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

Enterprise Funds of the
City of Whitewater, Wisconsin

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

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INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, 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, 2017 and 2016, 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

June 8, 2018

WATER UTILITY

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,237,616	\$ 969,963
Receivables		
Accounts	134,947	155,826
Interest	4,480	4,480
Due from Other Funds	-	41,193
Inventories	12,356	12,356
Total Current Assets	1,389,399	1,183,818
Restricted:		
Restricted Cash	472,132	362,520
Total Restricted Assets	472,132	362,520
Capital Assets:		
Construction Work-In-Progress	20,829	79,304
Land and Improvements	6,727	6,727
Utility Plant	18,654,467	18,532,096
Less Accumulated Depreciation	(7,021,967)	(6,595,970)
Net Capital Assets	11,660,056	12,022,157
Total Assets	13,521,587	13,568,495
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	153,937	232,521
Total Deferred Outflows of Resources	153,937	232,521
Total Assets and Deferred Outflows of Resources	\$ 13,675,524	\$ 13,801,016

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 26,913	\$ 36,728
Accrued Liabilities	11,583	7,357
Accrued Interest Payable	17,028	17,817
Due to Other Funds	6,840	1,774
Compensated Absences	5,210	4,656
Current Portion of Long-Term Debt	743,181	140,000
Total Current Liabilities	810,755	208,332
Non-Current Liabilities:		
Long-Term Debt		
Notes Payable	-	598,181
Bonds and Loans Payable	1,505,000	1,650,000
Total Long-Term Debt	1,505,000	2,248,181
Other Liabilities		
Compensated Absences	79,203	63,652
Net Pension Liability	19,829	41,520
Total Other Liabilities	99,032	105,172
Total Non-Current Liabilities	1,604,032	2,353,353
Total Liabilities	2,414,787	2,561,685
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	62,361	87,379
Unearned Special Assessments Revenue	-	268
Total Deferred Inflows of Resources	62,361	87,647
NET POSITION		
Net Investment in Capital Assets	9,680,007	9,900,028
Restricted	186,972	78,652
Unrestricted	1,331,397	1,173,004
Total Net Postion	11,198,376	11,151,684
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 13,675,524	\$ 13,801,016

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 1,739,464	\$ 1,803,408
Total Operating Revenues	1,739,464	1,803,408
 OPERATING EXPENSES		
Operation and Maintenance	995,802	959,723
Depreciation	407,190	400,598
Total Operating Expenses	1,402,992	1,360,321
Operating Income (Loss)	336,472	443,087
 NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	2,926	1,562
Miscellaneous Non-Operating Revenue	54,507	107
Interest Expense	(55,480)	(57,972)
Total Non-Operating Revenue (Expenses)	1,953	(56,303)
Income (Loss) Before Contributions and Transfers	338,425	386,784
 Capital Contributions	22,607	475
Transfers Out (Tax Equivalent)	(314,340)	(298,649)
Change in Net Position	46,692	88,610
Total Net Position - Beginning	11,151,684	11,063,074
Total Net Position - Ending	\$ 11,198,376	\$ 11,151,684

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,760,343	\$ 1,793,580
Payments to suppliers	(303,003)	(532,608)
Payments to employees	(525,935)	(482,605)
Taxes paid	(314,340)	(298,649)
Net cash provided (used) by operating activities	617,065	479,718
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of special assessments	(268)	743
Acquisition and construction of plant assets	(46,189)	(778,309)
Proceeds of debt	-	598,181
Principal payments on long-term debt	(140,000)	(199,083)
Interest paid	(56,269)	(54,264)
Net cash provided (used) by capital and related financing activities	(242,726)	(432,732)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	2,926	1,562
Net cash provided from investing activities	2,926	1,562
Net increase (decrease) in cash and equivalents	377,265	48,548
Cash and equivalents - beginning of year	1,302,483	1,253,935
Cash and equivalents - end of year	\$ 1,679,748	\$ 1,302,483
<u>Noncash Capital and Related Financing Activities:</u>		
City financed additions to utility plant	\$ 22,607	\$ 475

See accompanying notes to the basic financial statements.

