



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

CITY OF WHITEWATER

**AUDITED FINANCIAL
STATEMENTS**

For the Year Ended December 31, 2011

Quality service through our commitment to clients and staff.

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City of Whitewater

Table of Contents

December 31, 2011

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-xi
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets.....	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets – Proprietary Funds.....	7-8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	9
Statement of Cash Flows – Proprietary Funds	10-11
Statement of Fiduciary Net Assets – Fiduciary Funds	12
Notes to the Financial Statements	13-51
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund.....	52
OTHER SUPPLEMENTAL INFORMATION:	
Non-Major Funds	
Combining Statements	
Balance Sheet – Non-Major Governmental Funds.....	53
Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	54
Combining Balance Sheet – Non-Major Special Revenue Funds	55-56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds.....	57-58
Combining Balance Sheet – Non-Major Capital Projects Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Capital Projects Funds.....	60
Combining Statement of Net Assets – Component Unit	61
Combining Statement of Revenues, Expenses and Changes in Net Assets – Component Unit.....	62
Combining Statement of Cash Flows – Component Unit.....	63-64
Schedule of Long-Term Debt Principal Payments – Governmental Activities	65
Schedule of Long-Term Debt Interest Payments – Governmental Activities.....	66

SINGLE AUDIT

Schedule of Expenditures of Federal and State Awards67-68

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*.....69-70

Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With *OMB Circular A-133* and
the *State Single Audit Guidelines*71-72

Schedule of Findings and Questioned Costs73-75

Summary Schedule of Prior Audit Findings 76



Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

July 19, 2012

To the City Council
City of Whitewater
Whitewater, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whitewater, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Whitewater, Wisconsin, management. 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whitewater, Wisconsin, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City implemented the provisions of Governmental Accounting Standards Board ("GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" in 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 19, 2012 on our consideration of the City of Whitewater's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whitewater, Wisconsin basic financial statements. The financial information listed in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis, as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Johnson Block & Company, Inc.

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

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
FOR 2011**



CITY OF WHITEWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

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, 2011. 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 assets increased \$1,633,367, or 3.32% from the prior year. The net assets for governmental activities increased \$1,798,045 while the net assets of the business-type activities decreased by \$164,678. The Community Development Authority-CDA-a component unit of the city, net assets increased by \$611,324.

The assets of the City of Whitewater exceeded its liabilities as of December 31, 2011 by \$50,834,128 (net assets). Of this amount, \$3,683,139 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The breakout of the unrestricted net assets is \$2,569,943 and \$1,113,196 for governmental and business-type activities, respectively.

As of December 31, 2011, the City of Whitewater's governmental funds reported combined ending fund balances of \$4,945,175, a decrease of \$1,105,136 in comparison with the prior year. Approximately 33.56% of this total, or \$1,659,391 (unassigned fund balance), is available for spending at the government's discretion. The City implemented GASB # 54 (Reporting Fund Balances) in 2011. A number of funds which were formerly reported as a special revenue fund are now reported as part of the general fund.

The city's water utility had an operating income in 2011 of \$13,513. Unrestricted net assets increased by \$145,985. The water utility's total net assets decreased by \$112,812 to \$10,566,022. Water utility rates were adjusted by 3.8% effective on December 1, 2009. The water utility filed a formal rate case application with the Public Service Commission (PSC) on April 29, 2011. The rate application was contested by our largest industrial water customer. The Final Decision on the rate application was approved on November 11, 2011. Water rates were increased as of November 23, 2011. The approved Rate of Return is 6%. For 2011, the Rate of Return equaled .06%. The water utility rates were increased by an average of 23%.

The wastewater utility had an operating loss of \$86,615 in 2011. The utility's total net assets decreased by \$64,554. 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.

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.
 - 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.

CITY OF WHITEWATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 assets includes all of the government's assets and liabilities. 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 assets and how they have changed. Net Assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 2011

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 40 individual governmental funds. 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the City's net assets 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 assets (approximately 83.7%) 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 investment in its 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, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
For Year Ended December 31, 2011

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

CITY OF WHITEWATER'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 11,751,696	13,806,995	4,017,244	4,256,528	15,768,940	18,063,523
Capital Assets	<u>35,554,292</u>	<u>33,533,059</u>	<u>32,770,757</u>	<u>32,267,412</u>	<u>68,325,049</u>	<u>65,800,471</u>
Total Assets	<u>47,305,988</u>	<u>47,340,054</u>	<u>36,788,001</u>	<u>36,523,940</u>	<u>84,093,989</u>	<u>83,863,994</u>
Non-Current Liabilities	17,993,109	18,919,821	6,074,147	3,889,320	24,067,256	22,809,141
Other Liabilities	<u>8,264,504</u>	<u>9,169,903</u>	<u>928,101</u>	<u>1,684,190</u>	<u>9,192,605</u>	<u>10,854,093</u>
Total Liabilities	<u>26,257,613</u>	<u>28,089,724</u>	<u>7,002,248</u>	<u>5,573,510</u>	<u>33,259,861</u>	<u>33,663,234</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	16,081,040	13,239,925	26,450,685	28,052,752	42,531,725	41,292,677
Restricted	2,397,392	2,070,684	2,221,872	1,580,961	4,619,264	3,651,645
Unrestricted	<u>2,569,943</u>	<u>3,939,721</u>	<u>1,113,196</u>	<u>316,717</u>	<u>3,683,139</u>	<u>4,256,438</u>
TOTAL NET ASSETS	<u>21,048,375</u>	<u>19,250,330</u>	<u>29,785,753</u>	<u>29,950,430</u>	<u>50,834,128</u>	<u>49,200,760</u>
TOTAL LIABILITIES & NET ASSETS	<u>47,305,988</u>	<u>47,340,054</u>	<u>36,788,001</u>	<u>35,523,940</u>	<u>84,093,989</u>	<u>82,863,994</u>

Net Assets: The City of Whitewater's combined net assets increased 3.32% between fiscal years 2010 and 2011 to \$50,834,128. 58.6% of the 2011 net assets are business-type activities of the City Water, Wastewater and Stormwater Utilities. The governmental activities had an increase in net assets-\$1,798,045 for the year, while the business-type activities experienced a slight decrease-(\$164,677). ASSETS: Governmental Activities: The decrease in Current and Other Assets can be attributed to the completion of capital improvement projects financed through the borrowing made by TID #4. Taxes Receivables decreased by \$61,468. Special Assessment Receivable, Accounts Receivables, and Other Receivables increased by \$50,876. Due from Other Governmental Units declined by \$2,876,901. The decline is due to the near completion of the EDA-Innovation Center grant reimbursement. LIABILITIES: Governmental Activities: Non-Current Liabilities decreased by \$926,712. The decline can be attributed to payments made on outstanding bond issues. Deferred revenues decreased by \$121,818. Due to Component Unit equals \$750,129. \$750,000 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 12/31/11 was \$5,966,234.

CITY OF WHITEWATER, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2011

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

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

	Governmental Activities		Business-type Activities		Combined-Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,396,080	1,296,259	3,941,674	3,625,646	5,337,754	4,921,905
Operating grants and contributions	1,360,519	1,290,789	63,515	26,966	1,424,034	1,317,755
Capital grants and contributions	1,335,131	3,867,598	236,683	2,386,751	1,571,814	6,254,349
General Revenues:						
Property Taxes	4,545,291	4,283,025	-	-	4,545,291	4,283,025
Other Taxes	103,442	74,456	-	-	103,442	74,456
Intergovernmental	3,895,527	3,884,290	-	-	3,895,527	3,884,290
Investment Income	26,687	58,327	21,634	32,919	48,321	91,246
Miscellaneous	605,849	207,264	-	-	605,849	207,264
Total Revenues	<u>13,268,526</u>	<u>14,962,008</u>	<u>4,263,506</u>	<u>6,072,282</u>	<u>17,532,032</u>	<u>21,034,290</u>
Expenses:						
General Government	1,822,026	1,755,843	-	-	1,822,026	1,755,843
Public Safety	4,263,329	4,103,040	-	-	4,263,329	4,103,040
Public Works	2,303,243	2,640,187	-	-	2,303,243	2,640,187
Culture and Recreation	1,732,743	1,378,035	-	-	1,732,743	1,378,035
Conservation and Development	126,948	413,655	-	-	126,948	413,655
Interest and fiscal charges	669,766	712,430	167,285	228,503	837,051	940,933
Capital Outlay	44,709	-	-	-	44,709	-
Water Utility	-	-	1,415,977	1,260,545	1,415,977	1,260,545
Sewer Utility	-	-	2,262,007	2,108,460	2,262,007	2,108,460
Stormwater Utility	-	-	306,973	314,072	306,973	314,072
Total Expenses	<u>10,962,764</u>	<u>11,003,190</u>	<u>4,152,242</u>	<u>3,911,580</u>	<u>15,115,006</u>	<u>14,914,770</u>
Increases in net assets before transfers	2,305,762	3,958,818	111,264	2,160,702	2,417,026	6,119,520
Transfers	(507,717)	(6,485,641)	(275,942)	1,136,895	(783,659)	(5,348,746)
Increase in net assets	<u>1,798,045</u>	<u>(2,526,823)</u>	<u>(164,678)</u>	<u>3,297,597</u>	<u>1,633,367</u>	<u>770,774</u>
NET ASSETS-January 1	<u>19,250,330</u>	<u>21,777,153</u>	<u>29,950,430</u>	<u>26,652,833</u>	<u>49,200,760</u>	<u>48,429,986</u>
Change in Net Assets due to Restatement	-	-	-	-	-	-
Net Assets-December 31	<u>21,048,375</u>	<u>19,250,330</u>	<u>29,785,752</u>	<u>29,950,430</u>	<u>50,834,127</u>	<u>49,200,760</u>

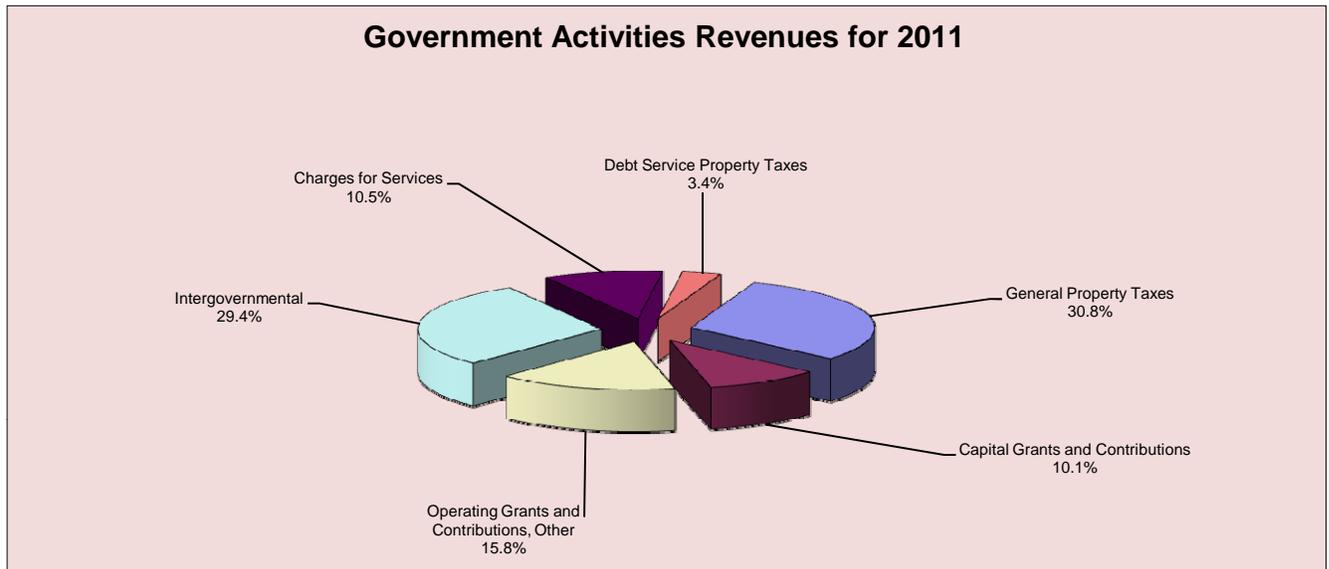
Change in Net Assets: The City's 2011 revenues for both governmental and business-type activities total \$17,532,032 and expenses total \$15,115,006. These totals plus transfers resulted in an increase in net assets of \$1,633,367. Net assets increased by \$1,798,045 for **governmental activities**. The primary cause of the increase was due to transfers which equaled \$(507,717). This was a decrease of \$5,977,924. The decrease is due to the transfer of the Innovation Center Building to the CDA in 2010. Program revenues decreased \$1,417,546 due to a decline in capital grants and contributions; general revenues increased by \$669,434 while total expenses declined \$40,426.

CITY OF WHITEWATER, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)
 For Year Ended December 31, 2011

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

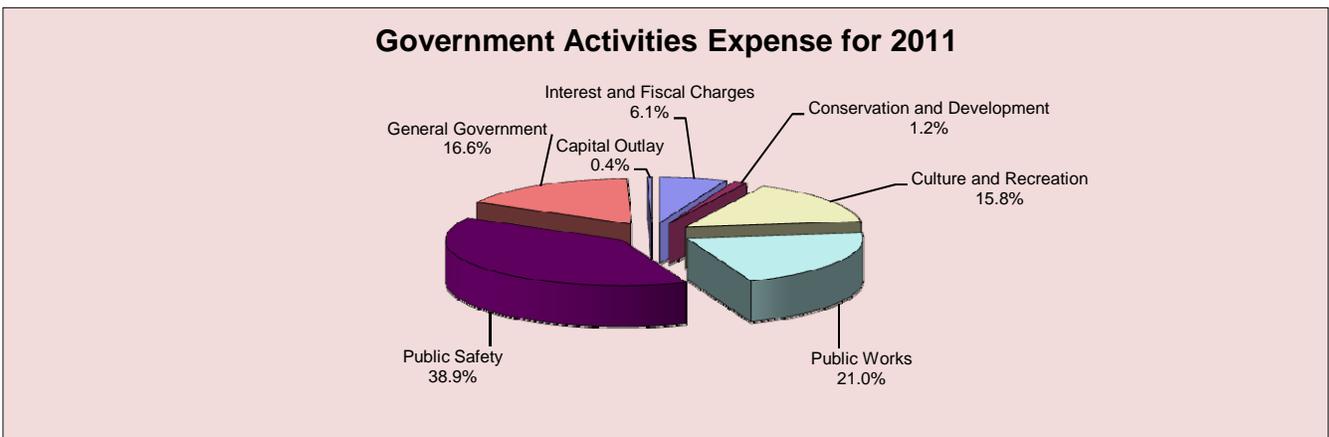
Governmental Activities:

Revenues for the City of Whitewater's governmental activities totaled \$13,268,526 with intergovernmental revenues (*largely state shared-revenues*) being the largest revenue source for governmental activities other than taxes, accounting for 29.4% (\$3,895,527) 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 3.4% (\$454,398) of total revenues, were collected to pay for the principal and interest due in 2011. General property taxes accounted for 30.8% (\$4,090,893) of governmental revenues in 2011. Charges for services contribute 10.5% (\$1,396,080); operating/capital grants, other taxes, interest income, misc., contributed 15.8% (\$2,096,497) of the total revenues. Capital grants (\$1,335,131) were 10.1% of revenues.



