



**Johnson & Block**  
AND COMPANY, INC.

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Certified Public Accountants

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND  
STORMWATER UTILITIES**

Enterprise Funds of the  
City of Whitewater, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2016 and 2015

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**Whitewater Municipal Water, Stormwater and Wastewater Utilities**  
Enterprise Funds of the City of Whitewater, Wisconsin

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December 31, 2016 and 2015

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

June 9, 2017

To the City Council  
Whitewater Municipal Water, Wastewater, and Stormwater Utilities  
Whitewater, Wisconsin

We have audited the accompanying financial statements of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin, as of the years ended December 31, 2016 and 2015, which collectively comprise the utilities' basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin, as of the years ended December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Whitewater Municipal Water, Wastewater, and Stormwater Utilities enterprise funds and are not intended to present fairly the financial position of the City of Whitewater, Wisconsin, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Wisconsin Retirement System schedules on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Whitewater Municipal Water, Wastewater, and Stormwater Utilities has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We note the significant financial events of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities are included in the Management's Discussion and Analysis of the City of Whitewater financial statements.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitewater Municipal Water, Wastewater, and Stormwater Utilities of the City of Whitewater, Wisconsin's 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. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

## **WATER UTILITY**

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 969,963	\$ 890,883
Receivables		
Accounts	155,826	145,998
Interest	4,480	4,480
Due from Other Funds	41,193	35,486
Inventories	12,356	12,356
Total Current Assets	1,183,818	1,089,203
Restricted:		
Restricted Cash	362,520	393,052
Net Pension Asset	-	60,819
Total Restricted Assets	362,520	453,871
Capital Assets:		
Construction Work-In-Progress	79,304	114,124
Land and Improvements	6,727	6,727
Utility Plant	18,532,096	18,012,037
Less Accumulated Depreciation	(6,595,970)	(6,465,854)
Net Capital Assets	12,022,157	11,667,034
Noncurrent Assets:		
Special Assessments	-	475
Total Noncurrent Assets	-	475
Total Assets	13,568,495	13,210,583
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Outflows	232,521	66,024
Total Deferred Outflows of Resources	232,521	66,024
Total Assets and Deferred Outflows of Resources	\$ 13,801,016	\$ 13,276,607

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 36,728	\$ 88,675
Accrued Liabilities	7,357	-
Accrued Interest Payable	17,817	14,109
Due to Other Funds	1,774	27,301
Compensated Absences	4,656	28,212
Current Portion of Long-Term Debt	140,000	199,083
Total Current Liabilities	208,332	357,380
Non-Current Liabilities:		
Long-Term Debt		
Notes Payable	598,181	-
Bonds and Loans Payable	1,650,000	1,790,000
Total Long-Term Debt	2,248,181	1,790,000
Other Liabilities		
Compensated Absences	63,652	66,153
Net Pension Liability	41,520	-
Total Other Liabilities	105,172	66,153
Total Non-Current Liabilities	2,353,353	1,856,153
Total Liabilities	2,561,685	2,213,533
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Inflows	87,379	-
Unearned Special Assessments Revenue	268	-
Total Deferred Inflows of Resources	87,647	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	10,040,028	9,944,003
Restricted	78,652	239,734
Unrestricted	1,033,004	879,337
Total Net Postion	11,151,684	11,063,074
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 13,801,016	\$ 13,276,607

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Revenues, Expenses and Changes in Fund Net Position**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 1,803,408	\$ 1,711,764
Total Operating Revenues	1,803,408	1,711,764
<b>OPERATING EXPENSES</b>		
Operation and Maintenance	959,723	917,864
Depreciation	400,598	393,094
Total Operating Expenses	1,360,321	1,310,958
Operating Income (Loss)	443,087	400,806
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Revenue	1,562	2,100
Miscellaneous Non-Operating Revenue	107	385
Interest Expense	(57,972)	(61,710)
Total Non-Operating Revenue (Expenses)	(56,303)	(59,225)
Income (Loss) Before Contributions and Transfers	386,784	341,581
Capital Contributions	475	25,175
Transfers Out (Tax Equivalent)	(298,649)	(302,615)
Change in Net Position	88,610	64,141
Total Net Position - Beginning	11,063,074	10,998,933
Total Net Position - Ending	\$ 11,151,684	\$ 11,063,074

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,793,580	\$ 1,709,986
Payments to suppliers	(532,608)	(390,120)
Payments to employees	(482,605)	(502,496)
Taxes paid	(298,649)	(302,615)
Net cash provided (used) by operating activities	479,718	514,755
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of special assessments	743	476
Acquisition and construction of plant assets	(778,309)	(173,475)
Proceeds of debt	598,181	-
Principal payments on long-term debt	(199,083)	(449,083)
Interest paid	(54,264)	(65,044)
Net cash provided (used) by capital and related financing activities	(432,732)	(687,126)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	1,562	2,100
Net cash provided from investing activities	1,562	2,100
Net increase (decrease) in cash and equivalents	48,548	(170,271)
Cash and equivalents - beginning of year	1,253,935	1,424,206
Cash and equivalents - end of year	\$ 1,302,483	\$ 1,253,935
<u>Noncash Capital and Related Financing Activities:</u>		
City financed additions to utility plant	\$ 475	\$ 25,175

See accompanying notes to the basic financial statements.

**WHITEWATER MUNICIPAL WATER UTILITY**  
Whitewater, WI

**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
Operating income	\$ 443,087	\$ 400,806
Joint meter	23,063	22,605
Cash Provided by Operating Activities:		
Miscellaneous	107	385
Depreciation	400,598	393,094
Transfer out (tax equivalent)	(298,649)	(302,615)
Pension expense	23,221	1,161
Changes in Assets and Liabilities:		
Customer accounts receivable	(9,828)	(1,778)
Due from/to other funds	(31,234)	(49,160)
Accounts payable	(51,947)	55,811
Accrued liabilities	(18,700)	(5,554)
Net cash provided (used) by operating activities	<u><u>\$ 479,718</u></u>	<u><u>\$ 514,755</u></u>
<b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>		
Cash and cash equivalents	\$ 969,963	\$ 890,883
Restricted Cash	<u>362,520</u>	<u>393,052</u>
Total cash and investments	1,332,483	1,283,935
Less: Noncash equivalents	<u>(30,000)</u>	<u>(30,000)</u>
Cash and Cash Equivalents	<u><u>\$ 1,302,483</u></u>	<u><u>\$ 1,253,935</u></u>

See accompanying notes to the basic financial statements.