WHITEWATER MUNICIPAL WATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

Reconciliation of operating income (loss) to net cash	2017	2016
provided (used) by operating activities		
Operating income	\$ 336,472	\$ 443,087
Joint meter	23,707	23,063
Cash Provided by Operating Activities:		
Miscellaneous	54,507	107
Depreciation	407,190	400,598
Transfer out (tax equivalent)	(314,340)	(298,649)
Pension expense	31,875	23,221
Changes in Assets and Liabilities:		
Customer accounts receivable	20,879	(9,828)
Due from/to other funds	46,259	(31,234)
Accounts payable	(9,815)	(51,947)
Accrued liabilities	20,331	(18,700)
Net cash provided (used) by operating activities	<u>\$ 617,065</u>	<u>\$ 479,718</u>
 Reconciliation of cash and cash equivalents to statements		
of net assets accounts		
Cash and cash equivalents	\$ 1,237,616	\$ 969,963
Restricted Cash	<u>472,132</u>	<u>362,520</u>
Total cash and investments	1,709,748	1,332,483
Less: Noncash equivalents	<u>(30,000)</u>	<u>(30,000)</u>
Cash and Cash Equivalents	<u>\$ 1,679,748</u>	<u>\$ 1,302,483</u>

See accompanying notes to the basic financial statements.

WASTEWATER UTILITY

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,460,000	\$ 860,402
Receivables		
Accounts	314,962	336,306
Interest	1,559	1,559
Total Current Assets	1,776,521	1,198,267
Restricted:		
Restricted Cash and Cash Equivalents	3,790,236	3,832,977
Total Restricted Assets	3,790,236	3,832,977
Capital Assets:		
Construction Work-In-Progress	20,895,968	11,074,012
Land	185,636	185,636
Other Capital Assets	40,859,068	40,779,051
Less Accumulated Depreciation	(27,360,259)	(26,185,360)
Net Capital Assets	34,580,413	25,853,339
Noncurrent Assets		
Property Held for Resale	240,369	240,369
Total Noncurrent Assets	240,369	240,369
Total Assets	40,387,539	31,124,952
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	219,306	350,322
Total Deferred Outflows of Resources	219,306	350,322
Total Assets and Deferred Outflows of Resources	\$ 40,606,845	\$ 31,475,274

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,468,715	\$ 1,539,022
Accrued Liabilities	35,336	9,174
Accrued Interest Payable	81,063	49,985
Due to Other Funds	-	38,741
Compensated Absences	7,140	2,342
Current Portion of Long-Term Debt	825,500	268,205
Total Current Liabilities	2,417,754	1,907,469
Non-Current Liabilities:		
Long-Term Debt		
Notes Payable	-	547,690
Bonds and Loans Payable	21,292,385	12,485,788
Total Long-Term Debt	21,292,385	13,033,478
Other Liabilities		
Compensated Absences	64,872	53,060
Net Pension Liability	28,250	62,555
Total Other Liabilities	93,122	115,615
Total Non-Current Liabilities	21,385,507	13,149,093
Total Liabilities	23,803,261	15,056,562
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	88,843	131,647
Total Deferred Inflows of Resources	88,843	131,647
NET POSITION		
Net Investment in Capital Assets	12,685,528	12,774,656
Restricted	3,486,173	3,559,992
Unrestricted	543,040	(47,583)
Total Net Position	16,714,741	16,287,065
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 40,606,845	\$ 31,475,274

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 3,314,618	\$ 3,388,721
Total Operating Revenues	3,314,618	3,388,721
 OPERATING EXPENSES		
Operation and Maintenance	1,449,396	1,455,538
Depreciation	1,198,606	1,188,039
Total Operating Expenses	2,648,002	2,643,577
Operating Income (Loss)	666,616	745,144
 NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	7,638	2,881
Interest Expense	(382,466)	(179,255)
Total Non-Operating Revenue (Expenses)	(374,828)	(176,374)
Income (Loss) Before Contributions and Transfers	291,788	568,770
 Capital Contributions	135,888	73,416
Change in Net Position	427,676	642,186
Total Net Position - Beginning	16,287,065	15,644,879
Total Net Position - Ending	\$ 16,714,741	\$ 16,287,065

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 3,335,962	\$ 3,300,239
Payments to suppliers	(689,348)	(617,135)
Payments to employees	(818,767)	(799,902)
Net cash provided (used) by operating activities	1,827,847	1,883,202
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(9,743,442)	(9,030,547)
Proceeds of debt	9,084,407	9,377,616
Principal payments on long-term debt	(268,205)	(616,645)
Interest paid	(351,388)	(147,728)
Capital grants	-	700,000
Net cash provided (used) by capital and related financing activities	(1,278,628)	282,696
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	7,638	2,881
Net cash provided (used) by investing activities	7,638	2,881
Net increase (decrease) in cash and equivalents	556,857	2,168,779
Cash and equivalents - beginning of year	4,403,129	2,234,350
Cash and equivalents - end of year	\$ 4,959,986	\$ 4,403,129
<u>Noncash capital and related Financing Activities:</u>		
Plant additions financed through accounts payable	\$ 1,416,882	\$ 1,394,238
City financed additions to utility plant	\$ 135,888	\$ 73,416