Total Revenues = \$13,268,526

Governmental activities expenditures total \$10,962,764. Public Safety activities amount for 38.9% (\$4,263,329), or the largest single portion of expenditures. Public Safety includes Police, Fire, Rescue, Crash and Building Inspections. Public Works, General Government and Culture and Recreation account for 21.0% (\$2,303,243), 16.6% (\$1,822,026), and 15.8% (\$1,732,743) respectively of total expenditures for 2011. Conservation/Development--1.2% (\$126,948); Interest/Fiscal Charges--6.1% (\$669,766); Capital Outlay--0.4% (\$44,709).



Total Expenses = \$10,962,764

CITY OF WHITEWATER, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2011

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

Governmental Activities (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 2011 was \$10,962,764. However, the amount paid through the City's property tax was only \$4,545,291. The breakout of property taxes are \$2,421,452 (general properties), \$454,398 (debt service) and \$1,669,441 (TIF Districts). Some of the costs were paid by:

- Those directly benefiting from the programs-Charges for Service/Fees/Permits - (\$782,317)
- State of Wisconsin Shared Revenue-Aidable - (\$2,952,038)
- Utility Shared Revenues-State of Wisconsin - (\$552,001)
- State Aids-Roads/Highways - (\$582,587)
- Fines and Forfeitures - (\$439,453)

	<u>Cost of Services</u>	<u>Charges for Services, Operating & Capital Grants, Contributions</u>	<u>Net Cost of Services</u>
General Government	1,822,026	267,298	1,554,728
Public Safety	4,263,329	1,214,372	3,048,957
Public Works	2,303,243	801,703	1,501,540
Culture and Recreation	1,732,743	484,146	1,248,597
Conservation and Development	126,948	924,211	(797,263)
Interest and Fiscal Charges	669,766	-	669,766
Capital Outlays	44,709	400,000	(355,291)
Total	<u>10,962,764</u>	<u>4,091,730</u>	<u>6,871,034</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Fund: The general fund is the primary operating fund of the City. The general fund fund-balance is \$2,685,089 which represents 29.35% of the expenditures for calendar/budget year 2012 expenses. Of that amount, \$1,796,909, or 66.92% is unassigned. GASB 54 was adopted in 2011. With the adoption of GASB 54, the City included the following funds in the general fund: Fire Department Equipment, DPW Equipment, Police Vehicle, Government Equipment, Skate Park Fund, Solid Waste Recycling, Sick Leave Severance, Lakes Improvement Fund, and Street Repair Fund. These were previously reported as special revenue funds.

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. TID # 4 Fund Balance declined \$1,078,990 due to funding of the planned capital improvements for 2011. Capital Improvements Projects completed and/or final payments made in 2011 were Shell Build-Out-Innovation Center; Starin Road Extension; Innovation Center; Tech Park Infrastructure Improvements.

CITY OF WHITEWATER, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2011

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

WATER, WASTEWATER AND STORMWATER UTILITY

The **Water Utility** earned a .06% return on its rate base in 2011 compared to 2.19% in 2010. Operating income-Regulatory Basis, decreased \$98,721 to \$3,336. The water utility's (GAAP Basis) operating revenues increased \$16,264 to \$1,429,490 and operating expenses increased \$155,433 to \$1,415,977. The primary reason for the increase in operating revenues was due to a rate increase that was effective on November 22,2011. The rate increase was only in effect for the last monthly billing in 2011. The Cogentrix power plant water usage declined 27,499,000 or 14.16%. Total usage for the Cogentrix power plant was 194,138,000 gallons or 37.7% of water sold.

The **Wastewater Utility** operating loss declined from \$186,412 in 2010 to \$86,615 in 2011. Charges for service revenues increased \$253,343. Wastewater rates were increased by 7% effective 12/31/2010 & 13.65% on 7/1/2011. The City established a **Stormwater Utility** in the 4th quarter of 2007. The monthly service charge is \$4.08 per ERU (Equivalent Runoff Unit). Most residential properties equal 1.0 ERU. The Stormwater utility was established to provide a funding mechanism in order to comply with State and Federal mandates regarding stormwater management.

	<u>Operating Revenues</u>		<u>Operating Expenses</u>		<u>Operating Income (Loss)</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Water Utility	\$ 1,429,490	1,413,226	1,415,977	1,260,544	13,513	152,682
Wastewater Utility	2,175,391	1,922,048	2,262,006	2,108,460	(86,615)	(186,412)
Stormwater Utility	335,071	289,226	306,973	314,072	28,098	(24,846)

CAPITAL ASSETS AND DEBT ADMINISTRATION

<u>Governmental Activities</u>	<u>2011</u>	<u>2010</u>	<u>Total Change</u>
Land/Right of Way/Improvements	4,874,266	4,820,894	53,372
Construction in Progress	-	70,892	(70,892)
Traffic and street lights	638,218	490,702	147,516
Buildings and Improvements	7,375,637	7,115,764	259,873
Machinery & Equipment	2,332,642	2,532,538	(199,896)
Streets/Sidewalks/C & G/Storm	20,333,529	18,502,269	1,831,260
Capital Assets, Net of Depreciation	<u>35,554,292</u>	<u>33,533,059</u>	<u>2,021,233</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.

The City had capital assets of \$35,554,292 in the governmental activities and \$32,770,757 in the business-like activities for a total of \$68,325,049 at the end of 2011. 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 52.04% and the business-type activities total 47.96%. The business-type activities represent the water utility with 36.44%, the wastewater utility having 52.04%, and the stormwater utility 9.48% of the capital assets.

CITY OF WHITEWATER, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

<u>BUSINESS-TYPE ACTIVITIES</u>			
	2011	2010	Change
Water			
Land and Land Rights	\$ 6,727	6,727	-
Source of Supply	633,562	633,563	(1)
Pumping	1,185,927	1,185,927	-
Water Treatment	1,458,742	1,458,742	-
Transmission and Distribution	13,137,655	12,467,646	670,009
General	417,653	417,653	-
Construction in Progress	-	482,449	(482,449)
Less: Accumulated Depreciation	<u>(4,897,879)</u>	<u>(4,798,323)</u>	<u>(99,556)</u>
Net Assets-Water Utility Plant	<u>11,942,387</u>	<u>11,854,384</u>	<u>88,004</u>
Wastewater			
Land and Land Rights	168,179	168,179	-
Collection System	12,009,626	11,940,362	69,264
Treatment and Disposal	19,895,458	19,882,345	13,113
General	957,428	790,018	167,410
Construction in Progress	5,362,796	4,410,179	952,617
Less: Accumulated Depreciation	<u>(20,673,020)</u>	<u>(19,796,012)</u>	<u>(877,008)</u>
Net Assets-Wastewater Utility Plant	<u>17,720,467</u>	<u>17,395,071</u>	<u>325,396</u>
Stormwater			
Capital Assets	3,274,910	3,143,069	131,841
Less: Accumulated Depreciation	<u>(167,007)</u>	<u>(117,842)</u>	<u>(49,165)</u>
Net Assets-Stormwater Utility Plant	<u>3,107,903</u>	<u>3,025,227</u>	<u>82,676</u>
Total Utility's Capital Assets	<u>32,770,757</u>	<u>32,274,682</u>	<u>496,076</u>

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, 2011 was \$31,587,565. Total general obligation debt outstanding at year end was \$19,777,000, which represents 62.61% of the allowable debt limit.

	Comparison of Outstanding Debt by Activity					
	Governmental Activities		Business-type Activities		TOTAL	
	2011	2010	2011	2010	2011	2010
General Obligation						
Bonds and Notes	19,090,000	19,860,000	687,000	550,000	19,777,000	20,410,000
Revenue Bond/Notes	-	-	6,016,637	3,825,021	6,016,637	3,825,021
Total Outstanding	<u>19,090,000</u>	<u>19,860,000</u>	<u>6,703,637</u>	<u>4,375,021</u>	<u>25,793,637</u>	<u>24,235,021</u>

The total outstanding **general obligation debt** of \$19,777,000 is distributed:

City-CIP	1,775,000
LSP-CIP	1,405,000
TID'S(#4 & #6)	15,910,000
Utility(Water/Sewer/Storm)	687,000

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 approximately \$3,628,028 made up of three active issues.

CITY OF WHITEWATER, WISCONSIN

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

For Year Ended December 31, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

	AMOUNTS DUE WITHIN ONE YEAR		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Amounts Due Within One Year</u>
General Obligation			
Bonds and Notes	1,535,000	90,000	1,625,000
Capital Leases	56,613	4,001	60,614
Revenue Bond	-	589,275	589,275
Totals	<u>1,591,613</u>	<u>683,276</u>	<u>2,274,889</u>

The City maintained the Moody's Investors Service rating of A1/Aa3, which was reconfirmed in 2011 & 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgets are adopted at the function level of expenditures. Supplemental appropriations during the year were \$46,600. General Fund revenues and transfers were higher than the final budget by \$149,007. The difference of \$149,007 can be attributed to higher Intergovernmental Revenues for University Services--\$41,617; Charges for Services-Ambulance & Crash Calls--\$75,266; Water Utility Taxes--\$25,437. Expenses, including transfers, were \$106,599 higher than the amended budget of \$8,809,801. General Government was over by \$49,186 (25x2025 planning grant-\$32,440); Public Safety was over by \$29,254 (Fire Dept-\$53,987, Rescue Squad-\$90,859); Public Works was over by \$92,632 (Street Maintenance-\$53,813, Snow & Ice-\$24,012). Fund Balance was budgeted to decline by \$75,000 in 2011. The actual change in Fund Balance was a decline of \$32,500.

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 \$631 million, has shown steady growth over the last fourteen years. For 2012, the equalized value did decline by \$5,612,900 or .89%.

The 2012 General Fund-Operating Budget was balanced at \$9,147,425, a 1.28 percent decrease over the 2011 budget. Total general government property tax contribution increased \$8,334 to \$2,864,990. The \$8,334 increase is made up of a \$13,000 increase in general property taxes, and a \$4,666 decrease of the debt service levy. The City in 2012 was limited to new construction (.47%) 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 2012, the monthly cost for one household is \$11.83. The distribution of this cost is \$9.39 for Solid Waste and \$2.44 for Recycling. This represents a 3.8% increase on the solid waste and recycling portion.

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, PO Box 690, Whitewater, WI 53190

**City of Whitewater
Whitewater, WI**

**Statement of Net Assets
December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS				
Cash and Equivalents	\$ 5,282,361	\$ 3,509,464	\$ 8,791,825	\$ 2,115,575
Receivables				
Taxes	4,484,810	-	4,484,810	-
Special Assessment	49,420	2,376	51,796	-
Accounts	236,256	459,319	695,575	-
Other	334,882	6,039	340,921	-
Due from Other Governmental Agencies	1,030,396	-	1,030,396	-
Loans	-	-	-	576,544
Internal Balances	31,461	(31,461)	-	-
Due From Agency Fund	188,715	-	188,715	-
Due From Component Unit	376	-	376	-
Due From City	-	-	-	750,129
Inventories	-	11,591	11,591	-
Other Assets	82,720	59,916	142,636	-
Property Held for Resale	30,299	-	30,299	-
Capital Assets				
Land, Improvements, and Construction in Progress	10,414,050	5,537,701	15,951,751	275,172
Other Capital Assets, net of depreciation	25,140,242	27,233,056	52,373,298	5,967,519
Net Capital Assets	<u>35,554,292</u>	<u>32,770,757</u>	<u>68,325,049</u>	<u>6,242,691</u>
Total Assets	<u>\$ 47,305,988</u>	<u>\$ 36,788,001</u>	<u>\$ 84,093,989</u>	<u>\$ 9,684,939</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 673,794	\$ 42,802	\$ 716,596	4,239
Due to City	-	-	-	376
Due to Component Unit	750,129	-	750,129	-
Accrued Interest	148,554	32,114	180,668	-
Deferred Revenues	4,799,352	-	4,799,352	-
Long-Term Liabilities				
Due within one year				
Bonds and Notes payable	1,591,613	783,276	2,374,889	-
Compensated absences	301,062	69,910	370,972	-
Due in more than one year				
Bonds and Notes payable	17,881,639	5,947,443	23,829,082	-
Compensated Absences	111,470	126,703	238,173	-
Total Liabilities	<u>26,257,613</u>	<u>7,002,248</u>	<u>33,259,861</u>	<u>4,615</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	16,081,040	26,450,685	42,531,725	6,242,691
Restricted for:				
CDA Programs	-	-	-	3,372,323
Debt Service	306,279	292,024	598,303	-
Capital	966,876	1,929,848	2,896,724	-
Special Revenue Activity	1,124,237	-	1,124,237	-
Unrestricted	<u>2,569,943</u>	<u>1,113,196</u>	<u>3,683,139</u>	<u>65,310</u>
Total Net Assets	<u>21,048,375</u>	<u>29,785,753</u>	<u>50,834,128</u>	<u>9,680,324</u>
Total Liabilities and Net Assets	<u>\$ 47,305,988</u>	<u>\$ 36,788,001</u>	<u>\$ 84,093,989</u>	<u>\$ 9,684,939</u>

