

CITY OF WHITEWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2016 and 2015

The management of the City of Whitewater offers all persons interested in the financial condition of the City to review this narrative overview and analysis of the City's financial performance during the fiscal year ending December 31, 2016. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will focus primarily on the governmental operations of the city.

FINANCIAL HIGHLIGHTS

The City's total net position increased \$1,496,939, or 2.60% from the prior year. The net position for governmental activities increased \$747,337, while net position of the business-type activities increased by \$749,602. The Community Development Authority-CDA-a component unit of the city, net position decreased by \$58,234.

The assets and deferred outflows of resources of the City of Whitewater exceeded its liabilities and deferred inflows of resources as of December 31, 2016 by \$59,169,294 (net position). Of this amount, \$3,483,056 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The breakout of the unrestricted net position is \$2,528,170 and \$954,886 for governmental and business-type activities, respectively.

As of December 31, 2016, the City of Whitewater's governmental funds reported combined ending fund balances of \$3,985,080, a decrease of \$1,141,816 in comparison with the prior year. Approximately 17.4% of this total, or \$691,779 (unassigned fund balance), is available for spending at the government's discretion.

The city's water utility had an operating income in 2016 of \$443,087. Unrestricted net position increased by \$153,667. The water utility's total net position increased by \$88,610 to \$11,151,684. The approved Rate of Return is 6%. For 2016, the Rate of Return equaled 4.62%. The utility filed a Simplified Rate Case application with the Wisconsin PSC in April, 2014. The 2014 approved rate factor is 3.0%. The increase was approved and was effective with water usage after June 26, 2014. The utility did not file a Simplified Rate Case for 2015 or 2016.

The wastewater utility had an operating income of \$745,144 in 2016. The utility's total net position increased by \$642,186. The wastewater utility increased rates by 3% effective March 1, 2004; by 7% on December 1, 2004; by 5% effective December 1, 2005; by 7% effective December 1, 2006; by 7% effective on September 1, 2007; by 7% on September 1, 2008 and by 5.0% on December 1, 2009; by 7% on December 31, 2010 and by 13.65% on July 1, 2011. No rate adjustment was made in 2012. Rates were increased by 3% on March 1, 2013; by 3% on June 26, 2014. A Clean Water Fund project of approximately \$24.358 million in plant improvements was started in 2016. Of this, \$21.628 million is to be financed with a clean water fund loan. In addition, there will be \$2.0 million in utility cash applied and \$730 thousand in a principal forgiveness grant. Rates were adjusted on December 29, 2015 in anticipation of this project. The rate increase for the average residential user equaled 31%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

CITY OF WHITEWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2016 and 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. The governmental fund statements tell how general government services like public safety and public works were financed in the short-term as well as what remains for future spending.

These financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net Position – the difference between the City's assets and liabilities and deferred inflows of resources – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The government-wide financial statements include not only the City of Whitewater itself (known as the primary government), but also the City of Whitewater Community Development Authority (component unit). The authority does not issue separate financial statements.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF WHITEWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2016 and 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 42 individual governmental funds. Several of the funds are included with the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the TIF District #4 Fund, all of which are considered to be major funds. Data from the other governmental funds are split between the non-major special revenue funds and the non-major capital project funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The City maintains 3 different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Proprietary Enterprise Funds are the Water, Wastewater, and Stormwater Utilities. The Stormwater Utility was established in the 4th quarter of 2007.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The city is a trustee, or fiduciary, for the collection of all property taxes within the city for all taxing jurisdictions including the Whitewater Unified School District, Walworth and Jefferson counties, Gateway and Madison Area Technical College, and the State of Wisconsin. The accounting used for fiduciary funds is much like that used for proprietary funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. These two statements report the City's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

The largest portion of the City's (governmental and business-type activities) net position (approximately 82.3%) represents its investments in capital assets, less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