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WASTEWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 666,616	\$ 745,144
Joint meter	(23,707)	(23,063)
Cash Provided by Operating Activities:		
Depreciation	1,198,606	1,188,039
Pension expense	53,907	42,759
Changes in Assets and Liabilities:		
Customer accounts receivable	21,344	(88,482)
Due from/to other funds	(38,741)	(21,862)
Accounts payable	(92,950)	70,374
Accrued liabilities	42,772	(29,707)
Net cash provided (used) by operating activities	\$ 1,827,847	\$ 1,883,202
 Reconciliation of cash and cash equivalents to statements of net assets accounts		
Cash and cash equivalents	\$ 1,460,000	\$ 860,402
Restricted Cash	3,790,236	3,832,977
Total cash and investments	5,250,236	4,693,379
Less: Noncash equivalents	(290,250)	(290,250)
Cash and Cash Equivalents	\$ 4,959,986	\$ 4,403,129

See accompanying notes to the financial statements.

STORMWATER UTILITY

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 261,859	\$ 267,763
Receivables		
Accounts	36,570	48,490
Other	31,850	24,250
Total Current Assets	330,279	340,503
Capital Assets:		
Construction Work-In-Progress	174,851	115,584
Utility Plant	5,213,121	5,213,121
Less Accumulated Depreciation	(487,397)	(417,020)
Net Capital Assets	4,900,575	4,911,685
Total Assets	5,230,854	5,252,188
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	49,526	66,360
Total Deferred Outflows of Resources	49,526	66,360
Total Assets and Deferred Outflows of Resources	\$ 5,280,380	\$ 5,318,548

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 36,428	\$ 17,654
Accrued Liabilities	3,112	2,395
Accrued Interest Payable	9,521	9,734
Due to Other Funds	-	832
Compensated Absences	1,767	1,229
Current Portion of Long-Term Debt	371,172	75,000
Total Current Liabilities	422,000	106,844
Non-Current Liabilities:		
Long-Term Debt		
Notes Payable	375,000	691,172
Bonds and Loans Payable	700,000	755,000
Total Long-Term Debt	1,075,000	1,446,172
Other Liabilities		
Compensated Absences	25,616	25,562
Net Pension Liability	6,380	11,850
Total Other Liabilities	31,996	37,412
Total Non-Current Liabilities	1,106,996	1,483,584
Total Liabilities	1,528,996	1,590,428
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	20,064	24,937
Total Deferred Inflows of Resources	20,064	24,937
NET POSITION		
Net Investment in Capital Assets	3,454,403	3,390,513
Unrestricted	276,917	312,670
Total Net Position	3,731,320	3,703,183
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 5,280,380	\$ 5,318,548

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 516,592	\$ 513,758
Total Operating Revenues	516,592	513,758
 OPERATING EXPENSES		
Operation and Maintenance	388,054	381,115
Depreciation	70,377	68,328
Total Operating Expenses	458,431	449,443
Operating Income (Loss)	58,161	64,315
 NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	191	115
Miscellaneous Non-Operating Revenue	21,840	6,288
Interest Expense	(30,555)	(30,412)
Total Non-Operating Revenue (Expenses)	(8,524)	(24,009)
Income (Loss) Before Contributions and Transfers	49,637	40,306
 Transfers Out	(21,500)	(21,500)
Change in Net Position	28,137	18,806
Total Net Position - Beginning	3,703,183	3,684,377
Total Net Position - Ending	\$ 3,731,320	\$ 3,703,183

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 542,752	\$ 467,792
Payments to suppliers	(200,363)	(278,617)
Payments to employees	(183,449)	(165,981)
Net cash provided (used) by operating activities	158,940	23,194
 <u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(59,267)	(370,793)
Proceeds of debt	-	296,172
Principal payments on long-term debt	(75,000)	(70,000)
Interest paid	(30,768)	(28,350)
Capital grants	-	311,404
Net cash provided for (used by) for capital and related financing activities	(165,035)	138,433
 <u>Cash Flows From Investing Activities:</u>		
Interest on investments	191	115
Net cash provided from investing activities	191	115
Net increase (decrease) in cash and equivalents	(5,904)	161,742
Cash and equivalents - beginning of year	267,763	106,021
Cash and equivalents - end of year	\$ 261,859	\$ 267,763

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL STORMWATER UTILITY
Whitewater, WI

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

Reconciliation of operating income (loss) to net cash	<u>2017</u>	<u>2016</u>
provided (used) by operating activities		
Operating income (loss)	\$ 58,161	\$ 64,315
Adjustments to Reconcile Operating Income (Loss) to Net Assets		
Cash Provided by Operating Activities:		
Miscellaneous	21,840	6,288
Depreciation	70,377	68,328
Transfer out	(21,500)	(21,500)
Pension expense	6,491	7,189
Changes in Assets and Liabilities:		
Customer accounts receivable	11,920	(28,004)
Other accounts receivable	(7,600)	(24,250)
Due from/to other funds	(832)	(50,676)
Accounts payable	18,774	7,360
Accrued liabilities	1,309	(5,856)
Net cash provided for (used by) by operating activities	<u>\$ 158,940</u>	<u>\$ 23,194</u>

See accompanying notes to the financial statements.