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Statement of Activities
For the Year Ended December 31, 2011**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Primary Government	
Primary government								
Governmental Activities								
General Government	\$ 1,822,026	\$ 186,426	\$ 80,872	\$ -	\$ (1,554,728)		\$ (1,554,728)	
Public Safety	4,263,329	1,016,615	109,377	88,380	(3,048,957)		(3,048,957)	
Public Works	2,303,243	3,583	791,020	7,100	(1,501,540)		(1,501,540)	
Culture and Recreation	1,732,743	189,456	281,210	13,480	(1,248,597)		(1,248,597)	
Conservation and Development	126,948	-	98,040	826,171	797,263		797,263	
Interest on Long-term debt	669,766	-	-	-	(669,766)		(669,766)	
Capital Outlay	44,709	-	-	400,000	355,291		355,291	
Total governmental activities	<u>10,962,764</u>	<u>1,396,080</u>	<u>1,360,519</u>	<u>1,335,131</u>	<u>(6,871,034)</u>		<u>(6,871,034)</u>	
Business-type activities								
Water	1,469,427	1,429,490	53,920	126,567	-	140,550	140,550	
Wastewater	2,375,842	2,177,113	9,595	110,116	-	(79,018)	(79,018)	
Storm Sewer	306,973	335,071	-	-	-	28,098	28,098	
Total business-type activities	<u>4,152,242</u>	<u>3,941,674</u>	<u>63,515</u>	<u>236,683</u>	<u>-</u>	<u>89,630</u>	<u>89,630</u>	
Total primary government	<u><u>15,115,006</u></u>	<u><u>5,337,754</u></u>	<u><u>1,424,034</u></u>	<u><u>1,571,814</u></u>	<u><u>(6,871,034)</u></u>	<u><u>89,630</u></u>	<u><u>(6,781,404)</u></u>	
Component Unit								
Community Development Authority	929,460	109,500	614,903	-				\$ (205,057)
Total component units	<u>\$ 929,460</u>	<u>\$ 109,500</u>	<u>\$ 614,903</u>	<u>\$ -</u>				<u>\$ (205,057)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					4,090,893	-	4,090,893	-
Property taxes, levied for debt service					454,398	-	454,398	-
Other taxes					103,442	-	103,442	-
Grants and contributions not restricted to specific programs					3,895,527	-	3,895,527	-
Unrestricted investment earnings					26,687	21,634	48,321	30,034
Public gifts and grants					20,330		20,330	-
Miscellaneous					558,638	-	558,638	2,688
<i>Special item</i> - gain (loss) on retirement of asset(s)					26,881	-	26,881	-
Transfer to CDA					(783,659)	-	(783,659)	783,659
Transfers					275,942	(275,942)	-	-
Total general revenues, transfers, and special items					<u>8,669,079</u>	<u>(254,308)</u>	<u>8,414,771</u>	<u>816,381</u>
Change in net assets					1,798,045	(164,678)	1,633,367	611,324
Net assets - beginning					19,250,330	29,950,431	49,200,761	9,069,000
Net assets - ending					<u>\$ 21,048,375</u>	<u>\$ 29,785,753</u>	<u>\$ 50,834,128</u>	<u>\$ 9,680,324</u>

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Balance Sheet
Governmental Funds
December 31, 2011**

	<u>General Fund</u>	<u>Debt Service</u>	<u>TIF 4</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,365,914	\$ 359,351	\$ 297,334	\$ 2,259,764	\$ 5,282,363
Receivables:					
Taxes	2,864,990	-	1,583,862	28,641	4,477,493
Delinquent Personal Property Taxes	7,318	-	-	-	7,318
Special Assessments	49,420	-	-	-	49,420
Accounts	236,256	-	-	-	236,256
Other	83,363	-	228,784	23,110	335,257
Due from Other Governments	26,421	-	973,081	30,894	1,030,396
Due from Other Funds	470,671	-	188,799	3	659,473
Prepaid Expenses	64,608	-	-	-	64,608
Total Assets	<u>\$ 6,168,961</u>	<u>\$ 359,351</u>	<u>\$ 3,271,860</u>	<u>\$ 2,342,412</u>	<u>\$ 12,142,584</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 115,432	\$ -	\$ 59,485	\$ 193,788	\$ 368,705
Accrued Liabilities	299,262	-	-	5,827	305,089
Due to Other Funds	136,440	53,072	237,605	12,180	439,297
Deferred Revenue	2,884,620	-	2,362,076	39,504	5,286,200
Deferred Special Assesments	47,989	-	-	-	47,989
Advance Payable to CDA	129	-	750,000	-	750,129
Total Liabilities	<u>3,483,872</u>	<u>53,072</u>	<u>3,409,166</u>	<u>251,299</u>	<u>7,197,409</u>
Fund Balance:					
Nonspendable	71,926	-	-	-	71,926
Restricted	-	-	-	2,091,325	2,091,325
Assigned	816,254	306,279	-	-	1,122,533
Unassigned	1,796,909	-	(137,306)	(212)	1,659,391
Total Fund Balance (Deficit)	<u>2,685,089</u>	<u>306,279</u>	<u>(137,306)</u>	<u>2,091,113</u>	<u>4,945,175</u>
Total Liabilities and Fund Balance	<u>\$ 6,168,961</u>	<u>\$ 359,351</u>	<u>\$ 3,271,860</u>	<u>\$ 2,342,412</u>	<u>\$ 12,142,584</u>

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2011**

Total fund balance, governmental funds	\$	4,945,175
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		
		35,554,292
Property held for resale		30,299
<p>Deferred revenues are reported in the fund financial statement, but are already recognized as earned in the Statement of Net Assets.</p>		
		534,834
<p>Some liabilities, (such as General obligation debt, Long-term Compensated Absences, and Leases Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		
Long-term debt current portion	1,591,613	
Long-term debt non-current portion	17,881,639	
Unamortized discount on debt	(18,112)	
Compensated absences current portion	301,062	
Compensated absences long-term portion	111,470	
Accrued interest	148,553	(20,016,225)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	21,048,375

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011**

	<u>General Fund</u>	<u>Debt Service</u>	<u>TIF 4</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 2,527,296	\$ 454,398	\$ 1,647,916	\$ 21,525	\$ 4,651,135
Other Taxes	-	-	269,813	-	269,813
Special Assessment Revenue	24,356	-	-	-	24,356
Intergovernmental	4,671,484	-	852,637	962,078	6,486,199
License and Permits	69,241	-	-	37,000	106,241
Fines, Forfeits and Penalties	439,453	-	-	15,628	455,081
Public Charges for Services	650,844	-	-	150,263	801,107
Intergovernmental Charges for Services	-	-	-	64	64
Interest Income	11,334	721	4,676	8,140	24,871
Miscellaneous Income	82,267	82,414	143,496	86,229	394,406
Total Revenues	<u>8,476,275</u>	<u>537,533</u>	<u>2,918,538</u>	<u>1,280,927</u>	<u>13,213,273</u>
EXPENDITURES					
Current:					
General Government	1,821,048	-	-	25,852	1,846,900
Public Safety	4,017,692	-	-	10,954	4,028,646
Public Works	1,432,542	-	-	133,865	1,566,407
Culture, Recreation and Education	1,261,693	-	-	412,076	1,673,769
Conservation and Development	133,897	-	1,410,102	2,141	1,546,140
Capital Outlay	43,888	-	885,808	1,450,175	2,379,871
Debt Service					
Principal Repayment	49,882	1,470,000	-	-	1,519,882
Interest Expense	16,368	669,863	-	-	686,231
Total Expenditures	<u>8,777,010</u>	<u>2,139,863</u>	<u>2,295,910</u>	<u>2,035,063</u>	<u>15,247,846</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(300,735)</u>	<u>(1,602,330)</u>	<u>622,628</u>	<u>(754,136)</u>	<u>(2,034,573)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	-	-	-	700,000	700,000
Transfers In	413,437	1,601,800	-	252,336	2,267,573
Transfers Out	(188,979)	-	(1,656,618)	(142,539)	(1,988,136)
Transfers Out to CDA	-	-	(45,000)	(5,000)	(50,000)
Total Other Financing Sources and Uses	<u>224,458</u>	<u>1,601,800</u>	<u>(1,701,618)</u>	<u>804,797</u>	<u>929,437</u>
Net Change in Fund Balances	(76,277)	(530)	(1,078,990)	50,661	(1,105,136)
Fund Balances - Beginning	2,761,366	306,809	941,684	2,040,452	6,050,311
Fund Balances (Deficits)- Ending	<u>\$ 2,685,089</u>	<u>\$ 306,279</u>	<u>\$ (137,306)</u>	<u>\$ 2,091,113</u>	<u>\$ 4,945,175</u>

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds: \$ (1,105,136)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$3,096,875 exceeded depreciation \$1,075,602 in the current period. 2,021,234

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This represents revenues which were recorded on the fund financial statements in the current year but previously accrued in the government-wide statements. (11,362)

This represents revenues which were recorded on the government-wide statements in the current year but will be accrued in the fund financial statements in subsequent years. 3,299

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. The following is a summary of the debt activity for the year.

Proceeds of general obligation debt	(700,000)	
Debt repayment - capital lease	49,882	
Debt repayment - general obligation	1,470,000	819,882

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Adjustment for accrued interest not reflected on Governmental funds		15,492
Adjustment for decrease in compensated absences		53,665
Adjustment for amortization expense not reflected on Governmental Funds		971
Change in net assets of governmental activities		\$ 1,798,045

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Statement of Net Assets
Proprietary Funds
December 31, 2011**

	Enterprise Funds			
	Water	Wastewater	Stormwater	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 37,920	\$ 312,511	\$ 185,762	\$ 536,193
Receivables				
Accounts	176,507	249,302	33,510	459,319
Interest	4,480	1,559	-	6,039
Due from Other Funds	88,049	241,224	-	329,273
Inventories	11,591	-	-	11,591
Total Current Assets	318,547	804,596	219,272	1,342,415
Restricted:				
Restricted Cash	873,648	2,099,623	-	2,973,271
Total Restricted Assets	873,648	2,099,623	-	2,973,271
Capital Assets:				
Utility Plant	16,840,266	38,393,487	3,274,910	58,508,663
Less Accumulated Depreciation	(4,897,879)	(20,673,020)	(167,008)	(25,737,907)
Net Capital Assets	11,942,387	17,720,467	3,107,902	32,770,756
Noncurrent Assets				
Unamortized Debt Discount	42,474	17,442	-	59,916
Special Assessments	2,376	-	-	2,376
Total Noncurrent Assets	44,850	17,442	-	62,292
Total Assets	\$ 13,179,432	\$ 20,642,128	\$ 3,327,174	\$ 37,148,734

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Statement of Net Assets
Proprietary Funds
December 31, 2011**

	Enterprise Funds			
	Water	Wastewater	Stormwater	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 6,957	\$ 8,537	\$ 1,205	\$ 16,699
Accrued Liabilities	8,230	17,872	-	26,102
Accrued Interest Payable	12,679	19,435	-	32,114
Due to Other Funds	269,819	90,106	809	360,734
Compensated Absences	24,219	37,121	8,569	69,909
Current Portion of Long-Term Debt:	350,710	432,566	-	783,276
Total Current Liabilities	<u>672,614</u>	<u>605,637</u>	<u>10,583</u>	<u>1,288,834</u>
Non-Current Liabilities:				
Long-Term Debt				
Capital Lease Obligation	-	23,081	-	23,081
Notes Payable	249,586	120,414	227,000	597,000
Bonds and Loans Payable	1,635,000	3,692,363	-	5,327,363
Total Long-Term Debt	<u>1,884,586</u>	<u>3,835,858</u>	<u>227,000</u>	<u>5,947,444</u>
Other Liabilities				
Compensated Absences	56,210	52,039	18,454	126,703
Total Other Liabilities	<u>56,210</u>	<u>52,039</u>	<u>18,454</u>	<u>126,703</u>
Total Non-Current Liabilities	<u>1,940,796</u>	<u>3,887,897</u>	<u>245,454</u>	<u>6,074,147</u>
Total Liabilities	<u>2,613,410</u>	<u>4,493,534</u>	<u>256,037</u>	<u>7,362,981</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	9,954,217	13,615,566	2,880,902	26,450,685
Restricted Assets	245,249	1,976,623	-	2,221,872
Unrestricted	366,556	556,405	190,235	1,113,196
Total Net Assets	<u>10,566,022</u>	<u>16,148,594</u>	<u>3,071,137</u>	<u>29,785,753</u>
Total Liabilities and Net Assets	<u>\$ 13,179,432</u>	<u>\$ 20,642,128</u>	<u>\$ 3,327,174</u>	<u>\$ 37,148,734</u>

See accompanying notes to the basic financial statements

**City of Whitewater
Whitewater, WI**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011**

	Enterprise Funds			
	Water	Wastewater	Stormwater	Total
OPERATING REVENUES				
Charges for Services	\$ 1,429,490	\$ 2,175,391	\$ 335,071	\$ 3,939,952
Total Operating Revenues	<u>1,429,490</u>	<u>2,175,391</u>	<u>335,071</u>	<u>3,939,952</u>
OPERATING EXPENSES				
Operation and Maintenance	1,052,300	1,363,527	263,652	2,679,479
Depreciation	363,677	898,479	43,321	1,305,477
Total Operating Expenses	<u>1,415,977</u>	<u>2,262,006</u>	<u>306,973</u>	<u>3,984,956</u>
Operating Income (Loss)	<u>13,513</u>	<u>(86,615)</u>	<u>28,098</u>	<u>(45,004)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and Investment Revenue	7,075	14,463	96	21,634
Grants and Contributions	53,920	9,595	-	63,515
Interest Expense	(47,463)	(104,346)	-	(151,809)
Amortization Expense	(5,987)	(9,489)	-	(15,476)
Total Non-Operating Revenue (Expenses)	<u>7,545</u>	<u>(89,777)</u>	<u>96</u>	<u>(82,136)</u>
Income (Loss) Before Contributions and Transfers	21,058	(176,392)	28,194	(127,140)
Capital Contributions	126,567	41,496	-	168,063
Capital Grants	-	70,342	-	70,342
Capital Contributions transferred in from City	-	-	3,495	3,495
Transfers Out	(260,437)	-	(19,000)	(279,437)
Change in Net Assets	<u>(112,812)</u>	<u>(64,554)</u>	<u>12,689</u>	<u>(164,677)</u>
Total Net Assets - Beginning	10,678,834	16,213,148	3,058,448	29,950,430
Total Net Assets - Ending	<u>\$ 10,566,022</u>	<u>\$ 16,148,594</u>	<u>\$ 3,071,137</u>	<u>\$ 29,785,753</u>

See accompanying notes to the basic financial statements

CITY OF WHITEWATER
Whitewater, WI

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2011

	Water	Wastewater	Stormwater	Totals 2011
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers	\$ 1,560,752	\$ 2,444,589	\$ 371,901	\$ 4,377,242
Payments to suppliers	(769,877)	(1,187,364)	(125,894)	(2,083,135)
Payments to employees	(449,786)	(818,126)	(180,551)	(1,448,463)
Taxes paid	(260,437)	-	-	(260,437)
Net cash provided (used) by operating activities	<u>80,652</u>	<u>439,099</u>	<u>65,456</u>	<u>585,207</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Proceeds of special assessments	476	-	-	476
Acquisition and construction of plant assets	(340,737)	(1,208,251)	(129,770)	(1,678,758)
Proceeds of debt	940,000	1,833,909	227,000	3,000,909
Principal payments on long-term debt	(290,710)	(385,107)	-	(675,817)
Interest paid	(42,270)	(96,743)	-	(139,013)
Capital contributions	-	111,840	-	111,840
Net cash provided (used) by capital and related financing activities	<u>266,759</u>	<u>255,648</u>	<u>97,230</u>	<u>619,637</u>
<u>Cash Flows From Investing Activities:</u>				
Interest on investments	7,075	14,463	97	21,635
Purchase of non-cash equivalents	(30,000)	(290,250)	-	(320,250)
Sale of non-cash equivalents	100,000	600,953	-	700,953
Net cash provided (used) by investing activities	<u>77,075</u>	<u>325,166</u>	<u>97</u>	<u>402,338</u>
Net increase (decrease) in cash and equivalents	424,486	1,019,913	162,783	1,607,182
Cash and equivalents - beginning of year	<u>457,082</u>	<u>1,101,971</u>	<u>22,980</u>	<u>1,582,033</u>
Cash and equivalents - end of year	<u>\$ 881,568</u>	<u>\$ 2,121,884</u>	<u>\$ 185,763</u>	<u>\$ 3,189,215</u>