CITY OF WHITEWATER'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 11,087,239	\$ 12,506,267	\$ 7,117,107	\$ 5,669,386	\$ 18,204,346	\$ 18,175,653
Capital Assets	40,202,117	39,558,052	42,787,181	32,796,368	82,989,298	72,354,420
Total Assets	\$ 51,289,356	\$ 52,064,319	\$ 49,904,288	\$ 38,465,754	\$ 101,193,644	\$ 90,530,073
Deferred Outflows of Resources	\$ 3,014,275	\$ 893,362	\$ 649,203	\$ 188,679	\$ 3,663,478	\$ 1,082,041
Non-Current Liabilities	\$ 16,178,663	\$ 17,051,471	\$ 16,986,029	\$ 7,083,990	\$ 33,164,692	\$ 24,135,461
Other Liabilities	3,537,064	3,576,608	2,181,299	1,178,113	5,718,363	4,754,721
Total Liabilities	\$ 19,715,727	\$ 20,628,079	\$ 19,167,328	\$ 8,262,103	\$ 38,883,055	\$ 28,890,182
Deferred Inflows of Resources	\$ 6,560,542	\$ 5,049,577	\$ 244,231	\$ -	\$ 6,804,773	\$ 5,049,577
Net Position:						
Net Investment in Capital Assets	\$ 23,092,510	\$ 21,968,059	\$ 26,548,402	\$ 25,479,810	\$ 49,640,912	\$ 47,447,869
Restricted	2,406,682	4,442,143	3,638,644	1,868,400	6,045,326	6,310,543
Unrestricted	2,528,170	869,823	954,886	3,044,120	3,483,056	3,913,943
TOTAL NET POSITION	\$ 28,027,362	\$ 27,280,025	\$ 31,141,932	\$ 30,392,330	\$ 59,169,294	\$ 57,672,355
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	\$ 54,303,631	\$ 52,957,681	\$ 50,553,491	\$ 38,654,433	\$ 104,857,122	\$ 91,612,114

NET POSITION: The City of Whitewater's combined net position increased 2.60% between fiscal years 2015 and 2016 to \$59,169,294. 52.63% of the 2016 net position are business-type activities of the City Water, Wastewater, and Stormwater Utilities. The governmental activities had an increase in net position-\$747,337 for the year, while the business-type activities experienced an increase of \$749,602.

ASSETS: Governmental Activities: Taxes Receivable increased by \$325,584. Special Assessment Receivable, Accounts Receivables, and Other Receivables increased by \$169,464. Due from Other Governmental Units decreased by \$60,786. Net Capital Assets increased by \$644,065 to a total of \$40,202,117. Deferred outflows of resources increased by \$2,120,913 between years due to the reporting for employee pensions.

LIABILITIES: Governmental Activities: Non-Current Liabilities decreased by \$872,808. Deferred inflows of resources increased by \$1,510,965. Due to Component Unit equals \$750,000 which represents the advance from the CDA-Fund 910 for the building of the Innovation Center. The Innovation Center is an asset of the CDA. The net book value of the Innovation Center as of 12/31/16 was \$5,357,435.

CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

**CITY OF WHITEWATER
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Combined-Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,939,533	\$ 1,581,107	\$ 5,705,887	\$ 4,466,821	\$ 7,645,420	\$ 6,047,928
Operating grants and contributions	1,501,778	1,502,845	6,395	1,011,789	1,508,173	2,514,634
Capital grants and contributions	43,070	10,959	73,891	79,895	116,961	90,854
General Revenues:						
Property Taxes	4,872,511	4,887,300	-	-	4,872,511	4,887,300
Other Taxes	102,222	123,417	-	-	102,222	123,417
Intergovernmental	3,769,838	3,654,916	-	-	3,769,838	3,654,916
Investment Income	37,356	16,222	4,558	8,751	41,914	24,973
Miscellaneous	<u>236,586</u>	<u>394,956</u>	<u>-</u>	<u>-</u>	<u>236,586</u>	<u>394,956</u>
Total Revenues	\$ <u>12,502,894</u>	\$ <u>12,171,722</u>	\$ <u>5,790,731</u>	\$ <u>5,567,256</u>	\$ <u>18,293,625</u>	\$ <u>17,738,978</u>
Expenses:						
General government	\$ 1,746,353	\$ 1,667,112	\$ -	\$ -	\$ 1,746,353	\$ 1,667,112
Public Safety	4,689,964	4,526,009	-	-	4,689,964	4,526,009
Public Works	2,808,815	2,678,861	-	-	2,808,815	2,678,861
Leisure activities	2,003,501	1,665,254	-	-	2,003,501	1,665,254
Conservation and Development	54,790	20,086	-	-	54,790	20,086
Interest and fiscal charges	565,271	624,045	267,639	218,214	832,910	842,259
Capital Outlay	17,796	176,575	-	-	17,796	176,575
Water Utility	-	-	1,360,321	1,310,958	1,360,321	1,310,958
Sewer Utility	-	-	2,643,577	2,619,329	2,643,577	2,619,329
Stormwater Utility	<u>-</u>	<u>-</u>	<u>449,443</u>	<u>398,092</u>	<u>449,443</u>	<u>398,092</u>
Total Expenses	\$ <u>11,886,490</u>	\$ <u>11,357,942</u>	\$ <u>4,720,980</u>	\$ <u>4,546,593</u>	\$ <u>16,607,470</u>	\$ <u>15,904,535</u>
Increases in net position before transfers	\$ 616,404	\$ 813,780	\$ 1,069,751	\$ 1,020,663	\$ 1,686,155	\$ 1,834,443
Transfers	<u>130,933</u>	<u>141,812</u>	<u>(320,149)</u>	<u>(324,115)</u>	<u>(189,216)</u>	<u>(182,303)</u>
Increase in net position	\$ <u>747,337</u>	\$ <u>955,592</u>	\$ <u>749,602</u>	\$ <u>696,548</u>	\$ <u>1,496,939</u>	\$ <u>1,652,140</u>
NET Position-January 1	\$ <u>27,280,025</u>	\$ <u>26,324,433</u>	\$ <u>30,392,330</u>	\$ <u>29,695,782</u>	\$ <u>57,672,355</u>	\$ <u>56,020,215</u>
Net Position-December 31	\$ <u>28,027,362</u>	\$ <u>27,280,025</u>	\$ <u>31,141,932</u>	\$ <u>30,392,330</u>	\$ <u>59,169,294</u>	\$ <u>57,672,355</u>

CITY OF WHITEWATER

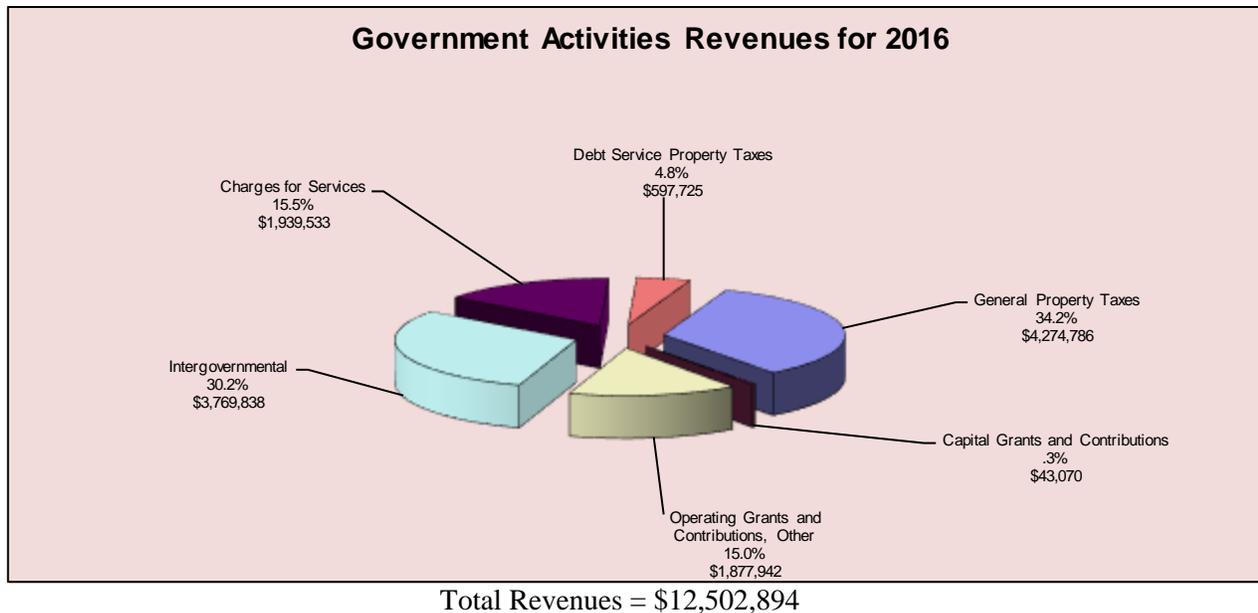
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Governmental Activities:

Change in Net Position: The City's 2016 revenues for both governmental and business-type activities total \$18,293,625 and expenses total \$16,607,470. These totals plus transfers resulted in an increase in net position of \$1,496,939. Net position increased by \$747,337 for **governmental activities**. One cause of the increase was due to program revenues increasing by \$617,138. This is due to an increase in charges for services. General revenues declined by \$62,491, while total expenses increased by \$702,935.

Revenues for the City of Whitewater's governmental activities total \$12,502,894 with intergovernmental revenues (largely state shared-revenues) accounting for 30.2% (\$3,769,838) of total revenues. Taxes have been broken out into two categories, debt service property taxes and general property taxes. The tax collected for debt service property taxes, which is 4.8% (\$597,725) of total revenues, were collected to pay for the principal and interest due in 2016. General property taxes accounted for 34.2% (\$4,274,786) of governmental revenues in 2016. Charges for services contributed 15.5% (\$1,939,533); operating/capital grants, other taxes, interest income, contributed 15.3% (\$1,921,012) of the total revenues. Capital grants were \$43,070 of revenues.



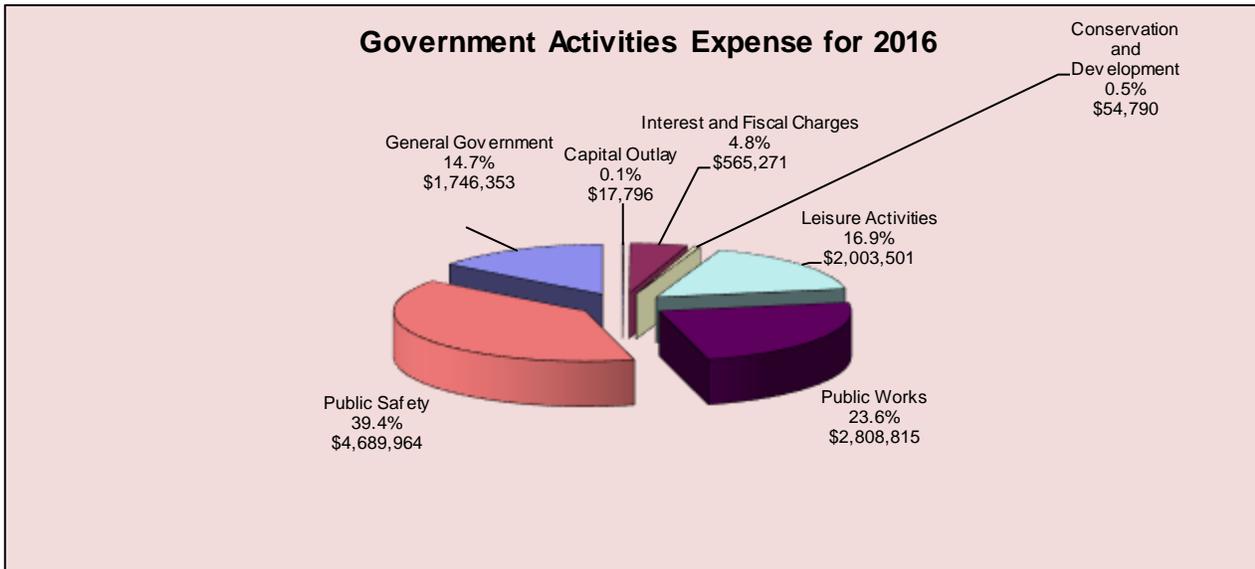
CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Governmental Activities (cont.) :