## **WASTEWATER UTILITY**

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 860,402	\$ 870,932
Receivables		
Accounts	336,306	247,824
Interest	1,559	1,559
Due from Other Governments	-	700,000
Total Current Assets	1,198,267	1,820,315
Restricted:		
Restricted Cash and Cash Equivalents	3,832,977	1,653,668
Net Pension Asset	-	95,359
Total Restricted Assets	3,832,977	1,749,027
Capital Assets:		
Construction Work-In-Progress	11,074,012	1,444,883
Land	185,636	168,179
Other Capital Assets	40,779,051	39,994,360
Less Accumulated Depreciation	(26,185,360)	(25,087,308)
Net Capital Assets	25,853,339	16,520,114
Noncurrent Assets		
Property Held for Resale	240,369	240,369
Total Noncurrent Assets	240,369	240,369
Total Assets	31,124,952	20,329,825
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Outflows	350,322	103,520
Total Deferred Outflows of Resources	350,322	103,520
Total Assets and Deferred Outflows of Resources	\$ 31,475,274	\$ 20,433,345

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,539,022	\$ 74,410
Accrued Liabilities	9,174	-
Accrued Interest Payable	49,985	18,458
Due to Other Funds	38,741	60,603
Compensated Absences	2,342	40,257
Current Portion of Long-Term Debt	268,205	616,645
Total Current Liabilities	1,907,469	810,373
Non-Current Liabilities:		
Long-Term Debt		
Notes Payable	547,690	-
Bonds and Loans Payable	12,485,788	3,924,067
Total Long-Term Debt	13,033,478	3,924,067
Other Liabilities		
Compensated Absences	53,060	54,026
Net Pension Liability	62,555	-
Total Other Liabilities	115,615	54,026
Total Non-Current Liabilities	13,149,093	3,978,093
Total Liabilities	15,056,562	4,788,466
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Inflows	131,647	-
Total Deferred Inflows of Resources	131,647	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	13,042,861	12,221,587
Restricted	3,559,992	1,591,904
Unrestricted	(315,788)	1,831,388
Total Net Position	16,287,065	15,644,879
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 31,475,274	\$ 20,433,345

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Revenues, Expenses and Changes in Fund Net Position**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 3,388,721	\$ 2,289,783
Total Operating Revenues	3,388,721	2,289,783
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance	1,455,538	1,440,420
Depreciation	1,188,039	1,178,909
Total Operating Expenses	2,643,577	2,619,329
Operating Income (Loss)	745,144	(329,546)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Revenue	2,881	5,869
Miscellaneous Non-Operating Revenue	-	700,000
Interest Expense	(179,255)	(126,520)
Total Non-Operating Revenue (Expenses)	(176,374)	579,349
Income (Loss) Before Contributions and Transfers	568,770	249,803
 Capital Contributions	73,416	54,720
Change in Net Position	642,186	304,523
Total Net Position - Beginning	15,644,879	15,340,356
Total Net Position - Ending	\$ 16,287,065	\$ 15,644,879

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
Whitewater, WI

**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 3,300,239	\$ 2,288,349
Payments to suppliers	(617,135)	(687,936)
Payments to employees	(799,902)	(884,490)
Net cash provided (used) by operating activities	1,883,202	715,923
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(9,030,547)	(892,144)
Proceeds of debt	9,377,616	-
Principal payments on long-term debt	(616,645)	(599,092)
Interest paid	(147,728)	(129,753)
Capital grants	700,000	-
Net cash provided (used) by capital and related financing activities	282,696	(1,620,989)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	2,881	5,869
Net cash provided (used) by investing activities	2,881	5,869
Net increase (decrease) in cash and equivalents	2,168,779	(899,197)
Cash and equivalents - beginning of year	2,234,350	3,133,547
Cash and equivalents - end of year	\$ 4,403,129	\$ 2,234,350
<u>Noncash capital and related Financing Activities:</u>		
Plant additions financed through accounts payable	\$ 1,394,238	\$ -
City financed additions to utility plant	\$ 73,416	\$ 54,720

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 745,144	\$ (329,546)
Joint meter	(23,063)	(22,605)
Cash Provided by Operating Activities:		
Depreciation	1,188,039	1,178,909
Pension expense	42,759	1,820
Changes in Assets and Liabilities:		
Customer accounts receivable	(88,482)	(1,434)
Due from/to other funds	(21,862)	(14,298)
Accounts payable	70,374	(75,285)
Accrued liabilities	(29,707)	(21,638)
Net cash provided (used) by operating activities	\$ 1,883,202	\$ 715,923
 <b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>		
Cash and cash equivalents	\$ 860,402	\$ 870,932
Restricted Cash	3,832,977	1,653,668
Total cash and investments	4,693,379	2,524,600
Less: Noncash equivalents	(290,250)	(290,250)
Cash and Cash Equivalents	\$ 4,403,129	\$ 2,234,350

See accompanying notes to the financial statements.

**STORMWATER UTILITY**

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 267,763	\$ 106,021
Receivables		
Accounts	48,490	20,486
Other	24,250	-
Due from Other Governments	-	311,404
Total Current Assets	340,503	437,911
Restricted:		
Net Pension Asset	-	17,627
Total Restricted Assets	-	17,627
Capital Assets:		
Construction Work-In-Progress	115,584	48,314
Utility Plant	5,213,121	4,909,598
Less Accumulated Depreciation	(417,020)	(348,692)
Net Capital Assets	4,911,685	4,609,220
Total Assets	5,252,188	5,064,758
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Outflows	66,360	19,135
Total Deferred Outflows of Resources	66,360	19,135
Total Assets and Deferred Outflows of Resources	\$ 5,318,548	\$ 5,083,893

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 17,654	\$ 10,294
Accrued Liabilities	2,395	-
Accrued Interest Payable	9,734	7,672
Due to Other Funds	832	51,508
Compensated Absences	1,229	10,298
Current Portion of Long-Term Debt	75,000	70,000
Total Current Liabilities	106,844	149,772
Non-Current Liabilities:		
Long-Term Debt		
Notes Payable	691,172	415,000
Bonds and Loans Payable	755,000	810,000
Total Long-Term Debt	1,446,172	1,225,000
Other Liabilities		
Compensated Absences	25,562	24,744
Net Pension Liability	11,850	-
Total Other Liabilities	37,412	24,744
Total Non-Current Liabilities	1,483,584	1,249,744
Total Liabilities	1,590,428	1,399,516
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Inflows	24,937	-
Total Deferred Inflows of Resources	24,937	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	3,390,513	3,314,220
Restricted for:		
Employee Pension Plan	-	36,762
Unrestricted	312,670	333,395
Total Net Position	3,703,183	3,684,377
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 5,318,548	\$ 5,083,893