See accompanying notes to the financial statements

CITY OF WHITEWATER
Whitewater, WI

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2011

	Water	Wastewater	Stormwater	Totals 2011
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 13,513	\$ (86,615)	\$ 28,098	\$ (45,004)
Adjustments to Reconcile Operating Income (Loss):				
Joint meter	15,624	(15,624)	-	-
Cash Provided (Used) by Operating Activities:				
Depreciation	363,677	898,479	43,321	1,305,477
Transfer out	(260,437)	-	(19,000)	(279,437)
Changes in Assets and Liabilities:				
Customer accounts receivable	131,262	269,198	36,826	437,286
Due from/to other funds	271,693	(210,928)	(18,135)	42,630
Material & supplies	(1,184)	-	-	(1,184)
Other assets	53,920	9,595	-	63,515
Accounts payable	(487,148)	(423,729)	(3,867)	(914,744)
Accrued liabilities	2,657	4,723	(1,787)	5,593
Net cash provided (used) by operating activities	\$ 80,652	\$ 439,099	\$ 65,456	\$ 585,207
 <u>Noncash Activity</u>				
Contributions for plant	\$ 126,567	\$ -	\$ 3,495	\$ 130,062
Net noncash activity	\$ 126,567	\$ -	\$ 3,495	\$ 130,062
 Reconciliation of cash and cash equivalents to statement of net assets accounts				
Cash and cash equivalents	\$ 37,920	\$ 312,511	\$ 185,762	\$ 536,193
Restricted Cash	873,648	2,099,623	-	2,973,271
Total cash and investments	911,568	2,412,134	185,762	3,509,464
Less: Noncash equivalents	(30,000)	(290,250)	-	(320,250)
Cash and Cash Equivalents	\$ 881,568	\$ 2,121,884	\$ 185,762	\$ 3,189,214

See accompanying notes to the financial statements

**City of Whitewater
Whitewater, WI**

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,427,509
Receivables:	
Taxes Receivable	4,664,476
Other Receivables	188,715
Total Assets	<u>\$ 9,280,700</u>
LIABILITIES	
Due to Other Funds	\$ 188,715
Due to Other Governments	9,091,985
Total Liabilities	<u>\$ 9,280,700</u>

See accompanying notes to the basic financial statements

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

The accounting policies of the City of Whitewater, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

This report includes all of the funds of the City of Whitewater. The reporting entity for the City consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met; (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit

City of Whitewater Community Development Authority

The government-wide financial statements include the City of Whitewater Community Development Authority ("authority") as a component unit. The authority is a legally separate organization. The board of the authority is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the authority, and also create a potential financial benefit to or burden on the City. See Note 12. As a component unit, the authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended 2011. The authority does not issue separate financial statements.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
B. Government-Wide and Fund Financial Statements

“Government-wide” financial statements are basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the government-wide financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

- 1. Summary of Significant Accounting Policies (Continued)**
B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are identified as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

Major Governmental Funds

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Incremental Financing District No. 4 (TID No. 4) - Transactions of the City’s tax incremental districts are accounted for in capital projects funds along with capital outlay projects for which the City borrowed money.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise debt.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
B. Government-Wide and Fund Financial Statements (Continued)

The City reports the following major and non-major enterprise funds:

Major and Non-Major Enterprise Funds

Enterprise funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following enterprise funds are included in these statements:

Water Utility – accounts for the operations of the water system. (Major Fund)
Sewer Utility – accounts for the operations of the sewer system. (Major Fund)
Stormwater Utility – accounts for the operations of the stormwater system (Non-Major Fund)

The City reports the following non-major governmental funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that is legally restricted to expenditures for specific purposes.

- Cable Television
- Library
- Taxicab Grant Program
- Parkland Acquisition Fund
- Parkland Development
- Forestry
- Rescue Squad Equipment/Education
- Parking Permit Fund
- Rescue Squad Trust
- Police Department Trust
- Rock River Stormwater Group

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Non-major capital projects funds included in these statements are the following:

- Tax Incremental Districts No. 5, 6, 7, 8 and 9 (TID 5, TID 6, TID 7, TID 8 and TID 9)
- Other Capital Projects Funds

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
B. Government-Wide and Fund Financial Statements (Continued)

In addition, the City reports the following fund types:

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
Government-Wide Financial Statements

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue when earned.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, and public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The proprietary funds 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. The proprietary funds 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary 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.

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity
1) Cash and Cash Equivalents/Investments

Investment of City funds is restricted by State statutes. Available 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 City 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 City has adopted an investment policy. That policy follows the state statute for allowable investments but does not specifically address the risk described in Note 2.

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. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in-transit.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)
1) Cash and Cash Equivalents/Investments (Continued)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

The CLASS investment (Cooperative Liquid Assets Securities System) is an investment pool established by an intergovernmental agreement dated March 1, 1996. CLASS is available for investment by Wisconsin governmental entities except school districts. Fitch Ratings assigns a local government investment pool rating of 'AAA/V1+' for CLASS. CLASS operates consistent with the provisions of an external pool, and invests only in investments legally permissible under Wisconsin law, with a weighted average maturity not exceeding 120 days. The value of pool shares is the same as the fair value position in the pool.

See Footnote 2 for additional information.

2) Proprietary Cash and Equivalents

For purposes of the proprietary fund statement of cash flows, the City considers all highly liquid investments, with a maturity of less than three months, when purchased, to be cash equivalents. This consists of current cash and investments.

3) Taxes Receivable

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach as an enforceable lien as of January 1. The City's portion of taxes is recorded as a receivable in the general fund. The County acts as the collecting agency for all City taxes. Since City property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred revenues in the funds budgeted therefore. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2011 tax roll

Lien date and levy date	December, 2011
Tax Bills mailed	December, 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale – 2011 delinquent real estate taxes	October, 2014

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

4) Allowance for Uncollectible Accounts

General fund accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year-end. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for delinquent water and sewer billings because the utilities have the right by law to place delinquent bills on tax roll and other delinquent bills are not significant.

5) Interfund Transactions

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

6) Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Deferred special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. Special assessments of enterprise funds are recorded as non-operating revenue at the time of assessment, if subject to collection. Deferred special assessments, those not subject to collection, are recorded as other liability until such time they are subject to collection.

Uncollected installments placed on prior year tax rolls are held for collection by the County and are remitted to the City upon collection by the County. These delinquent installments are financed by the general fund.

7) Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction, operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

8) 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. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

9) Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets including infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. The City has retroactively reported all infrastructure acquired by its governmental fund types.

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund from which the disbursements are made. Generally accepted accounting principles require that these fixed assets be capitalized at cost in the government-wide financial statements. Contributed fixed assets are to be recorded in the government-wide financial statements at fair market value at the time received. Interest incurred during construction is not capitalized.

Depreciation on governmental fixed assets is calculated straight-line based on the estimated useful life of assets. The estimated useful life of assets is determined by industry standards as recommended by GASB.

Proprietary Fund Fixed Assets - Assets in the enterprise fund are capitalized at cost or fair value at date of contribution or acquisition. Normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related assets. Net interest costs incurred for long-term debt issued for construction purposes is capitalized during the period of construction. Net interest cost consists of interest expense on long-term debt proceeds. No interest was capitalized in 2011.

Depreciation is charged over the estimated service life of the assets using the straight-line method. Annual depreciation charges are determined using the average utility plant in service and rates ranging from 1.0% to 6.0% for the water utility and 1.32% for the wastewater utility, depending on the various classes of property, in the respective utilities. The stormwater utility assets are depreciated straight-line over useful lives ranging from 40-85 years.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

- 1. Summary of Significant Accounting Policies (Continued)**
- D. Assets, Liabilities, and Net Assets or Equity (Continued)**

- 9) Capital Assets (Continued)**

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

- 10) Deferred Debt Issuance Costs**

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

Deferred charges are recorded in the enterprise fund for extraordinary repairs. Costs are amortized over the estimated life of repair.

- 11) Compensated Absences**

Governmental Funds

Under terms of employment, employees are granted sick leave and vacations in varying amounts. The entire accumulation is recorded in the statement of net assets. See Note 7.

All Funds

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2011 are determined on the basis of current salary rates and include salary related payments.

- 12) Long-Term Obligations/Conduit Debt**

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bond payable, and accrued compensated absences.

All short term and long-term obligations expected to be financed from proprietary fund type operations are accounted for as those fund liabilities.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as “Other Financing Sources” in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure of the debt service fund in the year in which the debt matures or is repaid, whichever is earlier.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

12) Long-Term Obligations/Conduit Debt (Continued)

The City has approved the issuance of industrial revenue bonds (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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is \$3,628,028.

13) Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end requiring accrual.

14) Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - 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.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

- 1. Summary of Significant Accounting Policies (Continued)**
- D. Assets, Liabilities, and Net Assets or Equity (Continued)**

14) Equity Classifications (Continued)

Fund Statements

Government fund equity is classified as fund balance.

In 2011, the City implemented the following GASB statement:

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions.*” The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the City’s financial statements have changed as a result of implementing this Statement.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by the creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes upon itself through formal action of the City Council, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has stated intended use for a specific purpose. This intent can be expressed through the City Council or through the City Council delegating this responsibility to the City Finance Director through the budgetary process.

Unassigned – resources which cannot be properly classified in one of the other four categories. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

E. Utility Rates

Current water and sewer rates are being reviewed by the City. Current wastewater rates were approved by the city council on July 1, 2011. Stormwater rates were in effect October 1, 2007. Water rates were in place on November 23, 2011.

F. Income Taxes

The City of Whitewater water, wastewater, and stormwater utilities are municipal utilities. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

G. Budgetary Information

Budgets

A budget has been adopted for all funds of the City. The City's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body. Budgetary expenditure control is exercised at the individual account level. The budgetary comparison schedule is presented for the general fund only.

Budget amounts include appropriations authorized in the original budget, any council approved amendments, appropriations of restricted resources received for funding specific expenditures and designated portions of the beginning balance of the general fund's equity expected to finance expenditures of the current fiscal year. Unused appropriations lapse at year-end unless specifically carried over for financing subsequent year expenditures.

H. Excess Expenditures over Appropriations

The City controls expenditures at the department level. Some individual line items experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

I. Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2011, the following individual funds held a deficit balance:

Fund	Amount	Reason
TID 4	(137,306)	Project costs in excess of revenues
TID 7	(212)	Project costs in excess of revenues

The TID 4 and TID 7 deficits are anticipated to be replenished with future increments.

J. Tax Incremental Financing District

The City has 6 Tax Incremental Districts (TID's). The transactions of TID 4 are shown as a major fund. TIDs 5, 6, 7, 8 and 9 are shown as non-major funds. TID's are authorized by Section 66.1105 of the Wisconsin Statutes. It is a method by which the City can recover its project costs in the designated district of the City. Those costs are recovered through tax increments, which are placed on the tax rolls.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

K. Capital Contributions

Capital contributions represent the value of infrastructure contributed or paid by developers for plant. They are recorded as additions to net assets in the government-wide statements and proprietary fund statements. These amounts are not subject to repayment.

L. Advances to Other Funds

Non-current portions of long-term inter-fund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

2. Cash and Investments

As previously discussed, cash for all City funds is pooled for investment purposes. At December 31, 2011, the cash and investments consist of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risk</u>
Deposits in financial institutions - City	\$ 12,570,622	\$ 14,066,036	Custodial credit risk, interest rate risk
Deposits in financial institutions - CDA	2,115,575	2,115,575	Custodial credit risk, interest rate risk
LGIP	338,065	338,065	Credit risk, interest rate risk
CLASS	<u>310,648</u>	<u>310,648</u>	Credit risk, interest rate risk
Total Cash and Investments	<u>\$ 15,334,909</u>	<u>\$ 16,830,323</u>	
Reconciliation to financial statements			
Per statement of net assets			
Primary government	\$ 8,791,825		
Component unit	2,115,575		
Per statement of net assets -			
Fiduciary Funds			
Agency	<u>4,427,509</u>		
Total Cash and Investments	<u>\$ 15,334,909</u>		

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

2. Cash and Investments (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts. At December 31, 2011, the banks used by the City participated in the Dodd-Frank Act. Under this program, the FDIC provides unlimited protection to all noninterest-bearing accounts through December 31, 2012. The City has no deposits that are covered by this program. Deposits in credit unions are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts, and \$250,000 for all share certificate and regular share accounts.

Bank accounts, credit union accounts, and the local government investment pool are also insured by the State Deposit Guarantee Fund 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, recovery of material principal losses may be significant to individual municipalities. This has been considered when determining custodial credit risk.

The City's deposits in financial institutions are collateralized by various instruments. One institution has \$2,570,000 in pledged collateral held by bank in which the City's deposits are held. Another bank has similar collateral pledge of \$2,000,000.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The city has \$338,065 invested in the Local Government Investment Pool (LGIP) which has a weighted average maturity of 97 days. The city also has \$310,648 invested in the CLASS investment pool which has investments in various government agencies, notes and commercial paper. The weighted average is 26 days.

The City also had certificates of deposits with varying maturities as follows:

Total of CDs City	\$ 738,526
Total of CDs CDA	1,219,010
	<u>\$ 1,957,536</u>
maturing by 6/30/12	\$ 1,390,588
maturing by 12/31/12	566,949
	<u>\$ 1,957,536</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has no investment policy that would further limit its investments choices.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

2. Cash and Investments (Continued)

As of December 31, 2011, the City's investment in the Wisconsin Local Government Investment Pool was not rated. The City's other investments were rated as follows:

<u>Investment Type</u>	<u>Standard and Poor's</u>
Wisconsin CLASS	AAAm

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The City does not have an investment policy for custodial credit risk.