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016**

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, 2017 and 2016**

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, 2017 and 2016

- 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 monthly 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, 2017 and 2016**

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, 2017 and 2016**

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>2017</u>	<u>2016</u>
	Carrying	Carrying
	Value	Value
Deposits in local financial institutions	<u>\$ 7,221,843</u>	<u>\$ 6,293,625</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, 2017 and 2016**

2. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

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

	2017	2016
Carrying value of deposits	\$ 7,221,843	\$ 6,293,625
	\$ 7,221,843	\$ 6,293,625
Cash and cash equivalents water	\$ 1,237,616	\$ 969,963
Cash and cash equivalents wastewater	1,460,000	860,402
Restricted cash water	472,132	362,520
Restricted cash wastewater	3,790,236	3,832,977
Cash and cash equivalents stormwater	261,859	267,763
	\$ 7,221,843	\$ 6,293,625

3. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund balances for the years ending December 31, 2017 and 2016:

		2017		2016	
Due To	Due From	Amount	Principal Purpose	Amount	Principal Purpose
Water	Wastewater	\$ -	General operations	\$ 36,632	General operations
Water	Municipality	\$ -	General operations	\$ 4,561	General operations
Municipality	Water	\$ 6,840	General operations	\$ 1,774	General operations
Municipality	Wastewater	\$ -	General operations	\$ 2,109	General operations
Municipality	Stormwater	\$ -	Operations	\$ 832	Operations

The following is a schedule of transfer balances for the years ending December 31, 2017 and 2016:

		2017		2016	
Transfer to	Transfer from	Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 314,340	Tax equivalent	\$ 298,649	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, 2017 and 2016**

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:

	2017	2016
Restricted Assets		
Redemption account	\$ 204,000	\$ 96,469
Reserve account	268,132	266,051
Total Restricted Assets	472,132	362,520
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(268,132)	(266,051)
Current Liabilities Payable From Restricted Assets	(17,028)	(17,817)
Total Restricted Net Position as Calculated	\$ 186,972	\$ 78,652

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

**Notes to Financial Statements
December 31, 2017 and 2016**

4. Restricted Assets (Continued)

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

	<u>2017</u>	<u>2016</u>
Restricted Assets		
Redemption account	\$ 1,683,473	\$ 1,193,278
Reserve account	223,000	223,000
Depreciation account	25,000	25,000
Connection account	308,268	306,610
Replacement account	1,134,836	2,085,089
Clean Water Fund Loan account	415,659	-
Total Restricted Assets	<u>3,790,236</u>	<u>3,832,977</u>
 Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	<u>(223,000)</u>	<u>(223,000)</u>
 Current Liabilities Payable From Restricted Assets	<u>(81,063)</u>	<u>(49,985)</u>
 Total Restricted Net Position as Calculated	<u><u>\$ 3,486,173</u></u>	<u><u>\$ 3,559,992</u></u>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

5. Changes in Capital Assets

Water Utility

A summary of changes in water capital assets for 2017 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	\$ 79,304	\$ 13,326	\$ 71,801	\$ 20,829
Land and land rights	<u>6,727</u>	<u>-</u>	<u>-</u>	<u>6,727</u>
Total Capital Assets Not Being Depreciated	<u>86,031</u>	<u>13,326</u>	<u>71,801</u>	<u>27,556</u>
Capital assets being depreciated				
Source of supply	633,563	71,801	-	705,364
Pumping	1,212,857	-	-	1,212,857
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	14,739,364	55,470	4,900	14,789,934
Administrative and general assets	<u>487,570</u>	<u>-</u>	<u>-</u>	<u>487,570</u>
Total Capital Assets Being Depreciated	<u>18,532,096</u>	<u>127,271</u>	<u>4,900</u>	<u>18,654,467</u>
Total Capital Assets	<u>18,618,127</u>	<u>140,597</u>	<u>76,701</u>	<u>18,682,023</u>
Less: Accumulated depreciation	<u>6,595,970</u>	<u>430,897</u>	<u>4,900</u>	<u>7,021,967</u>
Net Capital Assets	<u>\$ 12,022,157</u>	<u>\$ (290,300)</u>	<u>\$ 71,801</u>	<u>\$ 11,660,056</u>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

