$274 million as of December 31, 2022.

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Claims and Judgments

From time to time, the Utility is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the utility's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utility's financial position or results of operations.

10. Significant Customers

Electric Utility

The Utility has one significant customer who was responsible for 12% and 13% of operating revenues in 2022 and 2021, respectively.

11. Subsequent Events

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

Commitments

The utility has been approved to receive a United States Department of Agriculture (USDA) Loan to refinance the bond anticipation notes issued in 2022 to finance the improvements at the wastewater treatment plant. This refinancing is expected to be finalized in early 2024.

Rate Adjustment

The utility commission approved new sewer rates with an effective date of January 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Waterloo Water and Light Commission**Schedule of Proportionate Share of the Net Pension Asset - Wisconsin Retirement System**

Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.01286712%	\$ (89,024)	\$ 427,580	20.82%	102.74%
12/31/16	0.01266419%	56,119	470,700	11.92%	98.20%
12/31/17	0.01247212%	26,380	477,397	5.53%	99.12%
12/31/18	0.01302015%	(93,417)	540,500	17.28%	102.93%
12/31/19	0.01313895%	126,918	483,090	26.27%	96.45%
12/31/20	0.01331104%	(129,830)	624,015	20.81%	102.96%
12/31/21	0.01313816%	(235,818)	650,232	36.27%	105.26%
12/31/22	0.01331569%	(317,352)	686,932	46.20%	106.02%

Schedule of Employer Contributions - Wisconsin Retirement System

Last 10 Fiscal Years

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 32,949	\$ 32,949	\$ -	\$ 470,700	7.00%
12/31/16	32,463	32,463	-	477,397	6.80%
12/31/17	36,754	36,754	-	540,500	6.80%
12/31/18	36,367	36,367	-	483,090	7.53%
12/31/19	41,497	41,497	-	624,015	6.65%
12/31/20	43,891	43,891	-	650,232	6.75%
12/31/21	46,375	46,375	-	686,932	6.75%
12/31/22	48,828	48,828	-	751,210	6.50%

See notes to required supplementary information

Waterloo Water and Light Commission

Notes to Required Supplementary Information

Year Ended December 31, 2022

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

Changes of assumptions .

	2015 - 2018	2019 - 2022
Long-term expected rate of return	7.0%	6.8%
Discount rate	7.0%	6.8%
Salary increases:		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	2020 WRS Experience Mortality Table
Post-retirement adjustments	1.90%	1.70%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SUPPLEMENTARY INFORMATION

Waterloo Water and Light Commission

Electric Utility Plant

Year Ended December 31, 2022

	<u>Balance 1/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 12/31/22</u>
Distribution					
Land and land rights	\$ 1,034	\$ 47,906	\$ -	\$ -	\$ 48,940
Structures and improvements	4,926	-	-	-	4,926
Station equipment	1,016,700	2,936,548	4,480	-	3,948,768
Poles, towers and fixtures	577,266	205,507	12,837	-	769,936
Overhead conductors and devices	514,603	43,272	3,436	-	554,439
Underground conduit	15,240	1,436	-	-	16,676
Underground conductors and devices	1,583,694	430,756	-	(95)	2,014,355
Line transformers	798,739	174,596	-	-	973,335
Services	562,260	95,189	863	(1,951)	654,635
Meters	332,335	101,577	17,892	-	416,020
Street lighting and signal systems	<u>472,927</u>	<u>6,362</u>	<u>2,000</u>	<u>-</u>	<u>477,289</u>
Total distribution	<u>5,879,724</u>	<u>4,043,149</u>	<u>41,508</u>	<u>(2,046)</u>	<u>9,879,319</u>
General					
Land and land rights	150,790	-	-	-	150,790
Structures and improvements	1,861,844	4,441	-	-	1,866,285
Office furniture and equipment	10,532	-	-	-	10,532
Computer equipment	10,398	9,317	-	-	19,715
Transportation equipment	456,320	-	1,138	-	455,182
Stores equipment	12,672	-	-	-	12,672
Tools, shop and garage equipment	56,209	-	-	-	56,209
Laboratory equipment	9,080	-	-	-	9,080
Power-operated equipment	88,534	-	-	-	88,534
Communication equipment	8,219	-	-	-	8,219
Miscellaneous equipment	<u>6,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,426</u>
Total general	<u>2,671,024</u>	<u>13,758</u>	<u>1,138</u>	<u>-</u>	<u>2,683,646</u>
Total electric utility plant	<u>\$ 8,550,748</u>	<u>\$ 4,056,907</u>	<u>\$ 42,646</u>	<u>\$ (2,046)</u>	<u>\$ 12,562,963</u>