As of December 31, 2011, the City's deposits with financial institutions in excess of federal depository insurance limits that were exposed to custodial credit risk are listed below:

Uninsured and collateral held by the pledging financial institution's trust department or agent not in the City's name	<u>\$ 11,794,083</u>
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Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy for concentration of credit risk.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

3. Receivables

The following accounts receivable amounts are not expected to be collected within one year:

	General
Delinquent personal property taxes	\$ 7,318
Special assessments	49,420
Total	\$ 56,738

Receivables of the city are reported net of uncollectible amounts. The following is the allowance for uncollectible receivables that is reported as of December 31, 2011:

Delinquent personal property taxes	\$ 7,000
Uncollectible related to ambulance receivable	119,762
Total	\$ 126,762

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable for subsequent year	\$ -	\$ 4,482,708	\$ 4,482,708
Special assessments not yet due	47,989	-	47,989
Developer agreement PILOT payments	302,230	-	302,230
Taxi-cab grant	10,863	-	10,863
Other items	19,630	-	19,630
EDA grant	28,641	-	28,641
Total Deferred/Unearned Revenue			
For Governmental Funds	\$ 409,353	\$ 4,482,708	\$ 4,892,061

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

4. Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Depreciation Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

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

Equipment Replacement Account

The wastewater utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2011:

	Water Utility	Wastewater Utility	Totals
Restricted Assets			
Redemption account	\$ 257,928	\$ 34,096	\$ 292,024
Depreciation account	-	25,000	25,000
Reserve account	204,652	123,000	327,652
Construction account	411,068	-	411,068
Connection account	-	284,078	284,078
DNR Replacement account	-	1,633,449	1,633,449
	\$ 873,648	\$ 2,099,623	\$ 2,973,271
Total Restricted Assets			

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

5. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2011 was as follows:

	1/1/2011 Beginning Balance	Additions	Deletions	12/31/2011 Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 70,892	\$ -	\$ 70,892	\$ -
Infrastructure in Progress	1,482,386	794,926	1,482,386	794,926
Land	2,947,791	-	-	2,947,791
Right of way	1,830,165	-	-	1,830,165
Land improvements	4,841,168	-	-	4,841,168
Total Capital Assets Not Being Depreciated	<u>11,172,402</u>	<u>794,926</u>	<u>1,553,278</u>	<u>10,414,050</u>
Capital Assets Being Depreciated				
Land Improvements	338,427	60,707	-	399,134
Buildings	10,273,511	483,753	-	10,757,264
Traffic and Street Lights	646,013	163,058	-	809,071
Machinery and Equipment	7,318,840	191,015	145,350	7,364,505
Streets	16,703,032	2,732,896	-	19,435,928
Sidewalks	884,989	91,403	-	976,392
Curb and Gutter	563,199	132,395	-	695,594
Total Capital Assets Being Depreciated	<u>36,728,011</u>	<u>3,855,227</u>	<u>145,350</u>	<u>40,437,888</u>
Accumulated Depreciation				
Land improvements	295,490	7,334	-	302,824
Buildings	3,157,746	223,881	-	3,381,627
Traffic and street lights	155,311	15,542	-	170,853
Machinery and equipment	4,786,303	390,870	145,310	5,031,863
Streets	5,834,861	399,194	-	6,234,055
Sidewalks	88,157	21,391	-	109,548
Curb and gutter	49,486	17,390	-	66,876
Total Accumulated Depreciation	<u>14,367,354</u>	<u>1,075,602</u>	<u>145,310</u>	<u>15,297,646</u>
Capital Assets, Net of Depreciation	<u>\$ 33,533,059</u>	<u>\$ 3,574,551</u>	<u>\$ 40</u>	<u>\$ 35,554,292</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

5. Capital Assets (Continued)

Depreciation expense for the governmental activities is as follows:

Government Activities		
General Government		\$ 119,342
Public Safety		259,100
Public Works, which includes the depreciation of streets (including curb and gutter) and sidewalks		582,870
Culture, Recreation and Education		<u>114,290</u>
Total Governmental Activities Depreciation Expense		<u><u>\$ 1,075,602</u></u>

Capital asset activity in the business type activities for the year ended December 31, 2011 was as follows:

<u>Water</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Construction in progress	\$ 482,449	\$ -	\$ 482,449	\$ -
Land and land rights	6,727	-	-	6,727
Total Capital Assets Not Being Depreciated	<u>489,176</u>	<u>-</u>	<u>482,449</u>	<u>6,727</u>
Capital Assets Being Depreciated				
Source of supply	633,562	-	-	633,562
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	12,467,647	949,752	279,744	13,137,655
Administrative and general assets	417,653	-	-	417,653
Total Capital Assets Being Depreciated	<u>16,163,531</u>	<u>949,752</u>	<u>279,744</u>	<u>16,833,539</u>
Total Capital Assets	<u>16,652,707</u>	<u>949,752</u>	<u>762,193</u>	<u>16,840,266</u>
Less: Accumulated depreciation	<u>4,798,323</u>	<u>379,301</u>	<u>279,745</u>	<u>4,897,879</u>
Net Capital Assets	<u><u>\$ 11,854,384</u></u>	<u><u>\$ 570,451</u></u>	<u><u>\$ 482,448</u></u>	<u><u>\$ 11,942,387</u></u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

5. Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 4,410,179	\$ 952,617	\$ -	\$ 5,362,796
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>4,578,358</u>	<u>952,617</u>	<u>-</u>	<u>5,530,975</u>
Capital Assets Being Depreciated				
Collection system	11,934,561	80,913	5,848	12,009,626
Treatment and disposal	19,888,146	7,312	-	19,895,458
General	790,019	167,409	-	957,428
Total Capital Assets Being Depreciated	<u>32,612,726</u>	<u>255,634</u>	<u>5,848</u>	<u>32,862,512</u>
Total Capital Assets	37,191,084	1,208,251	5,848	38,393,487
Less: Accumulated depreciation	<u>19,796,012</u>	<u>882,856</u>	<u>5,848</u>	<u>20,673,020</u>
Net Capital Assets	<u>\$ 17,395,072</u>	<u>\$ 325,395</u>	<u>\$ -</u>	<u>\$ 17,720,467</u>
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 3,143,069	\$ 133,267	\$ 1,426	\$ 3,274,910
Less: Accumulated depreciation	<u>125,113</u>	<u>43,321</u>	<u>1,426</u>	<u>167,008</u>
Net Capital Assets	<u>\$ 3,017,956</u>	<u>\$ 89,946</u>	<u>\$ -</u>	<u>\$ 3,107,902</u>

Listed below is the depreciation expense for the utilities.

Business Type Activities	
Water Utility	\$ 363,677
Sewer Utility	898,479
Stormwater Utility	43,321
Total Business-Type Activities Depreciation Expense	<u>\$ 1,305,477</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

6. Interfund Receivables/Payables, Advances and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts in the governmental funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cable TV	\$ 2
General Fund	TID #4	237,605
General Fund	Wastewater Utility	2,711
General Fund	Water Utility	28,594
General Fund	Stormwater	809
General Fund	Library Special Revenue Fund	5,235
General Fund	Other Capital Projects	7,000
General Fund	Tax Collection Fund	188,715
Subtotal - General Fund		<u>470,671</u>
Library Special Revenue Fund	General Fund	3
TID #4	General Fund	135,727
TID #4	Debt Service Fund	53,072
Subtotal - Other Funds		<u>188,802</u>
Water Utility	General Fund	654
Water Utility	Wastewater Fund	87,395
Wastewater Utility	Water Utility	241,224
Subtotal - Proprietary Funds		<u>329,273</u>
Subtotal - Fund Financial Statements		988,746
Less: Fund Eliminations		<u>(957,285)</u>
Total - Government - Wide Statements		<u>\$ 31,461</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activity	Business-type Activity	\$ (31,461)
Business-type Activity	Governmental Activity	31,461
	Total	<u>\$ -</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

6. Interfund Receivables/Payables, Advances and Transfers (Continued)

The principal purpose of these interfunds is due to commingled cash. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are due within one year.

For the statement of net assets, interfund balances which are owed within the governmental activities, business-type activities, and component unit are netted and eliminated.

Advances

In 2010, the CDA fund advanced \$750,000 to TID #4 to be used for construction costs for an innovation center. The advance to the TID #4 fund from the CDA fund is not set up for repayment. The City and CDA have not yet finalized any payment details.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
CDA Fund	General	\$ 129	\$ -
CDA Fund	TID #4	750,000	-
Total - Government-Wide Statement of Net Assets (Internal Balance)		\$ 750,129	\$ -

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

6. Interfund Receivables/Payables, Advances and Transfers (Continued)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	TID No. 4	\$ 75,000	Administrative
General Fund	Cable TV Fund	22,000	Administrative
General Fund	Parking Maintenance	22,000	Administrative
General Fund	Forestry Fund	10,000	Operations
General Fund	Water Utility	260,437	Tax equivalent
General Fund	TID No. 6	5,000	Administrative
DPW Equipment	Storm-water	<u>19,000</u>	Capital equipment
Subtotal - General Fund		413,437	
Debt Service Fund	TID No. 4	1,601,800	Debt service payment
Other Capital Projects	General Fund	178,085	Appropriation
Other Capital Projects	Other Capital Projects	63,357	Fund future construction
Taxi Cab Grant Program	General Fund	<u>10,894</u>	City portion
Subtotal - Other Funds		1,854,136	
Stormwater Utility	General Fund	<u>3,495</u>	Capital Contributions
Subtotal - Proprietary Funds		3,495	
Sub-Total – Fund Financial Statements		2,271,068	
Less: Fund Eliminations		<u>(2,547,010)</u>	
Total – Government-Wide Statement of Activities		<u>\$ (275,942)</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

7. Long-Term Obligations

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt	\$ 19,860,000	\$ 700,000	\$ 1,470,000	\$ 19,090,000	\$ 1,535,000
Sub-Total	<u>19,860,000</u>	<u>700,000</u>	<u>1,470,000</u>	<u>19,090,000</u>	<u>1,535,000</u>
Other Liabilities					
Vested Compensated Absences	466,197	-	53,665	412,532	301,062
Capital Leases	433,134	-	49,882	383,252	56,613
Total Other Liabilities	<u>899,331</u>	<u>-</u>	<u>103,547</u>	<u>795,784</u>	<u>357,675</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 20,759,331</u>	<u>\$ 700,000</u>	<u>\$ 1,573,547</u>	<u>\$ 19,885,784</u>	<u>\$ 1,892,675</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
Revenue Bonds	\$ 3,825,021	\$ 2,773,909	\$ 582,293	\$ 6,016,637	\$ 689,275
General obligation debt	550,000	227,000	90,000	687,000	90,000
Capital Lease	30,606	-	3,524	27,082	4,001
Total Long-Term Debt	<u>4,405,627</u>	<u>3,000,909</u>	<u>675,817</u>	<u>6,730,719</u>	<u>783,276</u>
Other Liabilities					
Vested Compensated Absences	195,499	2,901	1,787	196,613	69,910
Total Other Liabilities	<u>195,499</u>	<u>2,901</u>	<u>1,787</u>	<u>196,613</u>	<u>69,910</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 4,601,126</u>	<u>\$ 3,003,810</u>	<u>\$ 677,604</u>	<u>\$ 6,927,332</u>	<u>\$ 853,186</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

7. Long-Term Obligations (Continued)

A. General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the municipality. Notes and bonds will be retired by future property tax levies. Proprietary fund debt is payable by revenues from user fees of those funds, or if the revenues are not sufficient, by future tax levies.

The City's general obligation debt limit is equal to 5% of the City's total equalized value. The City's debt limit as of December 31, 2011 is \$31,587,565. Debt subject to the limit is \$19,777,000. The following table outlines the governmental debt.

	<u>Date Of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>	<u>Current Portion</u>
Governmental Activities						
2005 GO						
Promissory Note	10/15/2005	9/1/2015	3.1-3.6	\$ 3,300,000	\$ 1,875,000	\$ 445,000
2008 GO						
Refunding Bond	1/7/2008	9/1/2017	3.956	\$ 5,000,000	4,550,000	485,000
2009 GO Refunding	9/3/2009	12/1/2016	2.3-3.0	\$ 1,005,000	735,000	155,000
2010 GO Refunding						
Bonds	2/9/2010	12/1/2017	1.2-2.7	\$ 1,695,000	1,045,000	230,000
2010 Taxable GO						
Bonds	2/9/2010	12/1/2029	2.8-6.05	\$ 3,290,000	3,290,000	-
2010 GO Refunding						
Bonds	9/1/2010	9/1/2020	2.3-3.0	\$ 5,000,000	4,815,000	180,000
2010 Taxable GO						
Bonds	10/12/2010	9/1/2027	.75-5.0	\$ 2,110,000	2,080,000	40,000
2011 GO Note	9/8/2011	9/8/2013	.75-5.0	\$ 700,000	700,000	-
Total Governmental Activities -- General Obligation Debt					<u>\$19,090,000</u>	<u>\$ 1,535,000</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

7. Long-Term Obligations (Continued)
A. General Obligation Debt (Continued)

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u> <u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,535,000	\$ 636,410
2013	2,505,000	592,292
2014	1,975,000	537,645
2015	2,025,000	475,151
2016	2,240,000	408,479
2017-2021	5,700,000	1,259,807
2022-2026	2,195,000	593,202
2027-2029	915,000	100,406
Totals	\$ 19,090,000	\$ 4,603,392

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

7. Long-Term Obligations (Continued)

B. Business-Type Debt

The following is business-type debt outstanding:

Business-type Activities Debt (Excluding Capital Lease)

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>	<u>Current Portion</u>
<u>Water Utility</u>						
2010 Mortgage Revenue Bonds	9/7/2010	10/1/2015	2.00%	\$ 1,215,000	\$ 985,000	\$ 240,000
2011 Mortgage Revenue Bonds	6/7/2011	10/1/2026	1.6-4.0%	\$ 940,000	940,000	50,000
	Total water utility revenue bonds				1,925,000	290,000
2010 GO Promissory Notes	2/9/2010	12/1/2016	1.2-2.7%	\$ 428,343	310,296	60,710
	Total Water Utility long-term debt				<u>\$ 2,235,296</u>	<u>\$ 350,710</u>
<u>Wastewater Utility</u>						
1996 Clean Water fund loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 503,970	\$ 94,773
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	\$ 50,000	2,436,713	104,917
2010 Mortgage Revenue Bonds	2/9/2010	5/1/2016	2.0-3.25%	\$ 1,230,000	1,035,000	195,000
2011 Clean Water Fund Loan	7/27/2011	5/1/2031	2.40%	\$ 115,954	115,954	4,585
	Total sewer utility revenue bonds				4,091,637	399,275
2010 GO Promissory Notes	2/9/2010	12/1/2016	1.2-2.7%	\$ 206,657	149,704	29,290
	Total Wastewater Utility long-term debt				<u>4,241,341</u>	<u>428,565</u>
<u>Stormwater Utility</u>						
2011 GO Note	9/8/2011	9/8/2013	.75-5.0%	\$ 227,000	227,000	-
	Total Stormwater Utility long-term debt				<u>227,000</u>	<u>-</u>
Total Business-type Activities Debt (excluding capital lease)					<u>\$ 6,703,637</u>	<u>\$ 779,275</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

7. Long-Term Obligations (Continued)
B. Business-Type Debt (Continued)

Debt service requirements on business-type debt to maturity are as follows:

<u>Years</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 779,275	\$ 170,242
2013	1,017,357	153,639
2014	816,621	133,803
2015	838,071	113,791
2016	599,714	91,624
2017-2021	973,844	338,988
2022-2026	1,146,224	177,921
2027-2031	532,531	24,123
Total	<u>\$ 6,703,637</u>	<u>\$1,204,131</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

7. Long-Term Obligations (Continued)

C. Other Debt

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributed to governmental activities will be liquidated primarily by the sick leave payout fund.