5. Changes in Capital Assets (Continued)

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

<u>Water</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in Progress	\$ 114,124	\$ 7,503	\$ 42,323	\$ 79,304
Land and land rights	6,727	-	-	6,727
Total Capital Assets Not Being Depreciated	<u>120,851</u>	<u>-</u>	<u>-</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	463,770	23,800	-	487,570
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>813,604</u>	<u>293,545</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>\$ 389,943</u>	<u>\$ -</u>	<u>\$ 12,022,157</u>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

5. Changes in Capital Assets (Continued)

Wastewater Utility

A summary of changes in wastewater capital assets for 2017 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	\$ 11,074,012	\$ 9,879,302	\$ 57,346	\$ 20,895,968
Land and land rights	185,636	-	-	185,636
Total Capital Assets Not Being Depreciated	<u>11,259,648</u>	<u>9,879,302</u>	<u>57,346</u>	<u>21,081,604</u>
Capital Assets Being Depreciated				
Collection system	13,708,330	-	-	13,708,330
Treatment and disposal	25,992,567	57,346	-	26,049,913
General	1,078,154	22,671	-	1,100,825
Total Capital Assets Being Depreciated	<u>40,779,051</u>	<u>80,017</u>	<u>-</u>	<u>40,859,068</u>
Total Capital Assets	52,038,699	9,959,319	57,346	61,940,672
Less: Accumulated Depreciation	<u>26,185,360</u>	<u>1,174,899</u>	<u>-</u>	<u>27,360,259</u>
Net Capital Assets	<u>\$ 25,853,339</u>	<u>\$ 8,784,420</u>	<u>\$ 57,346</u>	<u>\$ 34,580,413</u>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

5. Changes in Capital Asset (Continued)

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</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, 2017 and 2016**

5. Changes in Capital Asset (Continued)

Stormwater Utility

A summary of changes in stormwater capital assets for 2017 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 115,584	\$ 59,267	\$ -	\$ 174,851
Total Capital Assets Not Being Depreciated	<u>115,584</u>	<u>59,267</u>	<u>-</u>	<u>174,851</u>
Capital Assets Being Depreciated				
Infrastructure	5,213,121	-	-	5,213,121
Less: Accumulated depreciation	<u>417,020</u>	<u>70,377</u>	<u>-</u>	<u>487,397</u>
Net Capital Assets	<u>\$ 4,911,685</u>	<u>\$ (11,110)</u>	<u>\$ -</u>	<u>\$ 4,900,575</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance
<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>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

6. Long-Term Obligations

Long-Term Obligations Summary – Water

Long term debt activity for the year ended December 31, 2017 for the water utility is as follows:

	Balance 1/01/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Revenue Bonds	\$ 1,335,000	\$ -	\$ 110,000	\$ 1,225,000	\$ 115,000
GO Notes and Bonds	1,053,181	-	30,000	1,023,181	628,181
Vested Compensated Absences	63,652	15,551	-	79,203	-
Total Other Liabilities	<u>\$ 2,451,833</u>	<u>\$ 15,551</u>	<u>\$ 140,000</u>	<u>\$ 2,327,384</u>	<u>\$ 743,181</u>

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 Obligations Summary – Wastewater

Long-term debt activity for the year ended December 31, 2017 for the wastewater utility is as follows:

	Balance 1/01/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Revenue Bonds	\$ 12,553,992	\$ 9,084,407	\$ 253,204	\$ 21,385,195	\$ 262,810
GO Notes and Bonds	747,690	-	15,000	732,690	562,690
Vested Compensated Absences	53,060	11,812	-	64,872	-
Total Other Liabilities	<u>\$ 13,354,742</u>	<u>\$ 9,096,219</u>	<u>\$ 268,204</u>	<u>\$ 22,182,757</u>	<u>\$ 825,500</u>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

6. Long-Term Obligations (Continued)
Long-Term Obligations Summary – Wastewater (Continued)

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>

Long-Term Obligations Summary – Stormwater

Long-term debt activity for the year ended December 31, 2017 for the stormwater utility is as follows:

	Balance 1/01/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
GO Notes and Bonds	\$ 1,521,172	\$ -	\$ 75,000	\$ 1,446,172	\$ 371,172
Vested Compensated Absences	25,562	54	-	25,616	-
Total Other Liabilities	<u>\$ 1,546,734</u>	<u>\$ 54</u>	<u>\$ 75,000</u>	<u>\$ 1,471,788</u>	<u>\$ 371,172</u>

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
Vest 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>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

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 12/31/17</u>
<u>Water Utility</u>					
2011 Mortgage Revenue Bonds	6/7/2011	10/1/2026	1.6-4.0%	940,000	\$ 625,000
2012 Mortgage Revenue Bonds	5/17/2012	10/1/2027	0.85-2.85%	855,000	600,000
		Total Water Utility Revenue Bonds			<u>1,225,000</u>
2014 GO Bonds	6/10/2014	9/1/2029	0.5-3.0%	510,000	425,000
2016 GO Notes	4/15/2016	4/15/2018	0.71-1.43%	598,181	598,181
		Total Water Utility Long-Term Debt			<u><u>\$ 2,248,181</u></u>