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 513,758	\$ 465,274
Total Operating Revenues	513,758	465,274
<b>OPERATING EXPENSES</b>		
Operation and Maintenance	381,115	336,991
Depreciation	68,328	61,101
Total Operating Expenses	449,443	398,092
Operating Income (Loss)	64,315	67,182
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Revenue	115	782
Miscellaneous Non-Operating Revenue	6,288	311,404
Interest Expense	(30,412)	(29,984)
Total Non-Operating Revenue (Expenses)	(24,009)	282,202
Income (Loss) Before Contributions and Transfers	40,306	349,384
Transfers Out	(21,500)	(21,500)
Change in Net Position	18,806	327,884
Total Net Position - Beginning	3,684,377	3,356,493
Total Net Position - Ending	\$ 3,703,183	\$ 3,684,377

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 467,792	\$ 479,356
Payments to suppliers	(278,617)	(195,046)
Payments to employees	(165,981)	(218,384)
Net cash provided (used) by operating activities	23,194	65,926
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(370,793)	(756,352)
Proceeds of debt	296,172	-
Principal payments on long-term debt	(70,000)	(65,000)
Interest paid	(28,350)	(32,775)
Capital grants	311,404	-
Net cash provided for (used by) for capital and related financing activities	138,433	(854,127)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	115	782
Net cash provided from investing activities	115	782
Net increase (decrease) in cash and equivalents	161,742	(787,419)
Cash and equivalents - beginning of year	106,021	893,440
Cash and equivalents - end of year	\$ 267,763	\$ 106,021

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
Whitewater, WI

**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	2016	2015
Operating income (loss)	\$ 64,315	\$ 67,182
Adjustments to Reconcile Operating Income (Loss) to Net Assets		
Cash Provided by Operating Activities:		
Miscellaneous	6,288	-
Depreciation	68,328	61,101
Transfer out	(21,500)	(21,500)
Pension expense	7,189	336
Changes in Assets and Liabilities:		
Customer accounts receivable	(28,004)	14,082
Other accounts receivable	(24,250)	-
Due from/to other funds	(50,676)	(14,199)
Accounts payable	7,360	(43,230)
Accrued liabilities	(5,856)	2,154
Net cash provided for (used by) by operating activities	\$ 23,194	\$ 65,926
 <b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>		
Cash and cash equivalents	\$ 267,763	\$ 106,021
Restricted Cash	-	-
Total cash and investments	267,763	106,021
 Cash and Cash Equivalents	 \$ 267,763	 \$ 106,021

See accompanying notes to the financial statements.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2016 and 2015

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### 1. Summary of Significant Accounting Policies

The financial statements of Whitewater Municipal Water, Stormwater, and Wastewater Utilities (utilities) 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 financial statements present only the Whitewater Municipal Water, Wastewater, and Stormwater Utilities enterprise funds and are not intended to present fairly the financial position of the City of Whitewater, Wisconsin. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utilities are described below.

#### A. Reporting Entity

The utilities are separate enterprise funds of the City of Whitewater (municipality). The utilities are managed by a city council. The utilities provide water, wastewater treatment and stormwater service to properties within the municipality.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The wastewater and stormwater utility operates under rules and rates established by the city council.

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The utilities are presented as enterprise funds 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 deferred outflows of resources, and liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The utilities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2016 and 2015

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### 1. Summary of Significant Accounting Policies (Continued) C. Assets, Liabilities and Net Position

#### 1) 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.

Investments of the utilities' funds are restricted by state statutes. Investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Board, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

The utilities have adopted an investment policy. The policy follows the state statutes for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**1. Summary of Significant Accounting Policies (Continued)**  
**C. Assets, Liabilities and Net Position (Continued)**

**2) Receivables/Payables**

Transactions between the utilities 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 utilities and other funds of the municipality are reported as due to/from other funds.

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

**3) 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.

**4) 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.

**5) Special Assessments Receivable**

The account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**1. Summary of Significant Accounting Policies (Continued)**  
**C. Assets, Liabilities and Net Position (Continued)**

**6) Capital Assets**

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	Years
Water Plant	
Source of supply	31-56
Pumping	23-31
Water treatment	30-31
Transmission and distribution	18-77
General	4-34
Wastewater Plant	
Collecting system	50-100
Treatment and disposal	15-40
General	4-40

**Stormwater Plant**

Stormwater infrastructure is depreciated at varying rates. Average useful life is approximately 74 years.

**7) Compensated Absences**

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 utilities.

**8) Long-Term Obligations**

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest 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.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2016 and 2015

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- 1. **Summary of Significant Accounting Policies (Continued)**
- C. **Assets, Liabilities and Net Position (Continued)**

### 9) Revenues and Expenses

The utilities distinguish 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 utilities 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.

### 10) Charges for Services

Billings are rendered and recorded quarterly based on metered usage. The utilities do not accrue revenues beyond billing dates.

Current water rates were approved by the PSCW on June 24, 2014.

Current wastewater rates and stormwater rates were approved by the city council.

### 11) Capital Contributions

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

### 12) Connection Fees

The wastewater utility charges new customers a connection fee to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses and changes in net assets.

### 13) Transfers

Transfers include the payment in lieu of taxes to the municipality.

### 14) Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, 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 for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2016 and 2015

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### 1. Summary of Significant Accounting Policies (Continued) C. Assets, Liabilities and Net Position (Continued)

#### 15) Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The utilities have one item that qualifies for reporting in this category. The deferred outflows of resources are for the WRS pension system.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element represents an acquisition of net position which applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The utilities have no items that qualify for reporting in this category.

#### 2. Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recover of material principal losses may not be significant to individual municipalities.

The utilities may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the State of Wisconsin Guarantee Fund Insurance apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utilities alone. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

Investment insurance coverage of the FDIC and SDGF apply to the municipality's total investments. Therefore, coverage for the utilities may be reduced.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**2. Deposits and Investments (Continued)**

**Custodial Credit Risk**

Deposits:

Custodial credit risk is the risk that in the event of a financial institution failure, the utilities' deposits may not be returned to the utilities. The utilities maintain certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the utilities' resources at those institutions cannot be determined individually for those accounts.

The following is a summary of the utilities' total deposit balances at these institutions:

	<u>2016</u>	<u>2015</u>
	Carrying Value	Carrying Value
Deposits in local financial institutions	<u>\$ 6,293,625</u>	<u>\$ 3,914,556</u>

The bank balance of the deposits varies with carrying value. The bank balance was not listed since many of the cash accounts are co-mingled with other City funds. The custodial credit risk applies to the City as a whole and not specifically with utilities. Accordingly, the City's financial statements should be read in conjunction with the utilities.

Investments:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The utilities do not have any investments exposed to custodial credit risk.