A statutory mortgage lien upon the utility's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The city's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

D. Lease Disclosures

In 2005, the City acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$675,191, which are included in capital assets in the governmental activities. The repayment schedule for the capital lease is as follows:

Year	General		Wastewater		Total
	Principal	Interest	Principal	Interest	
2012	\$ 56,613	\$ 14,363	\$ 4,001	\$ 1,015	\$ 75,992
2013	63,958	12,090	4,520	854	81,422
2014	71,969	9,525	5,085	673	87,252
2015	80,697	6,641	5,703	469	93,510
2016	90,203	3,411	6,374	241	100,229
2017	19,812	385	1,399	27	21,623
Total	<u>\$ 383,252</u>	<u>\$ 46,415</u>	<u>\$ 27,082</u>	<u>\$ 3,279</u>	<u>\$ 460,028</u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

8. Net Assets/Fund Balances

Governmental Activities

Net assets reported on the government wide statement of net assets at December 31, 2011 include the following:

Capital Assets net of depreciation	\$ 35,554,292
Less: long-term debt outstanding	(19,473,252)
Total Invested in Capital Assets, net of Related Debt	<u>16,081,040</u>
Restricted	
Subdividers park fees	47,638
Rescue Squad Equipment	282,689
Rock River Stormwater Group	39,554
Taxicab	57,481
Library	465,224
Cable TV	127,941
Forestry	16,602
Parking Permits	21,831
Rescue Squad Trust	53,238
Police Department Trust	12,039
TIF 4 projects	966,876
Debt service	306,279
Total Restricted	<u>2,397,392</u>
Unrestricted (deficit)	3,484,757
Total Governmental Activities Net Assets	<u><u>\$ 21,963,189</u></u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

8. Net Assets/Fund Balances (Continued)
Governmental Activities (Continued)

Fund balances as of December 31, 2011 include the items in the following table.

Major Funds

<u>General Fund</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
Delinquent personal property tax	\$ 7,318	\$ -	\$ -	\$ -
Prepaid expenses	64,608	-	-	-
Safety award	-	-	975	-
Crime prevention	-	-	3,560	-
2012 fund balance applied	-	-	100,000	-
27th Payroll	-	-	123,549	-
Fire Department Equipment	-	-	61,685	-
Dept. of Public Works Equipment Revolving Fund	-	-	148,466	-
Police Vehicle Revolving Fund	-	-	13,006	-
Government Equipment	-	-	41,277	-
Skate Park	-	-	3,211	-
Solid Waste/Recycling (deficit)	-	-	-	(53,674)
Sick Leave Severance	-	-	257,944	-
Lakes Improvements	-	-	475	-
Street Repair Revolving Fund	-	-	62,106	-
Unassigned	-	-	-	1,850,583
Total General Fund	<u>\$ 71,926</u>	<u>\$ -</u>	<u>\$ 816,254</u>	<u>\$ 1,796,909</u>

Debt Service Fund

Assigned for debt payments	<u>\$ 306,279</u>
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TID 4 Capital Projects Fund

Unassigned for TIF expenditures	<u>\$ (137,306)</u>
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CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

8. Net Assets/Fund Balances (Continued)
Governmental Activities (Continued)

<u>Non-Major Funds</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
Special Revenue Funds				
Cable Television	\$ -	\$ 127,941	\$ -	\$ -
Library Special Revenue	-	465,224	-	-
Taxi Cab Grant	-	57,481	-	-
Parkland Acquisition	-	5,623	-	-
Parkland Development	-	42,015	-	-
Forestry Fund	-	16,602	-	-
Rescue Squad Equipment	-	282,689	-	-
Parking Permit	-	21,831	-	-
Rescue Squad Trust	-	53,238	-	-
Police Dept. Trust	-	12,039	-	-
Rock River Stormwater Group	-	39,554	-	-
TID #5	-	9,011	-	-
TID #6	-	36,863	-	-
TID #7 (deficit)	-	-	-	(212)
TID #8	-	17,571	-	-
TID #9	-	2,372	-	-
Other capital projects	-	901,271	-	-
Total Non-Major Funds	<u>\$ -</u>	<u>\$ 2,091,325</u>	<u>\$ -</u>	<u>\$ (212)</u>

Restated Fund Balance

As a result of GASB 54 restatement of the following beginning fund balance changes were in effect:

	<u>General</u>	<u>Non-Major</u>
Balance 1/1/2011	\$2,183,093	\$2,618,725
Restatement for funds to be included as part of the general fund	<u>578,273</u>	<u>(578,273)</u>
Adjusted Balance 1/1/2011	<u><u>2,761,366</u></u>	<u><u>2,040,452</u></u>

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

8. Net Assets/Fund Balances (Continued)

Business Activities

The following calculation supports the water, wastewater, and stormwater utilities' balance of net assets invested in capital assets, net of related debt.

	2011
Water Utility	
Capital Assets net of depreciation	\$ 11,942,387
Less: related long-term debt outstanding	(2,235,296)
Total Invested in Capital Assets	9,707,091
Unamortized debt issuance costs	42,474
Sub-Total	42,474
Reserve from borrowing	204,652
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 9,954,217

	2011
Wastewater Utility	
Capital Assets net of depreciation	\$ 17,720,467
Less: related long-term debt outstanding	(4,245,343)
Total Invested in Capital Assets	13,475,124
Unamortized debt issuance costs	17,442
Sub-Total	17,442
Reserve from borrowing	123,000
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 13,615,566

	2011
Stormwater Utility	
Capital Assets net of depreciation	\$ 3,107,902
Less: related long-term debt outstanding	(227,000)
Total Invested in Capital Assets	2,880,902
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 2,880,902

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

9. Defined Benefit Pension Plan

All eligible City of Whitewater employees participate in the Wisconsin Retirement System (WRS), a cost sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees hired prior to July 1, 2011 expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Employees hired after July 1, 2011 are eligible to participate if expected to work at least two-thirds of full time per year and are expected to be employed for at least one year from hire date. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.8% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. For pay periods prior to June 29, 2011, the City could, and elected to, pay the employee required contributions on behalf of their employees. For pay periods after June 29, 2011, the City was no longer allowed to pay the employee required contributions for most employees.

The payroll for City of Whitewater employees covered by the system for the year ended December 31, 2011 was \$4,806,747; the employer's total payroll was \$5,451,752. The total required contribution for the year ended December 31, 2011 was \$676,338, which consisted of \$649,380, or 13.5% of covered payroll, from the employer and \$26,958, or 0.6% of covered payroll, from the employee. Total contributions for the years ended December 31, 2010 and 2009 were \$570,656 and \$519,269, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation 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 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

11. Expenditures in Excess of Budget

The City's general fund had expenditures in excess of budget as follows:

	Final Budget	Actual Expenditures	Variance
General Government	1,524,061	1,573,247	(49,186)
Public Safety	3,945,411	3,974,665	(29,254)
Public works	991,593	1,084,225	(92,632)
Conservation and development	96,718	133,897	(37,179)

12. Component Unit

This report contains the City of Whitewater Community Development Authority (authority), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and the statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The community development authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

The CDA's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	\$ 2,155,575	\$ 2,115,575	Custodial Credit Risk, Interest Rate risk

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund 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, recovery of material principal losses may not be significant to individual municipalities.

CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

12. Component Unit (Continued)

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the CDA’s deposits may not be returned to the CDA.

As of December 31, 2011, \$815,575 of the CDA’s total bank balance of \$2,115,575 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging financial institution’s trust department or agent not in the CDA’s name	<u>\$815,575</u>
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The CDA has CDs of \$1,219,010 as of 12/31/11. All are set to mature within 1 year.

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Land	\$ 275,172	\$ -	\$ -	\$ 275,172	N/A
Construction in Progress	5,416,458	-	(5,416,458)	-	N/A
Equipment	14,101	-	(1,472)	12,629	5-10
Buildings	-	6,087,994	-	6,087,994	35-40
Accumulated Depreciation					
Equipment	(12,704)	(113)	1,472	(11,345)	
Buildings	-	(121,760)	-	(121,760)	
Totals	\$5,693,027	\$ 5,966,121	\$ (2,944)	\$ 6,242,690	

d. Employee Retirement System

All eligible authority employees participate in the Wisconsin Retirement System (“system”), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). Activity related to the CDA’s involvement in the system is included with the city in Note V.A.

e. Economic Development and Housing Rehabilitation Loans Receivable

The CDA has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The CDA records a loan receivable when the loan has been made and funds have been disbursed. It is the CDA’s policy to record revenue when the initial loan is made from the federal and state grant funds. Interest received from loan repayments is recognized as revenue when received in cash. The following receivable amounts are not expected to be collected within one year:

Loan receivable	<u>\$576,544</u>
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CITY OF WHITEWATER
Notes to Financial Statements
December 31, 2011

12. Component Unit (Continued)

f. Transfers in

The CDA recorded a transfer of \$783,659 from the City. Of this amount, \$671,856 was for the costs associated with the innovation center which was paid for by TIF 4.

g. Due from City

The CDA has a long-term advance receivable from the City as disclosed in Note 6. No repayment schedule has been established yet.

13. Economic Dependency

One of the City's Water Utility customers provides approximately 21% of the water revenue.

14. Commitments and Contingencies

Federal Grant Programs

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at December 31, 2011 may be impaired. In the opinion of management, no material adjustments will result from any such audits.

Construction

The City had remaining street construction commitments of approximately \$420,000 as of 12/31/11. The City's sewer fund also is nearing completion of a sewer plant upgrade. Total costs were anticipated to be \$5,560,000. The sewer fund has costs of approximately \$5,363,000 through 12/31/11.

15. Subsequent Events

Subsequent to year end the city approved contracts for approximately \$2.4 million for the reconstruction of Milwaukee Street and \$1 million for Prince Street.

In May 2012, the City incurred several borrowings. The City approved a \$5,475,000 general obligation bond borrowing. The bonds have interest rates ranging from 2.00-3.25% with principal due annually from 2016-2031. \$927,000 of these bonds refinanced a general obligation note. The refinancing amounts are for new projects.

The City also approved \$855,000 in water revenue bonds with rates varying from 2.25% to 2.85%. Principal is due in varying amounts from 2016 through 2027.

The City also approved \$1,485,000 in sewer revenue bonds. Interest rates vary from 2.00% to 2.85%. Principal is due in varying amounts from 2016 through 2027.

REQUIRED SUPPLEMENTARY INFORMATION

City of Whitewater
Whitewater, WI

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,490,796	\$ 2,490,796	\$ 2,527,296	\$ 36,500
Special Assessment Revenue	38,400	38,400	24,356	(14,044)
Intergovernmental	4,537,382	4,537,382	4,639,718	102,336
License and Permits	98,060	106,060	69,241	(36,819)
Fines, Forfeits and Penalties	457,300	457,300	439,453	(17,847)
Public Charges for Services	664,013	656,013	713,075	57,062
Interest Income	8,000	8,000	5,726	(2,274)
Miscellaneous Income	40,850	40,850	70,596	29,746
Total Revenues	<u>8,334,801</u>	<u>8,334,801</u>	<u>8,489,461</u>	<u>154,660</u>
EXPENDITURES				
Current:				
General Government	1,639,169	1,524,061	1,573,247	(49,186)
Public Safety	3,945,411	3,945,411	3,974,665	(29,254)
Public Works	991,593	991,593	1,084,225	(92,632)
Culture, Recreation and Education	1,188,836	1,284,294	1,261,693	22,601
Conservation and Development	96,718	96,718	133,897	(37,179)
Debt Service				
Principal Repayment	-	49,882	49,882	-
Interest Expense	-	16,368	16,368	-
Total Expenditures	<u>7,861,727</u>	<u>7,908,327</u>	<u>8,093,977</u>	<u>(185,650)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>473,074</u>	<u>426,474</u>	<u>395,484</u>	<u>(30,990)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	400,000	400,000	394,437	(5,563)
Transfers Out	(948,074)	(901,474)	(822,421)	79,053
Total Other Financing Sources and Uses	<u>(548,074)</u>	<u>(501,474)</u>	<u>(427,984)</u>	<u>73,490</u>
Net Change in Fund Balances	(75,000)	(75,000)	(32,500)	42,500
Budgetary Fund Balances - Beginning	2,183,092	2,183,092	2,183,092	-
Budgetary Fund Balances - Ending	<u>\$ 2,108,092</u>	<u>\$ 2,108,092</u>	<u>\$ 2,150,592</u>	<u>\$ 42,500</u>
Reconciliation of Fund Balance:				
Budgetary Fund Balance			\$ 2,150,592	
Perspective Differences:				
Revenues not included in budgetary basis, but included in Statement of Revenues, Expenditures, and Changes in Fund Balance		(13,186)		
Expenditures not included in budgetary basis, but included in Statement of Revenues, Expenditures, and Changes in Fund Balance		(683,033)		
Transfers not included in budgetary basis, but included in Statement of Revenues, Expenditures, and Changes in Fund Balance		652,442		
Beginning fund balance of funds not included in budgetary basis, but included in Statement of Revenues, Expenditures, and Changes in Fund Balance		578,274		
			<u>534,497</u>	
Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balance			<u>\$ 2,685,089</u>	

SUPPLEMENTARY INFORMATION

**City of Whitewater
Whitewater, WI**

**Balance Sheet
Non-Major Governmental Funds
December 31, 2011**

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,129,716	\$ 1,130,048	\$ 2,259,764
Receivables:			
Taxes	-	28,641	28,641
Other	23,110	-	23,110
Due from Other Funds	3	-	3
Due from Other Governments	30,894	-	30,894
Total Assets	\$ 1,183,723	\$ 1,158,689	\$ 2,342,412
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 37,616	\$ 156,172	\$ 193,788
Accrued Liabilities	5,827	-	5,827
Due to Other Funds	5,180	7,000	12,180
Deferred Revenue	10,863	28,641	39,504
Total Liabilities	59,486	191,813	251,299
 Fund Balance:			
Restricted	1,124,237	967,088	2,091,325
Total Fund Balance	1,124,237	966,876	2,091,113
Total Liabilities and Fund Balance	\$ 1,183,723	\$ 1,158,689	\$ 2,342,412