Waterloo Water and Light Commission

Water Utility Plant

Year Ended December 31, 2022

	Balance 1/1/22	Additions	Retirements	Adjustments	Balance 12/31/22
Source of Supply					
Land and land rights	\$ 2,012	\$ -	\$ -	\$ -	\$ 2,012
Wells and springs	21,432	-	-	-	21,432
Supply mains	51,335	-	-	-	51,335
Total source of supply	74,779	-	-	-	74,779
Pumping					
Structures and improvements	678,784	-	-	-	678,784
Electric pumping equipment	235,132	-	-	-	235,132
Other pumping equipment	2,086	-	-	-	2,086
Total pumping	916,002	-	-	-	916,002
Water Treatment					
Water treatment equipment	30,000	-	-	-	30,000
Transmission and Distribution					
Land and land rights	2,017	-	-	-	2,017
Distribution reservoirs and standpipes	83,086	-	-	-	83,086
Transmission and distribution mains	4,032,081	338,451	3,360	-	4,367,172
Services	1,315,418	144,246	1,128	-	1,458,536
Meters	489,279	214,600	24,919	-	678,960
Hydrants	537,634	69,376	4,964	-	602,046
Total transmission and distribution	6,459,515	766,673	34,371	-	7,191,817
General					
Land and land rights	9,084	-	-	-	9,084
Structures and improvements	367,141	4,441	-	-	371,582
Office furniture and equipment	4,250	-	-	-	4,250
Computer equipment	8,001	4,659	-	-	12,660
Transportation equipment	104,792	-	487	-	104,305
Stores equipment	7,262	-	-	-	7,262
Tools, shop and garage equipment	33,820	-	-	-	33,820
Laboratory equipment	2,042	-	-	-	2,042
Power-operated equipment	62,072	-	-	-	62,072
Communication equipment	1,560	-	-	-	1,560
SCADA equipment	140,369	882	-	-	141,251
Miscellaneous equipment	4,043	-	-	-	4,043
Total general	744,436	9,982	487	-	753,931
Total water utility plant	<u>\$ 8,224,732</u>	<u>\$ 776,655</u>	<u>\$ 34,858</u>	<u>\$ -</u>	<u>\$ 8,966,526</u>

Waterloo Water and Light Commission

Sewer Utility Plant

Year Ended December 31, 2022

	Balance 1/1/22	Additions	Retirements	Adjustments	Balance 12/31/22
Collecting System					
Collecting mains	\$ 3,120,249	\$ 326,352	\$ 3,855	\$ -	\$ 3,442,746
Force mains	25,320	-	-	-	25,320
Other collecting system equipment	167,150	-	-	-	167,150
Total collecting system	3,312,719	326,352	3,855	-	3,635,216
Collecting System Pumping					
Pump station equipment	126,552	-	-	-	126,552
Electric pumping equipment	62,571	-	-	-	62,571
Total collecting system pumping	189,123	-	-	-	189,123
Treatment and Disposal					
Land and land rights	400	-	-	-	400
Structures and improvements	3,454,368	-	-	-	3,454,368
Preliminary treatment equipment	352,372	-	-	-	352,372
Primary treatment equipment	63,473	-	-	-	63,473
Secondary treatment equipment	1,363,589	-	-	-	1,363,589
Advanced treatment equipment	269,230	-	-	-	269,230
Sludge treatment and disposal equipment	690,869	-	-	-	690,869
Plant site piping	348,047	-	-	-	348,047
Flow metering and monitoring equipment	34,284	-	-	-	34,284
Other treatment and disposal equipment	257,650	-	-	-	257,650
Total treatment and disposal	6,834,280	-	-	-	6,834,280
General					
Land and land rights	21,363	-	-	-	21,363
Structures and improvements	582,374	-	-	-	582,374
Office furniture and equipment	4,892	-	-	-	4,892
Computer equipment	10,491	5,435	-	-	15,926
Transportation equipment	64,240	41,514	-	-	105,754
Communication equipment	266,874	882	-	-	267,756
Other general equipment	172,248	-	-	-	172,248
Total general	1,122,482	47,831	-	-	1,170,313
Total sewer utility plant	<u>\$11,458,603</u>	<u>\$ 374,183</u>	<u>\$ 3,855</u>	<u>\$ -</u>	<u>\$11,828,931</u>