The utilities' investment policy does not address this risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The utilities do not have any investments exposed to credit risk.

Interest Rate Risk

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

The utilities do not have any investments exposed to interest rate risk.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**2. Deposits and Investments (Continued)**

**Reconciliation to the Financial Statements**

A reconciliation of the cash and investments to the financial statements:

	2016	2015
Carrying value of deposits	<u>\$ 6,293,625</u>	<u>\$ 3,914,556</u>
	<u>\$ 6,293,625</u>	<u>\$ 3,914,556</u>
Cash and cash equivalents water	\$ 969,963	\$ 890,883
Cash and cash equivalents wastewater	860,402	870,932
Restricted cash water	362,520	393,052
Restricted cash wastewater	3,832,977	1,653,668
Cash and cash equivalents stormwater	267,763	106,021
	<u>\$ 6,293,625</u>	<u>\$ 3,914,556</u>

**3. Interfund Receivables/Payables and Transfers**

The following is a schedule of interfund balances for the years ending December 31, 2016 and 2015:

		2016		2015	
Due To	Due From	Amount	Principal Purpose	Amount	Principal Purpose
Water	Wastewater	\$ 36,632	General operations	\$ 34,935	General operations
Water	Municipality	\$ 4,561	General operations	\$ 551	General operations
Municipality	Water	\$ 1,774	General operations	\$ 27,301	General operations
Municipality	Wastewater	\$ 2,109	General operations	\$ 25,668	General operations
Municipality	Stormwater	\$ 832	Operations	\$ 51,508	Operations

The following is a schedule of transfer balances for the years ending December 31, 2016 and 2015:

		2016		2015	
Transfer to	Transfer from	Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 298,649	Tax equivalent	\$ 302,615	Tax equivalent
Municipality	Stormwater	\$ 21,500	Capital contributions	\$ 21,500	Capital contributions

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**4. Restricted Assets**

**Revenue Bond Accounts**

Certain proceeds of the utilities' revenue bonds, 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 by applicable bond covenants. The following revenue bond 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.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

**Replacement Account**

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

**Restricted Net Position**

The following calculation supports the amount of water restricted net position:

	2016	2015
Restricted Assets		
Redemption account	\$ 96,469	\$ 127,000
Reserve account	266,051	266,052
Employee pension plan	-	126,843
Total Restricted Assets	362,520	519,895
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(266,051)	(266,052)
Current Liabilities Payable From Restricted Assets	(17,817)	(14,109)
Total Restricted Net Position as Calculated	\$ 78,652	\$ 239,734

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**4. Restricted Assets (Continued)**

The following calculation supports the amount of wastewater restricted net position:

	2016	2015
Restricted Assets		
Redemption account	\$ 1,193,278	\$ 311,815
Reserve account	223,000	242,185
Depreciation account	25,000	25,000
Connection account	306,610	305,617
Replacement account	2,085,089	769,051
Employee pension plan	-	198,879
Total Restricted Assets	3,832,977	1,852,547
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(223,000)	(242,185)
Current Liabilities Payable From Restricted Assets	(49,985)	(18,458)
Total Restricted Net Position as Calculated	\$ 3,559,992	\$ 1,591,904

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**5. Changes in Capital Assets**

**Water Utility**

A summary of changes in water capital assets for 2016 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Construction in progress	\$ 114,124	\$ 7,503	\$ 42,323	\$ 79,304
Land and land rights	<u>6,727</u>	<u>-</u>	<u>-</u>	<u>6,727</u>
Total Capital Assets Not Being Depreciated	<u>120,851</u>	<u>7,503</u>	<u>42,323</u>	<u>86,031</u>
Capital assets being depreciated				
Source of supply	633,563	-	-	633,563
Pumping	1,212,857	-	-	1,212,857
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	14,243,105	789,804	293,545	14,739,364
Administrative and general assets	<u>463,770</u>	<u>23,800</u>	<u>-</u>	<u>487,570</u>
Total Capital Assets Being Depreciated	<u>18,012,037</u>	<u>813,604</u>	<u>293,545</u>	<u>18,532,096</u>
Total Capital Assets	<u>18,132,888</u>	<u>821,107</u>	<u>335,868</u>	<u>18,618,127</u>
Less: Accumulated depreciation	<u>6,465,854</u>	<u>423,661</u>	<u>293,545</u>	<u>6,595,970</u>
Net Capital Assets	<u>\$ 11,667,034</u>	<u>\$ 397,446</u>	<u>\$ 42,323</u>	<u>\$ 12,022,157</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**5. Changes in Capital Assets (Continued)**

A summary of changes in water capital assets for 2015 follows:

<u>Water</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in Progress	\$ -	\$ 114,124	\$ -	\$ 114,124
Land and land rights	6,727	-	-	6,727
Total Capital Assets Not Being Depreciated	6,727	-	-	120,851
Capital assets being depreciated				
Source of supply	633,563	-	-	633,563
Pumping	1,197,906	15,851	900	1,212,857
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	14,199,310	46,875	3,080	14,243,105
Administrative and general assets	441,970	21,800	-	463,770
Total Capital Assets Being Depreciated	17,931,491	84,526	3,980	18,012,037
Total Capital Assets	17,938,218	84,526	3,980	18,132,888
Less: Accumulated depreciation	6,054,135	415,699	3,980	6,465,854
Net Capital Assets	<u>\$ 11,884,083</u>	<u>\$ (331,173)</u>	<u>\$ -</u>	<u>\$ 11,667,034</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**5. Changes in Capital Assets (Continued)**

**Wastewater Utility**

A summary of changes in wastewater capital assets for 2016 follows:

<u>Wastewater</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 1,444,883	\$ 10,405,835	\$ 776,706	\$ 11,074,012
Land and land rights	168,179	17,457	-	185,636
Total Capital Assets Not Being Depreciated	<u>1,613,062</u>	<u>10,423,292</u>	<u>776,706</u>	<u>11,259,648</u>
Capital Assets Being Depreciated				
Collection system	13,039,669	735,585	66,924	13,708,330
Treatment and disposal	25,913,581	78,986	-	25,992,567
General	1,041,110	37,044	-	1,078,154
Total Capital Assets Being Depreciated	<u>39,994,360</u>	<u>851,615</u>	<u>66,924</u>	<u>40,779,051</u>
Total Capital Assets	41,607,422	11,274,907	843,630	52,038,699
Less: Accumulated Depreciation	<u>25,087,308</u>	<u>1,164,976</u>	<u>66,924</u>	<u>26,185,360</u>
Net Capital Assets	<u>\$ 16,520,114</u>	<u>\$ 10,109,931</u>	<u>\$ 776,706</u>	<u>\$ 25,853,339</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**5. Changes in Capital Asset (Continued)**