**City of Whitewater
Whitewater, WI**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2011**

	Non-Major Special Revenue Funds	Non-Major Capital Project Funds	Non-Major Governmental Funds
REVENUES			
Property Taxes	\$ -	\$ 21,525	\$ 21,525
Intergovernmental	390,502	571,576	962,078
Fines, Forfeits and Penalties	15,628	-	15,628
Public Charges for Services	150,263	-	150,263
Intergovernmental Charges for Services	64	-	64
Interest Income	6,597	1,543	8,140
Miscellaneous Income	65,960	20,269	86,229
Total Revenues	<u>666,014</u>	<u>614,913</u>	<u>1,280,927</u>
EXPENDITURES			
Current:			
General Government	25,852	-	25,852
Public Safety	10,954	-	10,954
Public Works	133,865	-	133,865
Culture, Recreation and Education	412,076	-	412,076
Conservation and Development	1,392	749	2,141
Capital Outlay	10,144	1,440,031	1,450,175
Total Expenditures	<u>594,283</u>	<u>1,440,780</u>	<u>2,035,063</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,731</u>	<u>(825,867)</u>	<u>(754,136)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Long-Term Debt	-	700,000	700,000
Transfers In	10,894	241,442	252,336
Transfers Out	(54,000)	(88,539)	(142,539)
Transfers Out to CDA	-	(5,000)	(5,000)
Total Other Financing Sources and Uses	<u>(43,106)</u>	<u>847,903</u>	<u>804,797</u>
Net Change in Fund Balances	28,625	22,036	50,661
Fund Balances - Beginning	1,095,612	944,840	2,040,452
Fund Balances - Ending	<u>\$ 1,124,237</u>	<u>\$ 966,876</u>	<u>\$ 2,091,113</u>

**City of Whitewater
Whitewater, WI**

**Non-Major Special Revenue Funds
Combining Balance Sheet
December 31, 2011**

	<u>Cable TV Fund</u>	<u>Library Special Revenue Fund</u>	<u>Taxicab Grant Program Fund</u>	<u>Parkland Acquisition Fund</u>	<u>Parkland Development Fund</u>	<u>Forestry Fund</u>	<u>Rescue Squad Equipment/ Educ. Fund</u>
ASSETS							
Cash and Cash Equivalents	\$ 107,016	\$ 484,677	\$ 57,614	\$ 5,623	\$ 42,015	\$ 16,602	\$ 282,689
Receivables:							
Other	23,110	-	-	-	-	-	-
Due from Other Funds	-	3	-	-	-	-	-
Due from Other Governments	-	-	30,894	-	-	-	-
Total Assets	<u>\$ 130,126</u>	<u>\$ 484,680</u>	<u>\$ 88,508</u>	<u>\$ 5,623</u>	<u>\$ 42,015</u>	<u>\$ 16,602</u>	<u>\$ 282,689</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 43	\$ 10,591	\$ 20,164	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	2,140	3,687	-	-	-	-	-
Due to Other Funds	2	5,178	-	-	-	-	-
Deferred Revenue	-	-	10,863	-	-	-	-
Total Liabilities	<u>2,185</u>	<u>19,456</u>	<u>31,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:							
Restricted	127,941	465,224	57,481	5,623	42,015	16,602	282,689
Total Fund Balance	<u>127,941</u>	<u>465,224</u>	<u>57,481</u>	<u>5,623</u>	<u>42,015</u>	<u>16,602</u>	<u>282,689</u>
Total Liabilities and Fund Balance	<u>\$ 130,126</u>	<u>\$ 484,680</u>	<u>\$ 88,508</u>	<u>\$ 5,623</u>	<u>\$ 42,015</u>	<u>\$ 16,602</u>	<u>\$ 282,689</u>

**City of Whitewater
Whitewater, WI**

**Non-Major Special Revenue Funds
Combining Balance Sheet
December 31, 2011**

	<u>Parking Permit Fund</u>	<u>Rescue Squad Trust Fund</u>	<u>Police Dept. Trust Fund</u>	<u>Rock River Storm Water Group</u>	<u>Non-Major Special Revenue Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 21,996	\$ 53,238	\$ 18,692	\$ 39,554	\$ 1,129,716
Receivables:					
Other	-	-	-	-	23,110
Due from Other Funds	-	-	-	-	3
Due from Other Governments	-	-	-	-	30,894
Total Assets	<u>\$ 21,996</u>	<u>\$ 53,238</u>	<u>\$ 18,692</u>	<u>\$ 39,554</u>	<u>\$ 1,183,723</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 165	\$ -	\$ 6,653	\$ -	\$ 37,616
Accrued Liabilities	-	-	-	-	5,827
Due to Other Funds	-	-	-	-	5,180
Deferred Revenue	-	-	-	-	10,863
Total Liabilities	<u>165</u>	<u>-</u>	<u>6,653</u>	<u>-</u>	<u>59,486</u>
Fund Balance:					
Restricted	<u>21,831</u>	<u>53,238</u>	<u>12,039</u>	<u>39,554</u>	<u>1,124,237</u>
Total Fund Balance	<u>21,831</u>	<u>53,238</u>	<u>12,039</u>	<u>39,554</u>	<u>1,124,237</u>
Total Liabilities and Fund Balance	<u>\$ 21,996</u>	<u>\$ 53,238</u>	<u>\$ 18,692</u>	<u>\$ 39,554</u>	<u>\$ 1,183,723</u>

**City of Whitewater
Whitewater, WI**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2011**

	Cable TV Fund	Library Special Revenue Fund	Taxicab Grant Program Fund	Parkland Acquisition Fund	Parkland Development Fund	Forestry Fund	Rescue Squad Equipment/ Educ. Fund
REVENUES							
Intergovernmental	\$ -	\$ 251,998	\$ 138,504	\$ -	\$ -	\$ -	\$ -
Fines, Forfeits and Penalties	-	15,628	-	-	-	-	-
Public Charges for Services	104,112	6,579	-	-	13,492	-	-
Intergovernmental Charges for Services	-	-	-	-	-	-	64
Interest Income	511	2,034	69	4	99	82	3,168
Miscellaneous Income	1,597	27,478	-	5,722	32,115	-	-
Total Revenues	<u>106,220</u>	<u>303,717</u>	<u>138,573</u>	<u>5,726</u>	<u>45,706</u>	<u>82</u>	<u>3,232</u>
EXPENDITURES							
Current:							
Public Safety	-	-	-	-	-	-	4,988
Public Works	-	-	133,865	-	-	-	-
Culture, Recreation and Education	109,994	288,211	-	9,526	1,865	-	2,480
Conservation and Development	-	-	-	-	-	1,392	-
Capital Outlay	-	3,807	-	-	6,337	-	-
Total Expenditures	<u>109,994</u>	<u>292,018</u>	<u>133,865</u>	<u>9,526</u>	<u>8,202</u>	<u>1,392</u>	<u>7,468</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,774)</u>	<u>11,699</u>	<u>4,708</u>	<u>(3,800)</u>	<u>37,504</u>	<u>(1,310)</u>	<u>(4,236)</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	10,894	-	-	-	-
Transfers Out	(22,000)	-	-	-	-	(10,000)	-
Total Other Financing Sources and Uses	<u>(22,000)</u>	<u>-</u>	<u>10,894</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Net Change in Fund Balances	(25,774)	11,699	15,602	(3,800)	37,504	(11,310)	(4,236)
Fund Balances - Beginning	153,715	453,525	41,879	9,423	4,511	27,912	286,925
Fund Balances - Ending	<u>\$ 127,941</u>	<u>\$ 465,224</u>	<u>\$ 57,481</u>	<u>\$ 5,623</u>	<u>\$ 42,015</u>	<u>\$ 16,602</u>	<u>\$ 282,689</u>

**City of Whitewater
Whitewater, WI**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2011**

	<u>Parking Permit Fund</u>	<u>Rescue Squad Trust Fund</u>	<u>Police Dept. Trust Fund</u>	<u>Rock River Storm Water Group</u>	<u>Non-Major Special Revenue Funds</u>
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 390,502
License and Permits	-	-	-	37,000	37,000
Fines, Forfeits and Penalties	-	-	-	-	15,628
Public Charges for Services	26,080	-	-	-	150,263
Intergovernmental Charges for Services	-	-	-	-	64
Interest Income	43	476	32	79	6,597
Miscellaneous Income	-	-	(952)	-	65,960
Total Revenues	<u>26,123</u>	<u>476</u>	<u>(920)</u>	<u>37,079</u>	<u>666,014</u>
EXPENDITURES					
Current:					
General Government	-	-	1,400	24,452	25,852
Public Safety	5,966	-	-	-	10,954
Public Works	-	-	-	-	133,865
Culture, Recreation and Education	-	-	-	-	412,076
Conservation and Development	-	-	-	-	1,392
Capital Outlay	-	-	-	-	10,144
Total Expenditures	<u>5,966</u>	<u>-</u>	<u>1,400</u>	<u>24,452</u>	<u>594,283</u>
Excess (Deficiency) of Revenues Over Expenditures	20,157	476	(2,320)	12,627	71,731
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	10,894
Transfers Out	(22,000)	-	-	-	(54,000)
Total Other Financing Sources and Uses	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,106)</u>
Net Change in Fund Balances	(1,843)	476	(2,320)	12,627	28,625
Fund Balances - Beginning	23,674	52,762	14,359	26,927	1,095,612
Fund Balances - Ending	<u>\$ 21,831</u>	<u>\$ 53,238</u>	<u>\$ 12,039</u>	<u>\$ 39,554</u>	<u>\$ 1,124,237</u>

**City of Whitewater
Whitewater, WI**

**Non-Major Capital Project Funds
Combining Balance Sheet
December 31, 2011**

	<u>TID #5</u>	<u>TID #6</u>	<u>TID #7</u>	<u>TID #8</u>	<u>TID #9</u>	<u>Other Capital Projects Funds</u>	<u>Non-Major Capital Project Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 9,011	\$ 36,863	\$ (212)	\$ 17,571	\$ 2,372	\$ 1,064,443	\$ 1,130,048
Receivables:							
Taxes	-	28,207	-	194	240	-	28,641
Total Assets	<u>\$ 9,011</u>	<u>\$ 65,070</u>	<u>\$ (212)</u>	<u>\$ 17,765</u>	<u>\$ 2,612</u>	<u>\$ 1,064,443</u>	<u>\$ 1,158,689</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,172	\$ 156,172
Due to Other Funds	-	-	-	-	-	7,000	7,000
Deferred Revenue	-	28,207	-	194	240	-	28,641
Total Liabilities	<u>-</u>	<u>28,207</u>	<u>-</u>	<u>194</u>	<u>240</u>	<u>163,172</u>	<u>191,813</u>
Fund Balance:							
Restricted	9,011	36,863	-	17,571	2,372	901,271	967,088
Unassigned (deficit)	-	-	(212)	-	-	-	(212)
Total Fund Balance (deficit)	<u>9,011</u>	<u>36,863</u>	<u>(212)</u>	<u>17,571</u>	<u>2,372</u>	<u>901,271</u>	<u>966,876</u>
Total Liabilities and Fund Balance	<u>\$ 9,011</u>	<u>\$ 65,070</u>	<u>\$ (212)</u>	<u>\$ 17,765</u>	<u>\$ 2,612</u>	<u>\$ 1,064,443</u>	<u>\$ 1,158,689</u>

**City of Whitewater
Whitewater, WI**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Project Funds
For the Year Ended December 31, 2011**

	<u>TID #5</u>	<u>TID #6</u>	<u>TID #7</u>	<u>TID #8</u>	<u>TID #9</u>	<u>Other Capital Projects Funds</u>	<u>Non-Major Capital Projects Funds</u>
REVENUES							
Property Taxes	\$ 1,015	\$ 20,120	\$ -	\$ -	\$ 390	\$ -	\$ 21,525
Intergovernmental	-	-	-	-	-	571,576	571,576
Interest Income	2	327	-	37	-	1,177	1,543
Miscellaneous Income	-	-	-	-	-	20,269	20,269
Total Revenues	<u>1,017</u>	<u>20,447</u>	<u>-</u>	<u>37</u>	<u>390</u>	<u>593,022</u>	<u>614,913</u>
EXPENDITURES							
Current:							
Conservation and Development	150	150	150	150	149	-	749
Capital Outlay	-	83,045	-	-	-	1,356,986	1,440,031
Total Expenditures	<u>150</u>	<u>83,195</u>	<u>150</u>	<u>150</u>	<u>149</u>	<u>1,356,986</u>	<u>1,440,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>867</u>	<u>(62,748)</u>	<u>(150)</u>	<u>(113)</u>	<u>241</u>	<u>(763,964)</u>	<u>(825,867)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from Long-Term Debt	-	-	-	-	-	700,000	700,000
Transfers In	-	-	-	-	-	241,442	241,442
Transfers Out	-	(25,182)	-	-	-	(63,357)	(88,539)
Transfers Out to CDA	-	(5,000)	-	-	-	-	(5,000)
Total Other Financing Sources and Uses	<u>-</u>	<u>(30,182)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>878,085</u>	<u>847,903</u>
Net Change in Fund Balances	867	(92,930)	(150)	(113)	241	114,121	22,036
Fund Balances - Beginning	8,144	129,793	(62)	17,684	2,131	787,150	944,840
Fund Balances - Ending	<u>\$ 9,011</u>	<u>\$ 36,863</u>	<u>\$ (212)</u>	<u>\$ 17,571</u>	<u>\$ 2,372</u>	<u>\$ 901,271</u>	<u>\$ 966,876</u>

**City of Whitewater
Whitewater, WI
Combining Statement of Net Assets - Component Unit
December 31, 2011**

	Community Development Authority (Operating)	Community Development Authority (Program)	Innovation Center	Total
ASSETS				
Cash and Investments	\$ 57,632	\$ 2,032,459	\$ 25,483	\$ 2,115,574
Due from City	129	(1,491)	1,566	204
Loans receivable	-	576,544	-	576,544
Due from other CDA funds	-	15,711	-	15,711
Advance receivable from City	-	750,000	-	750,000
Capital Assets				
Land, Improvements, and Construction in Progress	-	275,172	-	275,172
Other Capital Assets, net of depreciation	1,285	5,966,234	-	5,967,519
Total Capital Assets	<u>1,285</u>	<u>6,241,406</u>	<u>-</u>	<u>6,242,691</u>
Total Assets	<u>\$ 59,046</u>	<u>\$ 9,614,629</u>	<u>\$ 27,049</u>	<u>\$ 9,700,724</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 1	\$ 900	\$ 3,338	\$ 4,239
Due to other CDA funds	15,786	-	-	15,786
Due to City	376	-	-	376
Total Liabilities	<u>16,163</u>	<u>900</u>	<u>3,338</u>	<u>20,401</u>
NET ASSETS				
Invested in Capital Assets	1,285	6,241,406	-	6,242,691
Restricted	-	3,372,323	-	3,372,323
Unrestricted	41,598	-	23,711	65,309
Total Net Assets	<u>42,883</u>	<u>9,613,729</u>	<u>23,711</u>	<u>9,680,323</u>
Total Liabilities and Net Assets	<u>\$ 59,046</u>	<u>\$ 9,614,629</u>	<u>\$ 27,049</u>	<u>\$ 9,700,724</u>