Waterloo Water and Light Commission

Electric Utility Operating Revenues and Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Sales of electricity:		
Residential	\$ 1,656,194	\$ 1,504,392
Rural	122,022	116,527
General service	543,767	448,233
Small power	571,853	455,555
Large power	1,407,392	1,304,774
Public street and highway lighting	75,956	72,399
Interdepartmental	<u>161,420</u>	<u>136,806</u>
Total sales of electricity	4,538,604	4,038,686
Other operating revenues:		
Forfeited discounts	9,761	8,583
Miscellaneous service revenues	3,640	2,600
Rent from electric property	2,469	2,588
Other	<u>637</u>	<u>546</u>
Total operating revenues	<u>4,555,111</u>	<u>4,053,003</u>
Operating Expenses		
Operation and maintenance:		
Other power supply:		
Purchased power	3,122,304	2,793,472
Other	<u>9,391</u>	<u>951</u>
Total other power supply	<u>3,131,695</u>	<u>2,794,423</u>
Distribution:		
Station	34,822	14,501
Overhead line	11,950	8,350
Underground line	34,994	15,788
Street lighting and signal system	22,545	18,796
Meter	7,067	4,924
Customer installations	5,759	4,009
Miscellaneous	54,764	56,034
Maintenance:		
Supervision and engineering	26,302	24,096
Overhead lines	<u>44,557</u>	<u>38,613</u>
Total distribution	<u>242,760</u>	<u>185,111</u>
Customer accounts:		
Meter reading	6,579	7,584
Customer records and collection	<u>42,521</u>	<u>39,392</u>
Total customer accounts	<u>49,100</u>	<u>46,976</u>
Sales:		
Advertising	<u>300</u>	<u>145</u>

Waterloo Water and Light Commission

Electric Utility Operating Revenues and Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Administrative and general:		
Salaries	\$ 51,025	\$ 44,455
Office supplies	28,235	26,343
Administrative expenses transferred	(18,874)	(19,894)
Outside services employed	33,396	21,703
Property insurance	12,090	7,554
Employee pensions and benefits	103,558	72,169
Regulatory commission	2,023	2,079
Miscellaneous	34,614	28,534
Transportation	2,761	1,876
Maintenance	<u>51,050</u>	<u>38,334</u>
Total administrative and general	<u>299,878</u>	<u>223,153</u>
Taxes	<u>33,469</u>	<u>30,481</u>
Total operation and maintenance	3,757,202	3,280,289
Depreciation	<u>312,081</u>	<u>241,205</u>
Total operating expenses	<u>4,069,283</u>	<u>3,521,494</u>
Operating income	<u>\$ 485,828</u>	<u>\$ 531,509</u>

Waterloo Water and Light Commission

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Sales of water:		
Metered:		
Residential	\$ 376,787	\$ 368,124
Commercial	105,984	111,653
Industrial	73,559	80,216
Public authorities	13,172	16,545
Interdepartmental	14,548	14,564
Service to other systems	<u>9,961</u>	<u>10,117</u>
Total metered sales	594,011	601,219
Private fire protection	6,902	6,906
Public fire protection	<u>251,907</u>	<u>244,411</u>
Total sales of water	<u>852,820</u>	<u>852,536</u>
Other operating revenues:		
Forfeited discounts	2,539	2,295
Other	<u>25,465</u>	<u>19,778</u>
Total operating revenues	<u>880,824</u>	<u>874,609</u>
Operating Expenses		
Operation and maintenance:		
Source of supply:		
Operation supervision and engineering	13,268	11,369
Operation labor	<u>6,325</u>	<u>4,993</u>
Total source of supply	<u>19,593</u>	<u>16,362</u>
Pumping:		
Fuel or purchased power for pumping	20,250	18,468
Pumping labor	11,480	15,063
Miscellaneous	5,055	2,969
Maintenance:		
Structures and improvements	1,497	94
Pumping equipment	<u>8,443</u>	<u>97</u>
Total pumping	<u>46,725</u>	<u>36,691</u>
Water treatment:		
Chemicals	12,643	10,786
Operation labor	17,956	22,849
Maintenance:		
Water treatment equipment	<u>940</u>	<u>4,865</u>
Total water treatment	<u>31,539</u>	<u>38,500</u>