A summary of changes in wastewater capital assets for 2015 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 559,403	\$ 885,480	-	\$ 1,444,883
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>727,582</u>	<u>885,480</u>	<u>-</u>	<u>1,613,062</u>
Capital Assets Being Depreciated				
Collection system	13,037,019	2,650	-	13,039,669
Treatment and disposal	25,913,581	-	-	25,913,581
General	1,017,719	23,391	-	1,041,110
Total Capital Assets Being Depreciated	<u>39,968,319</u>	<u>26,041</u>	<u>-</u>	<u>39,994,360</u>
Total Capital Assets	40,695,901	911,521	-	41,607,422
Less: Accumulated Depreciation	<u>23,931,004</u>	<u>1,156,304</u>	<u>-</u>	<u>25,087,308</u>
Net Capital Assets	<u>\$ 16,764,897</u>	<u>\$ (244,783)</u>	<u>\$ -</u>	<u>\$ 16,520,114</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**5. Changes in Capital Asset (Continued)**

**Stormwater Utility**

A summary of changes in stormwater capital assets for 2016 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 48,314	\$ 86,885	\$ 19,615	\$ 115,584
Total Capital Assets Not Being Depreciated	<u>48,314</u>	<u>86,885</u>	<u>19,615</u>	<u>115,584</u>
Capital Assets Being Depreciated				
Infrastructure	4,909,598	303,523	-	5,213,121
Less: Accumulated depreciation	<u>348,692</u>	<u>68,328</u>	<u>-</u>	<u>417,020</u>
Net Capital Assets	<u>\$ 4,609,220</u>	<u>\$ 322,080</u>	<u>\$ 19,615</u>	<u>\$ 4,911,685</u>

A summary of changes in stormwater capital assets for 2015 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 59,232	\$ 42,025	\$ 52,943	\$ 48,314
Total Capital Assets Not Being Depreciated	<u>59,232</u>	<u>42,025</u>	<u>52,943</u>	<u>48,314</u>
Capital Assets Being Depreciated				
Infrastructure	\$ 4,142,328	\$ 767,270	\$ -	\$ 4,909,598
Less: Accumulated depreciation	<u>287,591</u>	<u>61,101</u>	<u>-</u>	<u>348,692</u>
Net Capital Assets	<u>\$ 3,913,969</u>	<u>\$ 748,194</u>	<u>\$ 52,943</u>	<u>\$ 4,609,220</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations**

**Long-Term Obligations Summary – Water**

Long term debt activity for the year ended December 31, 2016 for the water utility is as follows:

	Balance 1/01/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Revenue Bonds	\$ 1,440,000	\$ -	\$ 105,000	\$ 1,335,000	\$ 110,000
GO Notes and Bonds	549,083	598,181	94,083	1,053,181	30,000
Vested Compensated Absences	66,153	-	2,501	63,652	-
Total Other Liabilities	<u>\$ 2,055,236</u>	<u>\$ 598,181</u>	<u>\$ 201,584</u>	<u>\$ 2,451,833</u>	<u>\$ 140,000</u>

Long-term debt activity for the year ended December 31, 2015 for the water utility is as follows:

	Balance 1/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Revenue Bonds	\$ 1,800,000	\$ -	\$ 360,000	\$ 1,440,000	\$ 105,000
GO Notes and Bonds	638,166	-	89,083	549,083	94,083
Vested Compensated Absences	62,477	3,676	-	66,153	-
Total Other Liabilities	<u>\$ 2,500,643</u>	<u>\$ 3,676</u>	<u>\$ 449,083</u>	<u>\$ 2,055,236</u>	<u>\$ 199,083</u>

**Long-Term Obligations Summary – Wastewater**

Long-term debt activity for the year ended December 31, 2016 for the wastewater utility is as follows:

	Balance 1/01/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Revenue Bonds	\$ 4,299,795	\$ 8,829,926	\$ 575,729	\$ 12,553,992	\$ 253,205
GO Notes and Bonds	240,917	547,690	40,917	747,690	15,000
Vested Compensated Absences	54,026	-	966	53,060	-
Total Other Liabilities	<u>\$ 4,594,738</u>	<u>\$ 9,377,616</u>	<u>\$ 617,612</u>	<u>\$ 13,354,742</u>	<u>\$ 268,205</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations (Continued)**

**Long-Term Obligations Summary – Wastewater (Continued)**

Long-term debt activity for the year ended December 31, 2015 for the wastewater utility is as follows:

	Balance 1/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Revenue Bonds	\$ 4,857,970	\$ -	\$ 558,175	\$ 4,299,795	\$ 575,729
GO Notes and Bonds	281,834	-	40,917	240,917	40,916
Vested Compensated Absences	52,846	1,180	-	54,026	-
Total Other Liabilities	<u>\$ 5,192,650</u>	<u>\$ 1,180</u>	<u>\$ 599,092</u>	<u>\$ 4,594,738</u>	<u>\$ 616,645</u>

**Long-Term Obligations Summary – Stormwater**

Long-term debt activity for the year ended December 31, 2016 for the stormwater utility is as follows:

	Balance 1/01/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
GO Notes and Bonds	\$ 1,295,000	\$ 296,172	\$ 70,000	\$ 1,521,172	\$ 75,000
Vested Compensated Absences	24,744	818	-	25,562	-
Total Other Liabilities	<u>\$ 1,319,744</u>	<u>\$ 296,990</u>	<u>\$ 70,000</u>	<u>\$ 1,546,734</u>	<u>\$ 75,000</u>

Long-term debt activity for the year ended December 31, 2015 for the stormwater utility is as follows:

	Balance 1/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
GO Notes and Bonds	\$ 1,360,000	\$ -	\$ 65,000	\$ 1,295,000	\$ 70,000
Vest Compensated Absences	22,856	1,888	-	24,744	-
Total Other Liabilities	<u>\$ 1,382,856</u>	<u>\$ 1,888</u>	<u>\$ 65,000</u>	<u>\$ 1,319,744</u>	<u>\$ 70,000</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations (Continued)**

**Long-term Debt – Water**

The following are water debt issues outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/16</u>
<u>Water Utility</u>					
2011 Mortgage Revenue Bonds	6/7/2011	10/1/2026	1.6-4.0%	940,000	\$ 680,000
2012 Mortgage Revenue Bonds	5/17/2012	10/1/2027	0.85-2.85%	855,000	655,000
		Total Water Utility Revenue Bonds			<u>1,335,000</u>
2014 GO Bonds	6/10/2014	9/1/2029	0.5-3.0%	510,000	455,000
2016 GO Notes	4/15/2016	4/15/2018	0.71-1.43%	598,181	598,181
		Total Water Utility Long-Term Debt			<u>\$ 2,388,181</u>