Water debt service requirements to maturity are as follows:

<u>Year</u>	Water Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	165,000	32,265	197,265
2023-2027	805,000	86,838	891,838
2028-2029	80,000	5,760	85,760
	<u>\$ 2,248,181</u>	<u>\$ 298,923</u>	<u>\$ 2,547,104</u>

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

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

**Notes to Financial Statements
December 31, 2017 and 2016**

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 12/31/17</u>
<u>Wastewater Utility</u>					
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	784,109	\$ 1,959,442
2011 Clean Water Fund Loan	7/27/2011	5/1/2031	2.40%	115,954	476,420
2012 Revenue Bonds	5/17/2012	11/1/2027	0.85-2.85%	1,485,000	1,035,000
2016 Clean Water Fund Loan	4/13/2016	5/1/2035	2.10%	17,914,333	17,914,333
	Total Wastewater Utility Revenue Bonds				<u>21,385,195</u>
2014 GO Bonds	6/10/2014	9/1/2029	0.5-3.0%	220,000	185,000
2016 GO Notes	4/15/2016	4/15/2018	0.71-1.43%	547,690	547,690
	Total Wastewater Utility Long-Term Debt				<u>\$ 22,117,885</u>

Wastewater debt service requirements to maturity are as follows:

<u>Year</u>	Wastewater Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 825,500	\$ 473,622	\$ 1,299,122
2019	1,170,308	453,206	1,623,514
2020	1,198,820	427,254	1,626,074
2021	1,222,862	400,686	1,623,548
2022	1,247,446	372,415	1,619,861
2023-2027	6,670,833	1,430,971	8,101,804
2028-2032	6,144,080	699,942	6,844,022
2033-2035	3,638,036	115,657	3,753,693
	<u>\$ 22,117,885</u>	<u>\$ 4,373,753</u>	<u>\$ 26,491,638</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
UTILITIES**

**Notes to Financial Statements
December 31, 2017 and 2016**

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 12/31/17</u>
<u>Stormwater Utility</u>					
2012 GO Refunding Bonds	5/17/2012	9/1/2031	0.85-3.25%	\$ 455,000	\$ 395,000
2014 GO Bonds	6/10/2014	9/1/2029	0.5-3.0%	905,000	755,000
2016 GO Notes	4/15/2016	4/15/2018	0.71-1.43%	296,172	296,172
			Total Stormwater Utility		<u><u>\$ 1,446,172</u></u>

Stormwater debt service requirements to maturity are as follows:

<u>Year</u>	Stormwater Totals		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	90,000	21,225	111,225
2023-2027	475,000	75,481	550,481
2028-2031	265,000	16,050	281,050
	<u><u>\$ 1,446,172</u></u>	<u><u>\$ 215,900</u></u>	<u><u>\$ 1,662,072</u></u>

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

**Notes to Financial Statements
December 31, 2017 and 2016**

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, 2017:

Type	Coverage	
Cities and Villages Mutual Insurance		
General Liability	\$ 5,000,000	BI & PD
Automobile	10,000,000	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, 2017 and 2016**

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:

	2017	2016
Operating revenues	\$ 1,739,464	\$ 1,803,408
Investment income	2,926	1,562
Less: Operation and maintenance expenses	(995,802)	(959,723)
 Net Defined Earnings	 \$ 746,588	 \$ 845,247
 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

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:

	2017	2016
Operating revenues	\$ 3,314,618	\$ 3,388,721
Investment income	7,638	2,881
Connection fees	135,888	73,416
Less: Operation and maintenance expenses	(1,449,396)	(1,455,538)
 Net Defined Earnings	 \$ 2,008,748	 \$ 2,009,480
 Minimum Required Earnings per Resolution:		
Highest annual debt service revenue bonds	1,607,391	971,258
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 1,928,869	 \$ 1,165,510

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

**Notes to Financial Statements
December 31, 2017 and 2016**

6. Long-Term Obligations (Continued)

Number of Customers – Water

The utility has the following number of customers and billed volumes for 2017 and 2016:

	Customers		Sales (000 gals)	
	2017	2016	2017	2016
Residential	3,179	3,137	123,880	124,673
Commercial	295	293	28,797	32,054
Industrial	44	44	233,832	234,043
Public Authority	119	126	77,218	86,720
Multifamily Residential	103	102	50,330	50,379
Totals	<u>3,740</u>	<u>3,702</u>	<u>514,057</u>	<u>527,869</u>

Number of Customers – Wastewater

The utility has the following number of customers and billed volumes for 2017 and 2016:

	Customers		Sales (000 gals)	
	2017	2016	2017	2016
Residential	3,129	3,085	118,600	141,173
Commercial	286	280	21,977	34,786
Industrial	39	41	11,432	12,105
Public Authority	96	102	56,196	68,223
Multifamily Residential	103	102	50,330	50,379
Totals	<u>3,653</u>	<u>3,610</u>	<u>258,535</u>	<u>306,666</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, 2017 and 2016**

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:

Water Utility

Capital Assets net of depreciation	\$ 11,660,056	\$ 12,022,157
Less: related long-term debt outstanding	(2,248,181)	(2,388,181)
Total Invested in Capital Assets	9,411,875	9,633,976
Reserve from borrowing	268,132	266,052
Total Net Position - Net Investment in Capital Assets	\$ 9,680,007	\$ 9,900,028

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

Wastewater Utility

Capital Assets net of depreciation	\$ 34,580,413	\$ 25,853,339
Less: related long-term debt outstanding	(22,117,885)	(13,301,683)
Total Invested in Capital Assets	12,462,528	12,551,656
Reserve from borrowing	223,000	223,000
Total Net Position - Net Investment in Capital Assets	\$ 12,685,528	\$ 12,774,656

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

**Notes to Financial Statements
December 31, 2017 and 2016**

7. Net Position (Continued)

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

Stormwater Utility

Capital Assets net of depreciation	\$ 4,900,575	\$ 4,911,685
Less: related long-term debt outstanding	(1,446,172)	(1,521,172)
Total Invested in Capital Assets	3,454,403	3,390,513
Total Net Position - Net Investment in Capital Assets	\$ 3,454,403	\$ 3,390,513

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, 2017 and 2016**

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>
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
2016	0.5	(5.0)

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 on 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.

During the reporting period, the WRS recognized \$378,440 in contributions from the municipality.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers, Executives and Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

**Notes to Financial Statements
December 31, 2017 and 2016**

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 – 82.87%, Water – 6.00%, Wastewater – 8.55%, Stormwater – 1.93%, and CDA – 0.65%.

At December 31, 2017, the water, wastewater, and stormwater utilities reported liabilities of \$19,829, \$28,250, and \$6,380, respectively, for their proportionate shares of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the municipality's proportion was 0.04009691%, which was a decrease of 0.0002726% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the utilities recognized pension expense of \$92,273. This consisted of \$31,876 from water, \$53,907 from wastewater, and \$6,490 from stormwater.

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

**Notes to Financial Statements
December 31, 2017 and 2016**

8. Defined Benefit Pension Plan (Continued)

At December 31, 2017, the utilities 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		
Water	\$ 7,561	\$ (62,361)
Wastewater	10,772	(88,843)
Stormwater	2,433	(20,064)
Changes of assumptions		
Water	20,732	-
Wastewater	29,536	-
Stormwater	6,670	-
Net difference between projected and actual earnings on pension plan investments		
Water	98,704	-
Wastewater	140,618	-
Stormwater	31,756	-
Changes in proportion and difference between employer contributions and proportionate share of contributions		
Water	1,639	-
Wastewater	2,335	-
Stormwater	527	-
Employer contributions subsequent to the measurement date		
Water	25,301	-
Wastewater	36,045	-
Stormwater	8,140	-
Total	\$ 422,768	\$ (171,268)

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

**Notes to Financial Statements
December 31, 2017 and 2016**

8. Defined Benefit Pension Plan (Continued)

\$69,486 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, 2018. 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	
Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2018	\$ 26,874
2019	26,874
2020	18,339
2021	(5,848)
2022	37

Wastewater	
Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2018	\$ 38,285
2019	38,285
2020	26,126
2021	(8,332)
2022	52

Stormwater	
Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2018	\$ 8,646
2019	8,646
2020	5,900
2021	(1,882)
2022	12

WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

Notes to Financial Statements December 31, 2017 and 2016

8. Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
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.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012–2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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, 2017 and 2016

8. Defined Benefit Pension Plan (Continued)

Asset Allocation Targets and Expected Returns						
As of December 31, 2016						
Core Fund Asset Class	Asset Allocation %		Destination Target Asset Allocation %		Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	%	45	%	8.3	%
Fixed Income	24.5		37		4.2	1.4
Inflation Sensitive Assets	15.5		20		4.3	1.5
Real Estate	8		7		6.5	3.6
Private Equity/Debt	8		7		9.4	6.5
Multi-Asset	4		4		6.6	3.7
Total Core Fund	110		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
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 3.78%. 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, 2017 and 2016**

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:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 4,347,864	\$ 330,494	\$ (2,763,062)

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 19.5% of operating revenues.