Waterloo Water and Light Commission

Water Utility Operating Revenues and Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Transmission and distribution:		
Storage facilities	\$ 90	\$ 13,080
Transmission and distribution lines	25,133	23,021
Meters	8,173	1,019
Customer installations	5,156	3,906
Miscellaneous	3,421	3,027
Maintenance:		
Mains	5,877	38,498
Services	7,774	9,017
Hydrants	<u>1,312</u>	<u>4,669</u>
Total transmission and distribution	<u>56,936</u>	<u>96,237</u>
Customer accounts:		
Meter reading	3,820	1,474
Accounting and collecting labor	<u>19,747</u>	<u>18,210</u>
Total customer accounts	<u>23,567</u>	<u>19,684</u>
Administrative and general:		
Salaries	23,911	21,494
Office supplies	15,049	12,754
Administrative expenses transferred	(3,114)	(3,944)
Outside services employed	26,925	31,669
Property insurance	6,302	5,955
Employee pensions and benefits	11,145	43,943
Regulatory commission	1,182	3,257
Miscellaneous	8,398	9,440
Transportation	(1,077)	3,515
Maintenance	<u>16,989</u>	<u>7,855</u>
Total administrative and general	<u>105,710</u>	<u>135,938</u>
Taxes	<u>6,564</u>	<u>7,893</u>
Total operation and maintenance	290,634	351,305
Depreciation	<u>186,335</u>	<u>182,150</u>
Total operating expenses	<u>476,969</u>	<u>533,455</u>
Operating income	<u>\$ 403,855</u>	<u>\$ 341,154</u>

Waterloo Water and Light Commission

Sewer Utility Operating Revenues and Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Wastewater revenues:		
Residential	\$ 783,052	\$ 580,960
Commercial	242,364	185,938
Industrial	453,428	388,218
Public authorities	33,282	28,937
Service to other systems	<u>70,966</u>	<u>44,925</u>
Total sewer revenues	1,583,092	1,228,978
Other operating revenues:		
Forfeited discounts	<u>3,046</u>	<u>2,126</u>
Total operating revenues	<u>1,586,138</u>	<u>1,231,104</u>
Operating Expenses		
Operation and maintenance:		
Operation:		
Supervision and labor	88,995	81,049
Power and fuel for pumping	131,672	108,261
Phosphorous removal chemicals	54,468	40,968
Sludge conditioning chemicals	21,042	17,415
Other operating supplies	51,146	41,685
Transportation	<u>(971)</u>	<u>10</u>
Total operation	<u>346,352</u>	<u>289,388</u>
Maintenance:		
Collection system	40,804	27,554
Treatment and disposal plant equipment	42,135	29,315
General plant structures and equipment	<u>27,349</u>	<u>10,279</u>
Total maintenance	<u>110,288</u>	<u>67,148</u>
Customer accounts:		
Accounting and collecting	18,818	15,858
Meter Reading	<u>-</u>	<u>45</u>
Total customer accounts	<u>18,818</u>	<u>15,903</u>
Administrative and general:		
Salaries	36,147	33,447
Office supplies	17,677	15,266
Outside services employed	50,409	46,502
Insurance	11,458	14,320
Employees pensions and benefits	39,858	47,024
Miscellaneous	<u>25,521</u>	<u>19,791</u>
Total administrative and general	<u>181,070</u>	<u>176,350</u>
Taxes	<u>19,098</u>	<u>17,240</u>
Total operation and maintenance	675,626	566,029
Depreciation	<u>328,027</u>	<u>299,143</u>
Total operating expenses	<u>1,003,653</u>	<u>865,172</u>
Operating income	<u>\$ 582,485</u>	<u>\$ 365,932</u>