Water debt service requirements to maturity are as follows:

<u>Year</u>	<b>Water Totals</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 140,000	\$ 56,488	\$ 196,488
2018	743,181	53,445	796,626
2019	145,000	43,829	188,829
2020	150,000	40,311	190,311
2021	160,000	36,475	196,475
2022-2026	865,000	112,810	977,810
2027-2029	185,000	12,053	197,053
	<u>\$ 2,388,181</u>	<u>\$ 355,411</u>	<u>\$ 2,743,592</u>

Substantially all utility plant is subject to a mortgage lien until the bonds are defeased.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
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**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations (Continued)**

**Long-term Debt – Wastewater**

The following wastewater debt issues are outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/16</u>
<u>Wastewater Utility</u>					
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	784,109	\$ 2,094,291
2011 Clean Water Fund Loan	7/27/2011	5/1/2031	2.40%	115,954	504,775
2012 Revenue Bonds	5/17/2012	11/1/2027	0.85-2.85%	1,485,000	1,125,000
2016 Clean Water Fund Loan	4/13/2016	5/1/2035	2.10%	8,829,926	8,829,926
	Total Wastewater Utility Revenue Bonds				<u>12,553,992</u>
2014 GO Bonds	6/10/2014	9/1/2029	0.5-3.0%	220,000	200,000
2016 GO Notes	4/15/2016	4/15/2018	0.71-1.43%	547,690	547,690
	Total Wastewater Utility Long-Term Debt				<u><u>\$ 13,301,682</u></u>

Wastewater debt service requirements to maturity are as follows:

<u>Year</u>	<b>Wastewater Totals</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 268,205	\$ 288,757	\$ 556,962
2018	825,499	284,496	1,109,995
2019	720,121	267,160	987,281
2020	739,179	250,761	989,940
2021	753,569	233,947	987,516
2022-2026	4,025,842	898,012	4,923,854
2026-2031	3,602,782	433,042	4,035,824
2032-2035	2,366,485	100,683	2,467,168
	<u>\$ 13,301,682</u>	<u>\$ 2,756,858</u>	<u>\$ 16,058,540</u>

Substantially all utility plant is subject to a mortgage lien until the bonds are defeased. All utility revenues are pledged as security of the revenue bonds until the bonds are defeased.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
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**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations (Continued)**

**Long-term Debt – Stormwater**

The following stormwater debt issue is outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/16</u>
<u>Stormwater Utility</u>					
2012 GO Refunding Bonds	5/17/2012	9/1/2031	0.85-3.25%	\$ 455,000	\$ 415,000
2014 GO Bonds	6/10/2014	9/1/2029	0.5-3.0%	905,000	810,000
2016 GO Notes	4/15/2016	4/15/2018	0.71-1.43%	296,172	296,172
			Total Stormwater Utility		<u><u>\$ 1,521,172</u></u>

Stormwater debt service requirements to maturity are as follows:

<u>Year</u>	<b>Stormwater Totals</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 75,000	\$ 30,769	\$ 105,769
2018	371,172	29,929	401,101
2019	75,000	25,700	100,700
2020	80,000	24,475	104,475
2021	90,000	23,040	113,040
2022-2026	465,000	86,116	551,116
2027-2031	365,000	26,640	391,640
	<u><u>\$ 1,521,172</u></u>	<u><u>\$ 246,669</u></u>	<u><u>\$ 1,767,841</u></u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**6. Long-Term Obligations (Continued)**

**Bond Covenant Disclosures**

The following information is provided in compliance with the resolution creating the 2000 revenue bonds:

**Insurance**

The utilities are 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 utilities are covered under the following insurance policies as of December 31, 2016:

Type	Coverage	
Cities and Villages Mutual Insurance		
General Liability	\$ 5,000,000	BI & PD
Automobile	15,000,000	BI & PD
Workers Compensation	Statutory	
Boiler & Machinery	250,000,000	
Crime	3,000,000	
Employment Liability	1,000,000	
Excess Liability	5,000,000	
Privacy Protection and Network Liability	2,000,000	
Volunteer	250,000	
Municipal Property Insurance Company		
Building/Personal Property/Inland Marine	75,247,440	
Contractors Equipment	2,260,360	
Monies and Securities	10,000	
Employee Tools	52,000	

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations (Continued)**

**Debt Coverage – Water**

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.2 times the highest annual debt service of the bonds. The coverage requirement was met as follows:

	2016	2015
Operating revenues	\$ 1,803,408	\$ 1,711,764
Investment income	1,562	2,100
Less: Operation and maintenance expenses	(959,723)	(923,054)
Net Defined Earnings	\$ 845,247	\$ 790,810
Minimum Required Earnings per Resolution:		
Highest annual debt service revenue bonds	\$ 155,188	\$ 155,188
Coverage factor	1.20	1.20
Minimum Required Earnings	\$ 186,226	\$ 186,226

The water utility increased rates late in 2011.

**Debt Coverage – Wastewater**

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.2 times the highest annual debt service of the bonds. The coverage requirement was met as follows:

	2016	2015
Operating revenues	\$ 3,388,721	\$ 2,289,783
Investment income	2,881	5,869
Connection fees	73,416	54,720
Less: Operation and maintenance expenses	(1,455,538)	(1,440,420)
Net Defined Earnings	\$ 2,009,480	\$ 909,952
Minimum Required Earnings per Resolution:		
Highest annual debt service revenue bonds	971,258	682,932
Coverage factor	1.20	1.20
Minimum Required Earnings	\$ 1,165,510	\$ 819,518

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**6. Long-Term Obligations (Continued)**

**Number of Customers – Water**

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	3,137	3,097	124,673	105,998
Commercial	395	390	132,812	104,330
Industrial	44	44	234,043	206,050
Public Authority	126	123	86,720	80,584
Totals	<u>3,702</u>	<u>3,654</u>	<u>578,248</u>	<u>496,962</u>

**Number of Customers – Wastewater**

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	3,085	3,077	141,173	95,398
Commercial	382	373	85,165	82,022
Industrial	41	32	12,105	12,038
Public Authority	102	94	68,223	73,276
Totals	<u>3,610</u>	<u>3,576</u>	<u>306,666</u>	<u>262,734</u>

**7. Net Position**

Governmental accounting standards require 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**7. Net Position (Continued)**

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, 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 position 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 utilities’ policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the water utility net assets invested in capital assets, net of related debt:

	2016	2015
<b>Water Utility</b>		
Capital Assets net of depreciation	\$ 12,022,157	\$ 11,667,034
Less: related long-term debt outstanding	(2,248,181)	(1,989,083)
Total Invested in Capital Assets	9,773,976	9,677,951
Reserve from borrowing	266,052	266,052
Total Net Position - Net Investment in Capital Assets	\$ 10,040,028	\$ 9,944,003

The following calculation supports the wastewater utility net assets invested in capital assets, net of related debt:

	2016	2015
<b>Wastewater Utility</b>		
Capital Assets net of depreciation	\$ 25,853,339	\$ 16,520,114
Less: related long-term debt outstanding	(13,033,478)	(4,540,712)
Total Invested in Capital Assets	12,819,861	11,979,402
Reserve from borrowing	223,000	242,185
Total Net Position - Net Investment in Capital Assets	\$ 13,042,861	\$ 12,221,587

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**7. Net Position (Continued)**

The following calculation supports the stormwater net assets invested in capital assets, net of related debt:

	2016	2015
<b>Stormwater Utility</b>		
Capital Assets net of depreciation	\$ 4,911,685	\$ 4,609,200
Less: related long-term debt outstanding	(1,446,172)	(1,295,000)
Total Invested in Capital Assets	3,465,513	3,314,200
Total Net Position - Net Investment in Capital Assets	\$ 3,465,513	\$ 3,314,200

**8. Defined Benefit 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, and expected to work at least 1200 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 Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

**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) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**8. Defined Benefit Pension Plan (Continued)**

The WRS also provides death and disability benefits for employees.

*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>
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

*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. 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.

During the reporting period, the WRS recognized \$396,870 in contributions from the municipality.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**8. Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

Pension amounts have been allocated to the utilities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the utilities relative to the total contributions made by the municipality. The allocations were as follows: Governmental Activities – 82.05%, Water – 6.33%, Wastewater – 9.54%, Stormwater – 1.81%, and CDA – 0.28%.

At December 31, 2016, the water, wastewater, and stormwater utilities reported liabilities of \$41,520, \$62,555, and \$11,850, respectively, for their proportionate shares of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities' proportions of the net pension liability was based on the municipality's share of contributions to the pension plan relative to the contributions of all participating employers. The municipality's share was then allocated to the utilities, as noted previously. At December 31, 2015, the municipality's proportion was 0.04036951%, which was a decrease of 0.00035467% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the utilities recognized pension expense of \$73,170. This consisted of \$23,221 from water, \$42,760 from wastewater, and \$7,189 from stormwater.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**8. Defined Benefit Pension Plan (Continued)**

At December 31, 2016, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		
Water	\$ 7,024	\$ (87,379)
Wastewater	10,583	(131,647)
Stormwater	2,005	(24,937)
Changes of assumptions		
Water	29,049	-
Wastewater	43,766	-
Stormwater	8,291	-
Net difference between projected and actual earnings on pension plan investments		
Water	169,996	-
Wastewater	256,120	-
Stormwater	48,516	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions		
Water	2,081	-
Wastewater	3,135	-
Stormwater	594	-
Employer contributions subsequent to the measurement date		
Water	24,371	-
Wastewater	36,718	-
Stormwater	6,955	-
Total	\$ 649,203	\$ (243,963)

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**8. Defined Benefit Pension Plan (Continued)**

\$68,044 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Water**

<b>Year Ended December 31:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 54,063	\$ (21,146)
2018	54,063	(21,146)
2019	54,063	(21,146)
2020	44,999	(21,146)
2021	963	(2,795)

**Wastewater**

<b>Year Ended December 31:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 81,452	\$ (31,859)
2018	81,452	(31,859)
2019	81,452	(31,859)
2020	67,797	(31,859)
2021	1,450	(4,212)

**Stormwater**

<b>Year Ended December 31:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 15,429	(6,035)
2018	15,429	(6,035)
2019	15,429	(6,035)
2020	12,843	(6,035)
2021	275	(798)

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2016 and 2015

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### 8. Defined Benefit Pension Plan (Continued)

*Actuarial assumptions.* The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

\* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009–2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

*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 arithmetic real rates of return for each major asset class are summarized in the following table:

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**8. Defined Benefit Pension Plan (Continued)**

<b>Retirement Funds</b>							
<b>Asset Allocation Targets and Expected Returns</b>							
As of December 31, 2015							
Core Fund Asset Class	Current Asset Allocation %		Destination Target Asset Allocation %		Long-Term Expected Nominal Rate of Return %		Long-Term Expected Real Rate of Return %
U.S. Equities	27 %		23 %		7.6 %		4.7 %
International Equities	24.5		22		8.5		5.6
Fixed Income	27.5		37		4.4		1.6
Inflation Sensitive Assets	10		20		4.2		1.4
Real Estate	7		7		6.5		3.6
Private Equity/Debt	7		7		9.4		6.5
Multi-Asset	4		4		6.7		3.8
Total Core Fund	107 %		120 %		7.4 %		4.5 %
Variable Fund Asset Class							
U.S. Equities	70 %		70 %		7.6 %		4.7 %
International Equities	30		30		8.5		5.6
Total Variable Fund	100 %		100 %		7.9 %		5.0 %

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2016 and 2015**

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**8. Defined Benefit Pension Plan (Continued)**

*Sensitivity of the municipality's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the municipality's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the municipality'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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate. The below amounts illustrated are for the municipality as whole:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
Village's proportionate share of the net pension liability (asset)	\$ 4,601,173	\$ 655,997	\$ (2,425,257)

*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/publications/cafr.htm>.

**9. Significant Customers**

**Water Utility**

The utility has one significant customer who was responsible for approximately 22.9% of operating revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES  
WISCONSIN RETIREMENT SYSTEM SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AS OF THE MEASUREMENT DATE**

Last 10 Fiscal Years

**WATER**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00255539%	\$ 41,520	\$ 326,383	12.72%	98.20%
2014	-0.00247603%	(60,801)	293,431	(20.72%)	102.74%

**WASTEWATER**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00385125%	\$ 62,555	\$ 491,895	12.72%	98.20%
2014	-0.00388101%	(95,302)	459,933	(20.72%)	102.74%

**STORMWATER**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00073069%	\$ 11,850	\$ 93,326	12.70%	98.20%
2014	-0.00071675%	(17,600)	84,940	(20.72%)	102.74%

**SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED**

Last 10 Fiscal Years

**WATER**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 24,371	\$ (24,371)	\$ -	\$ 386,561	6.30%
2015	26,460	(26,460)	-	371,125	7.13%

**WASTEWATER**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 36,718	\$ (36,718)	\$ -	\$ 589,476	6.23%
2015	41,487	(41,487)	-	633,213	6.55%