Governmental activities expenditures total \$11,886,490. Public Safety activities amount for 39.4% (\$4,689,964), or the largest single portion of expenditures. Public Safety includes Police, Fire, Rescue, Crash and Building Inspections. Public Works, General Government and Leisure activities account for 23.6% (\$2,808,815), 14.7% (\$1,746,353), and 16.9% (\$2,003,501), respectively, of total expenditures for 2016. Conservation/Development—0.5% (\$54,790); Interest/Fiscal Charges—4.8% (\$565,271); Capital Outlay—0.1% (\$17,796).



Total Expenses = \$11,886,490

CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

The following table presents the total cost of each of the City's activities as well as their net cost. The net costs are the total costs less fees generated by the activities plus operating and capital grants and contributions. The net cost shows the financial burden placed on City taxpayers or indirect revenue sources by each of these activities. The cost of all governmental activities during 2016 was \$11,886,490. However, the amount paid through the City's property tax was only \$4,872,511. The breakout of property taxes are \$2,546,050 (General Properties); \$597,725 (Debt Service); \$1,728,736 (TIF Districts). Some of the costs were paid by:

- Those directly benefiting from the programs-Charges for Service/Fees/Permits - (\$659,625)
- State of Wisconsin Shared Revenue-Aidable - (\$3,363,959)
- Utility Shared Revenues-State of Wisconsin - (\$461,333)
- State Aids-Roads/Highways - (\$731,492)
- Fines and Forfeitures - (\$384,925)

	<u>Cost of Services</u>	<u>Charges for Services, Operating & Capital Grants, Contributions</u>	<u>Net Cost of Services</u>
General Government	\$ 1,746,353	\$ 151,469	\$ 1,594,884
Public Safety	4,689,964	1,310,260	3,379,704
Public Works	2,808,815	968,732	1,840,083
Culture and Recreation	2,003,501	946,099	1,057,402
Conservation and Development	54,790	107,821	(53,031)
Interest and Fiscal Charges	565,271	-	565,271
Capital Outlays	17,796	-	17,796
Total	<u>\$ 11,886,490</u>	<u>\$ 3,484,381</u>	<u>\$ 8,402,109</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Fund: The general fund is the primary operating fund of the City. The general fund's fund balance decreased \$74,232 to \$2,327,625 which represents 25.29% of the expenditures for calendar/budget year 2017 expenses. Of that amount, \$1,441,006 or 61.91% is unassigned.

Debt Service Fund: The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

TIF District No. 4-Capital Projects: This fund's purpose is to generate a tax increment to be used to cover the project plan expenditures. The expenditure period for TID # 4 closed on September 12, 2012. Projected final closure of the TID is projected to be in 2022.

CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)

WATER, WASTEWATER, AND STORMWATER UTILITY

The **Water Utility** earned a 4.62% return on its rate base in 2016 compared to 3.52% in 2015. The water utility's (GAAP Basis) operating revenues increased \$91,644 to \$1,803,408 and the operating expenses increased by \$49,363 to \$1,360,321.

The **Wastewater Utility** operating revenue increased \$1,098,938 in 2016 to \$3,388,721. Operating expenses increased by \$24,248 to \$2,643,577. Waterwater rates were adjusted by 31% (average residential user) on December 29, 2015. The increase provided funding for the debt service costs of the wastewater treatment plant project.

The **Stormwater Utility** operating revenues increased by \$48,484 to \$513,758. The operating income was \$64,315 in 2016. The monthly charge is \$5.58 per ERU (Equivalent Runoff Unit). Most residential properties equal 1.0 ERU. The Stormwater utility ERU monthly rate was increased from \$5.58 to \$6.17 as of December 29, 2015. The increase provided funding for the debt service costs of the George Street and Center Street reconstruction project.