10. Subsequent Events

In April 2018, the City incurred \$6,540,000 in general obligation bonds to help fund street reconstruction projects in the water, wastewater, and stormwater utilities, along with general street projects. A portion of the bonds are to be used to provide funds for a current refunding of \$2,700,000 of general obligation promissory notes issued in 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES
WISCONSIN RETIREMENT SYSTEM SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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)
2016	0.00240581%	\$ 19,830	\$ 304,666	6.51%	99.12%
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)
2016	0.00342829%	\$ 28,257	\$ 434,149	6.51%	99.12%
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)
2016	0.00077387%	\$ 6,379	\$ 98,001	6.51%	99.12%
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
2017	\$ 25,301	\$ (25,301)	\$ -	\$ 378,278	6.69%
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
2017	\$ 36,045	\$ (36,045)	\$ -	\$ 586,467	6.15%
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
2017	\$ 8,140	\$ (8,140)	\$ -	\$ 127,259	6.40%
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, 2017 and 2016**

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 7 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, 2017**

	Balance 1/01/2017	Additions	Retirements	Balance 12/31/2017
Source of Supply				
Land and land rights	\$ 3,603	\$ -	\$ -	\$ 3,603
Structures and improvements	30,984	71,801	-	102,785
Wells and springs	585,549	-	-	585,549
Supply mains	17,029	-	-	17,029
Total Source of Supply	<u>637,165</u>	<u>71,801</u>	<u>-</u>	<u>708,966</u>
Pumping				
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>
Water Treatment				
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>
Transmission and Distribution				
Land and land rights	898	-	-	898
Distribution reservoirs and standpipes	504,482	-	-	504,482
Transmission and distribution mains	10,871,843	-	-	10,871,843
Services	1,334,407	22,178	400	1,356,185
Meters	848,736	27,972	1,300	875,408
Hydrants	1,179,897	5,320	3,200	1,182,017
Total Transmission and Distribution	<u>14,740,263</u>	<u>55,470</u>	<u>4,900</u>	<u>14,790,833</u>
General				
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	138,249	-	-	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>489,796</u>	<u>-</u>	<u>-</u>	<u>489,796</u>
Construction Work In Progress	<u>79,304</u>	<u>13,326</u>	<u>71,801</u>	<u>20,829</u>
Total Water Utility Plant	<u>\$ 18,618,127</u>	<u>\$ 140,597</u>	<u>\$ 76,701</u>	<u>\$ 18,682,023</u>

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

December 31, 2017 and 2016

	Water	
	2017	2016
Utility Plant in Service (excluding contributed plant)		
Beginning of year	\$ 11,231,808	\$ 10,709,958
End of year	11,332,001	11,231,808
Average	11,281,905	10,970,883
Accumulated Depreciation		
Beginning of year	(3,489,875)	(3,516,349)
End of year	(3,756,265)	(3,489,875)
Average	(3,623,070)	(3,503,112)
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	(356,942)	(407,931)
End of year	(305,953)	(356,942)
Average	(331,448)	(382,437)
Average Net Rate Base	\$ 7,339,743	\$ 7,097,690
Operating Income - Regulatory Basis	\$ 214,994	\$ 328,248
Rate of Return (Percent)	2.93%	4.62%

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, 2017**

	Balance 1/01/2017	Additions	Retirements	Balance 12/31/2017
Collecting System				
Lift stations	\$ 1,091,491	\$ -	\$ -	\$ 1,091,491
Collecting mains	9,710,555	-	-	9,710,555
Interceptor mains	2,790,484	-	-	2,790,484
Force mains	115,800	-	-	115,800
Total Collecting System	<u>13,708,330</u>	<u>-</u>	<u>-</u>	<u>13,708,330</u>
Treatment and Disposal				
Land and improvements	185,636	-	-	185,636
Structures and improvements	8,035,915	-	-	8,035,915
Preliminary treatment equipment	1,743,138	57,346	-	1,800,484
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
Total Treatment and Disposal	<u>26,178,203</u>	<u>57,346</u>	<u>-</u>	<u>26,235,549</u>
General				
Structures and improvements	61,637	-	-	61,637
Office furniture and equipment	62,556	-	-	62,556
Computer equipment	57,898	13,046	-	70,944
Transportation equipment	400,508	-	-	400,508
Communication equipment	206,565	-	-	206,565
Other general equipment	288,990	9,625	-	298,615
Total General	<u>1,078,154</u>	<u>22,671</u>	<u>-</u>	<u>1,100,825</u>
Construction Work In Progress	<u>11,074,012</u>	<u>9,879,302</u>	<u>57,346</u>	<u>20,895,968</u>
Total Wastewater Utility Plant	<u>\$ 52,038,699</u>	<u>\$ 9,959,319</u>	<u>\$ 57,346</u>	<u>\$ 61,940,672</u>