**STORMWATER**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 6,955	\$ (6,955)	\$ -	\$ 118,224	5.88%
2015	7,668	(7,668)	-	160,100	4.79%

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Required Supplementary Information  
December 31, 2016 and 2015**

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**1. Wisconsin Retirement System Schedules**

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

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

*Changes of assumptions.* Rates used in mortality tables were updated on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scales (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

**SUPPLEMENTAL INFORMATION**

**Whitewater Municipal Water Utility**

**Water Utility Plant  
December 31, 2016**

	Balance 1/01/2016	Additions	Retirements	Balance 12/31/2016
<b>Source of Supply</b>				
Land and land rights	\$ 3,603	\$ -	\$ -	\$ 3,603
Structures and improvements	30,984	-	-	30,984
Wells and springs	585,549	-	-	585,549
Supply mains	17,029	-	-	17,029
Total Source of Supply	<u>637,165</u>	<u>-</u>	<u>-</u>	<u>637,165</u>
<b>Pumping</b>				
Structures and improvements	463,697	-	-	463,697
Electric pumping equipment	659,052	-	-	659,052
Diesel pumping equipment	51,851	-	-	51,851
Other pumping equipment	38,257	-	-	38,257
Total Pumping	<u>1,212,857</u>	<u>-</u>	<u>-</u>	<u>1,212,857</u>
<b>Water Treatment</b>				
Structures and improvements	370,874	-	-	370,874
Water treatment equipment	1,087,868	-	-	1,087,868
Total Water Treatment	<u>1,458,742</u>	<u>-</u>	<u>-</u>	<u>1,458,742</u>
<b>Transmission and Distribution</b>				
Land and land rights	898	-	-	898
Distribution reservoirs and standpipes	504,482	-	-	504,482
Transmission and distribution mains	10,397,180	541,053	66,390	10,871,843
Services	1,399,008	150,249	214,850	1,334,407
Meters	828,552	27,490	7,305	848,737
Hydrants	1,113,884	71,012	5,000	1,179,896
Total Transmission and Distribution	<u>14,244,004</u>	<u>789,804</u>	<u>293,545</u>	<u>14,740,263</u>
<b>General</b>				
Land and land rights	2,226	-	-	2,226
Structures and improvements	92,182	-	-	92,182
Office furniture and equipment	19,334	-	-	19,334
Computer equipment	54,246	-	-	54,246
Transportation equipment	114,449	23,800	-	138,249
Stores equipment	392	-	-	392
Tools, shop and garage equipment	33,245	-	-	33,245
Laboratory equipment	1,371	-	-	1,371
Power-operated equipment	43,747	-	-	43,747
Communication equipment	19,639	-	-	19,639
SCADA equipment	79,700	-	-	79,700
Miscellaneous equipment	5,465	-	-	5,465
Total General	<u>465,996</u>	<u>23,800</u>	<u>-</u>	<u>489,796</u>
<b>Construction Work In Progress</b>	<u>114,124</u>	<u>7,503</u>	<u>42,323</u>	<u>79,304</u>
<b>Total Water Utility Plant</b>	<u>\$ 18,132,888</u>	<u>\$ 821,107</u>	<u>\$ 335,868</u>	<u>\$ 18,618,127</u>

**Whitewater Municipal Water Utility  
Rate of Return - Regulatory Basis**

**December 31, 2016 and 2015**

	Water	
	2016	2015
Utility Plant in Service (excluding contributed plant)		
Beginning of year	\$ 10,709,958	\$ 10,655,902
End of year	11,231,808	10,709,958
Average	10,970,883	10,682,930
Accumulated Depreciation		
Beginning of year	(3,516,349)	(3,265,888)
End of year	(3,489,875)	(3,516,349)
Average	(3,503,112)	(3,391,119)
Materials and Supplies		
Beginning of year	12,356	12,356
End of year	12,356	12,356
Average	12,356	12,356
Regulatory Liability		
Beginning of year	(407,931)	(458,924)
End of year	(356,942)	(407,931)
Average	(382,437)	(433,428)
Average Net Rate Base	\$ 7,097,690	\$ 6,870,739
Operating Income - Regulatory Basis	\$ 328,248	\$ 241,721
Rate of Return (Percent)	4.62%	3.52%

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as described in the Notes to the Financial Statements as well as PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

**Whitewater Municipal Wastewater Utility**

**Wastewater Utility Plant  
December 31, 2016**

	<u>Balance 1/01/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2016</u>
<b>Collecting System</b>				
Lift stations	\$ 1,070,206	\$ 21,285	\$ -	\$ 1,091,491
Collecting mains	9,079,759	697,720	66,924	9,710,555
Interceptor mains	2,773,904	16,580	-	2,790,484
Force mains	115,800	-	-	115,800
<b>Total Collecting System</b>	<u>13,039,669</u>	<u>735,585</u>	<u>66,924</u>	<u>13,708,330</u>
<b>Treatment and Disposal</b>				
Land and improvements	168,179	17,457	-	185,636
Structures and improvements	7,956,929	78,986	-	8,035,915
Preliminary treatment equipment	1,743,138	-	-	1,743,138
Primary treatment equipment	655,419	-	-	655,419
Secondary treatment equipment	5,133,209	-	-	5,133,209
Advanced treatment equipment	1,603,274	-	-	1,603,274
Chlorination equipment	786,910	-	-	786,910
Sludge treatment and disposal equipment	5,634,642	-	-	5,634,642
Plant site piping	1,953,828	-	-	1,953,828
Flow metering and monitoring equipment	159,203	-	-	159,203
Flow metering and monitoring equipment	232,936	-	-	232,936
Flow metering and monitoring equipment	54,093	-	-	54,093
<b>Total Treatment and Disposal</b>	<u>26,081,760</u>	<u>96,443</u>	<u>-</u>	<u>26,178,203</u>
<b>General</b>				
Structures and improvements	61,637	-	-	61,637
Office furniture and equipment	62,556	-	-	62,556
Computer equipment	57,898	-	-	57,898
Transportation equipment	369,678	30,830	-	400,508
Communication equipment	206,565	-	-	206,565
Other general equipment	282,776	6,214	-	288,990
<b>Total General</b>	<u>1,041,110</u>	<u>37,044</u>	<u>-</u>	<u>1,078,154</u>
<b>Construction Work In Progress</b>	<u>1,444,883</u>	<u>10,405,835</u>	<u>776,706</u>	<u>11,074,012</u>
<b>Total Wastewater Utility Plant</b>	<u><u>\$ 41,607,422</u></u>	<u><u>\$ 11,274,907</u></u>	<u><u>\$ 843,630</u></u>	<u><u>\$ 52,038,699</u></u>