	<u>Operating Revenues</u>		<u>Operating Expenses</u>		<u>Operating Income (Loss)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Water Utility	\$ 1,803,408	\$ 1,711,764	\$ 1,360,321	\$ 1,310,958	\$ 443,087	\$ 400,806
Wastewater Utility	3,388,721	2,289,783	2,643,577	2,619,329	745,144	(329,546)
Stormwater Utility	513,758	465,274	449,443	398,092	64,315	67,182

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

<u>Governmental Activities</u>			Total
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land/Right of Way/Improvements	\$ 9,619,124	\$ 10,042,149	\$ (423,025)
Construction in Progress	478,588	185,133	293,455
Traffic and street lights	609,177	627,874	(18,697)
Buildings and Improvements	8,123,074	7,968,744	154,330
Machinery & Equipment	2,646,063	2,253,937	392,126
Streets/Sidewalks/Curb & Gutter	18,726,091	18,480,215	245,876
Capital Assets, Net of Depreciation	<u>\$40,202,117</u>	<u>\$39,558,052</u>	<u>\$ 644,065</u>

In the governmental-wide financial statement, fixed assets are accounted for as capital assets. Capital assets are defined as assets with an initial cost of more than \$5,000 for general assets and infrastructure assets. Prior to January 2003, infrastructure assets of the City of Whitewater's governmental activities were not capitalized. The City has retroactively reported significant infrastructure networks acquired by its governmental activities for streets (including curb and gutter) and sidewalks, lighting and easements. The dams were considered to be immaterial to the government-wide financial statements. Storm sewers have been retroactively reported in 2007.

CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

The City (Primary Government) had capital assets of \$40,202,117 in the governmental activities and \$42,787,181 in the business-like activities for a total of \$82,989,298 at the end of 2016. The largest investment in capital assets was infrastructure, including streets, curb & gutter, sidewalks, storm sewers, sewer mains, sewer laterals, water mains and hydrants. Of the total City of Whitewater capital assets, the governmental activities account for 48.44% and the business-type activities total 51.56%. The business-type activities represent the water utility with 28.10%, the wastewater utility having 60.42%, and the stormwater utility 11.48% of the capital assets.

<u>BUSINESS-TYPE ACTIVITIES</u>			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Water			
Land and Land Rights	\$ 6,727	\$ 6,727	\$ -
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	14,739,364	14,243,105	496,259
General	487,570	463,770	23,800
Construction in Progress	79,304	114,124	(34,820)
Less: Accumulated Depreciation	<u>(6,595,970)</u>	<u>(6,465,854)</u>	<u>(130,116)</u>
Net Assets-Water Utility Plant	<u>12,022,157</u>	<u>11,667,034</u>	<u>355,123</u>
Wastewater			
Land and Land Rights	185,636	168,179	17,457
Collection System	13,708,329	13,039,669	668,660
Treatment and Disposal	25,992,568	25,913,581	78,987
General	1,078,154	1,041,110	37,044
Construction in Progress	11,074,012	1,444,883	9,629,129
Less: Accumulated Depreciation	<u>(26,185,360)</u>	<u>(25,087,308)</u>	<u>(1,098,052)</u>
Net Assets-Wastewater Utility Plant	<u>25,853,339</u>	<u>16,520,114</u>	<u>9,333,225</u>
Stormwater			
Capital Assets	5,213,121	4,909,598	303,523
Construction in Progress	115,584	48,314	67,270
Less: Accumulated Depreciation	<u>(417,020)</u>	<u>(348,692)</u>	<u>(68,328)</u>
Net Assets-Stormwater Utility Plant	<u>4,911,685</u>	<u>4,609,220</u>	<u>302,465</u>
Total Utility's Capital Assets	<u>\$ 42,787,181</u>	<u>\$ 32,796,368</u>	<u>\$ 9,990,813</u>

CITY OF WHITEWATER

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016 and 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION (cont.)