**City of Whitewater
Whitewater, WI**

**Combining Statement of Revenues, Expenses and Changes in
Net Assets - Component Unit
For the Year Ended December 31, 2011**

	Community Development Authority (Operating)	Community Development Authority (Program)	Innovation Center	Total
Operating Revenues	\$ -	\$ 14,280	\$ 95,220	\$ 109,500
Operating Expenses				
Operating Expenses	96,191	33,162	72,234	201,587
Depreciation	113	121,760	-	121,873
HUSCO Grant	-	606,000	-	606,000
Total Operating Expenses	<u>96,304</u>	<u>760,922</u>	<u>72,234</u>	<u>929,460</u>
Operating Income (Loss)	(96,304)	(746,642)	22,986	(819,960)
Non-Operating Revenues (Expenses)				
Investment Income	32	29,988	14	30,034
Miscellaneous	-	1,977	711	2,688
Intergovernmental and Other	7,988	606,915	-	614,903
In-Kind Revenue	-	-	179,051	179,051
In-Kind Expenses	<u>-</u>	<u>-</u>	<u>(179,051)</u>	<u>(179,051)</u>
Total Non Operating Revenues	<u>8,020</u>	<u>638,880</u>	<u>725</u>	<u>647,625</u>
Transfer in from City	<u>111,803</u>	<u>671,856</u>	<u>-</u>	<u>783,659</u>
Change in Net Assets	23,519	564,094	23,711	611,324
Total Net Assets - Beginning	<u>19,364</u>	<u>9,049,635</u>	<u>-</u>	<u>9,068,999</u>
Total Net Assets - Ending	<u>\$ 42,883</u>	<u>\$ 9,613,729</u>	<u>\$ 23,711</u>	<u>\$ 9,680,323</u>

**City of Whitewater
Whitewater, WI**

**Combining Statement of Cash Flows - Component Unit
For the Year Ended December 31, 2011**

	Community Development Authority (Operating)	Community Development Authority (Program)	Innovation Center	Total
Cash Flows From Operating Activities				
Received from customers	\$ -	\$ 14,280	\$ 95,220	\$ 109,500
Loans repaid	-	195,820	-	195,820
Intergovernmental charges	7,988	606,915	-	614,903
Paid to suppliers for goods and services	(13,684)	(635,694)	(69,751)	(719,129)
Payments to employees for services	(86,411)	-	-	(86,411)
Net cash flows from operating activities	<u>(92,107)</u>	<u>181,321</u>	<u>25,469</u>	<u>114,683</u>
Cash Flows From Investing Activities				
Long-term investments purchased	-	(1,219,010)	-	(1,219,010)
Long-term investments sold	-	892,759	-	892,759
Investment income	31	30,307	14	30,352
Net cash flows from investing activities	<u>31</u>	<u>(295,944)</u>	<u>14</u>	<u>(295,899)</u>
Cash Flows From Non-Capital Financing Activities				
Transfers in from City	111,803	-	-	111,803
Net cash flow from noncapital financing activities	<u>111,803</u>	<u>-</u>	<u>-</u>	<u>111,803</u>
Net increase (decrease) in cash and cash equivalents	19,727	(114,623)	25,483	(69,413)
Cash And Cash Equivalents - Beginning Of Year	<u>37,905</u>	<u>928,072</u>	<u>-</u>	<u>965,977</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 57,632</u>	<u>\$ 813,449</u>	<u>\$ 25,483</u>	<u>\$ 896,564</u>

Noncash Investing, Capital And Related Financing Activities

Transferred Innovation Center from CWIP (\$6,087,994)

**City of Whitewater
Whitewater, WI**

**Combining Statement of Cash Flows - Component Unit
For the Year Ended December 31, 2011**

	Community Development Authority (Operating)	Community Development Authority (Program)	Innovation Center	Total
Reconciliation Of Operating Income (Loss) To Net				
Cash Flows From Operating Activities				
Operating income (loss)	\$ (96,304)	\$ (746,642)	\$ 22,986	\$ (819,960)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Miscellaneous	7,988	608,892	711	617,591
Noncash items included in income (loss)				
Depreciation	113	121,760	-	121,873
Change in Assets and Liabilities				
Loans receivable	-	195,820	-	195,820
Due from other funds	-	-	(1,566)	(1,566)
Accounts payable	(4,289)	-	3,338	(951)
Due to other funds	385	1,491	-	1,876
	<u>\$ (92,107)</u>	<u>\$ 181,321</u>	<u>\$ 25,469</u>	<u>\$ 114,683</u>
Reconciliation Of Cash And Cash Equivalents To The Statement Of Net Assets				
Cash and investments - statement of net assets - component unit	\$ 57,632	\$ 2,032,459	\$ 25,483	\$ 2,115,574
less: Non-cash equivalents	<u>-</u>	<u>(1,219,010)</u>	<u>-</u>	<u>(1,219,010)</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 57,632</u>	<u>\$ 813,449</u>	<u>\$ 25,483</u>	<u>\$ 896,564</u>

City of Whitewater

**Schedule of Long-Term Debt Principal Payments - Governmental Activities
December 31, 2011**

Year	Totals	2005 TIF #4 General Obligation Refunding Notes	2008 TIF #4 General Obligation Refunding	2009 General Obligation Refunding Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds	2011 General Obligation Notes
2012	\$ 1,535,000	\$ 445,000	\$ 485,000	\$ 155,000	\$ 230,000	\$ -	\$ 180,000	\$ 40,000	\$ -
2013	2,505,000	460,000	665,000	150,000	230,000	50,000	180,000	70,000	700,000
2014	1,975,000	475,000	780,000	145,000	230,000	115,000	175,000	55,000	-
2015	2,025,000	495,000	835,000	145,000	190,000	165,000	135,000	60,000	-
2016	2,240,000	-	875,000	140,000	125,000	170,000	895,000	35,000	-
2017	2,115,000	-	910,000	-	40,000	175,000	915,000	75,000	-
2018	1,205,000	-	-	-	-	180,000	935,000	90,000	-
2019	970,000	-	-	-	-	185,000	690,000	95,000	-
2020	995,000	-	-	-	-	190,000	710,000	95,000	-
2021	415,000	-	-	-	-	195,000	-	220,000	-
2022	430,000	-	-	-	-	205,000	-	225,000	-
2023	445,000	-	-	-	-	210,000	-	235,000	-
2024	460,000	-	-	-	-	220,000	-	240,000	-
2025	480,000	-	-	-	-	230,000	-	250,000	-
2026	380,000	-	-	-	-	235,000	-	145,000	-
2027	395,000	-	-	-	-	245,000	-	150,000	-
2028	255,000	-	-	-	-	255,000	-	-	-
2029	265,000	-	-	-	-	265,000	-	-	-
Totals	\$ 19,090,000	\$ 1,875,000	\$ 4,550,000	\$ 735,000	\$ 1,045,000	\$ 3,290,000	\$ 4,815,000	\$ 2,080,000	\$ 700,000

City of Whitewater

**Schedule of Long-Term Debt Interest Payments - Governmental Activities
December 31, 2011**

Year	Totals	2005 TIF #4 General Obligation Refunding Notes	2008 TIF #4 General Obligation Refunding	2009 General Obligation Refunding Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds	2010 General Obligation Refunding Bonds	2010 Taxable General Obligation Community Development Bonds	2011 General Obligation Notes
2012	\$ 636,410	\$ 67,500	\$ 170,625	\$ 18,650	\$ 21,205	\$ 163,300	\$ 113,912	\$ 81,218	\$ 5,040
2013	592,292	51,480	152,437	15,550	17,985	163,300	110,762	80,778	5,040
2014	537,645	34,920	127,500	12,175	13,845	161,900	107,612	79,693	-
2015	475,151	17,820	98,250	8,188	9,015	158,680	104,550	78,648	-
2016	408,479	-	66,938	4,200	4,455	153,400	102,188	77,298	-
2017	343,161	-	34,125	-	1,080	147,280	84,288	76,388	-
2018	280,443	-	-	-	-	140,280	65,988	74,175	-
2019	244,155	-	-	-	-	132,630	40,275	71,250	-
2020	213,111	-	-	-	-	124,028	21,300	67,783	-
2021	178,937	-	-	-	-	114,812	-	64,125	-
2022	160,497	-	-	-	-	105,062	-	55,435	-
2023	141,043	-	-	-	-	94,608	-	46,435	-
2024	120,147	-	-	-	-	83,582	-	36,565	-
2025	97,827	-	-	-	-	71,702	-	26,125	-
2026	73,688	-	-	-	-	58,938	-	14,750	-
2027	53,042	-	-	-	-	45,542	-	7,500	-
2028	31,332	-	-	-	-	31,332	-	-	-
2029	16,032	-	-	-	-	16,032	-	-	-
Totals	\$ 4,603,392	\$ 171,720	\$ 649,875	\$ 58,763	\$ 67,585	\$ 1,966,408	\$ 750,875	\$ 938,166	\$ 10,080

SINGLE AUDIT

CITY OF WHITEWATER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2011

Federal Awarding Agency Pass-Through Agency Award Description	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security		
Assistance to Firefighters Grant	97.044	\$ 88,380
Passed through Wisconsin Department of Military Affairs		
Disaster Grants- Public Assistance	97.036	<u>37,117</u>
Total U.S. Department of Homeland Security		125,497
U.S. Department of Transportation		
Passed through Wisconsin Department of Transportation		
Federal Small Urban Area and Rural Public Transportation Program	20.509	66,933
U.S. Environmental Protection Agency		
Passed through Wisconsin Department of Natural Resources		
Clean Water Fund Program	66.458	70,342
U.S. Department of Commerce		
Investments for Public Works and Economic Development Facilities	11.300	816,302
U.S. Department of Energy		
Passed through Wisconsin Department of Commerce		
Energy Efficiency and Conservation Block Grant (ARRA)	81.128	83,196
Passed through Wisconsin Department of Administration		
Energy Efficiency and Conservation Block Grant (ARRA)	81.128	<u>35,368</u>
Total U.S. Department of Energy		118,564
U.S. Department of Justice		
Edward Byrne Memorial Justice Assistance Grant (ARRA)	16.804	12,768
U.S. Department of Housing and Urban Development		
Passed through Wisconsin Department of Commerce		
Community Development Block Grants - Public Facilities	14.228	400,000
Community Development Block Grants - Economic Development	14.228	<u>606,000</u>
Total U.S. Department of Housing and Urban Development		<u>1,006,000</u>
Total Expenditures of Federal Awards		<u>\$ 2,216,406</u>
State Awarding Agency Pass-through Agency Award Description	State ID Number	State Expenditures
Wisconsin Department of Natural Resources		
Recycling Programs and Efficiency	370.670	\$ 31,766
Wisconsin Department of Transportation		
Transit Operating Aids	395.104	60,677
Wisconsin Department of Commerce		
Petroleum Environmental Cleanup Fund Award	unknown	11,244
Wisconsin Department of Military Affairs		
State Match- Federal Disaster Assistance	465.305	<u>6,186</u>
Total Expenditures of State Awards		<u>\$ 109,873</u>

CITY OF WHITEWATER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2011

Note 1 Reporting Entity

This Schedule of Expenditures of Federal and State Awards includes all federal and state awards of the City of Whitewater required to be included in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Wisconsin State Single Audit Guidelines*.

Note 2 Basis of Presentation

The accounting records for the grant program are maintained on the accrual or modified accrual basis of accounting, depending on the fund type the federal and state awards are recorded in. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Wisconsin State Single Audit Guidelines*.

Note 3 Commitments and Contingencies

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at December 31, 2011 may be impaired. In the opinion of management, no material adjustments will result from any such audits.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

July 9, 2012

To the City Council
City of Whitewater
Whitewater, Wisconsin

We have audited the financial statements of the City of Whitewater as of and for the year ended December 31, 2011, and have issued our report thereon dated July 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Whitewater's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Whitewater's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Whitewater's internal control over financial reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

City of Whitewater
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whitewater's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Whitewater in a separate letter dated July 9, 2012.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Madison, Wisconsin



Certified Public Accountants

49 Kessel Court, Suite 210 ▲ Madison, Wisconsin 53711 ▲ TEL 608-274-2002 ▲ FAX 608-274-4320

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133* AND THE *STATE SINGLE AUDIT GUIDELINES*

July 9, 2012

To the City Council
City of Whitewater
Whitewater, Wisconsin

Compliance

We have audited the City of Whitewater's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011. The City of Whitewater's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs is the responsibility of the City of Whitewater's management. Our responsibility is to express an opinion on the City of Whitewater's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Those standards, *OMB Circular A-133* and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City of Whitewater's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Whitewater's compliance with those requirements.

In our opinion, the City of Whitewater complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2011.



Internal Control Over Compliance

The management of the City of Whitewater is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Whitewater's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Whitewater's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Whitewater's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Whitewater's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Madison, Wisconsin

**CITY OF WHITEWATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness identified? No

* Significant deficiency(ies) identified Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weakness identified? No

* Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Program</u>
14.228	Community Development Block Grants
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold for distinguishing Types A and B programs: \$300,000

Auditee qualified as low-risk auditee? No

**CITY OF WHITEWATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major programs:

- * Material weakness identified? No
- * Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major state programs:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
395.104	Transit Operating Aids

**CITY OF WHITEWATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section II – Financial Statement Finding

2011-1

Condition: The City does not have management personnel with the necessary expertise to prepare the financial statements and related notes in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the City's financial statements.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Effect: Because management relies on the auditor to assist with the preparation of the financial statements, the City's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

Auditor's Recommendation: The auditor will continue to work with the City, providing information and training where needed, to make the City's personnel more knowledgeable about its responsibility for the financial statements.

Grantee Response: The control deficiency has been discussed with the City's management and they acknowledge their responsibility for the financial statements. Management will work with their auditor to implement changes to their internal control structure to address this.

Section III – Federal and State Award Findings and Questioned Costs

No matters were reported.

**CITY OF WHITEWATER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

U.S. Department of Commerce

Finding 2010-2: Investments for Public Works and Economic Development Facilities

Condition: The construction contractor for the Whitewater-Technology Park building portion of the project has not been awarded per EDA Standard Terms and Conditions. The construction contractor is also working as a construction project manager developing specifications, requirements, statements of work, and invitations for bids and/or requests for proposal.

Auditor's Recommendation: We recommend that the City establish and follow procedures to comply with CFR 15 Section 14.43.

Current Status: No similar findings were noted in the 2011 audit.