Long-term Debt

All general obligation notes and bonds payable are backed by full faith and credit of the City. Notes and bonds payable by the governmental funds will be retired by future property tax levies or TID tax increments accumulated by the debt service fund or from the utility portion of the State Shared Revenues. Business-type activities debt is payable by revenues from user fees of those funds. In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016 was \$32,269,945. Total general obligation debt outstanding at year end was \$20,455,000, which represents 63.4% of the allowable debt limit.

Comparison of Outstanding Debt by Activity						
	Governmental Activities		Business-type Activities		TOTAL	
	2016	2015	2016	2015	2016	2015
General Obligation						
Bonds and Notes	\$17,132,957	\$18,455,000	\$ 3,322,043	\$ 2,085,000	\$ 20,455,000	\$ 20,540,000
Revenue Bond/Notes	-	-	13,888,992	5,739,795	13,888,992	5,739,795
Total Outstanding	<u>\$17,132,957</u>	<u>\$18,455,000</u>	<u>\$ 17,211,035</u>	<u>\$ 7,824,795</u>	<u>\$ 34,343,992</u>	<u>\$ 26,279,795</u>

The total outstanding **general obligation debt** of \$20,455,000 is distributed:

City-CIP	\$ 9,007,957
LSP-CIP	40,000
TID'S (#4 & #6)	8,085,000
Utility (Water/Sewer/Storm)	3,322,043

The City has approved the issuance of an Industrial Revenue Bond (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. The bonds are not reported as liabilities in the financial statements. The total amount of the IRB's outstanding balance at the end of the year is zero.

AMOUNTS DUE WITHIN ONE YEAR					
			Governmental Activities	Business-type Activities	Amounts Due Within One Year
General Obligation					
Bonds and Notes			\$ 2,565,000	\$ 120,000	\$ 2,685,000
Capital Leases			-	-	-
Revenue Bond			-	363,205	363,205
Totals			<u>\$ 2,565,000</u>	<u>\$ 483,205</u>	<u>\$ 3,048,205</u>

The City maintained the Moody's Investors Service rating of A1/Aa3, which was reconfirmed in 2011, 2012, and 2014. In April 2016, the sewer enterprise revenue bonds were downgraded from A1 to A2 because of the \$21,627,000 plant improvements. The utility received \$700,000 in grants plus the utility is using \$2,000,000 in surplus funds to complete the project.

CITY OF WHITEWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2016 and 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgets are adopted at the function level of expenditures. General Fund revenues and transfers were lower than the final budget by \$54,567. Expenses, including transfers, were \$28,202 lower than the final budget of \$8,900,641. General Government was under by \$21,607; Public Safety under by \$77,385; Public Works under by \$228,026; Culture, Recreation and Education over by \$274,542. Fund Balance was budgeted with a net change in fund balance of zero. The actual change in Fund Balance was a decline of \$26,365 to a balance of \$1,559,452.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's strategic location between Milwaukee and Madison and the success of the business park, developed by the City of Whitewater under the direction of the Community Development Authority, has contributed to both growth in tax base and population. The City's tax base, currently \$629.5 million, has shown steady growth over the past two decades. For 2017, the equalized value did increase by 7,384,600.

The 2017 General Fund-Operating Budget was balanced at \$9,204,722, a 5.85 percent decrease over the 2016 budget. Total general government property tax contribution increased \$203,845 to \$3,347,620. The \$203,845 increase is made up of a \$46,076 increase in general property taxes, and a \$25,965 increase of the debt service levy. The City in 2017 was limited to new construction of 1.00% or 0% levy limit, whichever was higher.

All recreational fees, fines, licenses, and permits are reviewed on a yearly basis. Solid Waste/Recycling costs are paid by the General Fund and State of Wisconsin grants. For 2017, the monthly cost for one household is \$12.41. The distribution of this cost is \$9.81 for Solid Waste and \$2.60 for Recycling. There was no increase on the solid waste and recycling portion for 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money and resources it receives. If you have questions about this report or need additional information, please contact the City of Whitewater, Finance Director, P.O. Box 690, Whitewater, WI 53190.